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### Research Downgrades

#### Hershey Company (HSY-US) 2

We are downgrading our rating on HSY from Buy to Neutral. Mondelez' offered to acquire HSY at \$107/share, along with concessions to HSY shareholders to sweeten the deal and overcome issues related to the Milton Hershey School trust which owns 80% of HSY's voting shares. While we initially thought that the Mondelez offer might be considered by HSY, given the length of time it was rumored the two entities were in talks, we now feel the deal is less likely transpire given Mondelez' history of renegeing on its acquisition promises as it did when it acquired Cadbury PLC and HSY's swift rejection of Mondelez' indication of interest.

#### WhiteWave Foods Company (WWAV-US) 3

We are downgrading WWAV from Buy to Neutral. Danone has agreed to purchase WWAV for \$56.25/share, EV of 12.5B, in an all cash transaction that is expected to close by the end of 2017. Since being spun out of Dean Foods (DF-US, not rated) two years ago WWAV has been singled out as a takeover candidate given its leadership position in the growing Natural/Organic Food segment. We believe acquiring WWAV makes sense from a strategic sense for Danone, as the company emphasizes health and wellness across its existing product base and Danone's global scope will enable the company to expand WWAV's brand presence internationally.

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## Research Highlights

### Company Notes

### Hershey Company (HSY-US) Food Products

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**Research Action:**

Downgrade Rating

Rating: Neutral

Prior Rating: Buy

Price 07/08/2016: \$110.70

52 Week High / Low: \$117.79 / \$82.41

**Key Data: (TTM as of Mar-16)**

Excess Cash per Share: -\$0.37

Annual Dividend: \$2.33

Dividend Yield: 2.11%

Ave. Volume (30 Day): 2.8M

Shares Outstanding: 207.9M

Float: 207.0M

Equity MV: \$23,010.3M

Sales TTM: \$7,277.6M

Beta: 0.75

EBITDAR: \$1,743.2M

NOPAT: \$848.6M

Total Invested Capital: \$3,656.9M

Return on Capital: 21.98%

Cost of Capital: 4.47%

Economic Profit: \$676.1M

Market Value Added: \$21,972.5M

Current Operations Value: \$18,781.2M

Future Growth Value: \$6,848.3M

- **We are downgrading our rating on HSY from Buy to Neutral.** Mondelez' offered to acquire HSY at \$107/share, along with concessions to HSY shareholders to sweeten the deal and overcome issues related to the Milton Hershey School trust which owns 80% of HSY's voting shares. While we initially thought that the Mondelez offer might be considered by HSY, given the length of time it was rumored the two entities were in talks, we now feel the deal is less likely to transpire given Mondelez' history of renegeing on its acquisition promises as it did when it acquired Cadbury PLC and HSY's swift rejection of Mondelez' indication of interest.
- **Valuation is now our key concern.** After upgrading HSY in the beginning of the year due to historically low valuation, we now see HSY as fully valued at current levels. EV/EBITDAR has gone from 9.9x at the end of the first quarter to 11.3x subsequent to the Mondelez bid. Further, HSY's EV/EP (24x) is well above its 5yr average of 22.22x as above the 21.0x EV/EP it was trading at in March when we upgraded the shares. We see little room for additional share price appreciation with HSY trading above its historical valuation range.

For more information or a copy of our complete report, please contact us at (646) 780-8880 or [research@tigressfp.com](mailto:research@tigressfp.com)

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## Research Highlights

### Company Notes

### WhiteWave Foods Company (WWAV-US) Food Products

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**Research Action:**

**Downgrade Rating**

**Rating:** Neutral

**Prior Rating:** Buy

**Price 07/08/2016:** \$56.64

**52 Week High / Low:** \$56.82 / \$31.40

**Key Data: (TTM as of Mar-16)**

**Excess Cash per Share:** -\$0.91

**Annual Dividend:** \$0.00

**Dividend Yield:** 0.00%

**Ave. Volume (30 Day):** 4.1M

**Shares Outstanding:** 176.9M

**Float:** 173.1M

**Equity MV:** \$10,020.6M

**Sales TTM:** \$3,994.8M

**Beta:** 1.17

**EBITDAR:** \$510.3M

**NOPAT:** \$236.0M

**Total Invested Capital:** \$3834.3M

**Return on Capital:** 6.97%

**Cost of Capital:** 5.84%

**Economic Profit:** \$46.4M

**Market Value Added:** \$5,573.1M

**Current Operations Value:** \$4,215.0M

**Future Growth Value:** \$5,192.4M

- **We are downgrading WWAV from Buy to Neutral.** Danone has agreed to purchase WWAV for \$56.25/share, EV of \$12.5B, in an all cash transaction that is expected to close by the end of 2017. Since being spun out of Dean Foods (DF-US, Not rated) two years ago WWAV has been singled out as a takeover candidate given its leadership position in the growing Natural/Organic Food segment. We believe acquiring WWAV makes sense from a strategic sense for Danone, as the company emphasizes health and wellness across its existing product base and Danone's global scope will enable the company to expand WWAV's brand presence internationally.
- **Competing bids over the next couple of weeks would not come as a surprise.** Given WWAV's strong positioning in key growth areas of the food and beverage segments, coupled with the deal's modest premium (24%), we believe the likelihood for additional bidders entering the fray is pretty good. Potential bidders include many large-cap food and beverage companies such as General Mills (GIS-US, Not rated), Nestle (NESN-CH, Not rated), Pepsi (PEP-US, Neutral rated), Campbell (CPB-US, Not rated) and Kellogg (K-US, Not rated).

For more information or a copy of our complete report, please contact us at (646) 780-8880 or [research@tigressfp.com](mailto:research@tigressfp.com)

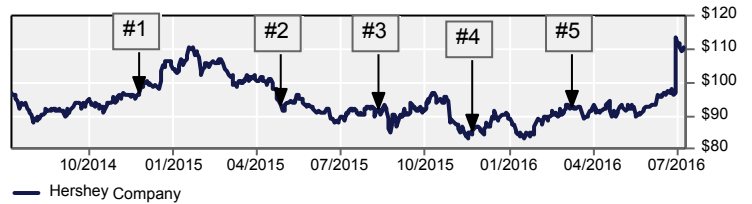
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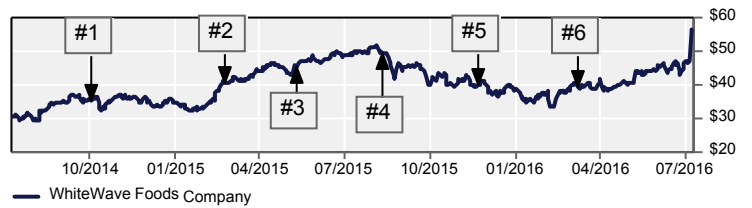
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**Ratings History**
**Hershey Company (HSY-US)**

Item #	Date	Research Action	Rating	Price
#5	03/09/2016	Upgrade	Buy	\$92.57
#4	11/23/2015	Reiterate Rating	Neutral	\$85.65
#3	08/12/2015	Reiterate Rating	Neutral	\$92.26
#2	04/27/2015	Reiterate Rating	Neutral	\$93.71
#1	11/25/2014	Initiation of Coverage	Neutral	\$96.93


**WhiteWave Foods Company (WWAV-US)**

Item #	Date	Research Action	Rating	Price
#6	03/09/2016	Downgrade	Buy	\$39.56
#5	11/23/2015	Reiterate Rating	Strong Buy	\$40.14
#4	08/12/2015	Reiterate Rating	Strong Buy	\$49.95
#3	05/11/2015	Reiterate Rating	Strong Buy	\$45.83
#2	02/23/2015	Upgrade	Strong Buy	\$40.74
#1	10/02/2014	Initiation of Coverage	Buy	\$35.58


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**Tigress Research Methodology Overview**

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

**Business Performance:** Measuring economic profitability, growth and operating efficiency.

**Risk:** Measuring business sustainability, volatility, strength and consistency.

**Valuation:** Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk and value into relative market and industry investment recommendations.

*For more information on our research methodology, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

**Glossary of Key Terms and Measures**

**Excess Cash per Share:** Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.

**EBITDAR:** Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.

**NOPAT:** Net Operating Profit after Tax. Represents a company's after-tax cash operating profit excluding financing costs.

**Total Invested Capital:** Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of company.

**Return on Capital:** Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.

**Cost of Capital:** Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.

**Economic Profit:** Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.

**Current Operations Value:** Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.

**Future Growth Value:** Future Growth Value is the portion of market value based on un-earned Economic Profit

*For more information on the key terms and measures, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

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## Research Highlights

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I, Ivan Feinseth, hereby certify that the views expressed herein accurately reflect my personal views about the subject company and their securities and that I have not been and will not be directly or indirectly compensated for expressing specific recommendations or views in the report.

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Rating:	Meaning:	Rating Distribution (07/08/2016)				
		Companies Under Coverage		Relationship Companies Under Coverage*		
		#	%	#	%	
<b>Strong Buy:</b>	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.	16	13%	0	0%	
<b>Buy:</b>	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.	53	44%	4	80%	
<b>Neutral:</b>	Expect little or no outperformance opportunity over the next 12 months.	43	38%	1	20%	
<b>Underperform:</b>	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.	6	5%	0	0%	
<b>Sell:</b>	Expect price decline or significant relative market and industry underperformance over the next 12 months.	0	0%	0	0%	
		<b>Total</b>	<b>123</b>	<b>100%</b>	<b>5</b>	<b>100%</b>

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## Research Highlights

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