

<b>Company: General Mills, Inc. Ticker: GIS Current price: \$ 81.57 Industry: Consumer Staples Sub-industry: Packaged Foods</b>			
Target Price: \$109.64	TTM P/E: 16.28	Beta: 0.31	Market Cap: \$46.06 B
Stop Loss: \$62.4	Forward P/E: 17.82	Credit Rating: BBB (S&P)	Avg Vol: 3.7 M
52 Week High/Low: \$81.24/\$61.20	EPS: \$ 1.03	Rating Outlook: Stable	Dividend Yield: 2.65 %

**Company Background:**

General Mills (GIS) is a leading global manufacturer and marketer of branded consumer foods with more than 100 brands in 100 countries across six continents. In addition to its consolidated operations, GIS has 50% interest in two strategic joint ventures that manufacture and market food products sold in more than 120 countries worldwide. GIS offers a variety of human and pet food products, with a focus on snacks, ready-to-eat cereal, convenient meals, pet food, refrigerated and frozen dough, baking mixes and ingredients, yogurt, and ice cream. As of FY 22, GIS had about 32,500 employees around the globe, with about 15,000 in the U.S. Its workforce is divided between about 12,500 production related employees and 20,000 non-production employees.

**Industry Outlook:**

Prior to the Covid-19 pandemic, the food-at-home channel represented about 85% of annual net sales while the food-away-from-home channel represented about 15% of net sales. Walmart is GIS's largest customer, accounting for 20% of consolidated net sales and 28% of North America Retail net sales. Approximately 77% of FY 22 sales were generated in the U.S., while the remaining 23% were in international markets. China accounts for a little less than 5% of annual sales

**Investment Thesis:**

We believe GIS is executing well amid a very harsh operating environment filled with record inflation and unprecedented supply chain disruptions, evidenced by strong price/mix growth, robust cost savings, and broad-based market share gains. We expect this momentum, along with recent portfolio reshaping actions, to deliver stronger, more profitable long-term growth, which will likely be more evident once the broader supply chain environment improves.

GIS's top line has been moving with strong momentum, evidenced by broad-based market share gains. This momentum, along with a portfolio reshaping strategy where GIS will divest up to 5% of its annual sales (mostly underperforming businesses), should drive 2% - 3% organic sales growth once the company laps the abnormally high demand experienced in 2020/2021. We think GIS's most compelling opportunity resides within its Pet segment given the surge in new pet parents and the shift to higher-quality pet foods.

**3-5 take away from last quarter investor call transcript:**

1. GIS's gross margins are down still relative to the pre-pandemic. So, in the fiscal year of 2019, probably about 140 basis points, so their goal during this inflationary period has really been to drive HMM (Holistic Margin Management) cost savings between roughly 3% to 4%. And their price mix benefits from SRM (Supplier Relationship Management) is enough to offset inflation.
2. The vast majority of pricing in the market are announced to address the inflation that GIS sees are done, including the revised modest provision up in the inflationary guidance. And the last round being in their North America foodservice business, where they have taken some additional steps to address the cost of goods as they expect more inflation in the next quarter.
3. On the rest of the business, they did not see enough price/mix come through to fully cover the inflation in the quarter. They subsequently have additional pricing to work with pass-through to the customers. And expects to balance out the year, as they expect to see improvement in the margin prospects for the business.

<b>Financial performance:</b>						<b>Discounted Cash Flow:</b>		
	2018	2019	2020	2021	2022		2018-2022	2023-2031
Revenue	\$15,740.4 M	\$16,865.2 M	\$17,626.6 M	\$18,127.0 M	\$19,170.0 M	Avg Revenue Growth	4.8%	4.7%
Operating Profit	\$2,700.2 M	\$2,920.1 M	\$3,118.4 M	\$3,503.9 M	\$3,394.3 M	Avg Gross Margin	33.7%	32.6%
Net Income	\$2,131 M	\$1,752.7 M	\$2,181.2 M	\$2,339.8 M	\$2,900.3 M	Avg EBITDA Margin	20.9%	19.6%
Revenue Growth (%)	0.8%	7.1%	4.5%	2.8%	4.8%	Avg NOPLAT Margin	-	-
EBITDA%	(0.9%)	1.4%	5.8%	7.7%	3.3%	Avg FCF/Margin	10.2%	15.3%
Operating Profit %	(2.6%)	1.4%	7.5%	9.5%	4.3%	Tax Rate	-	21 %
Net Income Margin	13.5%	10.4%	12.4%	12.9%	14.3%	WACC	-	5.7 %
D/E	217.6%	183.0%	156.5%	125.3%	111.0%	Perpetuity Growth Rate	-	2 %
EPS	\$ 3.69	\$ 2.92	\$ 3.59	\$ 3.81	\$ 4.46	<b>Analyst Opinion</b>		
PE Ratio						Buy: _____	Hold: _____	Sell: _____
Current Ratio	0.6	0.6	0.7	0.7	0.6		Rating	Target
ROE	33.6%	23.5%	26.3%	24.3%	25.8%	S&P Net Advantage	Hold	80
ROA	6.4%	6.0%	6.4%	7.0%	6.7%	Bloomberg	Hold	81
Dividend/share	\$ 1.96	\$ 1.96	\$ 1.96	\$ 2.02	\$ 2.04	Yahoo Finance	Hold	81.57
FCF	\$2,032.2 M	\$2,010.6 M	\$3,027.9 M	\$2,455.0 M	\$1,938.5 M			

Relative Valuation												
Company Information		Financial Metrics			Valuation Metrics				Operational Metrics			
Ticker	Firm	Market	BV of	Total	P/Sale	P/B	P/E	P/FCF	Gross	EBIT	ROE	ROA
GIS	General Mills, Inc.	Cap	Equity	Assets	s				Margin	Margin		
		\$48,414.7 M	\$10,574.8 M	\$5,134.0 M	81.57	4.38	19.67	81.57	32.6%	16.7%	27.3%	6.3%
KHC	The Kraft Heinz Company	\$47,698.8 M	\$48,148.0 M	\$7,860.0 M	38.94	0.96	13.98	38.94	31.1%	20.1%	2.5%	3.3%
K	Kellogg Company	\$26,117.3 M	\$4,082.0 M	\$4,261.0 M	76.79	5.62	17.92	76.79	31%	13.6%	35.3%	6.7%
CAG	Conagra Brands Inc	\$17,559.9 M	\$8,504.3 M	\$3,233.8 M	36.64	2.00	14.66	36.64	24.8%	13.8%	6.7%	4.5%
Mean	\$34,947.68 M	\$17,827.28 M	\$5,122.20 M	58.485	3.24	16.5575	58.485	29.88%	16.05%	17.95%	5.20%	\$34,947.68
Median	\$36,908.05 M	\$9,539.55 M	\$4,697.50 M	\$57.87	\$3.19	\$16.29	\$57.87	\$0.31	\$0.15	\$0.17	\$0.05	\$36,908.05

\*Industry Avg. includes companies listed

#### Total Return %

	GIS	Industry Sec	S&P 500
YTD	24.18%	-3.36%	-17.15%
2021	34.86%	5.2%	-13.83%
Last 3 years	20.59%	9.11%	10.43%
Last 5 years	12.18%	9.54%	10.48%

#### CSR Characteristics

	GIS	Industry
ESG Disclosure	21.68	23.88
Governance Disclosure Score	4.1	5.74
Social Disclosure Score	8.9	9.68
Environmental Disclosure Score	8.4	7.32

-Prepared by MSFRM Fund 2 on 10/29 /2023 using Bloomberg, S&P Net Advantage, Morningstar, Yahoo Finance