



Krause Fund Research

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Analysts

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Recommendation

HOLD

NYSE: GIS Current Price: \$47.08

Target Range: \$53 - \$57



Company Overview

General Mills (NYSE: GIS) is a global leader in packaged foods, offering trusted brands across cereals, snacks, baking, ice cream, and pet food. Operating in over 100 countries, it drives growth through strong U.S. retail performance and expanding pet food operations.

Financial Snapshot

Stock Performance Highlights

Current Price: \$47.08

52-Week Range: \$45.80 - \$68.74

Market Capitalization: \$24.75B

Shares Outstanding: 542.4M

Krause Fund Valuation Models

DCF/ EP: \$53.80

DDM: \$56.88

Relative Valuation: \$59.6 - \$60.8

WACC: 5.41%

Beta: .60

2025 Financial Ratios

ROE: 23.79%

ROIC: 19.61%

ROA: 58.92%

Debt-to-Equity: 1.38

Investment Thesis

We recommend a **HOLD** rating on General Mills, with a target price of \$53-57

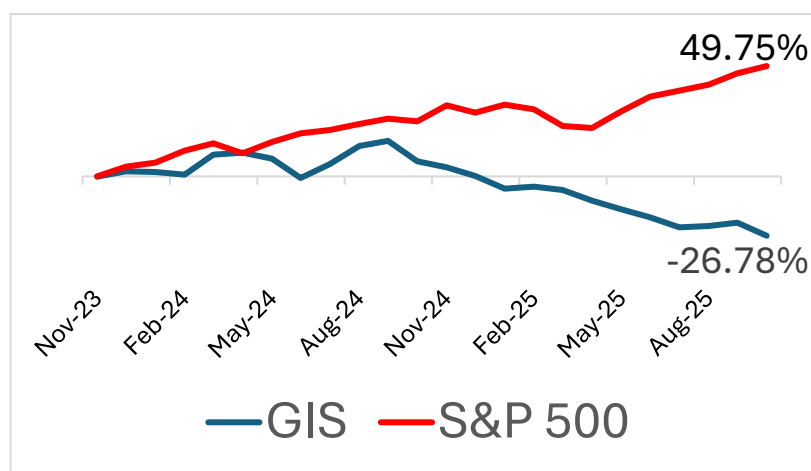
Thesis Drivers:

- Brand recognition and customer loyalty drive sales but revenue increases have come from pricing power rather than volume or demand.
- Defensive position built to benefit from downturns and recessions has relied on dividends and buybacks to create value instead of stock appreciation in recent years.
- Significant US exposure to inflation, supply chain issues and tariffs can raise cost and compress margins.

Risks to Thesis:

- Pet category offers long term growth potential.
- Pricing power and brand equity can stabilize margins and shift macro-economic effects onto the consumer.
- Valuation has taken a hit in 2025 and there are still strong dividends and free cash flow.
- Lower interest rates would help refinancing debt.

3 Year Performance



Company Description

General Mills (GIS) is a global producer and marketer of leading consumer foods, supported by more than one hundred owned brands and two strategic joint ventures that reach nearly 130 countries. The company operates through four primary segments: North America Retail, International, North America Pet, and North America Foodservice. Its portfolio spans snacks, ready to eat cereals, convenient meals, natural pet foods, refrigerated and frozen dough, baking mixes, and premium ice cream, with joint ventures that include its cereal partnership with Nestlé and its Häagen Dazs business in Japan. General Mills sells to a wide range of retail channels as well as restaurants and K through 12 institutions.

In recent years, the company has emphasized returns through brand strengthening, innovation, scale advantages, and responsible global practices, all guided by its Accelerate strategy. At its October 2025 Investor Day, leadership highlighted initiatives to boost growth by elevating product experiences, investing in advanced digital capabilities, and showcasing consumer driven innovation across each operating segment. Management also reaffirmed long term growth targets and its fiscal 2026 outlook, while outlining plans to drive sustained value through sales expansion, margin improvement, strong free cash flow, and shareholder returns through dividends and buybacks. (1)

Revenue Decomposition and Segment Analysis

To understand General Mills' performance and the forces shaping its long-term trajectory, it is helpful to look at the business from both a segment perspective and a product level view. Each contributes differently to the company's growth profile, risk exposure, and strategic priorities.

2025 Net Sales % by Segment

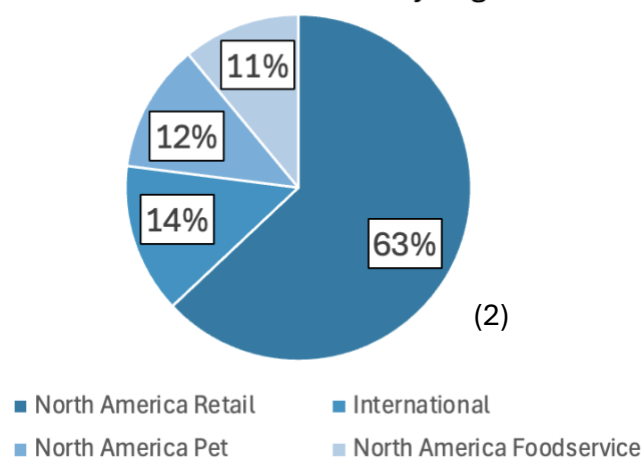


Figure 1 Source GIS 10K

General Mills remains heavily concentrated in its North America Retail segment, which accounts for 63 percent of total net sales in 2025. This highlights how central U.S. retail performance is to the company's overall results and why continued brand investment, innovation, and omnichannel execution in this segment are critical. The International segment contributes 14 percent, reflecting steady but more modest global exposure compared to peers with broader geographic footprints. North America Pet represents 12 percent of sales, a meaningful share driven by the Blue Buffalo brand and a category that continues to offer attractive long term growth potential. North America Foodservice rounds out the portfolio at 11 percent, providing diversification but remaining more dependent on restaurant and institutional traffic trends. Overall, these segments illustrate a balanced but U.S. retail weighted portfolio, where the company's growth initiatives and digital investments must strengthen core categories while expanding contributions from pet and international markets to reduce reliance on any single segment.

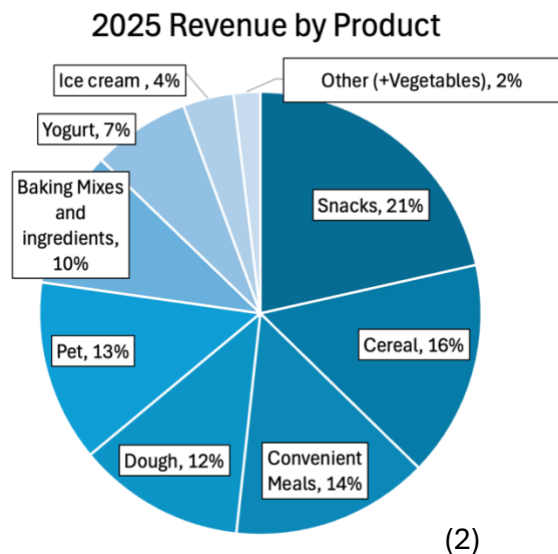


Figure 2 Source GIS 10K

General Mills’ 2025 revenue is anchored by a diverse product mix, with no single category dominating the portfolio. Snacks represent the largest share at 21 percent, underscoring the strength of brands. Cereal contributes 16 percent, reaffirming its role as a foundational category even as the company relies on innovation and brand support to keep the segment resilient. The Pet segment has continued to be one of the most important ways General Mills is positioning itself for long term growth. With the acquisition of Whitebridge Pet brands in 2024, the company hopes to move pet from a niche contributor to a higher double-digit share of company revenue. This was their 5th acquisition in the pet category and they intend this to outgrow the rest of the portfolio over our forecast period (3). In contrast, yogurt has been intentionally reduced to zero and is no longer a strategic focus, so we do not expect it to play a role in long term revenue or profit growth in our model. (4.) Going forward, we assume pet drives a disproportionate share of incremental sales and margin improvement, while the remaining core food categories grow at more modest, steady rates that support cash generation and help fund this shift in the mix. (5.)

Dough, at 12 percent, reflects stable demand in baking and at home meal preparation. Baking mixes add 10 percent, while super premium ice cream and other products provide smaller but meaningful contributions. Overall, the revenue by product highlights a balanced, multi category revenue base that reduces dependence on any single product line and supports steady long-term performance.

Cost Structure Analysis

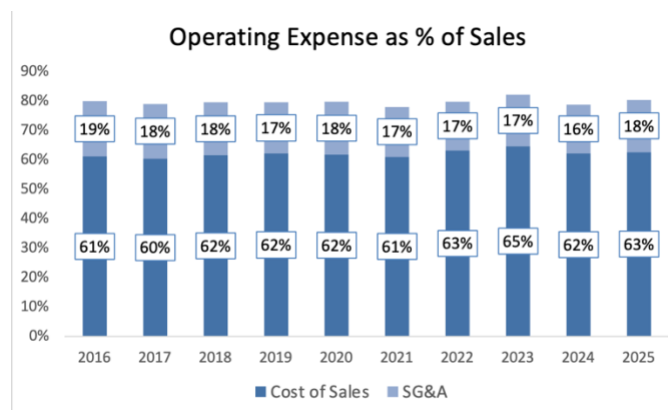


Figure 3 Source GIS 10K

General Mills’ expense structure is heavily weighted toward Cost of Goods Sold (COGS) and Selling, General & Administrative (SG&A) costs, which together account for the majority of expenses hovering around 80% each year. For SG&A, marketing and selling expenses remain high due to General Mills investment in brand equity and distribution reach. While essential for maintaining category leadership, elevated SG&A pressures margins and periods of weaker volume growth. For their production and distribution, the company operates a global manufacturing and logistics network. Supply chain digitalization is a part of the Accelerate Strategy aiming to offset input cost inflation and gain efficiency.

The primary drivers in COGS are raw materials (grains, dairy and packaging) as well as energy, transportation and labor. These are all significant cost drivers with volatility tied to commodity markets and global supply chain disruptions.

Tariffs have the potential to increase General Mills' Cost of Goods Sold by raising the price of key imported ingredients and packaging materials. While much of the company's sourcing is domestic, several important inputs are still exposed to cross-border pricing, meaning even moderate tariff hikes can flow directly into higher production costs. Any sustained increase in tariffs would force General Mills to either absorb the added expense, which would pressure margins, or pass the cost through to consumers, which could challenge volume growth in more price-sensitive categories. As a result, tariff policy remains a meaningful external risk factor in the company's cost outlook.

Debt and Interest Expense

In 2025, General Mills carries a debt-to-equity ratio of 1.38, reflecting a balance sheet that remains leveraged but manageable given the company's stable cash flows and strong credit profile. Looking forward, we expect this ratio to gradually decline as earnings continue to expand and the company avoids taking on sizeable incremental debt. The upcoming maturity ladder shows meaningful principal payments due each fiscal year through 2030, yet we believe General Mills is well positioned to meet its short-term obligations through a combination of operating cash flow and existing liquidity. Rather than aggressively paying down balances, the company has historically relied on refinancing to maintain flexibility and preserve cash for dividends, buybacks, and strategic investments, and we expect a similar approach going forward.

5 Year Debt Maturity Schedule

Fiscal Year	Payment (mil\$)
2026	\$ 1,694
2027	\$ 1,688
2028	\$ 1,400
2029	\$ 1,314
2030	\$ 1,250

Figure 4 Source GIS 10K

Capital Expenditures

General Mills' capital expenditures have remained fairly consistent in recent years, ranging from the upper 600s to mid 700s as the company continues to invest in manufacturing capacity, supply chain modernization, and digital capabilities across its operations. After elevated spending in 2024, CapEx dipped in 2025 as several major initiatives were completed, but management's long-term guidance still targets capital investment at roughly 4% of net sales. Our forecast aligns closely with this expectation, projecting CapEx to return to the low seven-hundred-million range.

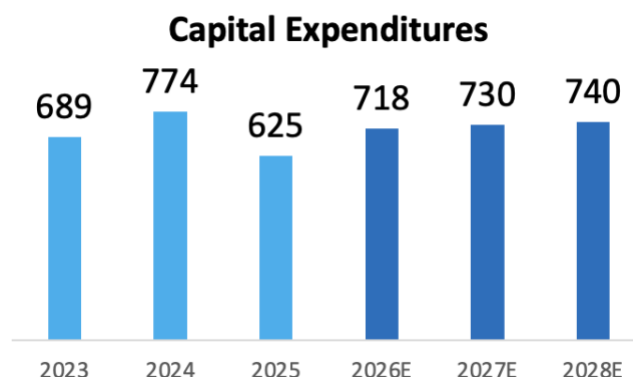


Figure 5 Source GIS 10 K

Payout Policy

General Mills maintains a shareholder-focused payout policy centered on steady dividends and selective share repurchases. In 2025, the company recorded a dividend payout ratio of 58 percent, consistent with its long-standing practice of returning a significant share of earnings to shareholders. Historically, the dividend has grown at an annual rate of 4.22 percent, reflecting management's commitment to delivering predictable, sustainable income while aligning dividend increases with long-term earnings growth. Looking ahead, we expect the payout ratio to hover around 60 percent throughout our forecast period, supported by

stable free cash flow and disciplined capital allocation. Share repurchases remain a supplemental tool, deployed opportunistically when balance sheet capacity allows, helping to modestly reduce share count and support per-share value creation.

Industry Analysis

The consumer staples industry is made up of companies that provide everyday necessities including food, beverages, household supplies, and personal care products. Because these goods are purchased regardless of economic conditions, the sector is known for its stability and tends to hold up well during downturns. Firms in this space usually operate on a global scale, maintain extensive distribution networks, and rely heavily on the strength of their brands to drive consistent sales. Although overall industry growth is modest due to its mature nature, companies can still create opportunities by responding to evolving consumer trends and expanding their product mix. Success in this industry depends on maintaining brand relevance, earning repeat purchases, and continually reinforcing customer loyalty.

Peer Universe Comparisons

In evaluating General Mills' position within its pure peer universe, we compare it to other major packaged food and consumer staples companies including Nestlé, Kraft Heinz, Kellanova, Mondelez International, and PepsiCo. These firms operate across overlapping categories such as snacks, cereals, beverages, and packaged meals, and all rely heavily on brand scale, distribution reach, and pricing power to drive performance. While each competitor has its own geographic and category mix, they collectively represent the core competitive set General Mills must match in terms of margin efficiency, innovation, and growth. This peer group provides

the most relevant benchmark for assessing valuation, profitability, capital structure, and long-term strategic positioning. (7.)

Firm	TTM Revenue	P/E	Net Margin	Oper. Margin
General Mills	19.16B	8.96	15.24%	17.3%
PepsiCo	92.37B	27.9	10.43%	14%
Kraft Heinz	25.16B	9.04	9.83%	17%
Mondelez	37.65B	21.3	9.38%	6.5%
Kellanova	12.70B	22.8	10.53%	14.7%

Figure 5 Source FactSet

Private Labels

Private label products have become an increasingly important competitive force in the consumer staples industry as large retailers continue expanding their own brands. Chains like Costco, Walmart, and Target have strengthened their private label portfolios, offering products that closely mirror national brands at noticeably lower prices. As these retailers improve quality and broaden their assortments, private labels have gained credibility with consumers, especially during periods of economic uncertainty when shoppers become more price-sensitive. Over the past year, store brand sales have grown faster than national brands, highlighting a gradual shift toward value-oriented alternatives. This trend presents a real challenge for companies like General Mills, as private labels directly compete across many of the same categories and pressure national brands to justify premium pricing through innovation, marketing, and stronger category leadership.

Catalysts for Growth

Several catalysts support future growth within the consumer staples sector. Companies with strong brand portfolios benefit from meaningful pricing power, allowing them to pass through higher input

costs while maintaining margins and shelf presence. Evolving consumer preferences toward health and wellness continue to open new avenues for innovation in areas such as low-sugar beverages, protein-based snacks, and functional or nutrient-enhanced foods. Global players also stand to gain from rising consumption in emerging markets, where expanding middle-class populations in Asia, Africa, and Latin America drive long-term demand. A weaker U.S. dollar can further support revenue growth by enhancing the value of international sales. At the same time, improvements in digital marketing, direct-to-consumer capabilities, and modernized supply chains provide structural advantages that enhance efficiency and consumer reach. Combined with the sector's naturally resilient demand profile during economic slowdowns, these factors collectively create a favorable backdrop for steady, defensive growth.

Porter's Five Forces Analysis

Threat of New Entrants: Low

The threat of new entrants for General Mills is low due to high capital requirements, scale-driven manufacturing, and deeply established distribution networks that make entry difficult. Strong brand loyalty across categories like cereal, baking products, and snacks further protects incumbency. While small niche brands in organic, natural, or specialty foods continue to emerge, they rarely pose significant long-term threats and are often acquired by large players before scaling.

Bargaining Power of Suppliers: Moderate

Supplier power for General Mills is moderate, driven primarily by volatility in key commodity inputs such as grains, dairy, and proteins. Although General Mills leverages long-term contracts, hedging programs, and global sourcing to manage costs, agricultural disruptions like

droughts or disease outbreaks can temporarily strengthen supplier power and raise input costs. The company's scale helps offset some of this risk, but sensitivity to commodity markets remains a core cost challenge.

Bargaining Power of Buyers: High

Buyer power is high, especially at the retail level where major players like Walmart, Kroger, Costco, and Amazon control shelf placement, pricing pressure, and promotional dynamics. These retailers can demand lower prices or higher promotional support. At the consumer level, brand loyalty still offers General Mills some protection, particularly in cereal, baking mixes, snacks, and pet food, but price-sensitive shoppers can shift quickly in inflationary environments.

Threat of Substitutes: Moderate

The threat of substitutes for General Mills is moderate to high because consumers can easily switch to private-label offerings, local brands, or fresh alternatives. Shifts toward healthier eating, less-processed foods, and functional/nutritional options increase the number of substitutes available. Private-label snacks, frozen meals, and bakery items also directly threaten General Mills' core categories, especially during economic downturns.

Industry Rivalry: Very High

Industry rivalry is intense, with major global competitors such as Kellogg, Nestlé, Mondelez, Hormel, and Campbell's competing aggressively on price, innovation, marketing, and retail visibility. The push for limited shelf space and the rapid growth of e-commerce force continuous investment in advertising and product refreshes. General Mills must consistently innovate and maintain strong retailer relationships to defend

share in a highly competitive packaged-food landscape.

Mergers and Acquisitions

Mergers and acquisitions remain an important strategic tool in the consumer staples industry, allowing companies to expand into faster-growing categories, gain scale advantages, and refresh their brand portfolios. Large food manufacturers frequently pursue acquisitions to enter high-growth segments such as pet food, snacks, and health-focused products, while divesting slower or underperforming businesses to streamline operations. These transactions can strengthen competitive positioning and accelerate revenue growth, but they also carry integration risks and often require meaningful investment to realize expected synergies. For General Mills and its peers, disciplined M&A activity continues to be a key lever for shaping long-term growth and staying aligned with shifting consumer preferences

Demographic and Policy Changes

Demographic and policy changes also play a significant role in shaping the outlook for consumer staples companies. Aging populations in developed markets increase demand for convenient, health-oriented, and functional foods, while younger consumers prioritize sustainability, transparency, and cleaner ingredient profiles. Shifting household structures, such as the rise of smaller families and single-person households, influence packaging sizes and product formats. On the policy side, evolving food regulations, labeling requirements, and health guidelines can impact product reformulation and marketing strategies, while trade policies and agricultural subsidies affect input costs and supply chain planning. Together, these demographic and policy trends create both

challenges and opportunities, requiring companies like General Mills to continuously adapt their portfolios and operations to stay aligned with changing consumer expectations and regulatory environments.

Overall

The packaged food industry is defined by steady demand but rising competitive pressure, requiring General Mills to balance scale, brand strength, and strategic agility. Major peers such as Nestlé, Mondelez, PepsiCo, Kraft Heinz, and Kellanova set the competitive benchmark, while private-label growth forces national brands to justify premium pricing through innovation and marketing. Demographic shifts and evolving consumer preferences toward convenience, health, and value continue to reshape category demand. Growth opportunities still exist through targeted M&A, digital supply-chain improvements, and expansion in emerging markets. Overall, success in this environment depends on disciplined execution and the ability to differentiate in a mature, increasingly competitive marketplace.

Economic Outlook

The recent economic outlook is showing signs of moderate growth but with a recent government shutdown, 4th quarter output and consumer sentiment are unclear. Pairing recent rate cuts and a new chair of the federal reserve coming next year the cost of borrowing is expected to decrease. This and the transition from of quantitative tightening to quantitative easing indicates an increase of money supply and with that inflation. For the consumer staples industry, products are relatively resilient amid weaker spending periods, and their defensive position right now may not be immune to the slower consumption and cost pressures.

Inflation Measures

The Producer Price Index (PPI) tracks inflation in producer and commodity input costs, while the Personal Consumption Expenditures (PCE) index measures the final prices consumers pay and serves as the Federal Reserve's preferred inflation gauge. PPI tends to be more volatile and often leads movements in PCE, since companies smooth price changes to avoid shocking consumers. (11.)

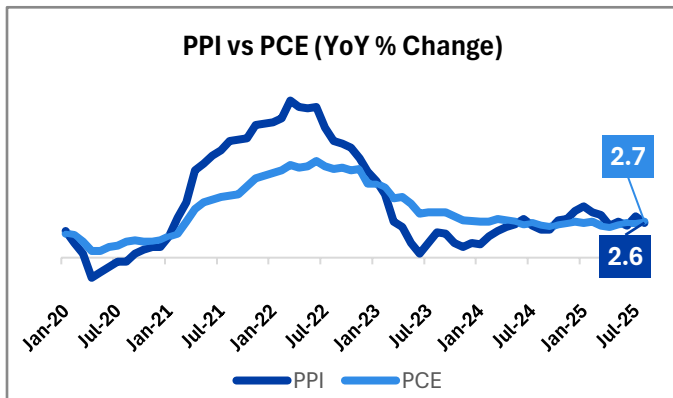


Figure 6 Source BLS and BEA

Over the past five years, PPI has swung far more sharply than PCE, but both measures converged in late 2025 around the 2.6-2.7%, signaling a normalization of pricing dynamics following the major supply-chain disruptions of 2021–2022. If inflation stabilizes into 2026 and key commodities such as grains, dairy, and packaging materials show easing pressure, General Mills benefits from a more predictable cost environment and reduced risk of sudden margin compression across its input-intensive categories like cereal, baking mixes, and pet food.

Moderating consumer inflation also reduces trade-down behavior that challenged volumes in FY2025, as shoppers regain purchasing power and become less price-sensitive toward branded packaged foods. With producer-level costs leveling out and consumer inflation cooling, General Mills can shift from purely defensive pricing to more deliberate price-mix strategies

supported by brand investment and innovation. Although the October 2025 government shutdown briefly delayed key economic data, the broader inflation environment still supports a neutral outlook. General Mills heads into FY2026 with a hit in total sales growth from the previous year followed by gradual improvement in volumes, which justifies maintaining a Hold rating.

Cost of Borrowing

The current interest-rate environment remains elevated compared to pre-2022 levels, resulting in higher corporate borrowing costs across the consumer-staples sector.

For General Mills, this backdrop reinforces the importance of maintaining strong cash-flow conversion and disciplined capital allocation, as refinancing future maturities could occur at higher yields than its historical averages. In our valuation, we used a 4.15 percent risk-free rate, reflecting the prevailing yield on long-duration U.S. Treasury securities during our analysis period. (12.)

This rate appropriately captures the Federal Reserve's tighter-for-longer stance and provides a neutral, market-aligned baseline for calculating the company's cost of equity and discounting future cash flows. By anchoring our model to this risk-free rate, we ensure that our weighted average cost of capital (WACC) reflects current macro conditions and yields a realistic assessment of General Mills' intrinsic value.

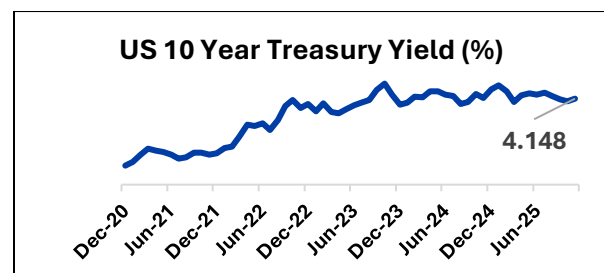


Figure 7 Source Yahoo Finance

Consumer Confidence

Consumer confidence has remained uneven throughout 2025 as households navigate elevated borrowing costs, slower wage growth, and uncertainty tied to the recent government shutdown. This softness directly affects spending behavior, with many consumers prioritizing essentials, delaying discretionary purchases, and exhibiting greater price sensitivity. (13.)

For General Mills, the impact is mixed: weaker confidence tends to support demand for at-home food consumption, benefiting core categories like cereal, baking mixes, and meals; however, it also increases the risk of trade-downs into private label and value brands, pressuring volumes and promotional intensity. As sentiment gradually stabilizes into 2026, we expect consumer behavior to normalize, reducing extreme price sensitivity and allowing General Mills to improve volume performance alongside more balanced price-mix strategies.

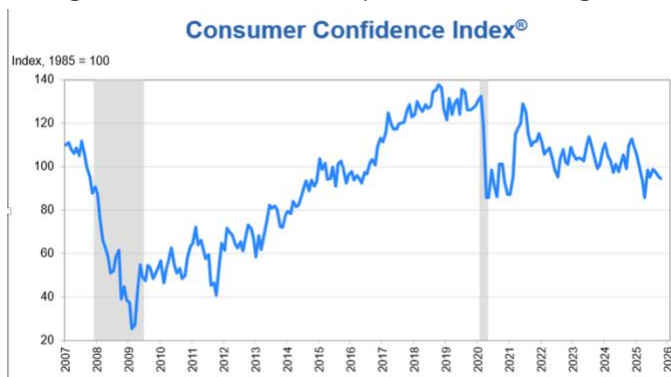


Figure 8 The Conference Board

Real GDP

U.S. Real GDP declined by 0.6 percent in Q1 2025 before rebounding to 3.8 percent growth in Q2, supported by stronger consumer spending and a sharp reduction in imports. We expect GDP growth to continue improving over the next year as financial conditions stabilize and household balance sheets recover. (14.)

For consumer staples companies like General Mills, GDP fluctuations usually have a muted effect on baseline demand, since food-at-home spending is relatively resilient even in slower economic environments. However, a strengthening economy helps reduce trade-down behavior toward private label and supports steadier volumes across key categories such as cereal, snacks, and meals. As growth firms up, we anticipate a gradual lift in overall category consumption, which enhances the visibility of General Mills' near-term outlook without meaningfully changing its long-run, low-single-digit growth profile.

Valuation

Our valuation for General Mills uses a five-year forecast period, reflecting the company's status as a mature packaged food manufacturer with stable but modest long-term growth. To estimate the cost of equity, we apply the 10-year U.S.

Treasury yield as of 11/14/25 (4.15 percent) as the risk-free rate, along with General Mills' three-year adjusted beta of 0.60 from FactSet and the long-term geometric average equity risk premium of 5.48 percent. These assumptions produce a cost of equity of 7.44 percent. For the cost of debt, we use the company's current pre-tax borrowing rate of 4.86 percent, which results in an after-tax cost of debt of 3.82 percent when applying the projected marginal tax rate of 21.50 percent. Using capital structure weights consistent with General Mills' balance sheet, our model arrives at a weighted average cost of capital (WACC) of 5.46 percent. Long-term assumptions include a 1.00 percent NOPLAT continuing-value growth rate, 0.50 percent EPS continuing-value growth rate, and an 18.36 percent CV-year ROIC.

Discounted Cash Flow & Economic Profit

Estimated Share Price: **\$53.80**

Our DCF and economic profit models estimate a fair value of roughly \$53 to \$54 per share for General Mills, implying modest upside from the current trading price. Both valuation approaches use a five-year forecast horizon (2026 through 2030), followed by a continuing-value period that reflects the company’s mature growth profile and predictable cash flows. The base-case long-term NOPLAT growth rate of 1.00 percent captures the slow but steady nature of the firm’s core categories. Using a continuing-value ROIC of 18.36 percent and a WACC of 5.46 percent, the DCF model results in an intrinsic value of \$53.80, while the economic profit model produces the same estimate. The similarity across both methods supports the conclusion that General Mills is fairly valued with slight potential for appreciation.

Dividend Discount Model

Estimated Share Price: **\$56.88**

Our dividend discount model produces a fair value estimate of \$56.88 per share, slightly higher than our DCF-based values. The model assumes a long-term EPS growth rate of 0.50 percent and a continuing-value ROE of 15.37 percent, which are consistent with the company’s historical return profile. Given General Mills’ longstanding commitment to dividend payouts and its current dividend yield of 4.95 percent, we expect dividends to continue growing steadily throughout the forecast period. The higher valuation produced by the DDM reflects the company’s strong dividend orientation and dependable free cash flow relative to other mature CPG firms.

Relative Valuation

Estimated Share Price: **\$59.58 to \$60.79**

Our relative valuation compares General Mills to a peer universe that includes Nestle, Kraft Heinz,

Kellanova, Mondelez, Conagra, PepsiCo, Campbell Soup, Hormel, and Tyson Foods. Based on peer-average forward P/E multiples of 14.82 times for fiscal 2026 and 13.81 times for fiscal 2027, we estimate implied prices of \$60.79 and \$59.58 per share for General Mills using its forecasted EPS of \$4.10 and \$4.31 for 2026 and 2027, respectively. These results suggest that General Mills trades at a discount to its peers, largely reflecting slower category growth and a lower long-term earnings trajectory. While relative valuation indicates modest upside, we believe the DCF and DDM models provide a more reliable measure of intrinsic value due to the company’s mature and relatively stable operating profile.

Valuation Thesis

For a mature, steady cash-flow generator like General Mills, intrinsic valuation methods offer the most reliable assessment of fair value. Our DDM estimate of \$57.68 provides an upper-bound reflection of GIS’s strong dividend orientation, while our DCF/EP valuation of \$53.80 represents a conservative and realistic baseline under modest long-term growth assumptions. Because GIS trades at a justified discount to higher-growth peers, we assign minimal weight to relative valuation. As a result, we set a target price range of \$53–\$57 and maintain a HOLD rating

Sensitivity Analysis

Beta vs Equity Risk Premium

		Beta							
		53.80	0.45	0.50	0.55	0.60	0.65	0.70	0.75
Equity Risk Premium	5.18%	66.73	62.90	59.33	55.99	52.86	49.93	47.16	
	5.28%	66.04	62.19	58.60	55.25	52.11	49.16	46.39	
	5.38%	65.37	61.49	57.89	54.52	51.37	48.41	45.64	
	5.48%	64.70	60.80	57.18	53.80	50.64	47.67	44.89	
	5.58%	64.04	60.12	56.48	53.09	49.92	46.95	44.16	
	5.68%	63.39	59.45	55.79	52.39	49.21	46.23	43.44	
	5.78%	62.74	58.79	55.12	51.70	48.51	45.53	42.73	

The sensitivity analysis shows that variations in beta and the equity risk premium significantly influence the cost of equity, which is the dominant component of General Mills’ capital structure. Because small changes in these inputs

directly alter the discount rate applied to future cash flows, the resulting valuation range is wide. This highlights how sensitive the intrinsic value is to shifts in market risk perception and reinforces the importance of using well-supported estimates for these parameters.

Marginal Tax Rate vs Pre-Tax cost of Debt

		Marginal Tax Rate							
		53.80	20%	20.50%	21%	21.50%	22%	22.50%	23%
Pre-Tax Cost of Debt	4.56%	56.48	56.19	55.89	55.59	55.29	54.98	54.66	
	4.66%	55.85	55.57	55.28	54.99	54.69	54.39	54.08	
	4.76%	55.23	54.95	54.67	54.39	54.10	53.80	53.51	
	4.86%	54.62	54.35	54.08	53.80	53.52	53.23	52.94	
	4.96%	54.01	53.75	53.49	53.21	52.94	52.66	52.38	
	5.06%	53.42	53.16	52.90	52.64	52.37	52.10	51.82	
	5.16%	52.83	52.58	52.33	52.07	51.81	51.54	51.27	

The relationship between the company’s marginal tax rate and its pre-tax cost of debt has a clear impact on the after-tax cost of borrowing and ultimately on WACC. Higher interest rates or increases in the marginal tax rate reduce intrinsic value by raising the firm’s financing costs. The table shows that General Mills’ valuation responds materially to these debt-related assumptions, emphasizing the importance of stable interest expense and predictable tax policy.

Depreciation Rate vs CapEx % of Sales

		Depreciation Rate							
		53.80	15.41%	15.91%	16.41%	16.91%	17.41%	17.91%	18.41%
CapEx % of Sales	2.50%	59.13	58.89	58.67	58.46	58.26	58.08	57.90	
	3.00%	57.68	57.41	57.15	56.91	56.68	56.45	56.25	
	3.50%	56.23	55.92	55.63	55.35	55.09	54.83	54.59	
	4.00%	54.78	54.44	54.11	53.80	53.50	53.21	52.93	
	4.50%	53.33	52.96	52.59	52.24	51.91	51.59	51.28	
	5.00%	51.88	51.47	51.07	50.69	50.32	49.97	49.62	
	5.50%	50.44	49.99	49.55	49.13	48.73	48.34	47.97	

General Mills’ valuation is also sensitive to assumptions about capital intensity. Both higher depreciation rates and elevated capital expenditures reduce free cash flow, leading to lower intrinsic values in the sensitivity table. The most favorable outcomes occur when CapEx remains close to long-term guidance and depreciation stays stable. This underscores the importance of maintaining disciplined investment spending and efficient asset

management to protect long-term cash generation.

CV Year ROIC vs SG&A % of Sales

		CV Year ROIC							
		53.80	12.36%	14.36%	16.36%	18.36%	20.36%	22.36%	24.36%
SG&A % of Sales	14.50%	68.17	69.32	70.19	70.87	71.42	71.86	72.24	
	15.50%	62.61	63.71	64.53	65.18	65.70	66.12	66.48	
	16.50%	57.06	58.09	58.88	59.49	59.98	60.38	60.72	
	17.50%	51.50	52.48	53.22	53.80	54.26	54.64	54.96	
	18.50%	45.94	46.86	47.56	48.11	48.54	48.90	49.21	
	19.50%	40.38	41.25	41.91	42.42	42.83	43.17	43.45	
	20.50%	34.84	35.65	36.26	36.74	37.12	37.44	37.70	

The interaction between long-term ROIC and SG&A spending plays a meaningful role in determining value. Higher SG&A reduces margins and compresses valuation unless offset by strong ROIC performance. Conversely, modest SG&A leverage coupled with solid returns on invested capital substantially lifts the implied share price. The table demonstrates that cost discipline and strong brand-driven returns are key drivers of long-term value for General Mills.

WACC vs CV Growth of NOPLAT

		WACC							
		53.80	5.16%	5.26%	5.36%	5.46%	5.56%	5.66%	5.76%
CV Growth of NOPLAT	0.40%	52.25	50.25	48.34	46.55	44.74	43.05	41.41	
	0.60%	54.84	52.72	50.68	48.76	46.85	45.05	43.31	
	0.80%	57.68	55.40	53.21	51.17	49.13	47.21	45.37	
	1.00%	60.79	58.33	55.99	53.80	51.61	49.56	47.60	
	1.20%	64.21	61.55	59.02	56.67	54.31	52.12	50.02	
	1.40%	67.99	65.11	62.37	59.82	57.28	54.92	52.66	
	1.60%	72.20	69.05	66.07	63.30	60.55	58.00	55.56	

The company’s valuation is very sensitive to both long-term growth assumptions and the discount rate. Even small movements in WACC or continuing-value NOPLAT growth produce large swings in the estimated share price. Lower discount rates or slightly higher long-term growth materially increase value, while the opposite drives valuation lower. This highlights the importance of selecting conservative, well-supported long-term assumptions for a mature business like General Mills.

Risk Free-Rate vs Cost of Equity

		Risk Free Rate							
		53.80	3.55%	3.75%	3.95%	4.15%	4.35%	4.55%	4.75%
Cost of Equity	4.35%	60.90	58.17	55.58	53.15	50.78	48.55	46.43	
	5.35%	61.15	58.41	55.81	53.37	50.99	48.75	46.62	
	6.35%	61.40	58.65	56.04	53.58	51.20	48.95	46.81	
	7.35%	61.65	58.89	56.27	53.80	51.41	49.15	47.00	
	8.35%	61.90	59.13	56.50	54.02	51.62	49.35	47.19	
	9.35%	62.14	59.36	56.72	54.24	51.82	49.55	47.38	
	10.35%	62.39	59.60	56.94	54.45	52.03	49.74	47.57	

Changes in the risk-free rate and cost of equity directly affect discount rates used across the valuation models. As these assumptions rise, the intrinsic value declines sharply, consistent with higher required returns from equity investors. The sensitivity results illustrate that the company's valuation is highly exposed to broader interest-rate conditions and shifts in market expectations, reinforcing the central role of macroeconomic factors in determining equity value.

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Segment by Product															
Snacks	3,297.2	3,302.2	3,419.0	3,393.3	3,529.7	3,574.2	3,960.0	4,431.5	4,327.3	4,187.4	4061.8	4102.4	4102.4	4102.4	4102.4
Cereal	2,751.0	2,731.3	2,731.5	2,768.7	3,030.2	2,981.1	3,209.5	3,187.5	3,187.5	3,078.6	3047.8	3078.3	3115.2	3152.6	3190.4
Convenient Meals	2,779.0	2,653.6	2,677.4	2,874.1	2,866.9	2,888.2	2,961.6	2,906.5	2,906.5	2,816.1	2787.9	2787.9	2787.9	2815.8	2844.0
Dough	1,017.5	1,036.4	1,049.5	1,042.7	1,050.3	1,074.6	1,127.0	1,183.1	2,423.6	2,384.2	2312.7	2358.9	2406.1	2454.2	2503.3
Pet			1,224.0	1,513.6	1,864.2	2,261.0	2,420.0	2,482.0	2,382.7	2,585.8	2766.8	2960.5	3108.5	3232.8	3329.8
Baking Mixes and ingredients	1,704.3	1,654.1	1,653.4	1,409.3	1,634.0	1,596.4	1,749.0	1,892.6	1,996.0	1,940.2	1901.4	1901.4	1920.4	1939.6	1959.0
Yogurt	2,950.6	2,931.0	2,748.2	2,573.8	2,014.8	1,977.2	2,149.7	1,747.2	1,482.5	1,391.6	0.0	0.0	0.0	0.0	0.0
Ice cream	731.2	738.4	803.7	812.7	781.9	782.2	803.0	768.2	728.7	721.6	721.1	721.1	721.1	721.1	721.1
Other (+Vegetables)	793.0	502.4	503.5	452.5	465.2	458.2	411.2	422.4	422.4	381.1	362.0	343.9	326.7	310.4	294.9
Total Sales	16,023.8	15,549.4	16,810.2	16,840.7	17,237.2	17,593.1	18,791.0	19,021.0	19,857.2	19,486.6	17961.6	18254.5	18488.5	18729.0	18945.0
Growth Rate by Product															
Snacks		0.15%	3.54%	-0.75%	4.02%	1.26%	10.79%	11.91%	-2.35%	-3.23%	-3.0%	1.0%	0.0%	0.0%	0.0%
Cereal		-0.72%	0.01%	1.36%	9.44%	-1.62%	7.66%	-0.69%	0.00%	-3.42%	-1.0%	1.0%	1.2%	1.2%	1.2%
Convenient Meals		-4.51%	0.90%	7.35%	-0.25%	0.74%	2.54%	-1.86%	0.00%	-3.11%	-1.0%	0.0%	0.0%	1.0%	1.0%
Dough		1.86%	1.26%	-0.65%	0.73%	2.31%	4.88%	4.98%	104.85%	-1.63%	-3.0%	2.0%	2.0%	2.0%	2.0%
Pet				23.66%	23.16%	21.29%	7.03%	2.56%	-4.00%	8.52%	7.0%	7.0%	5.0%	4.0%	3.0%
Baking Mixes and ingredients		-2.95%	-0.04%	-14.76%	15.94%	-2.30%	9.56%	8.21%	5.46%	-2.80%	-2.0%	0.0%	1.0%	1.0%	1.0%
Yogurt		-0.66%	-6.24%	-6.35%	-21.72%	-1.87%	8.72%	-18.72%	-15.15%	-6.13%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%
Ice cream		0.98%	8.84%	1.12%	-3.79%	0.04%	2.66%	-4.33%	-5.14%	-0.97%	-0.1%	0.0%	0.0%	0.0%	0.0%
Other (+Vegetables)		-36.65%	0.22%	-10.13%	2.81%	-1.50%	-10.26%	2.72%	0.00%	-9.78%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Total Sales %		-5.31%	8.11%	0.18%	2.35%	2.06%	6.81%	1.22%	4.40%	-1.87%	-7.83%	1.63%	1.28%	1.30%	1.15%

General Mills

Income Statement

(in millions)

<i>Fiscal Years Ending May 31</i>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Net sales	16,563	15,620	15,740	16,865	17,627	18,127	18,993	20,094	19,857	19,487	17,962	18,254	18,488	18,729	18,945
Cost of sales	10,126	9,448	9,686	10,488	10,902	11,077	12,020	13,002	12,372	12,215	11,178	11,349	11,486	11,628	11,756
Depreciation and Amortization	608	604	619	620	595	601	570	547	553	539	547	576	602	625	646
Selling, general, and administrative expenses	3,119	2,889	2,850	2,936	3,152	3,080	3,147	3,500	3,259	3,446	3,143	3,195	3,235	3,278	3,315
Divestiture loss (gain)	(148)	7	-	30	-	54	(194)	(445)	-	(96)	-	-	-	-	-
Restructuring, impairment, and other exit costs (income)	151	180	166	275	24	170	(27)	56	241	78	-	-	-	-	-
Operating profit	2,707	2,492	2,420	2,516	2,954	3,145	3,476	3,434	3,432	3,305	3,094	3,135	3,165	3,198	3,227
Benefit plan non-service income		74	89	88	113	133	113	89	76	54	54	54	54	54	54
Interest, net	(304)	(295)	(374)	(522)	(467)	(420)	(380)	(382)	(479)	(524)	(459)	(463)	(457)	(457)	(458)
Earnings before income taxes and after-tax earnings from joint ventures	2,404	2,271	2,136	2,082	2,600	2,857	3,210	3,141	3,028	2,835	2,689	2,727	2,762	2,795	2,823
Income taxes	(755)	(655)	(57)	(368)	(481)	(629)	(586)	(612)	(595)	(574)	(578)	(586)	(594)	(601)	(607)
After-tax earnings from joint ventures	88	85	85	72	91	118	112	81	85	58	73	74	75	76	77
Net earnings, including earnings attributable to redeemable and noncontrolling interests	1,737	1,701	2,163	1,786	2,211	2,346	2,735	2,610	2,519	2,319	2,184	2,215	2,244	2,271	2,293
Net earnings / loss attributable to redeemable and noncontrolling interests	(39)	(44)	(32)	(34)	(30)	(6)	(28)	(16)	(22)	(24)	(29)	(30)	(30)	(31)	(31)
Net earnings attributable to General Mills	1,697	1,658	2,131	1,753	2,181	2,340	2,707	2,594	2,497	2,295	2,155	2,185	2,213	2,240	2,262
Total shares outstanding (basic)	597	577	593	602	610	608	599	587	559	542	508	505	500	497	495
Weighted average shares outstanding (basic)	599	587	577	600	608	614	608	595	576	555	525	506	502	499	496
Earnings per share (basic)	2.83	2.82	3.69	2.92	3.59	3.81	4.46	4.36	4.34	4.12	4.10	4.31	4.41	4.49	4.56
Annual dividends per share	1.78	1.92	1.96	1.96	1.96	2.02	2.04	2.16	2.36	2.40	2.44	2.51	2.59	2.70	2.81

General Mills

Balance Sheet

(in millions)

Fiscal Years Ending May 31	2,016	2,017	2,018	2,019	2,020	2,021	2,022	2,023	2,024	2,025	2026E	2027E	2028E	2029E	2030E
Cash and cash equivalents	764	766	399	450	1,678	1,505	569	586	418	364	601	1,906	2,925	4,133	5,337
Receivables	1,361	1,430	1,684	1,680	1,615	1,639	1,692	1,683	1,696	1,796	1,640	1,666	1,688	1,710	1,729
Inventories	1,414	1,484	1,642	1,559	1,426	1,821	1,867	2,172	1,898	1,911	1,724	1,752	1,775	1,798	1,819
Prepaid expenses and other current assets	399	382	398	498	402	790	802	736	569	465	540	549	556	564	570
Assets held for sale							159			740					
Total current assets	3,937	4,061	4,124	4,187	5,121	5,755	5,090	5,176	4,581	5,276	4,506	5,874	6,944	8,204	9,455
PPE	3,744	3,688	4,047	3,787	3,216	3,228	3,057	3,296	3,498	3,234	3,405	3,560	3,697	3,821	3,933
Operating Lease Right of Use	-	-	-	-	365	379	337	340	366	399	420	439	456	471	485
Goodwill	8,741	8,747	14,065	13,996	13,923	14,062	14,379	14,511	14,751	15,622	15,622	15,622	15,622	15,622	15,622
Other intangible assets	4,539	4,530	7,445	7,167	7,096	7,151	7,000	6,968	6,980	7,081	7,081	7,081	7,081	7,081	7,081
Other assets	752	786	943	975	1,086	1,268	1,228	1,160	1,295	1,459	1,513	1,569	1,627	1,688	1,750
Total Assets	21,712	21,813	30,624	30,111	30,807	31,842	31,090	31,452	31,470	33,071	32,548	34,146	35,429	36,888	38,327
Accounts payable	2,047	2,120	2,746	2,854	3,248	3,654	3,982	4,194	3,988	4,010	3,258	3,311	3,353	3,397	3,436
Current portion of long-term debt	1,103	605	1,600	1,397	2,332	2,464	1,674	1,709	1,614	1,528	1,694	1,688	1,400	1,314	1,250
Notes payable	270	1,234	1,550	1,469	279	361	811	32	12	677	688	699	708	717	726
Other current liabilities	1,595	1,372	1,446	1,368	1,633	1,787	1,552	1,601	1,419	1,624	1,553	1,578	1,599	1,620	1,638
Liabilities held for sale										18					
Total current liabilities	5,015	5,331	7,342	7,087	7,492	8,266	8,020	7,536	7,033	7,857	7,193	7,277	7,060	7,047	7,050
Long-term debt	7,058	7,643	12,669	11,625	10,929	9,787	9,135	9,965	11,304	12,673	11,445	11,550	11,645	11,735	11,819
Deferred income taxes	1,400	1,719	2,004	2,031	1,947	2,118	2,218	2,111	2,201	2,101	2,067	2,097	2,124	2,149	2,171
Other liabilities	2,088	1,523	1,341	1,449	1,545	1,293	929	1,140	1,284	1,229	1,229	1,229	1,229	1,229	1,229
Redeemable interest	846	911	776	552	545	605									
Total Liabilities	16,405	17,127	24,132	22,744	22,457	22,069	20,302	20,752	21,821	23,860	21,933	22,153	22,058	22,160	22,268
Common stock and additional paid-in capital	1,253	1,196	1,278	1,462	1,424	1,441	1,258	1,298	1,303	1,294	1,713	2,132	2,551	2,970	3,389
Retained earnings	12,617	13,139	14,460	14,997	15,982	17,070	18,533	19,839	20,972	21,918	22,828	23,746	24,664	25,562	26,433
Common stock in treasury, at cost	(6,327)	(7,763)	(7,168)	(6,779)	(6,433)	(6,611)	(7,278)	(8,410)	(10,358)	(11,468)	(11,427)	(11,416)	(11,405)	(11,395)	(11,385)
Accumulated other comprehensive loss / income	(2,612)	(2,245)	(2,429)	(2,625)	(2,914)	(2,429)	(1,971)	(2,277)	(2,520)	(2,545)	(2,545)	(2,545)	(2,545)	(2,545)	(2,545)
Total stockholders' equity	4,930	4,328	6,141	7,055	8,059	9,470	10,542	10,450	9,397	9,199	10,569	11,917	13,266	14,592	15,892
Noncontrolling interests	377	358	351	313	291	303	246	250	252	12	41	71	102	132	163
Total Equity	5,307	4,686	6,492	7,368	8,350	9,773	10,788	10,700	9,649	9,211	10,611	11,989	13,367	14,724	16,055
Total Liabilities and Shareholders' Equity	21,712	21,813	30,624	30,111	30,807	31,842	31,090	31,452	31,470	33,071	32,544	34,141	35,425	36,884	38,323

General Mills

Historical Cash Flow Statement

(in millions)

Fiscal Years Ending May, 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Income	1736.8	1701.1	2163.0	1786.2	2210.8	2346.0	2735.0	2609.6	2518.6	2318.9
Depreciation and amortization	608.1	603.6	618.8	620.1	594.7	601.3	570.3	546.6	552.7	539.0
After-tax earnings from joint ventures	(88.4)	(85.0)	(84.7)	(72.0)	(91.1)	(117.7)	(111.7)	(81.3)	(84.8)	(57.6)
Distributions of earnings from joint ventures	75.1	75.6	113.2	86.7	76.5	95.2	107.5	69.9	50.4	44.6
Stock-based compensation	89.8	95.7	77.0	84.9	94.9	89.9	98.7	111.7	95.3	91.7
Deferred income taxes	120.6	183.9	(504.3)	93.5	(29.6)	118.8	62.2	(22.2)	(48.5)	(120.9)
Pension and other postretirement benefit plan contributions	(47.8)	(45.4)	(31.8)	(28.8)	(31.1)	(33.4)	(31.3)	(30.1)	(30.1)	(30.8)
Pension and other postretirement benefit plan costs / income	118.1	35.7	4.6	6.1	(32.3)	(33.6)	(30.1)	(27.6)	(27.0)	(12.7)
Divestitures gain, net	(148.2)	13.5	0.0	30.0	0.0	53.5	(194.1)	(444.6)	0.0	(95.9)
Restructuring, impairment, and other exit costs / income	107.2	117.0	126.0	235.7	43.6	150.9	(117.1)	24.4	223.5	74.3
Receivables	(6.9)	(69.2)	(122.7)	(42.7)	37.9	27.9	(166.3)	(41.2)	(1.8)	(79.0)
Inventories	(146.1)	(61.5)	15.6	53.7	103.1	(354.7)	(85.8)	(319.0)	287.6	(18.5)
Prepaid expenses and other current assets	(0.1)	16.6	(10.7)	(114.3)	94.2	(42.7)	(35.3)	61.6	167.0	80.8
Accounts payable	318.7	99.5	575.3	162.4	392.5	343.1	456.7	199.8	(251.2)	86.7
Other current liabilities	133	(180)	85	(67)	166	(130)	108	50	(191)	122
Other, net	(106)	(86)	(183)	(28)	46	(132)	(51)	71	42	(25)
Net Operating Cash Flow	2,764	2,415	2,841	2,807	3,676	2,983	3,316	2,779	3,303	2,918
Purchases of land, buildings, and equipment	(729)	(684)	(623)	(538)	(461)	(531)	(569)	(690)	(774)	(625)
Acquisitions, net of cash acquired	(84)		(8,036)				(1,201)	(252)	(452)	(1,419)
Investments in affiliates, net	64	3	(17)	0	(48)	16	15	(32)	(3)	13
Proceeds from disposal of land, buildings, and equipment	4	4	1	14	2	3	3	1	1	1
Proceeds from divestitures	829	18		26	-	3	74	633		242
Exchangeable note	21	13								
Other, net	(11)	(1)	(11)	(60)	21	(3)	(14)	(8)	31	(7)
Net Investing Cash Flow	93	(647)	(8,685)	(557)	(486)	(513)	(1,691)	(346)	(1,197)	(1,795)
Change in notes payable	(324)	962	328	(66)	(1,159)	72	551	(769)	(21)	667
Issuance of long-term debt	543	1,072	6,550	339	1,638	1,577	2,204	2,324	2,065	2,355
Payment of long-term debt	(1,000)	(1,000)	(600)	(1,494)	(1,397)	(2,609)	(3,141)	(1,422)	(902)	(1,300)
Debt exchange participation incentive cash payment						(201)				
Repurchase of Class A limited membership interests in General Mills Cereals, LLC										(253)
Proceeds from common stock issued on exercised options	172	113	99	241	263	74	162	232	26	43
Proceeds from common stock issued			970							
Purchases of common stock for treasury	(607)	(1,652)	(602)	(1)	(3)	(301)	(877)	(1,404)	(2,002)	(1,203)
Dividends paid	(1,072)	(1,135)	(1,140)	(1,182)	(1,196)	(1,246)	(1,245)	(1,288)	(1,363)	(1,339)
Distributions to noncontrolling and redeemable interest holders	(84)	(61)	(52)	(39)	(73)	(49)	(130)	(16)	(21)	(22)
Other, net	(48)	(47)	(108)	(31)	(16)	(31)	(28)	(63)	(54)	(129)
Net Financing Cash Flow	(2,420)	(1,747)	5,446	(2,176)	(1,942)	(2,716)	(2,503)	(2,404)	(2,272)	(1,180)
Effect of exchange rate changes on cash and cash equivalents	(8)	(19)	32	(23)	(21)	73	(58)	(12)	(0)	3
Net Change in Cash	430	2	(367)	51	1,228	(173)	(936)	16	(168)	(54)
Cash and cash equivalents - beginning of period	334	764	766	399	450	1,678	1,505	569	586	418
Cash and cash equivalents - end of period	764	766	399	450	1,678	1,505	569	586	418	364

General Mills

Forecasted Cash Flow Statement

(in millions)

Fiscal Years Ending May. 31	2026E	2027E	2028E	2029E	2030E
Operating Cash Flow					
Net Income (inclusive of NCI)	2,155	2,185	2,213	2,240	2,262
Depreciation	547	576	602	625	646
Change in Receivable	156	(27)	(21)	(22)	(20)
Change in Inventory	186	(28)	(22)	(23)	(21)
Change in Prepaid Expenses and Other Current Assets	(76)	(9)	(7)	(7)	(6)
Change in Asset held for sale (Proceeds from Sale)	740	-	-	-	-
Change in Account Payable	(752)	53	42	44	39
Change in Other Current Liabilities	(71)	25	20	21	19
Change in Deferred Income Taxes	(34)	30	27	24	22
Net cash provided by Operating Activities	2852	2806	2854	2902	2941
Investing Cash Flow					
Capital Expenditure	(718)	(730)	(740)	(749)	(758)
Change in Goodwill	-	-	-	-	-
Change in Operating Lease Right of Use Payment	(21)	(19)	(17)	(15)	(14)
Proceeds from liabilities held for sale	(18)	-	-	-	-
Change in noncontrolling interest	29	30	30	31	31
Change in Other Assets	(54)	(56)	(58)	(60)	(63)
Net cash provided by Investing Activities	(783)	(775)	(784)	(794)	(803)
Financing Cash Flow					
Change in Current portion of Long-Term Debt	165	(6)	(288)	(87)	(64)
Change in Notes Payable	11	11	9	9	8
Change in Long-Term Debt	(1,228)	105	94	90	84
Change in Common Stock and Additional Paid-in Capital	419	419	419	419	419
Change in Common Stock in Treasury	41	11	11	10	10
Dividends Paid	(1,240)	(1,266)	(1,296)	(1,342)	(1,391)
Net Cash provided by Financing Activities	(1,832)	(726)	(1,050)	(901)	(934)
Total Change in Cash	237	1,304	1,020	1,207	1,204
Beginning of Year Cash	364	601	1,906	2,925	4,133
End of Year Cash	601	1,906	2,925	4,133	5,337

General Mills
Common Size Income Statement
(in millions)

Fiscal Years Ending May 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Net sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	61.13%	60.49%	61.54%	62.19%	61.85%	61.11%	63.29%	64.70%	62.31%	62.68%	62.23%	62.17%	62.13%	62.08%	62.05%
Depreciation and amortization	3.67%	3.86%	3.93%	3.68%	3.37%	3.32%	3.00%	2.72%	2.78%	2.77%	3.04%	3.15%	3.26%	3.34%	3.41%
Selling, general, and administrative expenses	18.83%	18.49%	18.11%	17.41%	17.88%	16.99%	16.57%	17.42%	16.41%	17.68%	17.50%	17.50%	17.50%	17.50%	17.50%
Divestiture gain / loss	-0.89%	0.04%	0.00%	0.18%	0.00%	0.30%	-1.02%	-2.21%	0.00%	-0.49%	0.00%	0.00%	0.00%	0.00%	0.00%
Restructuring, impairment, and other exit costs / income	0.91%	1.15%	1.05%	1.63%	0.14%	0.94%	-0.14%	0.28%	1.22%	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating profit	16.35%	15.95%	15.37%	14.92%	16.76%	17.35%	18.30%	17.09%	17.28%	16.96%	17.22%	17.17%	17.12%	17.08%	17.03%
Benefit plan non-service income	0.00%	0.48%	0.57%	0.52%	0.64%	0.73%	0.60%	0.44%	0.38%	0.28%	0.30%	0.30%	0.29%	0.29%	0.29%
Interest, net	-1.83%	-1.89%	-2.37%	-3.09%	-2.65%	-2.32%	-2.00%	-1.90%	-2.41%	-2.69%	-2.56%	-2.54%	-2.47%	-2.44%	-2.42%
Earnings before income taxes and after-tax earnings from joint ventures	14.51%	14.54%	13.57%	12.34%	14.75%	15.76%	16.90%	15.63%	15.25%	14.55%	14.97%	14.94%	14.94%	14.93%	14.90%
Income taxes	-4.56%	-4.19%	-0.36%	-2.18%	-2.73%	-3.47%	-3.09%	-3.05%	-2.99%	-2.94%	-3.22%	-3.21%	-3.21%	-3.21%	-3.20%
After-tax earnings from joint ventures	0.53%	0.54%	0.54%	0.43%	0.52%	0.65%	0.59%	0.40%	0.43%	0.39%	0.41%	0.41%	0.41%	0.41%	0.41%
Net earnings, including earnings attributable to redeemable and noncontrolling interests	10.49%	10.89%	13.74%	10.59%	12.54%	12.94%	14.40%	12.99%	12.88%	11.90%	12.18%	12.13%	12.14%	12.12%	12.11%
Net earnings / loss attributable to redeemable and noncontrolling interests	-0.24%	-0.28%	-0.20%	-0.20%	-0.17%	-0.03%	-0.15%	-0.08%	-0.11%	-0.12%	-0.16%	-0.16%	-0.16%	-0.16%	-0.16%
Net earnings attributable to General Mills	10.25%	10.61%	13.54%	10.39%	12.37%	12.91%	14.25%	12.91%	12.57%	11.78%	12.00%	11.97%	11.97%	11.96%	11.94%

General Mills

Common Size Balance Sheet

(in millions)

Fiscal Years Ending May 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Cash and cash equivalents	4.61%	4.90%	2.53%	2.67%	9.52%	8.30%	3.00%	2.91%	2.11%	1.87%	3.35%	10.44%	15.82%	22.06%	28.17%
Receivables	8.22%	9.16%	10.70%	9.96%	9.16%	9.04%	8.91%	8.38%	8.54%	9.22%	9.13%	9.13%	9.13%	9.13%	9.13%
Inventories	8.54%	9.50%	10.43%	9.25%	8.09%	10.04%	9.83%	10.81%	9.56%	9.81%	9.60%	9.60%	9.60%	9.60%	9.60%
Prepaid expenses and other current assets	2.41%	2.44%	2.53%	2.95%	2.28%	4.36%	4.22%	3.66%	2.86%	2.38%	3.01%	3.01%	3.01%	3.01%	3.01%
Assets held for sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.84%	0.00%	0.00%	3.80%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current assets	23.77%	26.00%	26.20%	24.82%	29.05%	31.75%	26.80%	25.76%	23.07%	27.07%	25.09%	32.18%	37.56%	43.80%	49.91%
PPE	22.60%	23.61%	25.71%	22.46%	18.24%	17.81%	16.09%	16.40%	17.62%	16.59%	18.96%	19.50%	20.00%	20.40%	20.76%
Operating Lease Right of Use					2.07%	2.09%	1.77%	1.69%	1.84%	2.05%	2.34%	2.41%	2.47%	2.52%	2.56%
Goodwill	52.78%	56.00%	89.36%	82.99%	78.99%	77.58%	75.71%	72.22%	74.28%	80.17%	86.98%	85.58%	84.50%	83.41%	82.46%
Other intangible assets	27.40%	29.00%	47.30%	42.49%	40.26%	39.45%	36.86%	34.67%	35.15%	36.34%	39.43%	38.79%	38.30%	37.81%	37.38%
Other assets	4.54%	5.03%	5.99%	5.78%	6.16%	6.99%	6.47%	5.77%	6.52%	7.49%	8.42%	8.60%	8.80%	9.01%	9.24%
Total Assets	131.09%	139.65%	194.56%	178.54%	174.77%	175.66%	163.69%	156.52%	158.48%	169.71%	181.21%	187.05%	191.63%	196.96%	202.31%
Accounts payable	12.36%	13.57%	17.45%	16.92%	18.42%	20.16%	20.97%	20.87%	20.08%	20.58%	18.14%	18.14%	18.14%	18.14%	18.14%
Current portion of long-term debt	6.66%	3.87%	10.17%	8.28%	13.23%	13.59%	8.81%	8.51%	8.13%	7.84%	9.43%	9.25%	7.57%	7.01%	6.60%
Notes payable	1.63%	7.90%	9.85%	8.71%	1.58%	1.99%	4.27%	0.16%	0.06%	3.47%	3.83%	3.83%	3.83%	3.83%	3.83%
Other current liabilities	9.63%	8.79%	9.19%	8.11%	9.27%	9.86%	8.17%	7.97%	7.15%	8.33%	8.65%	8.65%	8.65%	8.65%	8.65%
Liabilities held for sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.09%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current liabilities	30.28%	34.13%	46.64%	42.02%	42.50%	45.60%	42.23%	37.50%	35.42%	40.32%	40.04%	39.86%	38.19%	37.63%	37.21%
Long-term debt	42.61%	48.93%	80.49%	68.93%	62.00%	53.99%	48.10%	49.59%	56.93%	65.04%	63.72%	63.27%	62.98%	62.66%	62.39%
Deferred income taxes	8.45%	11.01%	12.73%	12.04%	11.05%	11.69%	11.68%	10.51%	11.08%	10.78%	11.51%	11.49%	11.49%	11.47%	11.46%
Other liabilities	12.60%	9.75%	8.52%	8.59%	8.77%	7.13%	4.89%	5.67%	6.46%	6.30%	6.84%	6.73%	6.65%	6.56%	6.49%
Redeemable interest	5.11%	5.83%	4.93%	3.27%	3.09%	3.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Liabilities	99.05%	109.65%	153.31%	134.85%	127.41%	121.74%	106.89%	103.27%	109.89%	122.44%	122.11%	121.36%	119.31%	118.32%	117.54%
Common stock and additional paid-in capital	7.56%	7.66%	8.12%	8.67%	8.08%	7.95%	8.63%	6.46%	6.56%	6.64%	9.54%	11.68%	13.80%	15.86%	17.89%
Retained earnings	76.17%	84.12%	91.86%	88.92%	90.67%	94.17%	97.58%	98.73%	105.61%	112.48%	127.09%	130.08%	133.40%	136.48%	139.53%
Common stock in treasury, at cost	-38.20%	-49.70%	-45.54%	-40.20%	-36.50%	-36.47%	-38.32%	-41.85%	-52.16%	-58.85%	-63.62%	-62.54%	-61.69%	-60.84%	-60.10%
Accumulated other comprehensive loss / income	-15.77%	-14.37%	-15.43%	-15.57%	-16.53%	-13.40%	-10.37%	-11.33%	-12.69%	-13.06%	-14.17%	-13.94%	-13.77%	-13.59%	-13.43%
Total stockholders' equity	29.77%	27.71%	39.01%	41.83%	45.72%	52.24%	55.51%	52.00%	47.32%	47.21%	58.84%	65.28%	71.75%	77.91%	83.88%
Noncontrolling interests	2.28%	2.29%	2.23%	1.86%	1.65%	1.67%	1.29%	1.25%	1.27%	0.06%	0.23%	0.39%	0.55%	0.71%	0.86%
Total Equity	32.04%	30.00%	41.25%	43.69%	47.37%	53.92%	56.80%	53.25%	48.59%	47.27%	59.07%	65.68%	72.30%	78.62%	84.74%

General Mills

Value Driver Estimation

(in millions)

Fiscal Years Ending May, 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Net sales	16,563	15,620	15,740	16,865	17,627	18,127	18,993	20,094	19,857	19,487	17,962	18,254	18,488	18,729	18,945
Cost of sales	10,126	9,448	9,686	10,488	10,902	11,077	12,020	13,002	12,372	12,215	11,178	11,349	11,486	11,628	11,756
SG&A expenses	3,119	2,889	2,850	2,936	3,152	3,080	3,147	3,500	3,259	3,446	3,143	3,195	3,235	3,278	3,315
Depreciation and amortization expense	608	604	619	620	595	601	570	547	553	539	547	576	602	625	646
Implied Interest on operating leases	-	-	-	-	18	18	16	17	18	19	20	21	22	23	24
EBIT	2,711	2,679	2,586	2,821	2,996	3,387	3,272	3,062	3,691	3,307	3,114	3,157	3,187	3,221	3,251
Income Tax Expense	755	655	57	368	481	629	586	612	595	574	578	586	594	601	607
+ Tax shield on implied interest on operating leases	-	-	-	-	4	4	4	4	4	4	4	5	5	5	5
+ Tax shield on divestitures	(50)	2	-	7	-	12	(43)	(96)	-	(21)	-	-	-	-	-
+ Tax shield on intangible impairment charges	51	38	37	55	10	35	(26)	5	48	16	-	-	-	-	-
+ Tax on interest expense	102	95	109	123	104	97	84	82	103	112	99	100	98	98	99
- Tax on benefits plan	-	24	26	21	25	31	25	19	16	12	12	12	12	12	12
Total adjusted taxes	858	766	177	532	573	746	580	588	733	674	670	679	685	693	699
Change in Deferred Tax Liability	121	184	(504)	94	(30)	119	62	(22)	(49)	(121)	(34)	30	27	24	22
NOPLAT:	1,973	2,096	1,905	2,382	2,394	2,759	2,754	2,451	2,909	2,512	2,411	2,508	2,529	2,553	2,574
Invested Capital (IC):															
Normal cash	309	292	294	315	329	339	355	375	371	364	335	341	345	350	354
Receivables	1,361	1,430	1,684	1,680	1,615	1,639	1,692	1,683	1,696	1,796	1,640	1,666	1,688	1,710	1,729
Inventories	1,414	1,484	1,642	1,559	1,426	1,821	1,867	2,172	1,898	1,911	1,724	1,752	1,775	1,798	1,819
Prepaid expenses	399	382	398	498	402	790	802	736	569	465	540	549	556	564	570
Account payable	2,047	2,120	2,746	2,854	3,248	3,654	3,982	4,194	3,988	4,010	3,258	3,311	3,353	3,397	3,436
Net Working Capital	1,436	1,467	1,272	1,197	525	934	734	772	546	526	982	998	1,011	1,024	1,036
Net property plant & equipment	3,744	3,688	4,047	3,787	3,216	3,228	3,057	3,296	3,498	3,234	3,405	3,560	3,697	3,821	3,933
Other Current Liabilities	1,595	1,372	1,446	1,368	1,633	1,787	1,552	1,601	1,419	1,624	1,553	1,578	1,599	1,620	1,638
Intangible assets	4,539	4,530	7,445	7,167	7,096	7,151	7,000	6,968	6,980	7,081	7,081	7,081	7,081	7,081	7,081
Operating lease assets	-	-	-	-	365	379	337	340	366	399	420	439	456	471	485
Invested Capital	11,314	11,057	14,211	13,519	12,835	13,479	12,680	12,976	12,809	12,864	13,442	13,657	13,844	14,017	14,173
Free Cash Flow (FCF):															
NOPLAT	1,973	2,096	1,905	2,382	2,394	2,759	2,754	2,451	2,909	2,512	2,411	2,508	2,529	2,553	2,574
Change in IC	(256)	(256)	3,153	(691)	(684)	644	(799)	297	(167)	55	578	215	188	173	156
FCF	2,353	2,353	(1,249)	3,074	3,078	2,115	3,553	2,154	3,077	2,457	1,832	2,294	2,341	2,380	2,418
Return on Invested Capital (ROIC):															
NOPLAT	1,973	2,096	1,905	2,382	2,394	2,759	2,754	2,451	2,909	2,512	2,411	2,508	2,529	2,553	2,574
Beginning IC	11,314	11,057	11,057	14,211	13,519	12,835	13,479	12,680	12,976	12,809	12,864	13,442	13,657	13,844	14,017
ROIC		18.53%	17.22%	16.76%	17.71%	21.50%	20.43%	19.33%	22.42%	19.61%	18.74%	18.66%	18.52%	18.44%	18.36%

General Mills

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.15%
Beta	0.60
Equity Risk Premium	5.48%
Cost of Equity	7.44%

ASSUMPTIONS:

10Y Treasury
5Y Monthly Beta
1928-2024 geometric average over 10Y Treasury

Cost of Debt:

Risk-Free Rate	4.15%
Implied Default Premium	0.71%
Pre-Tax Cost of Debt	4.86%
Marginal Tax Rate	21.5%
After-Tax Cost of Debt	3.82%

10Y Treasury

YTM on GIS's 10Y bond

Market Value of Common Equity:

Total Shares Outstanding	596.8
Current Stock Price	\$46.80
MV of Equity	27,930.24

MV Weights

55.43%

Market Value of Debt:

Short-Term Debt	7857.3
Current Portion of LTD	1528.4
Long-Term Debt	12673.2
PV of Operating Leases	399
MV of Total Debt	22,457.90

44.57%

Market Value of the Firm

50,388.14

100.00%

Estimated WACC

5.46%

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

Key Inputs:

CV Growth of NOPLAT	1.00%
CV Year ROIC	18.36%
WACC	5.46%
Cost of Equity	7.44%

<i>Fiscal Years Ending May. 31</i>	2026E	2027E	2028E	2029E	2030E
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DCF Model:

Free Cash Flow (FCF)	1832.3	2293.6	2341.2	2379.9	2418.0
Continuing Value (CV)					54595.3
PV of FCF	1737.5	2062.3	1996.2	1924.2	44141.0

Value of Operating Assets:	51861.3
Non-Operating Adjustments	
Other Liabilities	-1228.6
Noncontrolling interest	-12.0
Assets held for sale	740.4
Liabilities held for sale	-18.4
Total Debt	-22457.9
Value of Equity	28884.8
Shares Outstanding	542.4
Intrinsic Value of Last FYE	\$ 53.25
Implied Price as of Today	\$ 53.80

EP Model:

Economic Profit (EP)	1708.5	1774.7	1783.5	1797.5	1808.8
Continuing Value (CV)					40577.8
PV of EP	1620.1	1595.7	1520.7	1453.3	32807.7

Total PV of EP	38997.5
Invested Capital (last FYE)	12863.8
Value of Operating Assets:	51861.3
Non-Operating Adjustments	
Other Liabilities	-1228.6
Noncontrolling interest	-12.0
Assets held for sale	740.4
Liabilities held for sale	-18.4
Total Debt	-22457.9
Value of Equity	28884.8
Shares Outstanding	542.4
Intrinsic Value of Last FYE	\$ 53.25
Implied Price as of Today	\$ 53.80

General Mills

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

<i>Fiscal Years Ending</i>	2026E	2027E	2028E	2029E	2030E
EPS	\$ 4.10	\$ 4.31	\$ 4.41	\$ 4.49	\$ 4.56
Key Assumptions					
CV growth of EPS	0.50%				
CV Year ROE	15.37%				
Cost of Equity	7.44%				
Future Cash Flows					
P/E Multiple (CV Year)					13.94
EPS (CV Year)					\$ 4.56
Future Stock Price					\$ 63.61
Dividends Per Share	2.44	2.51	2.59	2.70	2.81
Discounted Cash Flows	2.27	2.17	2.09	2.03	47.74
Intrinsic Value as of Last FYE	\$ 56.30				
Implied Price as of Today	\$ 56.88				

General Mills

Key Management Ratios

Fiscal Years Ending May, 31	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Liquidity Ratios:															
Current Ratio = current assets/current liabilities	0.79	0.76	0.56	0.59	0.68	0.70	0.63	0.69	0.65	0.67	0.63	0.81	0.98	1.16	1.34
Quick Ratio = (Current Assets-Inventory)/Current Liabilities	0.50	0.48	0.34	0.37	0.49	0.48	0.40	0.40	0.38	0.43	0.39	0.57	0.73	0.91	1.08
Cash Ratio = (cash/current liabilities)	0.15	0.14	0.05	0.06	0.22	0.18	0.07	0.08	0.06	0.05	0.08	0.26	0.41	0.59	0.76
Asset-Management Ratios:															
Cash Turnover Ratio (Revenue/Cash)	21.69	20.39	39.45	37.48	10.51	12.04	33.36	34.32	47.51	53.55	29.88	9.58	6.32	4.53	3.55
Asset Turnover Ratio (Revenue/Average Total Assets)	0.69	0.72	0.60	0.56	0.58	0.58	0.60	0.64	0.63	0.60	0.55	0.55	0.53	0.52	0.50
Working Capital Turnover Ratio (Revenue/(Current Assets - Current Liabilities))	-15.37	-12.30	-4.89	-5.81	-7.44	-7.22	-6.48	-8.52	-8.10	-7.55	-6.68	-13.01	-159.74	16.19	7.88
Financial Leverage Ratios:															
Debt to Equity (LT Debt/Total Equity)	1.33	1.63	1.95	1.58	1.31	1.00	0.85	0.93	1.17	1.38	1.08	0.96	0.87	0.80	0.74
Debt to Assets (LT Debt/Total Assets)	0.33	0.35	0.41	0.39	0.35	0.31	0.29	0.32	0.36	0.38	0.35	0.34	0.33	0.32	0.31
Interest coverage ratio = Ebit / interest expense	8.92	9.08	6.92	5.41	6.42	8.06	8.62	8.01	7.70	6.31	6.78	6.82	6.98	7.04	7.09
Profitability Ratios:															
Return on Equity (NI/Beg TSE)	30.12%	31.23%	45.48%	27.00%	29.60%	28.02%	27.70%	24.04%	23.33%	23.79%	23.39%	20.59%	18.46%	16.76%	15.37%
Gross Margin	38.87%	39.51%	38.46%	37.81%	38.15%	38.89%	36.71%	35.30%	37.69%	37.32%	37.77%	37.83%	37.87%	37.92%	37.95%
Return on Assets (NI/Avg Total Assets)	76.28%	71.61%	51.40%	56.01%	57.22%	56.93%	61.09%	63.89%	63.10%	58.92%	55.18%	53.46%	52.18%	50.77%	49.43%
Payout Policy Ratios:															
Dividend Payout Ratio (Dividend/EPS)	0.63	0.68	0.53	0.67	0.55	0.53	0.46	0.50	0.54	0.58	0.59	0.58	0.59	0.60	0.62
Retention Ratio 1- dividend payout ratio	0.37	0.32	0.47	0.33	0.45	0.47	0.54	0.50	0.46	0.42	0.41	0.42	0.41	0.40	0.38
Total Payout Ratio ((Divs. + Repurchases)/NI)	101.26%	130.76%	99.35%	54.23%	51.25%	57.17%	81.78%	107.81%	146.65%	117.96%	55.67%	57.46%	58.02%	59.48%	61.07%