



NYSE: GIS

Consumer Staples Industry

Krause Research Fund Spring 2024

Stock Price: \$67.32

Target Range: \$68 – \$80

Stock Rating: HOLD

As of April 16, 2024

Analysts:

Madisen Jackson | Madisen-jackson@uiowa.edu

Maddie Blair | Maddie-blair@uiowa.edu

Kayla Olson | Kayla-b-olson@uiowa.edu

Allison Zahn | Allison-zahn@uiowa.edu

Investment Thesis

We recommend a **HOLD** rating for General Mills with a target price range of \$68 - \$80. General Mills has a strong brand name and has continued on a slow growth pattern over at least the past 10 years.

Drivers of Investment Thesis:

- **Strong brand name:** Since General Mills founding in 1866 they have acquired numerous companies, most of which are highly recognizable. Customers recognize this and have a high level of confidence in connection with General Mills.
- **North American Stability:** North American Retail accounts for over half of the company's revenue and it has done so over the last 10 years. With this sector present, consumers can be confident in General Mills stability and ability to provide products.

Risk to Investment Thesis:

- **Struggling Sector:** The international sector has had trouble staying stable over the last 10 years. It is common that their revenue will decline in one year then grow exponentially in the next. This can cause a lack of confidence among customers.
- **Slow growth:** While General Mills is profitable, it is also very slow growth. They have a strong name, but they ultimately don't have the opportunity to grow exponentially.

Company Overview

General Mills was founded in 1866 beginning in a large flour mill near the Mississippi river. In addition to developing many firsts, like the gold standard and the black box, they have also purchased many companies through the years like Cheerios, Betty Crocker, and Nature Valley.

Financial Snapshot

Valuation Models:

DCF: \$68.27

DDM: \$54.32

Relative Valuation: \$79.52

Stock Performance Highlights:

Current Price: \$67.32

52-Week Range: \$60.33 - \$90.89

Market Cap: 37.37B

Financial Metrics:

2023 Revenue (\$M): \$20,094

2024E Revenue (\$M): \$20,372

2023 EPS: \$4.36

2024E EPS: \$4.49

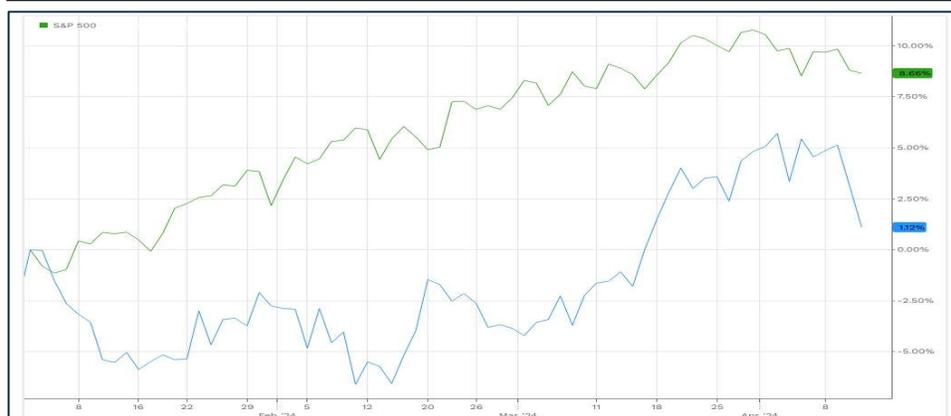
Financial Ratios:

2023 ROE: 0.25

2023 ROA: 0.08

2023 Net Profit Margin: 0.13

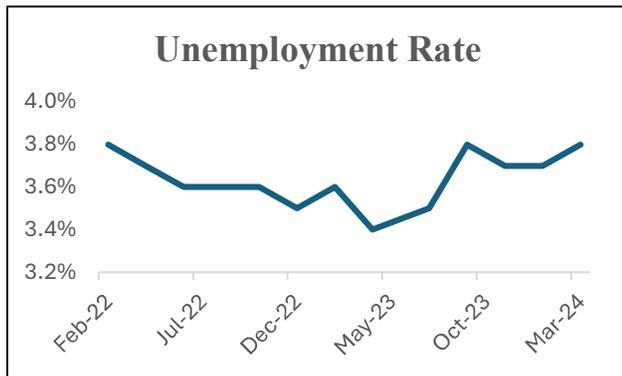
1 Year Stock Performance Relative to S&P 500



Economic Analysis

Unemployment Rates

The unemployment rate in the United States focuses on the percentage of people who can work, and currently are not working in the population. Throughout the years since the pandemic, this rate has fluctuated, although, within the years since 2022, the rate has stabilized. Currently, in March of 2024, the unemployment rate is 3.8%, a large change from March of 2021 where it was 6.1%.



Source 5: FRED

See the chart above for unemployment rate shifts in the last two years. Unemployment matters because in times of an economic downturn or job loss (ex. COVID-19 pandemic), consumers will adjust the types of goods and services they purchase. Due to this, as unemployment increases, there is a potential for the consumer staples industry to suffer-especially a company like General Mills, which sells premium items and brands. When consumers feel economically less secure, there is a tendency to buy generic or lower-priced items to save resources. We feel that the unemployment rate will continue to stay fairly constant at 3.5-4.0% as we move further away from the COVID-19 pandemic.

Price Inflation

Prices are affected by inflation, and as inflation rises, so do prices of goods and services. Due to this, consumers have less excess funds to spend, which affects the consumer staples industry negatively. The consumer price index, or inflation, for all urban consumers (CPI-U) increased 3.5% over the last 12 months [4]. Currently, this has been a benefit to General Mills as the producer price index (PPI) has been changing at a similar rate, which helps their margins remain stable.

Larger inflation causes input prices to increase for producers like General Mills, which threatens to lower their profit margins. The inflation rate has been declining for the last few historical years, which has led General Mills to increase profits and margins. Lower inflation also boosts consumer spending on products, General Mills included. When inflation is higher, consumers will stick to purchasing generic brand items, which hurts General Mills' revenues. However, with lower inflation, consumers will spend money to purchase premium items that General Mills sells.

We expect inflation to continue its decrease slightly and remain around 3.0% through 2024 and into 2025. We believe this will happen as the Fed aims to reach its pre-pandemic goal rate of 2.0%. We also expect this to have a positive effect on General Mills due to the reasons stated above.

Consumer Confidence

Consumer confidence provides a measure of consumer confidence toward the future economic situation. Consumers are more likely to purchase goods when they are confident that the economic outlook is positive. This directly affects General Mills and the consumer staples industry because

as consumers are more comfortable with the economic future, the more goods they will purchase, which in turn increases revenues.



Source 11: OECD

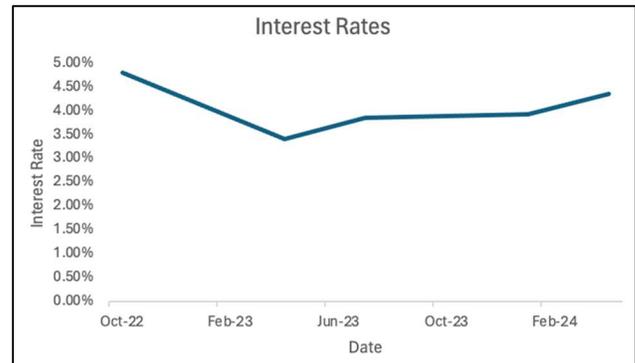
As seen in the graph above, the consumer confidence index decreased in 2023 and has stayed relatively the same since then, with not much movement. As CCI decreases this can be a positive for General Mills as consumers have less confidence in the market and will spend more in the consumer staples sector rather than in other more discretionary sectors.

We predict the consumer confidence index to return back to 97.5 by the end of 2024 due to our prediction of inflation decreasing and the Fed continuing to push for increased consumer confidence and lowered inflation.

Interest Rates

Higher interest rates in general mean that consumers are less likely to spend money. Luckily, the consumer staples sector is not very threatened by the change in rates as it is not a risky industry. Consumers will still have to spend in this industry no matter the state of the economy. However, General Mills sells premium staples products that can be threatened by rising interest rates. Additionally, higher interest rates make it more expensive for companies within the

consumer staples industry to pay off any debt they hold.



Source 4: CNBC

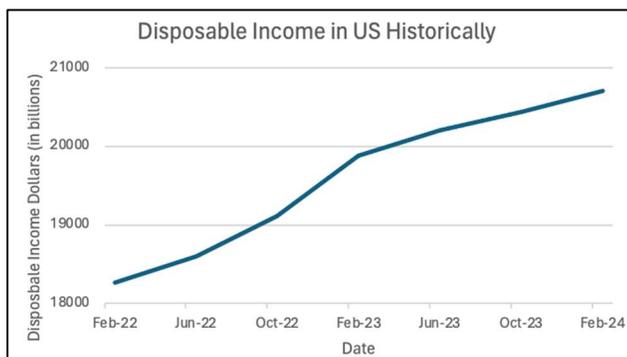
To analyze interest rates, we have chosen to focus on the 10-year treasury yield. As seen in the figure above, the rates have been slightly rising since June of 2023 to the April 2024 rate of 4.37% [4]. This affects General Mills directly through the company's weighted average cost of capital, which in turn may drive capital expenditures and M&A activity. It can also influence company decisions to invest in other projects if resources are suddenly more or less difficult to finance.

We predict that rates we start to trend downward as inflation begins to decrease throughout 2024. We expect rates to settle closer to 3.0% at the close of 2024. This would positively impact General Mills as it would be less expensive for them to pay debt owed and they would be able to invest into other projects and increase their capital expenditures.

Disposable Income

An increase in disposable income is generally positive for both the consumer and the company. Disposable income is defined as the earnings of an individual after taxes and other mandatory deductions. This is a valuable metric for the consumer staples sector as the more disposable

income a consumer has, the more they will spend. This is especially important for General Mills as the premium brands they sell are more likely to be bought by consumers as the disposable income that they have increases.



Source 5 : FRED

As seen in the total disposable income dollars graph above, they have continued to increase through the last two years. With the amount of total U.S. disposable income in February of 2024 being \$20,709.3 billion [5]. The trend of increasing disposable income is positive for the consumer staples sector and General Mills.

We predict the total U.S. amount of disposable income to continue on its upward trend and to reach just above \$21,000 billion at the end of 2024. We believe this because of the historical change, and the decrease in inflation rates-causing consumers to spend more in the consumer staples sector, and on the premium brands that General Mills offers.

Industry Analysis

General Mills is part of the packaged food products industry. This industry includes companies that take part in the packaging, production, and distribution of packaged foods for consumers. Products within this category

include cereals, snack foods, premade baking mixes, dairy products, condiment products, meat, frozen foods, and canned food items. Companies in this industry receive revenue from selling their products to wholesalers, convenience stores, and retailers. Businesses differentiate themselves by catering to different taste, health, and convenience preferences.

Recent Developments and Industry Trends

Supply Chains:

Supply Chains are historically quite simple and are most often completed in the region in which the product will be sold. In 2016, nearly 90% of the food and beverage products consumed in America came from California, Iowa, Nebraska, Texas, and Minnesota [16]. More recently the packaged food industry has had the opportunity to step their production outside of the United States. Companies have been able to take this small step due to technology, international agreements, and structural reforms. It is quite clear that after the supply shocks during the pandemic, that the industry is resilient. With the increased possibility of outside production, the industry could see a cost decline. Having this cost decline could allow the industry to continue on a slight upward trend in the coming years.

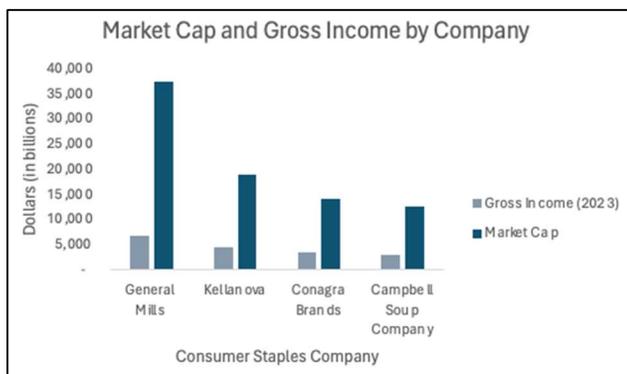
Social and Demographic Changes:

General Mills Cereal Sector accounted for over 7% of their revenue in 2023. According to Statista the market is expected to grow by 2.35% annually until 2028 [3]. However, in a post-pandemic world it seems that people are focusing more on their health. We have seen many people moving away from cereal and closer to eggs, protein shakes and bars, or maybe even making

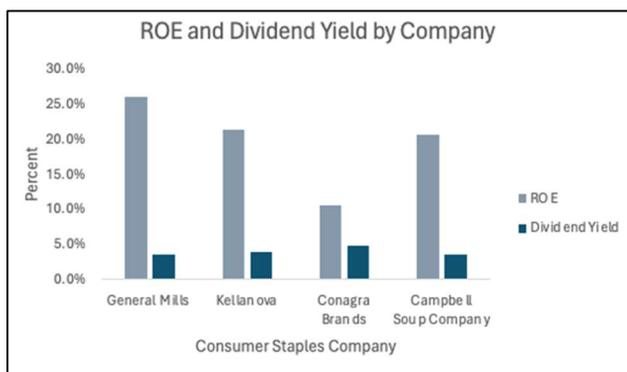
their own, healthier version of cereal. So, while Statista is expecting the market to grow many others are expecting a decline. This could be of extreme detriment to General Mills considering the fact that they get a large deal of revenue from this sector.

Peer Comparisons:

Within the packaged foods industry, General Mills (GIS) has many competitors. Some of the closest ones include Kellanova (K), Conagra Brands (CAG), and Campbell Soup Company (CPB). These companies also operate in the packaged food industry, offer similar products to General Mills (GIS), and additionally have similar target customers. The charts below show the positioning of General Mills compared to their competitors on the financial metrics of ROE(2023), Dividend Yield, Gross Margin (2023), and Market Cap (2023).



Source 8: FactSet



Source 8: FactSet

Looking at market cap and gross income, it shows that General Mills is above the rest in size of the company with a much larger market cap of \$37,373 billion in 2023 [8]. Looking at the return on equity (ROE) metric, which is calculated over the period of 2022-2023, it shows that General Mills is strong in their returns compared to their competitors. These metrics provide insight to the overall financial health of the company as well as possible growth opportunities.

Operating Metrics:

The packaged food industry is influenced by changes in customer behavior or preferences. Looking at customer satisfaction can provide insight into the public opinion of the company and the products the company sells. Customers who have a positive experience with the product are more likely to be a repeat customer or encourage another customer to buy a product. For this measure we look at the change in customer satisfaction levels. This is measured by the American Customer Satisfaction Index.

Company	2022	2023	% Change
Campbell Soup	77/100	80/100	3.9%
General Mills	79/100	83/100	5.1%
Kellanova	78/100	81/100	3.8%
Conagra Brands	77/100	78/100	1.3%

Source 1: American Consume Satisfaction Index

The chart above lists a few consumer staples companies and their customer satisfaction over two years. During 2022 and 2023 General Mills had the highest customer satisfaction along with the second highest growth in satisfaction. This makes it clear that General Mills operations are one of the best and continuing to improve each year.

Another increasingly important metric to follow is employee retention. The employees are the engine of the business and are the reason that any

business is successful. Having a high retention score indicates that employees are well taken care of and enjoy the work they are doing. Positive employee views on their work are also important for innovation, further business development, and productivity. The scores below are according to Comparably's 2022 data.

Company	Retention Score
Campbell Soup	80/100
General Mills	81/100
Kellanova	69/100
Conagra Brands	73/100

Source 13: Comparably

As seen above, General Mills works hard at retaining their talent. In 2022 they had a retention score of 81 out of 100. Other popular staples brands like Kellanova and Conagra Brands ranked at least 8 points lower than them, with Campbell Soup Company coming in a bit closer to General Mills. This makes it clear the attention that General Mills cares and focuses on their employees.

Catalysts for Growth/Change:

When it comes to the consumer staples industry people will always be purchasing products. Regardless of economic conditions many products within the industry are necessities. We have found that many companies are well-known brand names that leave little room for competitive entry. That being said, there are some generic, cheaper brands that consumers may switch to given poor economic conditions. However, through the pandemic it became clear that consumer staples is a resilient industry. While some did switch to cheaper products, General Mills was able to hold their bearings and continue growing. It shows a strong sense of brand loyalty considering the fact that companies like General Mills will continue to grow as opposed to letting newcomers overturn the market. It is clear that General Mills and

companies alike are able to withstand difficult economic challenges. Furthermore, the ability to withstand those challenges comes with growth difficulty. Companies in the consumer staples industry are almost never ones to grow exponentially. They are the companies that grow by a percentage point or two each year and continue on that path of slow growth and positive returns.

Porter's Five Forces

Degree of Competition: High

The degree of competition for General Mills is high and has continued to increase in a post pandemic world. Between January 2020 and January 2024 prices for packaged foods rose over 22%, according to an analysis done by economist Donald Grimes [10]. This increases the possibility of consumer shift to generic brands. Having this shift could prove difficult for General Mills and they could lose customers if we continue to see an increase in premium packaged food prices. This is especially prevalent because our company relies on their customer loyalty and their established brand name to remain a strong competitor.

Supplier Power: Low

The supplier power for a company in the packaged food industry is low. This is because there are numerous companies who sell products in the same industry. Since General Mills is a company that chooses to avoid risk, they have multiple suppliers across the globe, many of which are in the United States. Having multiples suppliers mitigates General Mills risk when it comes to supplier power.

Buyer Power: Moderate

General Mills has a moderate level of buyer power. While consumers can choose to adjust, like switching to another name brand or a generic brand. They still do not have full power over the brand. General Mills ultimately gets the say in what they price their products at. However, if it is noticeable that their revenue is dwindling due to rising prices, they will likely choose to make a change.

Threat of Substitution: **Moderate**

The threat of substitution for General Mills is moderate. General Mills is an established company that relies on their strong brand name. It would be difficult for other companies' products to substitute the ones that General Mills produces. However, there are numerous other brands that could substitute given the right economic factors. While this is a possibility, we don't believe that many customers will choose to substitute due to General Mills' strong brand loyalty.

Threat of New Entry: **Low**

The packaged food sector is unlikely to have another entry of the scale that General Mills has already reached. Any new entrants would likely struggle to catch up to the current competitors. The packaged food industry is not a difficult field to break into. Nevertheless, there are too many companies already in the space that it is rare someone would attempt to start a new brand.

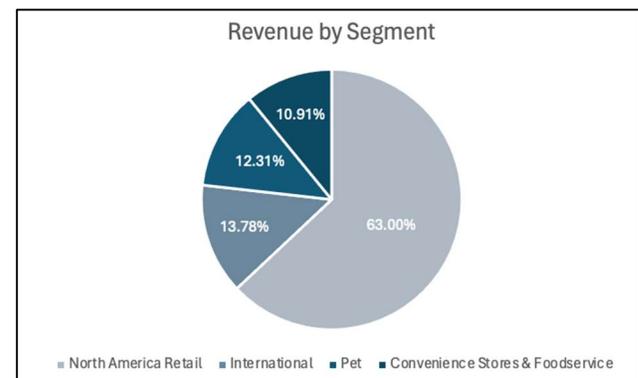
Company Analysis

Business profile

General Mills four core values focus on winning together, continuously innovating, championing belonging, and doing the right thing, at all times. They ensure that teams work through shared goals, teamwork, and a love for the work that they're doing. As a company they never want to stop evolving, learning, and exploring to beat the curve. General Mills always works to include all employees' voices and perspectives. Finally, they focus on keeping the trust that they have earned from consumers and their communities[9].

Revenue Analysis

While completing this analysis we focused into 4 different segments: North American Retail, International Retail, Pet, and Convenience Stores and Foodservice. Below is a pie chart showing General Mills sector distribution by revenue in 2023.



Source 8: FactSet

North American Retail

General Mills North American Retail accounts for 63% of 2023's total revenue. The North American Retail revenue is primarily supported by the sale of its own organization but is still supported by additional advertisement from the company. Their products are distributed directly to retail food chains, cooperatives, membership stores, and wholesalers [15]. Through the company's North American retail segment, they

focus into a few different product categories. These categories include Cereal, Meals, Pillsbury, Baking Products, Snacks, Yoplait-Colombo, and Organic. Each of these segments contribute significantly to the portion of revenue that North American Retail provides.

International

The international sector of General Mills accounted for 13.78% of 2023's revenue. General Mills has international business in the Asia/Pacific region, Europe, and Latin America. Excluding its North American locations, the company manufactures its products in 15 countries and distributes them to over 100. Internationally the company offers many United States brands in addition to globally recognized brands like Green Giant vegetables, Pillsbury Dough products, Bugles snacks, Betty Crocker mixes, and Old El Paso Mexican foods. The company also sells mixes and dough products to bakery and foodservice customers outside of North America. These businesses are managed through wholly owned divisions and marketing organizations in 33 countries.

Pet

General Mills pet segment accounts for 12.31% of their overall 2023 revenue. They entered the pet food market in 2018 with the acquisition of Blue Buffalo, the leading Natural Pet Food brand in the United States. Since then, they purchased Fera Pets, a vet-founded pet supplement company and Tyson Food's pet treats business. Since the beginning their pet food sector has not performed as expected. During the second quarter in 2023 the pet sector had missed sales by nearly \$80 million. Since then, they have decided to use pet sales to strengthen their business believing that Blue Buffalo is "well-

positioned to accelerate the emerging humanization trend in this market" [14].

Convenience Stores and Foodservice

This next sector held 10.91% of General Mills 2023 total revenue. Convenience stores and foodservice have the intent of serving additional customers outside of household consumption. It provides food for K-12 schools, hospitals, restaurants, convenience stores, colleges, bakeries, and pizzerias across the United States. Some of the brands that make up this sector include Big C Cereals, Yoplait, Bugles, Annie's, Gold Medal, Nature Valley, and Gardetto's. Alongside these companies General Mills works with their customers to offer training that ensures they provide nutritional expertise for all consumers.

Operating Expenses

General Mills most notable operating expenses consist of cost of sales, depreciation, amortization, and selling, general, and administrative expenses. On average, from 2014-2023 the operating expenses are about 84% of General Mills net sales. As seen in the graph below, in 2015 operating expenses were up to almost 89% of sales. Since then, in 2023 expenses as percent of sales have come down to 83%, an impressive downturn during difficult economic conditions.



Source 8: FactSet

As of June 2023, the S&P 500 operating margin for consumer staples was 7.24%. Unlike what was shown by the S&P 500, General Mills had a 2023 year-end operating margin of 17.09%. This number is nearly 10 percentage points lower than the average. Showing that General Mills focuses on maximizing their profit against expenses [12].

SWOT Analysis

Strengths

General Mills operates in the packaged food industry and has also broken into pet food industry. Both of these products operate in the consumer staples industry. By definition, consumer staples are the basics that customers cannot forgo even when economic conditions turn sour [2]. Operating and staying in this industry is one of their greatest strengths. Another is their brand name and the trust and loyalty they have created over the past 168 years. As mentioned in previous sections of this report, General Mills offers a wide variety of products across different sectors which increases their resilience. For example, if their pet industry underperformed during a period of time, their food distribution sector may still see growth. This

makes General Mills' margins very resilient to market changes.

Weaknesses

As previously mentioned the consumer staples sector will almost always see positive numbers. It is a mature industry with numerous mature companies, like General Mills and many others. Being a mature company, you are less likely to see growth, especially in the consumer staples sector. With 1.36% of total revenue growth projected for 2024, as seen in the Revenue model attached in the appendix, we see growth, but it is very slow. This weakness will continue to hurt General Mills as they go forward by preventing them from having the ability to invest a larger amount in capital expenditures to increase revenues faster with a new project or innovation.

Opportunities

One large area of opportunity for General Mills is the possibility of expanding into new international markets. General Mills is already operating in over 100 countries [7]. However, moving their most popular brands abroad and ensuring that they enter new markets is a huge opportunity for growth.

Another opportunity for growth that was briefly mentioned earlier in industry trends was the opportunity to expand more into the health foods industry. Although General Mills already does have some organic/natural products, they are not as prevalent in their international markets. Expanding into new international markets and expanding the selection of healthy items in these regions. Especially with the current trends of healthier food items and focus on quality of production and product this can be a major source of growth for General Mills.

Threats

A major threat to General Mills is that in the consumer staples industry, there are many other companies which causes immense competition. This is specifically threatening to General Mills because they sell premium brands and products. So, the threat of an economic downturn or slowdown is very important to General Mills because, if economic confidence declines consumers could switch to competitors that sell cheaper products. Overall threats to General Mills also include supply chain disruptions and rising input costs. Because if these are to increase, General Mills' profit margins will be squeezed tighter and it could threaten profitability.

Valuation Analysis

While valuing General Mills we used a discounted cash flow analysis, economic profit model, dividend discount model, and relative valuation. Discounted cash flow and economic profit analyses depicted the most accurate share price for General Mills. We took data from 2014-2023 to assist us with data and making our assumptions. We also utilized General Mills' strong brand name and ability to remain profitable during economic downturns.

Discounted Cash Flow (DCF)

In order to conduct our discounted cash flow analysis, we used periods 2024E to 2028E. We chose a relatively short projection period considering the fact that General Mills is a mature company with stable cash flows. We discounted the cash flows provided by each year in the projection period by the WACC. Following

that, we summed the free cash flows and then adjusted for non-operating line items. Finally, we divided that value by the total number of shares outstanding to get our implied share price of **\$68.27**

Economic Profit (EP)

We used a similar method for our economic profit model as we did for the discounted cash flow analysis. We took periods 2024E through 2028E and forecasted the company's economic profit over those years. Then, instead of discounting by the WACC, we discounted by the cost of equity. We once again adjusted for non-operating items in order to reach our equity value. We divided by total number of shares outstanding to calculate an implied share price of **\$68.27**

Dividend Discount Model (DDM)

Historical Period: 2014 – 2023

Projection Period: 2024E – 2028E

Implied Share Price: **\$54.32**

For the dividend discount model, we used assumptions for the CV growth of EPS, CV year ROE, as well as the cost of equity. We utilized our assumptions to calculate the P/E multiple in the CV year. We then multiplied the P/E multiple in the by the CV year of our forecasted EPS to get the future stock price. After discounting our dividends per share, we added them up and finally calculated the implied share price of **\$54.32**.

Relative Valuation

Historical Period: 2014 - 2023

Projection Period: 2024E – 2028E

Implied Share Price: **\$79.52**

When completing the relative valuation model, we picked six different brands all in the consumer staples industry. We utilized J.M. Smucker (SJM), Campbell Soup Company (CPB), Kellanova (K), Hormel Foods, Corporation, Conagra Brands (CAG), Inc., UTZ Brands A (UTZ). After forecasting the P/E ratio for 2024 and 2025 for all six companies we took the average. The average of these values gave us 17.72 for 2024 and 16.46 for 2025. We then multiplied these values by General Mills' earnings per share for each year. Getting us to the final valuation of \$79.52 and \$80.89.

most certainly decrease the price of a stock because many investors would stray. In addition, as our equity risk premium increased our stock price decreased.

These variables resulted in an estimated stock price of \$53.11 - \$87.03.

		Beta						
		0.75	0.80	0.85	0.90	0.95	1.00	1.05
Equity Risk Premium	\$	68.27						
	3.73%	87.03	83.33	79.86	76.61	73.57	70.70	67.99
	3.93%	84.03	80.34	76.89	73.67	70.64	67.80	65.13
	4.13%	81.19	77.52	74.09	70.89	67.89	65.08	62.43
	4.33%	78.50	74.84	71.44	68.27	65.30	62.51	59.90
	4.53%	75.94	72.31	68.93	65.79	62.85	60.09	57.51
	4.73%	73.50	69.90	66.55	63.43	60.52	57.80	55.25
	4.93%	71.18	67.61	64.29	61.20	58.32	55.63	53.11

Sensitivity Analysis

Sensitivity Analysis

We created 6 sensitivity tables by taking variables that are likely to fluctuate. Each sensitivity table consists of two variables, resulting in a total of twelve different variable, that each have an effect on the stock price. The goal of creating these sensitivity tables is to estimate General Mills stock price given the range of variables. The ranges in green show higher stock prices whereas the ranges in red show lower stock prices.

Beta and Equity risk Premium

Two of the variables we chose to test were beta and equity risk premium. We chose to pair these together as they both used to calculate the weighted average cost of capital (WACC). Testing these variables together will allow us to see the effect it has on the stock price. We found that as beta increases, our stock price decreased. This was as anticipated since beta measures the riskiness of a stock. So, an increase in beta would

Marginal Tax Rate and Pre-Tax Cost of Debt

Our next sensitivity table consisted of our marginal tax rate and the pre-tax cost of debt. Our goal was to see how these two variables would affect General Mills stock price. Each of these variables are used to calculate WACC and in turn used to calculate the value of our stock. We found that testing these two variables was important because both have fluctuated greatly over time. We found that as marginal tax rate increased our stock price decreased. As the pre-tax cost of debt increased, our stock price also decreased.

These variables resulted in an estimated stock price of \$62.98 – \$73.87.

		Marginal Tax rate						
		24.60%	25.60%	26.60%	27.60%	28.60%	29.60%	30.60%
Pre-Tax Cost of Debt	\$	68.27						
	4.59%	73.87	72.69	71.51	70.32	69.13	67.93	66.73
	4.79%	73.12	71.96	70.80	69.63	68.45	67.27	66.08
	4.99%	72.39	71.25	70.10	68.94	67.78	66.62	65.45
	5.19%	71.67	70.54	69.41	68.27	67.12	65.97	64.82
	5.39%	70.96	69.84	68.73	67.60	66.47	65.34	64.19
	5.59%	70.26	69.16	68.05	66.94	65.83	64.71	63.58
	5.79%	69.56	68.48	67.39	66.30	65.20	64.09	62.98

Weighted Average Cost of Capital (WACC) and CV Growth of NOPLAT

We also looked at comparing the WACC and CV growth of NOPLAT in this next sensitivity table.

WACC was used in our DCF to discount values and get to the present value of future cash flows. The CV growth of NOPLAT is also used in the DCF to get the terminal value. In this table WACC had a drastic effect on our stock price. As WACC decreased, we found that General Mills stock price increased. As CV growth of NOPLAT increased, the stock price did too. This combination presented a wide range of estimated prices. This shows that drastic effect that these variables have on the stock price.

These variables resulted in an estimated stock price of \$51.55 - \$97.18.

		WACC							
		\$ 68.27	6.81%	7.01%	7.21%	7.41%	7.61%	7.81%	8.01%
CV Growth of NOPLAT	1.75%	70.11	66.43	63.02	59.85	56.89	54.14	51.55	
	2.00%	73.45	69.46	65.78	62.37	59.20	56.25	53.50	
	2.25%	77.16	72.81	68.82	65.13	61.72	58.56	55.61	
	2.50%	81.29	76.53	72.18	68.18	64.49	61.08	57.92	
	2.75%	85.94	80.69	75.92	71.55	67.55	63.86	60.45	
	3.00%	91.19	85.37	80.10	75.31	70.93	66.92	63.23	
	3.25%	97.18	90.66	84.81	79.51	74.70	70.32	66.30	

Depreciation Rate and Normal Cash (% of sales)

We created a table with the variables depreciation rate and normal cash. Both of these variables are involved in the calculation of NOPLAT or invested capital. We picked these variables because we know that both NOPLAT and invested capital are important in estimating our stock price. After creating this table, we found that an increase in the depreciation rate had a minimal positive effect on General Mills stock price. Similarly, an increase in normal cash only decreased our stock price slightly. These variables gave us the smallest range out of all twelve.

These variables resulted in an estimated stock price of \$67.27 - \$69.27.

		Depreciation Rate							
		\$ 68.27	11.46%	12.96%	14.47%	15.96%	17.46%	18.96%	20.46%
Normal Cash Estimate	1.25%	68.10	68.30	68.49	68.69	68.88	69.07	69.27	
	1.50%	67.96	68.16	68.35	68.55	68.74	68.93	69.13	
	1.75%	67.83	68.02	68.21	68.41	68.60	68.80	68.99	
	2.00%	67.69	67.88	68.07	68.27	68.46	68.66	68.85	
	2.25%	67.55	67.74	67.94	68.13	68.32	68.52	68.71	
	2.50%	67.41	67.60	67.80	67.99	68.18	68.38	68.57	
	2.75%	67.27	67.46	67.66	67.85	68.04	68.24	68.43	

Inventory (% of sales) and Cost of Sales (% of sales)

Testing the variables inventory as a percentage of sales and cost of sales as a percentage of sales was essential in estimating our stock price. Both of these numbers are needed to gather NOPLAT and invested capital values. With the increase in inventory, our stock price decreased, as expected. In addition, an increase in cost of sales decreased the stock price.

These variables resulted in an estimated stock price of \$59.58 - \$77.29.

		Inventory (% of sales)							
		\$ 68.27	8.80%	9.00%	9.20%	9.40%	9.80%	10.00%	10.20%
Cost of Sales (% of sales)	60.80%	77.29	77.18	77.08	76.97	76.76	76.65	76.55	
	61.30%	74.46	74.36	74.25	74.14	73.93	73.82	73.72	
	61.80%	71.63	71.53	71.42	71.31	71.10	71.00	70.89	
	62.30%	68.81	68.70	68.59	68.49	68.27	68.17	68.06	
	62.80%	65.98	65.87	65.77	65.66	65.45	65.34	65.23	
	63.30%	63.15	63.04	62.94	62.83	62.62	62.51	62.40	
	63.80%	60.32	60.22	60.11	60.00	59.79	59.68	59.58	

SG&A (% of sales) and Risk-Free Rate

The final variables we tested were selling, general, and administrative expenses as percentage of sales and the risk-free rate. These variables both connect to the final valuation so we found that they would be important to test. As SG&A increased, our stock price decreased. As the risk-free rate increased, our stock price also decreased. This sensitivity table also gave us a relatively wide range of numbers.

These variables resulted in an estimated stock price of \$52.54 - \$86.81.

		SG&A (% of sales)						
		16.10%	16.60%	17.10%	17.60%	18.10%	18.60%	19.10%
Risk Free Rate	\$	68.27						
	4.02%	86.81	83.71	80.60	77.49	74.39	71.28	68.17
	4.22%	83.19	80.18	77.17	74.16	71.16	68.15	65.14
	4.42%	79.79	76.88	73.96	71.05	68.13	65.22	62.30
	4.62%	76.61	73.78	70.95	68.12	65.29	62.47	59.64
	4.82%	73.61	70.86	68.12	65.37	62.62	59.88	57.13
	5.02%	70.79	68.12	65.45	62.78	60.11	57.44	54.77
5.22%	68.12	65.52	62.93	60.33	57.73	55.14	52.54	

Conclusion

Overall, we suggest a **HOLD** rating for General Mills. This is due to their strengths of brand name recognition and consistent slow positive growth. To grow faster and create more revenues, General Mills still needs to break further into international and healthy food markets to increase their opportunities for growth. Based on the analysis and factors we have determined a target price range of **\$68-\$80** for General Mills.

Disclaimer:

This report was created by students enrolled in the Applied Equity Valuation (FIN:4250) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

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General Mills

Revenue Decomposition

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Segment Growth								
North America Retail	10,955.4	11,572.0	12,659.9	12,540.9	12,653.8	12,979.0	13,208.7	13,344.7
% Growth	1.87%	5.33%	8.59%	-0.94%	0.90%	2.57%	1.77%	1.03%
International	3,656.8	3,315.7	2,769.5	2,813.3	2,851.5	2,996.4	3,129.1	3,260.9
% Growth	7.98%	-10.29%	-19.72%	1.58%	1.36%	5.08%	4.43%	4.21%
Pet	1,732.4	2,259.4	2,473.3	2,775.8	3,026.7	3,371.8	3,808.7	4,314.2
% Growth	2.18%	23.32%	8.65%	12.23%	9.04%	11.40%	12.96%	13.27%
Convience Stores & Foodservice	1,742.4	1,845.7	2,191.5	2,241.9	2,289.9	2,359.7	2,450.1	2,565.3
% Growth	-4.25%	5.60%	15.78%	2.30%	2.14%	3.05%	3.83%	4.70%
Total Revenues	18,087.0	18,992.8	20,094.2	20,371.8	20,821.9	21,706.8	22,596.7	23,485.0
% Growth	2.55%	4.77%	5.48%	1.36%	2.16%	4.08%	3.94%	3.78%

General Mills

Balance Sheet

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Assets								
Cash & cash equivalents	1,505.2	569.4	585.5	711.0	2,809.0	2,527.6	4,103.3	5,489.9
Receivables	1,638.5	1,692.1	1,683.2	1,826.7	1,867.1	1,946.4	2,026.2	2,105.8
Inventories	1,820.5	1,867.3	2,172.0	1,915.0	1,957.3	2,040.4	2,124.1	2,207.6
Prepaid expenses & other current assets	790.3	802.1	735.7	601.9	615.2	641.3	667.6	693.9
Assets held for sale	-	158.9	-	-	-	-	-	-
Total current assets	5,754.5	5,089.8	5,176.4	5,054.6	7,248.6	7,155.8	8,921.3	10,497.2
Land, buildings, & equipment	3,606.8	3,393.8	3,636.2	3,788.0	3,953.3	4,145.1	4,363.7	4,608.8
Goodwill	14,062.4	14,378.5	14,511.2	14,511.2	14,511.2	14,511.2	14,511.2	14,511.2
Other intangible assets	7,150.6	6,999.9	6,967.6	6,947.6	6,927.6	6,907.6	6,887.6	6,867.6
Other assets	1,267.6	1,228.1	1,160.3	1,179.8	1,205.9	1,257.2	1,308.7	1,360.1
Operating Leases	378.6	336.8	340.0	305.1	305.1	305.1	305.1	305.1
Total assets	31,841.9	31,090.1	31,451.7	31,481.2	33,846.6	33,976.9	35,992.4	37,845.0
Liabilities								
Accounts payable	3,653.5	3,982.3	4,194.2	3,244.5	3,316.2	3,457.1	3,598.9	3,740.4
Current portion of long-term debt	2,463.8	1,674.2	1,709.1	500.0	1,836.2	643.4	1,178.9	1,400.0
Notes payable	361.3	811.4	31.7	773.3	773.3	773.3	773.3	773.3
Other current liabilities	1,787.2	1,552.0	1,600.7	1,794.5	1,834.1	1,912.1	1,990.5	2,068.7
Total current liabilities	8,265.8	8,019.9	7,535.7	6,312.4	7,759.9	6,786.0	7,541.6	7,982.4
Long-term debt	9,786.9	9,134.8	9,965.1	9,965.1	9,965.1	9,965.1	9,965.1	9,965.1
Deferred income taxes	2,118.4	2,218.3	2,110.9	2,111.1	2,110.9	2,110.9	2,110.9	2,110.9
Other liabilities	1,292.7	929.1	1,140.0	1,731.6	1,769.8	1,845.1	1,920.7	1,996.2
Total liabilities	21,463.8	20,302.1	20,751.7	20,120.1	21,605.7	20,707.0	21,538.2	22,054.6
Redeemable interest	604.9	-	-	-	-	-	-	-
Shareholder Equity								
Common Stock & Additional Paid-in Capital	1,441.0	1,258.4	1,297.9	1,416.8	1,535.7	1,654.7	1,773.6	1,892.5
Retained earnings	17,069.8	18,532.6	19,838.6	21,200.4	22,780.8	24,510.5	26,395.3	28,432.2
Common stock in treasury, at cost	6,611.2	7,278.1	8,410.0	9,245.3	10,080.7	10,916.0	11,751.3	12,586.7
Accumulated other comprehensive income (loss)	(2,429.2)	(1,970.5)	(2,276.9)	(2,276.9)	(2,276.9)	(2,276.9)	(2,276.9)	(2,276.9)
Total stockholders' equity	9,470.4	10,542.4	10,449.6	11,095.0	11,959.0	12,972.2	14,140.7	15,461.1
Noncontrolling interests	302.8	245.6	250.4	266.1	281.9	297.7	313.5	329.3
Total equity	9,773.2	10,788.0	10,700.0	11,361.1	12,240.8	13,269.9	14,454.2	15,790.4

General Mills

Historical Cash Flow Statement

Fiscal Years Ending May 31	2019	2020	2021	2022	2023
Cash Flows - Operating Activities					
Net earnings, including earnings attributable to redeemable and noncontrolling interests	1,786.2	2,210.8	2,346.0	2,735.0	2,609.6
Adjustments to reconcile net earnings to net cash provided by operating activities:					
Depreciation and amortization	620.1	594.7	601.3	570.3	546.6
After-tax earnings from joint ventures	(72.0)	(91.1)	(117.7)	(111.7)	(81.3)
Distributions of earnings from joint ventures	86.7	76.5	95.2	107.5	69.9
Stock-based compensation	84.9	94.9	89.9	98.7	111.7
Deferred income taxes	93.5	(29.6)	118.8	62.2	(22.2)
Tax benefit on exercised options	-	-	-	-	-
Pension and other postretirement benefit plan contributions	(28.8)	(31.3)	(33.4)	(31.3)	(30.1)
Pension and other postretirement benefit plan costs	6.1	(32.3)	(33.6)	(30.1)	(27.6)
Divestitures (gain), net	30.0	-	53.5	(194.1)	(444.6)
Restructuring, impairment, and other exit costs	235.7	43.6	150.9	(117.1)	24.4
Changes in current assets and liabilities, excluding the effects of acquisitions and divestitures	(7.5)	793.9	(155.9)	277.4	(48.9)
Other, net	(27.9)	45.9	(131.8)	(50.7)	71.1
Net cash provided by operating activities	2,807.0	3,676.0	2,983.2	3,316.1	2,778.6
Cash Flows - Investing Activities					
Purchases of land, buildings, and equipment	(537.6)	(460.8)	(530.8)	(568.7)	(689.5)
Acquisitions, net of cash acquired	-	-	-	(1,201.3)	(251.5)
Investments in affiliates, net	0.1	(48.0)	15.5	15.4	(32.2)
Proceeds from disposal of land, buildings, and equipment	14.3	1.7	2.7	3.3	1.3
Proceeds from divestitures	26.4	-	2.9	74.1	633.1
Exchangeable note	-	-	-	-	-
Other, net	(59.7)	20.9	(3.1)	13.5	(7.6)
Net cash provided (used) by investing activities	(556.5)	(486.2)	(512.8)	(1,663.7)	(346.4)
Cash Flows - Financing Activities					
Change in notes payable	(66.3)	(1,158.6)	71.7	551.4	(769.3)
Issuance of long-term debt	339.1	1,638.1	1,576.5	2,203.7	2,324.4
Payment of long-term debt	(1,493.8)	(1,396.7)	(2,609.0)	(3,140.9)	(1,421.7)
Debt exchange participation incentive cash payment	-	-	201.4	-	-
Proceeds from common stock issued on exercised options	241.4	263.4	74.3	161.7	232.3
Proceeds from common stock issued	-	-	-	-	-
Tax benefit on exercised options	-	-	-	-	-
Purchases of common stock for treasury	(1.1)	(3.4)	(301.4)	(876.8)	(1,403.6)
Dividends paid	(1,181.7)	(1,195.8)	(1,246.4)	(1,244.5)	(1,287.9)
Addition of noncontrolling interest	-	-	-	-	-
Investments in redeemable interest	55.7	-	-	-	-
Distributions to noncontrolling and redeemable interest holders	(38.5)	(72.5)	(48.9)	(129.8)	(15.7)
Other, net	(31.2)	(16.0)	(30.9)	(28.0)	(62.6)
Net cash used by financing activities	(2,176.4)	(1,941.5)	(2,312.7)	(2,503.2)	(2,404.1)

General Mills*Forecasted Cash Flow Statement*

Fiscal Years Ending May 31	2024E	2025E	2026E	2027E	2028E
Cash Flows- Operating Activities					
Net Income	2,603.5	2,801.0	2,930.4	3,066.8	3,201.0
Depreciation and Amortization	459.4	459.4	459.4	459.4	459.4
Change in Operating Assets					
Change in Recievables	(143.5)	(40.4)	(79.4)	(79.8)	(79.7)
Change in Inventories	257.0	(42.3)	(83.2)	(83.6)	(83.5)
Change in Prepaid Expenses & Other Current Assets	133.8	(13.3)	(26.1)	(26.3)	(26.2)
Change in Goodwill	-	-	-	-	-
Change in Other Intangible Assets	20.0	20.0	20.0	20.0	20.0
Change in Other Assets	(19.5)	(26.1)	(51.3)	(51.5)	(51.4)
Change in Operating Liabilites					
Change in Accounts payable	(949.7)	71.7	140.9	141.7	141.5
Change in Notes Payable	741.6	-	-	-	-
Change in Other Current Liabilities	193.8	39.6	78.0	78.4	78.3
Change in Deferred Income Taxes	0.2	(0.2)	0.0	(0.0)	0.0
Net cash provided by operating activities	3,296.5	3,269.5	3,388.7	3,525.0	3,659.3
Cash Flows- Investing Activities					
Change in Land, buildings, & equipment	(611.2)	(624.7)	(651.2)	(677.9)	(704.6)
Change in Other Liabilities	591.6	38.3	75.2	75.6	75.5
Net cash provided by investing activities	(19.6)	(586.4)	(576.0)	(602.3)	(629.0)
Cash Flows- Financing Activities					
Change in Current portion of long-term debt	(1,209.1)	1,336.2	(1,192.8)	535.5	221.1
Change in Long-term Debt	-	-	-	-	-
Change in Common Stock & Additional Paid-in Capital	118.9	118.9	118.9	118.9	118.9
Change in Common Stock in Treasury	(835.3)	(835.3)	(835.3)	(835.3)	(835.3)
Change in Accumulated Other Comprehensive Income (loss)	-	-	-	-	-
Dividends Paid	(1,241.7)	(1,220.6)	(1,200.7)	(1,181.9)	(1,164.2)
Change in Noncontrolling Interests	15.7	15.8	15.8	15.8	15.8
Net cash provided by financing activites	(3,151.5)	(585.1)	(3,094.1)	(1,347.0)	(1,643.7)
Total change in cash	125.5	2,098.0	(281.4)	1,575.7	1,386.6
Beginning of year cash	585.5	711.0	2,809.0	2,527.6	4,103.3
End of year cash	711.0	2,809.0	2,527.6	4,103.3	5,489.9

General Mills

Common Size Income Statement

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	61.1%	66.3%	64.7%	62.3%	62.3%	62.3%	62.3%	62.3%
Depreciation and Amortization	3.3%	3.0%	2.7%	3.4%	3.4%	3.4%	3.4%	3.4%
Selling, general, and administrative expenses	17.2%	17.6%	19.5%	17.6%	17.6%	17.6%	17.6%	17.6%
Divestitures (gain)	0.3%	-1.0%	-2.2%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Restructuring, impairment, and other exit costs	0.9%	-0.1%	0.3%	0.9%	0.9%	0.9%	0.9%	0.9%
Operating profit	17.3%	15.3%	17.1%	15.7%	15.7%	15.7%	15.7%	15.7%
Benefit plan non-service income	-0.7%	-0.6%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Interest, net	2.3%	2.0%	1.9%	2.2%	2.2%	2.2%	2.2%	2.2%
Earnings before income taxes and after-tax earnings from joint ventures	15.8%	13.9%	15.6%	14.0%	14.0%	14.0%	14.0%	14.0%
Income taxes	3.5%	3.1%	3.0%	3.2%	3.2%	3.2%	3.2%	3.2%
After-tax earnings from joint ventures	0.6%	0.6%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%
Net earnings, including earnings attributable to redeemable and noncontrolling interests	12.9%	11.4%	13.0%	11.3%	11.3%	11.3%	11.3%	11.3%
Net earnings attributable to redeemable and noncontrolling interests	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
Net earnings attributable to General Mills	12.9%	11.3%	12.9%	11.1%	11.1%	11.1%	11.1%	11.1%

General Mills

Common Size Balance Sheet

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Assets								
Cash & cash equivalents	8.3%	3.0%	2.9%	3.5%	13.5%	11.6%	18.2%	23.4%
Receivables	9.0%	8.9%	8.4%	9.0%	9.0%	9.0%	9.0%	9.0%
Inventories	10.0%	9.8%	10.8%	9.4%	9.4%	9.4%	9.4%	9.4%
Prepaid expenses & other current assets	4.4%	4.2%	3.7%	3.0%	3.0%	3.0%	3.0%	3.0%
Assets held for sale	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total current assets	31.7%	26.8%	25.8%	24.8%	34.8%	33.0%	39.5%	44.7%
Land, buildings, & equipment	19.9%	17.9%	18.1%	18.6%	19.0%	19.1%	19.3%	19.6%
Goodwill	77.6%	75.7%	72.2%	71.2%	69.7%	66.9%	64.2%	61.8%
Other intangible assets	39.4%	36.9%	34.7%	34.1%	33.3%	31.8%	30.5%	29.2%
Other assets	7.0%	6.5%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
Total assets	175.7%	163.7%	156.5%	154.5%	162.6%	156.5%	159.3%	161.1%
Liabilities								
Accounts payable	20.2%	21.0%	20.9%	15.9%	15.9%	15.9%	15.9%	15.9%
Current portion of long-term debt	13.6%	8.8%	8.5%	2.5%	8.8%	3.0%	5.2%	6.0%
Notes payable	2.0%	4.3%	0.2%	4.6%	4.6%	4.6%	4.6%	4.6%
Other current liabilities	9.9%	8.2%	8.0%	8.8%	8.8%	8.8%	8.8%	8.8%
Total current liabilities	45.6%	42.2%	37.5%	31.0%	37.3%	31.3%	33.4%	34.0%
Long-term debt	54.0%	48.1%	49.6%	53.4%	53.4%	53.4%	53.4%	53.4%
Deferred income taxes	11.7%	11.7%	10.5%	10.4%	10.1%	9.7%	9.3%	9.0%
Other liabilities	7.1%	4.9%	5.7%	8.5%	8.5%	8.5%	8.5%	8.5%
Total liabilities	118.4%	106.9%	103.3%	98.8%	103.8%	95.4%	95.3%	93.9%
Redeemable interest	3.3%	-	-	-	-	-	-	-
Shareholder Equity								
Common Stock & Additional Paid-in Capital	95.7%	221.0%	221.7%	199.3%	54.7%	65.5%	43.2%	34.5%
Retained earnings	94.2%	97.6%	98.7%	104.1%	109.4%	112.9%	116.8%	121.1%
Common stock in treasury, at cost	36.5%	38.3%	41.9%	45.4%	48.4%	50.3%	52.0%	53.6%
Accumulated other comprehensive income (loss)	-13.4%	-10.4%	-11.3%	-11.2%	-10.9%	-10.5%	-10.1%	-9.7%
Total stockholders' equity	52.2%	55.5%	52.0%	54.5%	57.4%	59.8%	62.6%	65.8%
Noncontrolling interests	1.7%	1.3%	1.2%	1.3%	1.4%	1.4%	1.4%	1.4%
Total equity	53.9%	56.8%	53.2%	55.8%	58.8%	61.1%	64.0%	67.2%

General Mills

Value Driver Estimation

<i>Fiscal Years Ending May 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
NOPLAT:								
Operating Revenues	18,127.0	18,992.8	20,094.2	20,371.8	20,821.9	21,706.8	22,596.7	23,485.0
Cost of Sales	11,077.4	12,590.6	13,001.8	12,699.5	12,980.1	13,531.8	14,086.5	14,640.2
Depreciation & Amortization	601.3	570.3	546.6	459.4	459.4	459.4	459.4	459.4
Selling, General & Administrative Expenses	3,079.6	3,147.0	3,500.4	3,580.2	3,659.3	3,814.8	3,971.2	4,127.3
Interest on Operating Leases	19.0	19.6	17.5	17.6	15.8	15.8	15.8	15.8
EBITA (pre-tax operating income)	3,349.7	2,665.3	3,027.9	3,615.1	3,707.3	3,885.1	4,063.8	4,242.3
Income Tax Expense	629.1	586.3	612.2	1,029.6	1,042.5	1,091.6	1,143.5	1,194.5
Tax shield (expense) on Interest, net	96.7	83.5	82.2	(51.7)	(38.9)	(39.2)	(41.7)	(43.4)
Tax shield on Operating Lease Interest	87.1	74.1	73.1	84.2	84.2	84.2	84.2	84.2
Tax shield on Restructuring	39.2	(5.8)	12.1	51.0	52.2	54.4	56.6	58.8
Tax shield on Divestitures (gain)/loss	12.3	(42.7)	(95.6)	-	-	-	-	-
Tax shield on Benefit Plan Non-service Income	(30.6)	(24.9)	(19.1)	(26.3)	(28.2)	(30.2)	(32.4)	(34.7)
Less: Adjusted Taxes	755.4	682.1	640.7	984.8	1,007.5	1,052.1	1,097.0	1,141.8
Change in Deferred Taxes	171.3	99.9	(107.4)	0.2	(0.2)	0.0	(0.0)	0.0
NOPLAT	2,765.7	2,083.1	2,279.8	2,630.5	2,699.7	2,833.0	2,966.9	3,100.5
Invested Capital (IC):								
Operating Working Capital								
Operating Assets								
Normal Cash	362.5	379.9	401.9	407.4	416.4	434.1	451.9	469.7
Receivables	1,638.5	1,692.1	1,683.2	1,826.7	1,867.1	1,946.4	2,026.2	2,105.8
Inventories	1,820.5	1,867.3	2,172.0	1,915.0	1,957.3	2,040.4	2,124.1	2,207.6
Prepaid Expenses & Other Current Assets	790.3	802.1	735.7	601.9	615.2	641.3	667.6	693.9
Less: Operating Liabilities								
Accounts Payable	3,653.5	3,982.3	4,194.2	3,244.5	3,316.2	3,457.1	3,598.9	3,740.4
Other Current Liabilities	1,787.2	1,552.0	1,600.7	1,794.5	1,834.1	1,912.1	1,990.5	2,068.7
Operating Working Capital	(828.9)	(792.9)	(802.1)	(288.0)	(294.4)	(306.9)	(319.5)	(332.1)
Add: Net PP&E								
Net PP&E	3,606.8	3,393.8	3,636.2	3,788.0	3,953.3	4,145.1	4,363.7	4,608.8
Add: Other Long-Term Operating Assets								
Intangible Assets	7,150.6	6,999.9	6,967.6	6,947.6	6,927.6	6,907.6	6,887.6	6,867.6
Operating Leases	378.6	336.8	340.0	305.1	305.1	305.1	305.1	305.1
Less: Other Long-Term Operating Liabilities								
Invested Capital	10,307.1	9,937.6	10,141.7	10,752.6	10,891.5	11,050.9	11,236.8	11,449.4
Free Cash Flow (FCF):								
NOPLAT	2,765.7	2,083.1	2,279.8	2,630.5	2,699.7	2,833.0	2,966.9	3,100.5
Change in IC	350.5	(369.6)	204.1	610.9	138.9	159.3	186.0	212.6
FCF	2,415.1	2,452.6	2,075.7	2,019.6	2,560.8	2,673.7	2,780.9	2,887.9
Return on Invested Capital (ROIC):								
NOPLAT	2,765.7	2,083.1	2,279.8	2,630.5	2,699.7	2,833.0	2,966.9	3,100.5
Beginning IC	9,956.6	10,307.1	9,937.6	10,141.7	10,752.6	10,891.5	11,050.9	11,236.8
ROIC	27.78%	20.21%	22.94%	25.94%	25.11%	26.01%	26.85%	27.59%
Economic Profit (EP):								
Beginning IC	9,956.6	10,307.1	9,937.6	10,141.7	10,752.6	10,891.5	11,050.9	11,236.8
x (ROIC - WACC)	20.37%	12.80%	15.54%	18.53%	17.70%	18.61%	19.44%	20.19%
EP	2,028.3	1,319.8	1,543.9	1,879.5	1,903.4	2,026.4	2,148.5	2,268.4

General Mills

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.62%
Beta	0.90
Equity Risk Premium	4.33%
Cost of Equity	8.52%

Cost of Debt:

Risk-Free Rate	4.62%
Implied Default Premium	0.57%
Pre-Tax Cost of Debt	5.19%
Marginal Tax Rate	27.60%
After-Tax Cost of Debt	3.76%

Market Value of Common Equity:

Total Shares Outstanding	585.18
Current Stock Price	\$67.37
MV of Equity	39,423.78

MV Weights

76.64%

Market Value of Debt:

Short-Term Debt	
Current Portion of LTD	1709.1
Long-Term Debt	9965.1
PV of Operating Leases	340
MV of Total Debt	12,014.20

23.36%

Market Value of the Firm

51,437.98

100.00%

Estimated WACC

7.41%

General Mills*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	27.59%
WACC	7.41%
Cost of Equity	8.52%

Fiscal Years Ending May 31	2024E	2025E	2026E	2027E	2028E
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DCF Model:

Free Cash Flow (FCF)	2019.6	2560.8	2673.7	2780.9	2887.9
Continuing Value (CV)					57479.9
PV of FCF	1880.3	2219.8	2157.9	2089.7	43192.9

Value of Operating Assets:	51540.6
Non-Operating Adjustments:	
Excess Cash	183.6
Other Assets	1179.8
Operating leases	305.1

Current Portion of Long Term Debt	500.0
Notes Payable	773.3
Long Term Debt	9965.1
Deferred Income Taxes	2111.1
Other Liabilities	1731.6
ESOP	175.0
Non-Controlling Interest	266.1

Value of Equity	37686.9
Shares Outstanding	574.9
Intrinsic Value of Last FYE	\$ 65.56
Implied Price as of Today	\$ 68.27

EP Model:

Economic Profit (EP)	1879.5	1903.4	2026.4	2148.5	2268.4
Continuing Value (CV)					46243.0
PV of EP	1749.9	1650.0	1635.5	1614.5	34749.0

Total PV of EP	41398.9
Invested Capital (last FYE)	10141.7
Value of Operating Assets:	51540.6
Non-Operating Adjustments:	
Excess Cash	183.6
Other Assets	1179.8
Operating leases	305.1

Current Portion of Long Term Debt	500.0
Notes Payable	773.3
Long Term Debt	9965.1
Deferred Income Taxes	2111.1
Other Liabilities	1731.6
ESOP	175.0
Non-Controlling Interest	266.1

Value of Equity	37686.9
Shares Outstanding	574.9
Intrinsic Value of Last FYE	\$ 65.56
Implied Price as of Today	\$ 68.27

General Mills

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E
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EPS	\$ 4.49	\$ 4.91	\$ 5.23	\$ 5.56	\$ 5.89
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Key Assumptions

CV growth of EPS	2.50%
CV Year ROE	20.70%
Cost of Equity	8.52%

Future Cash Flows

P/E Multiple (CV Year)					14.61
EPS (CV Year)					\$ 5.89
Future Stock Price					\$ 86.13
Dividends Per Share	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16	\$ 2.16
Discounted Cash Flows	\$ 10.43	\$ 10.43	\$ 10.43	\$ 10.43	\$ 10.43

Intrinsic Value as of Last FYE \$ 52.16

Implied Price as of Today \$ 54.32

General Mills

Relative Valuation Models

Ticker	Company	Price	EPS		P/E 24	P/E 25
			2024E	2025E		
SJM	J.M. Smucker	\$125.85	\$9.61	\$10.21	13.10	12.33
CPB	Campbell Soup Compar	\$44.45	\$3.12	\$3.30	14.20	13.50
K	Kellanova	\$57.12	\$3.58	\$3.81	16.00	15.00
HRL	Hormel Foods Corporat	\$35.07	\$1.61	\$1.71	22.00	20.60
CAG	Conagra Brands, Inc.	\$31.28	\$2.68	\$2.68	10.70	11.70
UTZ	UTZ Brands A	\$20.00	\$0.66	\$0.78	30.30	25.64
			Average		17.72	16.46
GIS	General Mills	\$67.37	4.49	4.91	15.0	13.7

Implied Relative Value:

P/E (EPS24)	\$ 79.52
P/E (EPS25)	\$ 80.89

General Mills

Key Management Ratios

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Liquidity Ratios:								
Current ratio: current assets / current liabilities	0.70	0.63	0.69	0.80	0.93	1.05	1.18	1.32
Quick ratio: (cash + marketable securities + A/R) / current liabilities	0.38	0.28	0.30	0.40	0.60	0.66	0.81	0.95
Cash ratio: cash and cash equivalents / current liabilities	0.18	0.07	0.08	0.11	0.36	0.37	0.54	0.69
Net working capital ratio: current assets - current liabilities	-2511.30	-2930.10	-2359.30	-1257.79	-511.32	369.86	1379.69	2514.84
Asset-Management Ratios:								
Inventory turnover: Cost of Goods Sold / Average Inventory	6.08	6.74	5.99	6.63	6.63	6.63	6.63	6.63
Working Capital Turnover: Net Revenue / Average Working Capital	3.93	4.01	4.02	4.29	4.29	4.29	4.29	4.29
Total Asset Turnover: Net Sales / Average Total Assets	0.57	0.61	0.64	0.65	0.62	0.64	0.63	0.62
Financial Leverage Ratios:								
Debt-to-assets ratio: total debt / total assets	0.57	0.55	0.56	0.52	0.52	0.49	0.49	0.47
Debt-to-equity ratio: total debt / total equity	1.85	1.59	1.64	1.43	1.45	1.26	1.21	1.14
Debt-to-capital ratio: total debt / (total debt + total equity)	0.65	0.61	0.62	0.59	0.59	0.56	0.55	0.53
Debt-to-EBITDA ratio: total debt / EBITDA	4.82	4.94	4.40	4.17	4.44	4.02	4.04	3.98
Profitability Ratios:								
Return on Equity : (NI/Beg SE)	0.25	0.20	0.25	0.23	0.23	0.23	0.22	0.21
Return on Assets: Net Income / Assets	0.07	0.07	0.08	0.08	0.08	0.09	0.09	0.08
Net Profit Margin : Net Income / Sales	0.13	0.11	0.13	0.13	0.13	0.13	0.14	0.14
Payout Policy Ratios:								
Dividend Payout Ratio (Dividend/EPS)	53.02%	45.74%	49.54%	48.12%	43.95%	41.31%	38.85%	36.65%
Total Payout Ratio ((Divs.)/NI)	52.42%	57.01%	48.73%	47.69%	43.58%	40.97%	38.54%	36.37%
Retention Ratio: (Net Income-Dividends)/Net Income	47.58%	42.99%	51.27%	52.31%	56.42%	59.03%	61.46%	63.63%

General Mills
Sensitivity Tables

		Beta							
		\$ 68.27	0.75	0.80	0.85	0.90	0.95	1.00	1.05
Equity Risk Premium	3.73%	87.03	83.33	79.86	76.61	73.57	70.70	67.99	
	3.93%	84.03	80.34	76.89	73.67	70.64	67.80	65.13	
	4.13%	81.19	77.52	74.09	70.89	67.89	65.08	62.43	
	4.33%	78.50	74.84	71.44	68.27	65.30	62.51	59.90	
	4.53%	75.94	72.31	68.93	65.79	62.85	60.09	57.51	
	4.73%	73.50	69.90	66.55	63.43	60.52	57.80	55.25	
	4.93%	71.18	67.61	64.29	61.20	58.32	55.63	53.11	

		WACC							
		\$ 68.27	6.81%	7.01%	7.21%	7.41%	7.61%	7.81%	8.01%
CV Growth of NOPLAT	1.75%	70.11	66.43	63.02	59.85	56.89	54.14	51.55	
	2.00%	73.45	69.46	65.78	62.37	59.20	56.25	53.50	
	2.25%	77.16	72.81	68.82	65.13	61.72	58.56	55.61	
	2.50%	81.29	76.53	72.18	68.18	64.49	61.08	57.92	
	2.75%	85.94	80.69	75.92	71.55	67.55	63.86	60.45	
	3.00%	91.19	85.37	80.10	75.31	70.93	66.92	63.23	
	3.25%	97.18	90.66	84.81	79.51	74.70	70.32	66.30	

		Marginal Tax rate							
		\$ 68.27	24.60%	25.60%	26.60%	27.60%	28.60%	29.60%	30.60%
Pre-Tax Cost of Debt	4.59%	73.87	72.69	71.51	70.32	69.13	67.93	66.73	
	4.79%	73.12	71.96	70.80	69.63	68.45	67.27	66.08	
	4.99%	72.39	71.25	70.10	68.94	67.78	66.62	65.45	
	5.19%	71.67	70.54	69.41	68.27	67.12	65.97	64.82	
	5.39%	70.96	69.84	68.73	67.60	66.47	65.34	64.19	
	5.59%	70.26	69.16	68.05	66.94	65.83	64.71	63.58	
	5.79%	69.56	68.48	67.39	66.30	65.20	64.09	62.98	

		Depreciation Rate							
		\$ 68.27	11.46%	12.96%	14.47%	15.96%	17.46%	18.96%	20.46%
Normal Cash Estimate	1.25%	68.10	68.30	68.49	68.69	68.88	69.07	69.27	
	1.50%	67.96	68.16	68.35	68.55	68.74	68.93	69.13	
	1.75%	67.83	68.02	68.21	68.41	68.60	68.80	68.99	
	2.00%	67.69	67.88	68.07	68.27	68.46	68.66	68.85	
	2.25%	67.55	67.74	67.94	68.13	68.32	68.52	68.71	
	2.50%	67.41	67.60	67.80	67.99	68.18	68.38	68.57	
	2.75%	67.27	67.46	67.66	67.85	68.04	68.24	68.43	

		Inventory (% of sales)							
		\$ 68.27	8.80%	9.00%	9.20%	9.40%	9.80%	10.00%	10.20%
Cost of Sales (% of sale	60.80%	77.29	77.18	77.08	76.97	76.76	76.65	76.55	
	61.30%	74.46	74.36	74.25	74.14	73.93	73.82	73.72	
	61.80%	71.63	71.53	71.42	71.31	71.10	71.00	70.89	
	62.30%	68.81	68.70	68.59	68.49	68.27	68.17	68.06	
	62.80%	65.98	65.87	65.77	65.66	65.45	65.34	65.23	
	63.30%	63.15	63.04	62.94	62.83	62.62	62.51	62.40	
	63.80%	60.32	60.22	60.11	60.00	59.79	59.68	59.58	

		SG&A (% of sales)							
		\$ 68.27	16.10%	16.60%	17.10%	17.60%	18.10%	18.60%	19.10%
Risk Free Rate	4.02%	86.81	83.71	80.60	77.49	74.39	71.28	68.17	
	4.22%	83.19	80.18	77.17	74.16	71.16	68.15	65.14	
	4.42%	79.79	76.88	73.96	71.05	68.13	65.22	62.30	
	4.62%	76.61	73.78	70.95	68.12	65.29	62.47	59.64	
	4.82%	73.61	70.86	68.12	65.37	62.62	59.88	57.13	
	5.02%	70.79	68.12	65.45	62.78	60.11	57.44	54.77	
	5.22%	68.12	65.52	62.93	60.33	57.73	55.14	52.54	

General Mills

Valuation of Options Granted under ESOP

Current Stock Price	\$67.37
Risk Free Rate	4.62%
Current Dividend Yield	3.70%
Annualized St. Dev. of Stock Returns	19.41%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	11,575	57.43	5.59	\$ 15.12	\$ 175.05
Total	11,575	\$ 57.43	5.59	\$ 24.62	\$ 175.05