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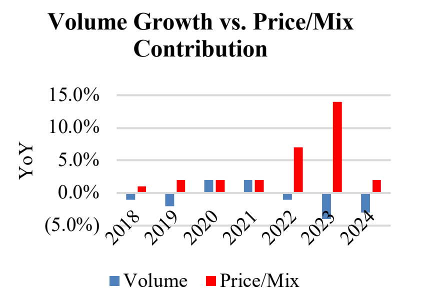
General Mills

Making Food the World Loves

Sector: Consumer Defensive | Industry: Packaged Foods | NYSE: GIS | Date: 1/30/2025

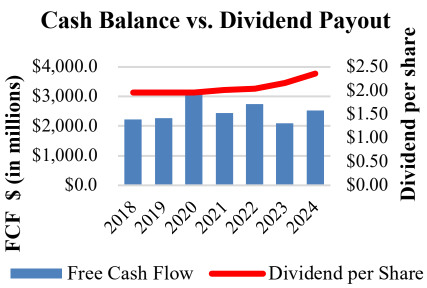
Recommendation	Buy
Current Price	$60.65
Target Price	$75.30
Upside	24%
Market Cap.	$33.28 B
EV/EBITDA	11.06x
EV/Revenue	2.29
Beta	0.74

Figure 1:



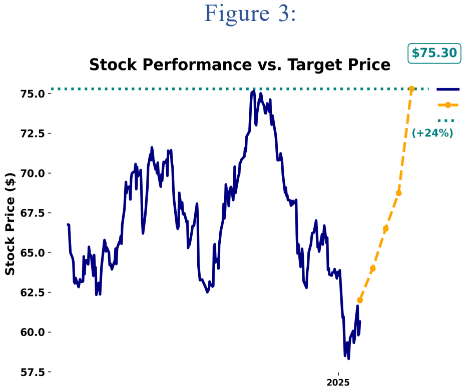
Source: Bloomberg, 10-K, Team Analysis

Figure 2:



Source: Bloomberg, 10-K, Team Analysis

Figure 3:



Source: Company Data, Team Analysis

General Mills, Inc. is a leading multinational food company headquartered in Golden Valley, Minnesota with 35,000 employees worldwide. Founded in 1928, General Mills now operates in over 100 countries, producing and marketing a variety of food products.

Investment Summary

We recommend a buy for General Mills with a target price of $75.30, reflecting a 24% upside from its current price of $60.65. Our valuation is based on a Discounted Cash Flow analysis, Relative Valuation, and Dividend Discount Model. While short-term macroeconomic headwinds impact sentiment, General Mills' strong brand portfolio, strategic pricing, and cost efficiencies position it for sustained profitability. High-margin segments like pet food (Blue Buffalo) further enhance long-term growth potential. With stable cash flows and consistent dividends, GIS remains an attractive investment in the consumer staples sector.

Strong Pricing Power & Brand Loyalty

General Mills' well-established brands, including Cheerios, Häagen-Dazs, Pillsbury, and Blue Buffalo, allow for consistent demand and strong pricing power. Despite inflationary pressures, strategic pricing actions and brand loyalty have helped offset demand of staple food products, allowing it to pass costs to consumers with minimal impact on sales volumes. This pricing flexibility enhances resilience across various economic cycles.

Growth & Financial Stability

The company's pet food segment, Blue Buffalo, continues to drive higher-margin revenue, benefiting from strong consumer demand for premium pet nutrition. This growth supports the company's long-term earnings expansion while reinforcing its pricing power. As a defensive consumer staple, General Mills maintains steady demand across its diverse brand portfolio, ensuring resilience in volatile markets. The company's strong cash flow generation and consistent dividends further enhance its appeal to investors seeking stability and reliable returns. Additionally, its commitment to innovation and strategic acquisitions positions it well for sustained growth. With a well-established presence in the food industry, General Mills continues to leverage its scale and operational efficiencies to drive profitability.

Operational Efficiency & Innovation

General Mills enhances profitability through cost control, supply chain improvements, and strategic acquisitions. Investments in automation and digital transformation are reducing costs and strengthening distribution. The company's operating margin of 17.4% and net margin of 12.6% highlights its efficiency in maintaining profitability despite macroeconomic pressures. Increased focus on procurement efficiencies and logistics optimization further supports cost savings. Additionally, investments in sustainable packaging and eco-friendly operations align with consumer demand while improving long-term margins.

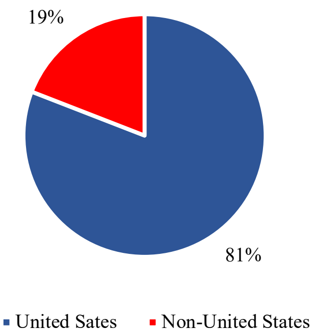
Valuation

	DCF	DDM	Relative Value		
Bear	$47.65	$43.01	$56.44	$49.03	-19%
Base	$78.40	$71.49	$75.25	$75.30	+24%
Bull	$88.31	$99.52	$81.87	$88.79	+46%

Business Overview

Figure 4:

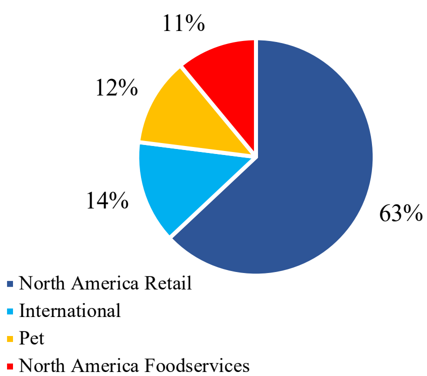
Revenue Breakdown by Region



Source: Company Data, 10-K

Figure 5:

Revenue by Segment



Source: Company Data

Figure 6:

M&A Activity (Millions USD)

Source: Company Data

General Mills is a leading global food company that manufactures and markets packaged consumer foods, including cereals, snacks, dairy, frozen meals, and pet food. With FY2024 net sales of $21.47 billion, the company operates across North America Retail (63% of revenue), International (14%), Pet (12%), and North America Foodservice (11%). Recent acquisitions, such as Whitebridge Pet Brands for $1.45 billion, strengthened its pet food segment. Backed by $3.7 billion in operating cash flow and a 3.5% dividend yield, General Mills focuses on brand innovation, pricing strategies, and supply chain efficiency to sustain growth and profitability. The company continues to expand its international footprint while leveraging automation and cost-saving initiatives to drive long-term value. Amid shifting consumer preferences, General Mills remains committed to product innovation and portfolio diversification to enhance market competitiveness.

Strategy

Accelerate Strategy & Cost Optimization

Introduced in 2022, General Mills' Accelerate strategy is built on four main pillars: building brands, innovating, unleashing scale, and being a force for good. General Mills is deeply rooted in its iconic and popular brands that have been on shelves for years, continuously leveraging marketing and relentless innovation to expand and strengthen these well-established brands. While acknowledging its legacy and strong brand equity, the company remains highly focused on driving growth in emerging segments such as its North American Pet portfolio. Holistic Margin Management (HMM) also plays a crucial role in supporting this execution, serving as a long-standing cost-efficiency framework that helps optimize costs while maintaining product quality and innovation. By improving productivity across its supply chain, procurement, and operations, General Mills enhances profitability and reinvests in its core pillars—particularly in innovation and scaling its brands. This disciplined approach ensures the company remains agile in an evolving consumer landscape while continuing to drive long-term growth.

Whitebridge Pet Brands

Acquired Whitebridge Pet brands for $1.45 billion in 2024

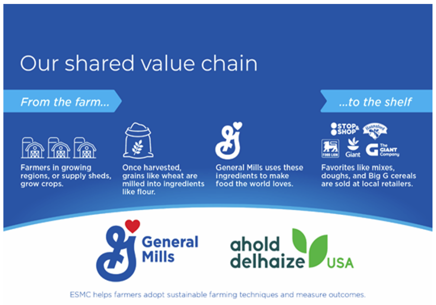
General Mills announced on November 14th, 2024, that it had entered into an agreement to acquire Whitebridge Pet Brands' North American premium cat feeding and pet treat business in a $1.45 billion transaction. Whitebridge Pet Brands reported approximately $325 million in retail sales in the last year. Competing in a growing cat and pet food US market which generates $24 billion in retail sales. Their thesis with Whitebridge Pet Brands derives from their core business strategy Accelerate. The General Mills pet segment has quickly become one of the major focuses of their recent acquisition goals. Whitebridge Pet Brands marks the 5th major transaction in recent years for their pet brand operating segment.

Blue Buffalo Pet Products

Largest pet products acquisitions for $8 billion

Blue Buffalo Pet Products marks General Mills' largest acquisition in the pet segment with a purchase price of $8 billion in 2018. This also marks General Mills' first entry into the $30 billion-dollar, fast-growing pet food market. General Mills' acquisition was officially announced on April 24, 2018, for $40 per share in an all-cash transaction. Their entry into the high-growth pet food market was supported by Blue Buffalo's strong brand and loyal customer base, just like a lot of the already iconic brands under the General Mills umbrella. Ultimately General Mills saw the Blue Buffalo acquisition as an opportunity to invest into a high-growth, high-margin industry while leveraging their main strengths, marketing and branding

Figure 7:
Shared Value Chain

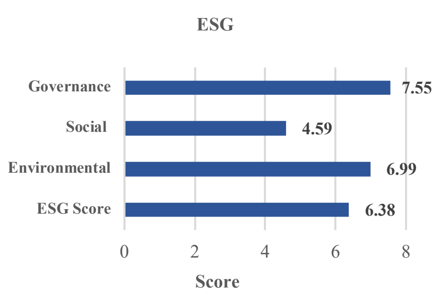


Source: Company Data

Figure 8:
Shared Value Chain

Source: Company Data

Figure 9:



Source: Bloomberg

Other Acquisitions

Supported operations with multiple smaller acquisitions.

While the acquisitions of Whitebridge Pet Brands and Blue Buffalo Pet Products dominate the headlines and General Mills' pet operating segment, these are not their only investments in the pet market. General Mills' recent acquisition of Edgard & Cooper, a premium European pet food brand, in April 2024 marked General Mills' continued investments into the pet food market. Founded in 2016, Edgard & Cooper has a strong presence in 13 countries, with availability in over 15,000 shops and online stores. In June of 2022 General Mills acquired TNT Crust, a manufacturer of high-quality frozen pizza crusts. TNT Crust supplies a variety of national and regional pizza chains, as well as was to continue to enhance their capabilities within the frozen food sector. Finally, the third most notable acquisition in recent years came in July 2021, when they announced they were acquiring Tyson Foods' pet treat business for $1.2 billion in cash. This included more fan favorites such as Nudges and Top Chews. Tyson Foods' pet treat business had often been considered the leader in natural meat treats for pets. All of these acquisitions in recent years underscores their focus and attention on their accelerate strategy, specifically by continuing to build brands, and constantly innovating.

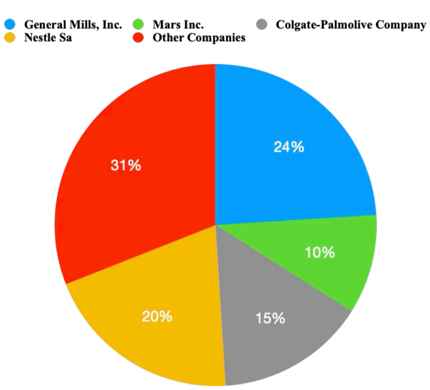
Environmental, Social, & Governance

Building a Better Future: General Mills' ESG Initiatives

General Mills has a strong commitment to Environmental, Social, and Governance initiatives, with one of the four main pillars of its accelerate business strategy being standing for good. The company and its leadership team throughout their 160-year legacy has had a strong focus on putting people and the environment first. General Mills focuses on standing for the planet and in their 2024 Global Responsibility Report they talked about the company's promise to reduce greenhouse gas emissions by 30% and achieve net zero emissions by 2050. With an environmental score of 6.99, General Mills led many of its peers, and particularly excelled in categories such as water management, environmental supply chain management, and regenerative agriculture leadership. General Mills' social category is leading its peers with a score of 4.59. This score has seen the most improvement recently, trending up +0.36 points. Standing for people is General Mills' main commitment towards fostering an inclusive environment for all employees. In 2023, General Mills contributed $112.5 million with the goal of supporting hometown communities, and most notably since 2019 they have enabled 42.6 billion meals around the world. Finally, General Mills' highest-scoring category, governance, achieved a remarkable score of 7.56, once again leading its peers across the entire industry.. In 2024, General Mills was listed the second "most responsible" company in the U.S. out of 2,000 of the largest publicly traded companies. General Mills was the only food and beverage company in the Top 20. This is not the first time that General Mills was included on this list, this marked the 4th since the inaugural 2020 list.

Industry Overview

Figure 10:
Pet Food Market Share



Source: IBISWorld, Company Data

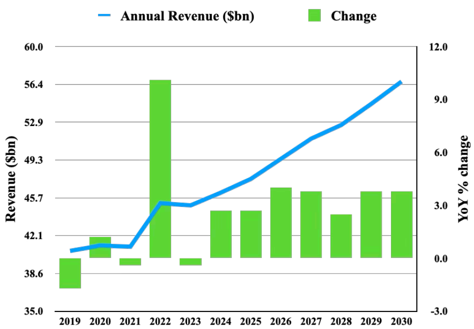
General Mills has long been a key player in the packaged food manufacturing industry, a significant segment of the broader food sector. According to Grand View Research, the global packaged food market was valued at approximately $1,925.7 billion in 2020 and is projected to reach $3,407.2 billion by 2030, reflecting a compound annual growth rate (CAGR) of 4.8% from 2021 to 2030. This industry encompasses the production, packaging, and distribution of pre-prepared or minimally processed food products, catering to evolving consumer preferences and the increasing demand for convenience.

Outlook

Evolving consumer preferences and health-conscious trends reshape the industry.

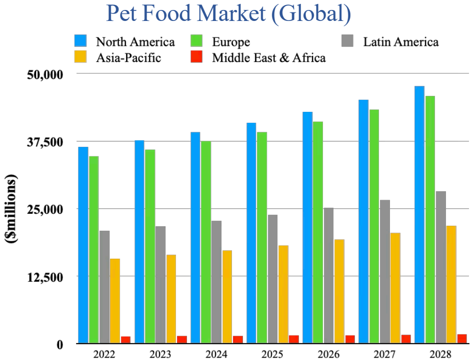
The packaged food industry has faced its fair share of challenges in recent years, but as of lately the main concerns stem from changing consumer preferences and regulatory pressure. Consumers have begun to shift towards healthier alternatives, opting for more

Figure 11:
Frozen Food Production (US)



Source: IBIS World

Figure 12:
Pet Food Market (Global)



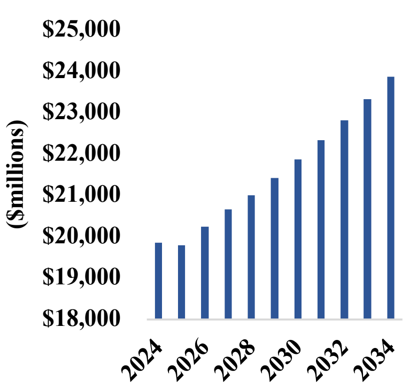
Source: bccResearch

Figure 13:
Pet Food Market (Global)

Source: MarketWatch

Financial Analysis

Figure 14:
Revenue



Source: Team Analysis, Bloomberg, 10-K

conscious food and lifestyle choices. This recent shift dates back to the Covid-19 pandemic, since then consumers have been paying more attention to health-conscious products with high protein, little to no sugar, organic, and no additives. Consumers' shift towards healthier foods have been supported by regulatory pressures from governments and consumers have been paying more attention to health-conscious products with high protein, little to no sugar, organic, and no additives. They are urging companies to put a larger focus on reducing sugar, and sodium levels in popular products. Most of the companies that dominate the packaged food industry have begun to adapt and reformulate fan-favorite products, appealing to new consumer demands.

The outlook for the packaged food industry has a lot of opportunities for growth in the coming years. Innovation is going to be a key factor that determines which companies will succeed and which will fall to the wayside. Despite the decreased amount of customer loyalty, if companies can stay ahead of this they will continue to grow and build their reputation worldwide. Packaged foods are extremely convenient, which appeals to busy consumers who value ease and accessibility. Opportunities within emerging markets such as China, India, and Latin America are expected to contribute to 80% of global food consumption growth. Growing incomes and urbanization are expected to increase a demand for packaged foods. One of the largest areas of growth for the packaged food industry is within their online sales growth. The global market for e-commerce in food and beverages, which encompasses packaged foods, is projected to grow significantly, rising from $1.0 trillion in 2021 to $2.6 trillion by 2028. This growth represents a compound annual growth rate of 14.8% over the forecast period.

Competitive Analysis

Strengthening Market Position Amidst Industry Competition.

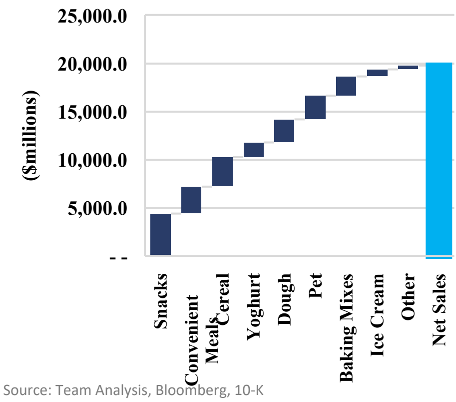
General Mills operates in the highly competitive packaged food industry, facing strong competition from multinational corporations such as Nestlé, Kellogg's, PepsiCo, Mondelez International, Conagra Brands, and The Kraft Heinz Company. These companies leverage economies of scale, brand recognition, and innovation to maintain market share. General Mills differentiates itself through a diverse brand portfolio, including Cheerios, Häagen-Dazs, Betty Crocker, and Blue Buffalo, as well as its expansion into high-growth segments such as organic, gluten-free, plant-based, and pet food markets. The company benefits from a global presence in over 100 countries, where it adapts products to regional consumer preferences. Additionally, sustainability and ESG initiatives have become a key competitive advantage, with commitments to net-zero emissions by 2050 and regenerative agriculture. However, General Mills faces challenges such as rising raw material costs, private label competition from retailers like Walmart and Costco, and shifting consumer preferences toward healthier and more sustainable food options. To sustain its competitive advantage, the company must continue to drive innovation, improve cost efficiencies, and expand in emerging markets.

Revenue

Revenue is expected to grow at a CAGR of 2.09% till 2034.

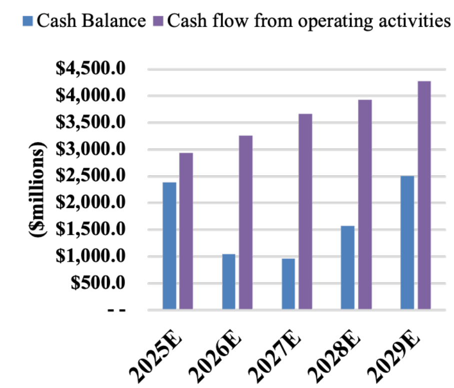
The revenue growth is driven by its position as a leading packaged foods company, with a strong presence in key segments such as cereals, snacks, dairy, frozen meals, and pet food. In recent years, revenue expansion has been supported by pricing power, innovation, and acquisitions, notably within its pet food segment through the acquisition of Blue Buffalo and Whitebridge Pet Brands. Due to the volatility seen in consumer demand during the pandemic years, historical revenue growth rates from 2020-2021 are not considered fully reflective of long-term trends. Instead, revenue growth projections are based on a combination of organic sales expansion, pricing adjustments, and category leadership. The North America Retail segment, which contributes 63% of total revenue, is expected to maintain steady growth, while the International and Pet segments present higher growth opportunities.

Figure 15:
2025 Expected Revenue



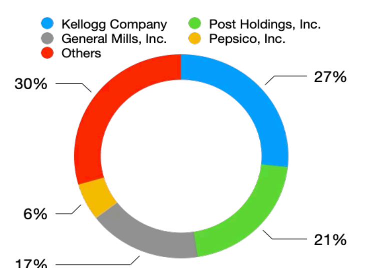
Source: Team Analysis, Bloomberg, 10-K

Figure 16:
Cash Analysis



Source: Team Analysis

Figure 17:
Cereal Production Market Share (US)



Source: IBIS, Team Analysis

COST OF EQUITY	5.82%
COST OF DEBT	1.24%
WACC	7.06%

For FY2025, we anticipate a slightly negative revenue growth due to expected consumer demand normalization and potential pricing pressures. However, a weighted average of revenue growth across these segments and key international markets was calculated to reach a long-term expected growth rate of approximately 2.3%, aligning with industry forecasts and General Mills' market positioning. This assumption is further corroborated by analyst estimates and historical performance, reinforcing General Mills' ability to sustain moderate, steady growth through brand investment, product innovation, and operational efficiencies.

Expenses

Expenses as a percent of revenue will remain in line with their historical averages.

Expenses are expected to remain stable, with COGS margin at 66.3%, SG&A at 16.7%-16.8%, and operating margin at 17.3%-17.4%. This consistency is driven by strategic cost management initiatives, including supply chain optimization, procurement efficiencies, and disciplined investment in marketing and technology. The company continues to leverage automation and digital transformation to reduce operational costs while maintaining product quality and market competitiveness. Additionally, pricing strategies and productivity enhancements ensure sustained profitability despite inflationary pressures and fluctuating commodity prices, as demonstrated during recent market volatility.

Key Financials	2017	2018	2019	2020	2021	2022	2023	Current
Valuation ratios								
Price to earnings	11.71	18.21	17.73	16.63	15.81	19.51	15.85	13.2
Price to sales	1.59	1.9	2.19	2.15	2.25	2.52	1.99	1.71
Price to cash flow	8.79	11.39	10.52	13.05	12.91	18.21	11.98	9.49
Price to book	4.12	4.51	4.77	4.03	3.97	4.73	4.06	3.64
Enterprise value	41.51B	46.87B	51.73B	50.95B	54.19B	62.22B	52.73B	45.63B
Profitability ratios								
Return on assests (%)	7.90%	5.67%	7.03%	7.35%	8.48%	8.18%	7.87%	8.06%
Return on equity (%)	40.71%	26.56%	28.87%	26.70%	27.06%	24.71%	25.16%	28.02%
Return on invested capital (%)	13.85%	9.35%	11.50%	12.06%	13.72%	12.78%	11.99%	12.53%
Gross margin (%)	34.58%	34.53%	35.45%	34.77%	33.08%	33.95%	34.78%	37.42%
Operating margin (%)	16.99%	17.28%	17.75%	17.82%	16.73%	16.75%	18.43%	21.16%
EBITDA margin (%)	20.92%	20.96%	21.12%	21.13%	19.73%	19.47%	21.21%	23.63%
Net margin (%)	13.54%	10.39%	12.37%	12.91%	14.25%	12.91%	12.57%	15.19%
Liquidity ratios								
Quick ratio	0.34	0.37	0.49	0.48	0.40	0.40	0.38	0.67
Current ratio	0.56	0.59	0.68	0.70	0.63	0.69	0.65	0.92
Inventory turnover	6.59	6.90	7.62	7.28	6.89	6.57	6.36	6.27
Asset turnover	0.58	0.55	0.57	0.57	0.60	0.63	0.63	0.62
Solvency ratios								
Debt to assets ratio	0.51	0.47	0.44	0.40	0.38	0.38	0.42	0.43
Debt to equity ratio	2.58	2.05	1.73	1.37	1.14	1.15	1.42	1.58
Long term debt to total asssets	0.41	0.38	0.36	0.31	0.30	0.32	0.37	0.37
Long term debt to total equity	2.06	1.65	1.39	1.06	0.89	0.98	1.23	1.35

WACC

A WACC of 7.06% will be used in all calculations.

The risk-free rate of 4.56% used in General Mills' cost of capital calculations reflects current market conditions and expectations of moderate rate adjustments in the near future. This risk-free rate, combined with an equity risk premium of 6.00% and an unlevered beta derived using Damodaran's food processing industry average—then adjusted to reflect General Mills' capital structure—results in a Cost of Equity of 7.99%. The Cost of Debt, based on General Mills' Moody's credit rating, remains at 5.76%, reflecting its strong credit profile and ability to secure low-cost financing. Adjusting for a tax rate of 21%, the weighted average of the tax-adjusted Cost of Debt and Cost of Equity results in a WACC of 7.06%. General Mills maintains a capital structure of 72.81% equity and 27.19% debt, balancing financial flexibility with efficient capital allocation. The company strategically uses debt financing to support growth while ensuring stable cash flows to sustain investments in brand innovation, supply chain efficiencies, and shareholder returns.

Valuation

Figure 18:
Bear, Base, and Bull Cases

Bear	Base	Bull
$49.03	$75.30	$88.79

Source: Team Analysis

Figure 19:
Relative Valuation

Company	Enterprise Value/ Revenue	EBITDA	P/E
General Mills	2.3x	10.7x	12.7x
High	3.1x	16.2x	28.2x
75th Percentile	2.7x	13.7x	25.9x
Average	**2.5x**	**12.0x**	**22.2x**
Median	**2.7x**	**12.1x**	**22.1x**
25th Percentile	2.3x	9.7x	20.3x
Low	1.7x	8.6x	12.7x

	EV/Revenue	EV/EBITDA	P/E
Implied Price	73.58	70.31	81.87

Source: Trading View, 10-K, Team Analysis

Figure 20:
DDM Valuation

Two-Stage Model Assumptions		
Dividends Per Share (DPS)		$2.37
Cost of Equity (Ke)		7.06%
	Stage 1	Stage 2
Dividend Growth Rate (g):	4.3%	3.5%
Share Price Calculation		
PV of Sum of Stage 1 Dividends		$10.96
Year 5 Dividend		$3.03
Stage 2 Terminal Value		$85.11
PV of Stage 2 Terminal Value		$60.53
Value Per Share ($)		**$71.49**

Source: Company Data, 10-K, Team Analysis

Figure 21:
DCF Valuation

PV(Terminal value)	$	30,173
PV (CF over next 10 years)	$	15,409
Value of operating assets =	$	**45,582**
- Debt	$	12,436
- Minority interests	$	249
+ Cash	$	2,293
+ Non-operating assets	$	6,743
Value of equity	$	**41,934**
- Value of options	$	-
Value of equity in common stock	$	**41,934**
Number of shares		556.90
Estimated value /share		$75.30
Price per share		$60.65
% Under Valued		24.15%

Source: Team Analysis

We maintain a buy recommendation for General Mills, with a target price of $75.30, reflecting a 24% upside from the current market price. Our Bear Case values the stock at $49.03, considering potential macroeconomic headwinds such as rising interest rates, supply chain disruptions, and shifts in consumer preferences. The Bull Case values the stock at $88.79, reflecting an optimistic scenario where General Mills successfully capitalizes on pricing power, cost efficiencies, and sustained demand for its products.

Unlike speculative projections, our sensitivity analysis ensures that the valuation reflects realistic and achievable outcomes based on historical performance and forward-looking estimates. Given the company's strong fundamentals and resilient market position, we believe General Mills offers attractive growth potential for investors.

Relative Valuation

Yields a Base case share price of $75.25

General Mills' relative valuation compares its multiples to a peer group including Kraft Heinz, ConAgra, PepsiCo, Mondelez, and Unilever. GIS trades at 2.3x EV/Revenue, 10.7x EV/EBITDA, and 12.7x P/E, aligning with industry averages except for a lower earnings multiple, which may indicate a relative undervaluation in terms of profitability.

Using median peer multiples, the implied share price ranges from $70.31 to $81.87, averaging $75.25, suggesting potential upside from the current price. This valuation reflects General Mills' strong market position, stable revenue streams, and ability to navigate cost pressures while maintaining profitability.

Dividend Discount Model

Yields a Base case share price of $71.49

Cash flows will be delivered to investors of General Mills in the form of dividends. To determine the intrinsic value of General Mills' stock based on dividends, we apply a two-stage Dividend Discount Model (DDM), which accounts for both the near-term dividend growth phase and a long-term steady growth phase. Over the past five years, GIS has maintained a 4.3% compound annual growth rate (CAGR) in dividends, driven by strong cash flows and disciplined capital allocation. However, sustaining this elevated growth indefinitely is unlikely. Instead, we project a long-term dividend growth rate of 3.5%, reflecting historical performance and the company's strategic financial outlook.

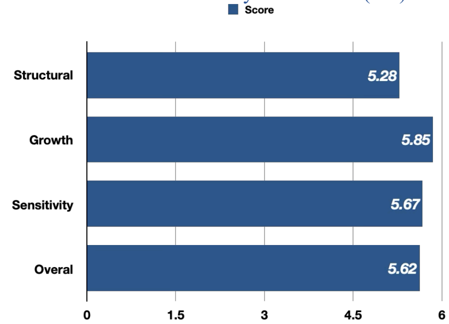
Rather than applying a single-stage model, we assume that General Mills' dividend growth will gradually transition from 4.3% to 3.5% over time. In the first stage, dividends are expected to grow at 4.3%, leading to an intrinsic value of dividends during this period of $10.96 per share. The second stage assumes a stable 3.5% growth rate in perpetuity, contributing an intrinsic value of $60.53 per share. Summing both stages results in a final intrinsic share price estimate of $71.49, indicating the stock's fair value based on its ability to sustain and grow dividend distributions over time

Discounted Cash Flow

Yields a Base case share price of $75.30

Cash flows for General Mills were projected for ten years based on key assumptions outlined in the Financial Analysis section, then estimated a 2.30% revenue growth rate target. Using a WACC of 7.06%, the present value of the company's next ten years of cash flows is calculated to be $15,409 million. The terminal value is then derived using the same WACC of 7.06% and a terminal growth rate of 2.30%, resulting in a terminal value of $30,173 million. Summing the present value of the forecasted cash flows and the discounted terminal value yields an intrinsic enterprise value of $45,582 million. After adjusting for debt of $12,436 million, cash holdings of $2,293 million, and minority interests of $249 million, the implied equity value is $41,934 million. Dividing by 556.90 million shares outstanding results in an intrinsic share price estimate of $75.30, indicating potential undervaluation relative to the current market price.

Figure 22:
Cereal Production Industry Risk Score (US)



Source: IBISWorld

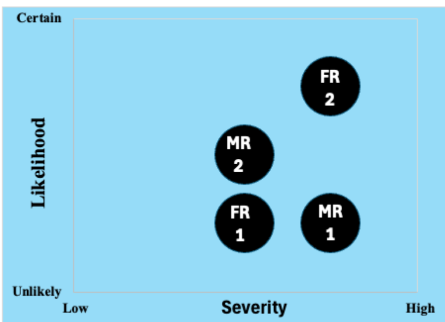
Sensitivity Analysis

Assessing Valuation Risks Through Scenario Testing

We ran our own Monte Carlo simulation that flexed core assumptions—such as the risk-free rate, tax rate, cost of capital, and terminal growth—to see how they affected General Mills' valuation. The analysis shown in the figure similarly employs a sensitivity framework, testing how changes in these inputs impact the intrinsic share price. Both approaches offer a broader perspective on potential valuation outcomes. Ultimately, these combined methods ensure a more robust and comprehensive view of possible share price scenarios. In both analyses, even modest shifts in key drivers can significantly alter the valuation range.

Investment Risks

Figure 23:
Risk Heatmap



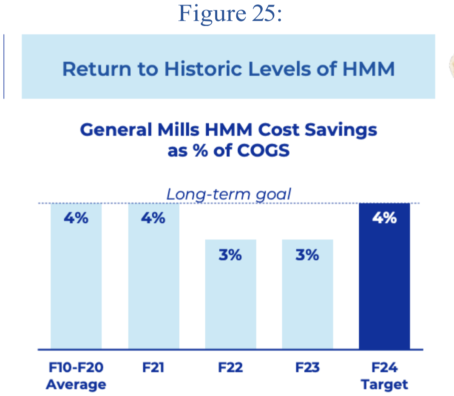
Source: Team Analysis

Figure 24:
Investment Risk Summary

Risk	Likelihood	Severity
Firm Risks		
Competitive Pressure & Retail	Probable	Moderate
Commodity Price Volitility & Supply Chain Costs	Highly Probable	High
Market Risks		
Supply Chain & Cost Pressures	Probable	High
Changing Consumer Preferences	Probable	Moderate

Source: Team Analysis

Figure 25:



Source: Team Analysis

Market Risks

Market Risk 1: Supply Chain and Cost Pressures

Supply chain disruptions remain an ongoing risk, influenced by geopolitical tensions, transportation bottlenecks, and unexpected regulatory shifts. Additionally, the unpredictability of potential tariffs under the new U.S. administration could impose further limitations on General Mills' ability to source key ingredients and raw materials cost-effectively. If tariffs are imposed on agricultural products, packaging materials, or imported manufacturing components, input costs could rise, affecting profitability. Compounding this challenge is commodity price volatility, as General Mills relies heavily on agricultural inputs such as wheat, dairy, and corn, which are influenced by climate conditions, global demand shifts, and trade policies. While the company employs hedging strategies to mitigate exposure, persistent cost inflation could limit pricing flexibility, pressuring gross margins and requiring further cost-cutting measures.

Market Risk 2: Changing Consumer Preferences

Shifts in consumer preferences toward healthier, organic, and plant-based foods continue to reshape the food industry. While General Mills has expanded its natural and organic offerings, including through acquisitions, evolving dietary trends and regulatory changes may demand continued innovation. The company must continuously adapt its product portfolio to align with consumer expectations, or risk losing market share to emerging competitors who can more efficiently cater to these demands.

Firm Risks

Firm Risk 1: Competitive Pressure and Retail

General Mills faces intense competition in both human and pet food categories. The competitive landscape includes not only large manufacturers but also private-label and store-brand products that often compete on price. Additionally, the grocery industry has seen significant consolidation, with major retailers leveraging their purchasing power to demand lower prices, increased promotional spending, and higher trade allowances. This shift places pressure on General Mills' profit margins, particularly if it is forced to reduce prices to maintain market share. Walmart alone accounts for 22% of General Mills' consolidated net sales and 30% of net sales in the North America Retail segment, making the company highly dependent on a few large customers.

Firm Risk 2: Commodity Price Volatility and Supply Chain Costs

The company is heavily reliant on agricultural commodities such as wheat, dairy, and corn, which are subject to price volatility influenced by climate conditions, trade policies, and currency fluctuations. Additionally, geopolitical factors, tariffs, and global supply chain disruptions have created uncertainty in securing raw materials at stable prices. While General Mills employs hedging strategies, it does not fully mitigate the risk of rising input costs, which could lead to reduced margins if price increases are not successfully passed on to consumers. Unexpected increases in transportation, packaging, and energy costs further contribute to financial risk, especially given the company's extensive distribution network.

Figure 26:
GIS Price Movement

Source: TradingView

Volatility

Moderate Volatility with Weak Market Correlation

General Mills (GIS) has an annualized volatility of 22.61%, slightly above the S&P 500's 21.37%, with a volatility Beta of 1.06. However, its low correlation (0.27) with the S&P 500 indicates limited sensitivity to market movements.

Post-pandemic shifts have slightly increased GIS's volatility, with a next-year estimate of 7.05% versus the S&P 500's 6.66%. Despite this, GIS remains a defensive stock, supported by stable revenue streams and strong positioning in the consumer staples sector, mitigating extreme market fluctuations.

Beta

A Low-Beta Fortress in Market volatility

General Mills' Beta was derived using Damodaran's industry average unlevered Beta for food processing, calculated from a sample of 77 companies. The unlevered Beta was determined to be 0.57. To align this with General Mills' capital structure, we applied the firm's debt-to-equity ratio and re-levered the Beta, arriving at a final levered Beta of 0.74.

This adjusted Beta reflects the company's true market risk exposure, incorporating both business and financial risk elements. Compared to competitors, General Mills exhibits a below-average market sensitivity, reinforcing its position as a defensive stock within the consumer staples sector.

Appendix

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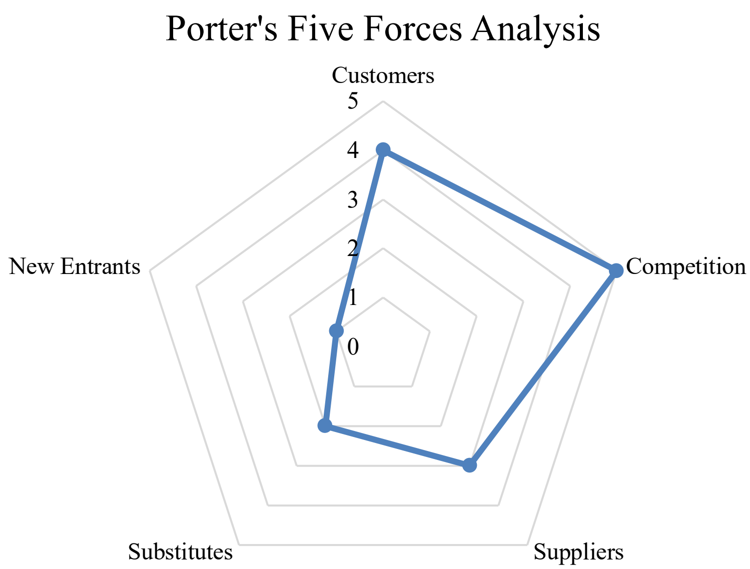
A1. Summary

We issue a buy recommendation for General Mills with a target price of $75.30, reflecting a 24% upside from its current price of $60.65 as of 28 January. The target price is based on a combination of a Discounted Cash Flow model, a Dividend Discount model, and a Relative Valuation. Our recommendation accounts for General Mills' strong brand portfolio, consistent demand, and ability to pass costs onto consumers due to the inelastic nature of staple food products, particularly in high-margin categories like pet food. Despite short-term macroeconomic headwinds, General Mills remains well-positioned due to its cost efficiencies, supply chain improvements, and strategic acquisitions. The company's expansion into high-margin segments like pet food (Blue Buffalo) supports long-term growth. Additionally, General Mills' commitment to innovation and sustainable packaging aligns with evolving consumer preferences, reinforcing its competitive positioning in the consumer staples sector.

A2. Porter's 5 Forces



Substitute Products (Moderate Risk)

General Mills faces competition not only from direct rivals but also from a range of substitute products, including fresh, organic, and private-label options. Changing dietary trends and increasing health consciousness among consumers contribute to this moderate risk. The company's ongoing innovation and adaptation of its product lineup are key to mitigating the impact of these substitutes.

Power of Customers (Moderate to High Risk)

Large retailers and changing consumer tastes strongly influence General Mills' pricing strategy. Major chains often demand lower prices and promotional support, which can squeeze margins. Additionally, a growing trend toward private-label or healthier alternatives adds pressure on pricing power.

Power of Suppliers (Moderate Risk)

Large retailers and changing consumer tastes strongly influence General Mills' pricing strategy. Major chains often demand lower prices and promotional support, which can squeeze margins. Additionally, a growing trend toward private-label or healthier alternatives adds pressure on pricing power.

Competition in Industry (High Risk)

The packaged foods market is highly competitive, with giants like Kellogg, Nestlé, and others battling for consumer attention. Aggressive marketing, frequent product innovations, and shifting consumer preferences intensify the rivalry. This dynamic environment poses a high competitive risk for General Mills.

Power of New Entrants (Low Risk)

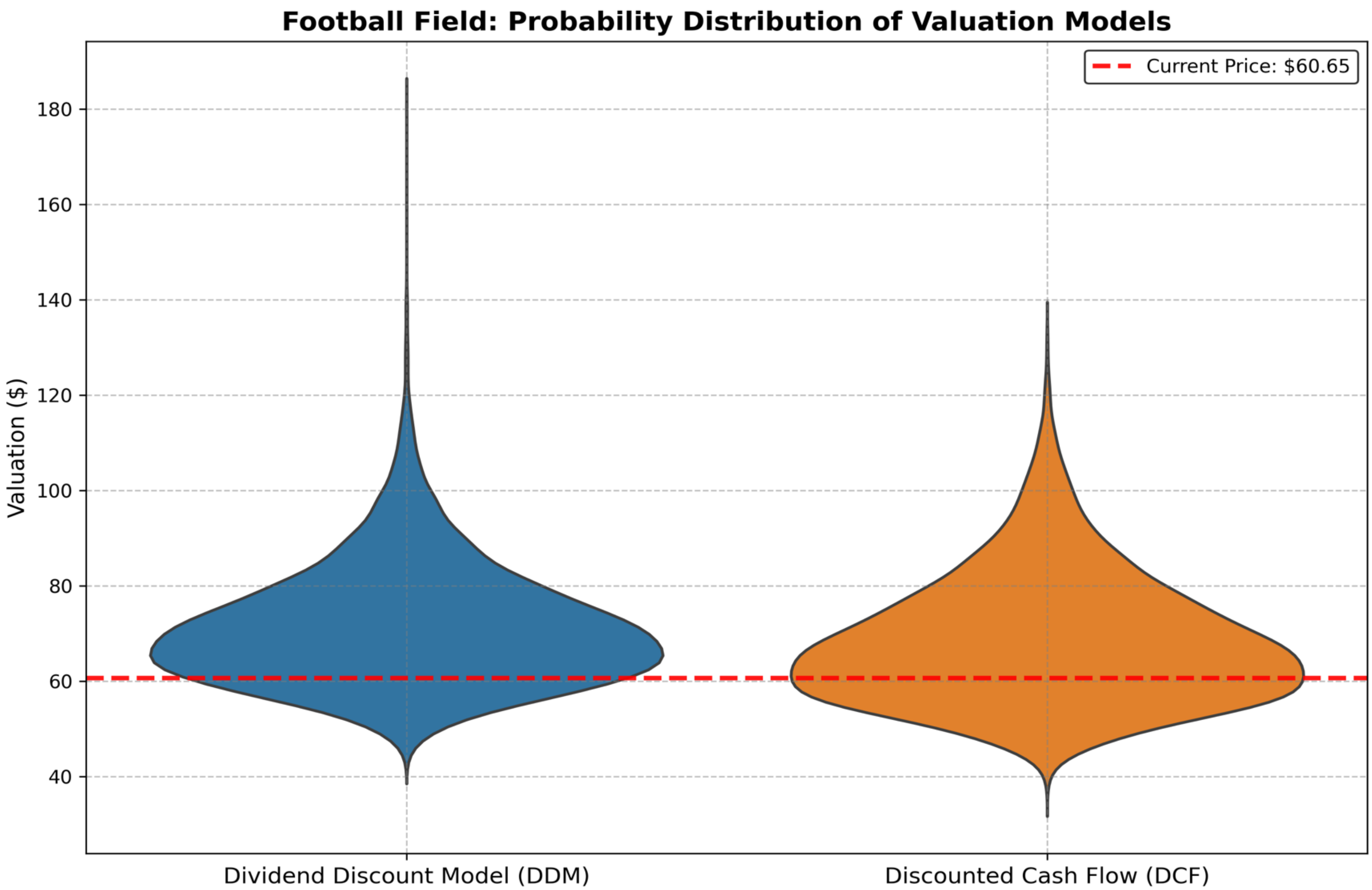
The food industry benefits from significant barriers to entry, such as strong brand loyalty, extensive distribution networks, and economies of scale. While niche and health-focused brands occasionally emerge, these new entrants struggle to gain a foothold against established companies like General Mills. As a result, the threat from new entrants remains relatively low, though not entirely negligible.

A3. SWOT Analysis

Strengths	Weakness
Strong Brand Recognition	High Competition
Operational Efficiency	Supply Chain Restraints
Finanical Stability	Decreasing Brand Loyalty
Global Reach	

Opportunites	Threats
Emerging Markets	Flucuating Commodity Prices
E-Commerce Growth	Changing Health Trends
Health & Wellness Trends	Regulatory & Environmental Pressures

A4. Football Field with Probability Distributions from Monte Carlo Simulation



Based on the Monte Carlo simulations with 10,000 iterations each, there is an 81.03% probability that the Dividend Discount Model valuation of General Mills' stock will exceed the current price of $60.65. Similarly, the Discounted Cash Flow model suggests a 67.45% probability of surpassing this threshold. These probabilities indicate a strong likelihood of upside potential under the respective valuation methodologies.

A5. Expanded Relative Valuation

	Enterprise Value /							
	EBITDA Margin		EBITDA		Sales		Price/ Earnings	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
CAMPBELL SOUP CO	16.4%	15.6%	11.5x	11.7x	1.9x	1.8x	12.4x	11.7x
CONAGRA	15.3%	14.5%	11.3x	11.8x	1.7x	1.7x	10.5x	10.0x
HORMEL FOODS	11.7%	11.7%	13.4x	13.3x	1.6x	1.6x	18.7x	17.2x
MCCORMICK	17.6%	17.3%	19.8x	19.7x	3.5x	3.4x	24.3x	22.5x
TYSON FOODS	7.2%	9.4%	7.3x	5.4x	0.5x	0.5x	16.2x	13.6x
KELLANOVA	14.2%	13.6%	18.2x	18.5x	2.6x	2.5x	21.8x	20.9x
HERSHEY	22.2%	21.6%	13.8x	13.3x	3.1x	2.9x	16.7x	20.2x
LAMB WESTON	14.9%	14.9%	13.3x	11.5x	2.0x	1.7x	20.0x	16.4x
KRAFT HEINZ	18.2%	18.7%	11.7x	11.4x	2.1x	2.1x	10.0x	9.9x
J.M. SMUCKER	15.6%	18.9%	14.0x	11.3x	2.2x	2.1x	10.5x	9.9x
MONDELEZ INTERNATION.	17.2%	17.1%	14.6x	13.7x	2.5x	2.3x	16.7x	17.5x
AVERAGE	**15.5%**	**15.7%**	**13.5x**	**12.9x**	**2.2x**	**2.1x**	**16.2x**	**15.4x**
MEDIAN	**15.6%**	**15.6%**	**13.4x**	**11.8x**	**2.1x**	**2.1x**	**16.7x**	**16.4x**
GENERAL MILLS	**21.7%**	**21.6%**	**10.6x**	**10.3x**	**2.3x**	**2.2x**	**14.6x**	**12.6x**

IMPLIED SHARE PRICE: $75.25

A6. Equity Risk Premium & WACC Calculation

Intrinsic Value Estimate (S&P 500)

	Most recent year	1	2	3	4	5	*Terminal Year*
Expected Earnings	243.32	266.62	292.14	320.12	350.77	384.35	401.95
Expected cash payout (dividends + buybacks) as % of earnings	80.65%	80.65%	80.65%	80.65%	80.65%	80.65%	80.65%
Expected Dividends + Buybacks =	182.79	$ 215.03	$ 235.62	$ 258.18	$ 282.90	$ 309.99	324.19
Expected Terminal Value =						$ 6,483.70	
Time to cashflow		1.0000	2.0000	3.0000	4.0000	5.0000	
Present Value =		$ 196.23	$ 196.22	$ 196.21	$ 196.20	$ 4,299.81	
Intrinsic Value of Index =		$ 5,084.69					
Intrinsic Trailing PE =		22.43					
Intrinsic CAPE (based on inflation-adjusted ten year average earnings) =		42.02					

US Implied Equity Risk Premium Calculation

Implied Risk Premium in current level of Index =	**4.21%**

	Most recent year	1	2	3	4	5	*Terminal Year*
Expected Earnings	243.32	266.62	292.14	320.12	350.77	384.35	401.95
Expected cash payout (dividends + buybacks) as % of earnings	80.65%	80.65%	80.65%	80.65%	80.65%	80.65%	80.65%
Expected Dividends + Buybacks =	182.79	215.03	235.62	258.18	282.90	309.99	324.19
Expected Terminal Value =						7702.75	
Time to cashflow		1.00	2.00	3.00	4.00	5.00	
Present Value =		197.66	199.09	200.53	201.98	5258.51	
Intrinsic Value of Index =	**$6,057.76**						

Operating Countries ERP calculation for GIS

Country	*Revenues*	*ERP*	*Weight*	*Weighted ERP*
United States	$16,062.20	4.21%	80.89%	3.41%
Rest of the World	$3,795.00	6.34%	19.11%	1.21%
Total	$19,857.20		100.00%	**4.62%**

Cost of Capital components

	10 Year Yield	Beta	Equity Risk Premium	Cost of Equity
Cost of Equity	**4.56%**	**0.74**	**4.62%**	**7.99**
	S&P rating	**Moody's rating**	**Pre-Tax**	**Post-Tax**
Cost of Debt	**BBB**	**Baa2**	**5.76%**	**4.55%**

WACC	*Equity*	*Debt*	*Capital*
Weight in Cost of Capital	72.81%	27.19%	100.00%
Cost of Component	7.99%	4.55%	**7.06%**

A7. Discounted Cash Flow

GIS	Jan-25

Base Year and Comparison

	Company
Revenue Growth	0.44%
Revenue	$19,857
Operating Margin	17.28%
Operating Income	$3,599
EBIT (1-t)	$2,915

Growth Story

A stable packaged foods business, with pet food (Blue Buffalo) as a key growth driver, supports steady expansion. Entry into premium and health-conscious segments further strengthens revenue potential.

Profitability Story

Improving margins through pricing power, cost efficiencies, and supply chain optimizations allows for sustained profitability while mitigating inflationary pressures.

Growth Efficiency Story

Enhancing operational efficiency through automation, supply chain optimizations, and strategic pricing initiatives ensures sustainable long-term growth while maintaining cost discipline.

Terminal Value	
Growth Rate	2.30%
Cost of capital	7.06%
Return on capital	14.88%
Reinvestment Rat	15.46%

PV(Terminal value)	$ 30,173
PV (CF over next 10 years)	$ 15,409
Probability of failure =	0.00%
Value of operating assets =	$45,582
- Debt	$12,436
- Minority interests	$249
+ Cash	$2,293
+ Non-operating assets	$6,743
Value of equity	$41,934
- Value of options	$0
Value of equity in common stock	$41,934
Number of shares	556.90
Estimated value /share	$75.30
Price per share	$59.80
% Under Valued	-20.58%

	1	2	3	4	5	.....	10	Terminal year
Revenue Growth	-0.30%	2.30%	2.00%	1.70%	2.00%		2.30%	2.30%
Revenue	$ 19,797	$ 20,252	$ 20,657	$ 21,008	$ 21,429		$ 23,868	$ 24,417
Operating Margin	17.56%	17.31%	17.38%	17.42%	17.37%		17.40%	17.40%
Operating Income	$ 3,476	$ 3,505	$ 3,591	$ 3,659	$ 3,722		$ 4,153	$ 4,249
EBIT (1-t)	$ 2,746	$ 2,769	$ 2,837	$ 2,891	$ 2,940		$ 3,281	$ 3,356
Reinvestment	$ 676	$ 720	$ 763	$ 694	$ 754		$ 845	$ 519
FCFF	$ 2,070	$ 2,049	$ 2,073	$ 2,196	$ 2,186		$ 2,436	$ 2,838
							$ 59,665.22	
Cost of Capital	7.06%	7.06%	7.06%	7.06%	7.06%	7.06%	7.06%	
Cumulated WACC	0.9341	0.8725	0.8150	0.7613	0.7111	0.6643	0.5057	
ROIC	14.01%	13.66%	13.52%	13.29%	13.10%	12.96%	12.43%	14.88%

Risk Story

Aligned with industry peers, supported by a mature market and strong cash flows, but faces challenges from shifting consumer preferences, inflationary pressures, and supply chain disruptions.

Competitive Advantages

A strong brand portfolio, pricing power, and economies of scale provide resilience in the market. Investments in innovation and category expansion further strengthen its competitive positioning.

A8. Income Statement

Income Statement	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Net Sales	$18,992.8	$20,094.2	$19,857.2	$19,796.8	$20,252.2	$20,657.2	$21,008.4	$21,428.5
Cost of Sales	12,590.6	13,548.4	12,925.1	13,119.1	13,117.6	13,040.8	13,092.5	13,083.7
Selling, general and administrative expenses	3,147.0	3,500.4	3,259.0	3,326.0	3,341.2	3,305.4	3,324.2	3,323.6
Divesture, net	(194.1)	(444.6)	- -	- -	- -	- -	- -	- -
Restructirng, impairment and other exit costs	(26.5)	56.2	241.4	23.0	45.0	40.0	70.0	20.0
Operating Profit	**3,475.8**	**3,433.8**	**3,431.7**	**3,328.8**	**3,748.3**	**4,270.9**	**4,521.7**	**5,001.3**
Benefit plan non-service income	(113.4)	(88.8)	(75.8)	(63.5)	(62.0)	(60.8)	(59.8)	(58.6)
Interest, net	379.6	382.1	479.2	477.7	488.7	498.5	507.0	517.1
EBT and A-T from joint ventures	**3,209.6**	**3,140.5**	**3,028.3**	**2,914.5**	**3,321.6**	**3,833.2**	**4,074.4**	**4,542.7**
Income taxes	586.3	612.2	594.5	612.0	697.5	805.0	855.6	954.0
A-T earnings from joint ventures	111.7	81.3	84.8	84.5	86.5	88.2	89.7	91.5
Net earnings, including NCI	**2,735.0**	**2,609.6**	**2,518.6**	**2,387.0**	**2,710.6**	**3,116.5**	**3,308.5**	**3,680.3**
Net earnings attributable to NCI	27.7	15.7	22.0	21.9	22.4	22.9	23.3	23.7
Net earnigs attributable to General Mills	**2,707.3**	**2,593.9**	**2,496.6**	**2,365.1**	**2,688.1**	**3,093.6**	**3,285.2**	**3,656.5**

A9. Balance Sheet

Balance Sheet	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
ASSETS								
Current Assets:								
Cash and cash equivalents	569.4	585.5	418.0	2,385.4	1,042.4	963.5	1,577.1	2,505.0
Recievables	1,692.1	1,683.2	1,696.2	1,704.4	1,723.3	1,766.9	1,797.8	1,830.0
Inventories	1,867.3	2,172.0	1,898.2	1,980.2	2,045.6	2,090.0	2,116.3	2,163.7
Pepaid exepenses and other current assets	802.1	735.7	568.5	566.8	579.8	591.4	601.5	613.5
Assets held for sale	158.9	- -	- -	- -	- -	- -	- -	- -
Total current assets	**5,089.8**	**5,176.4**	**4,580.9**	**6,636.8**	**5,391.1**	**5,411.8**	**6,092.6**	**7,112.2**
Land, buildings, and equipment	3,393.8	3,636.2	3,863.9	3,999.1	4,176.9	4,368.0	4,542.1	4,730.1
Goodwill	14,378.5	14,511.2	14,750.7	14,750.7	14,750.7	14,750.7	14,750.7	14,750.7
Other intangible assets	6,999.9	6,967.6	6,979.9	6,972.3	6,952.3	6,932.3	6,912.3	6,892.3
Other assets	1,228.1	1,160.3	1,294.5	1,294.5	1,324.3	1,350.8	1,373.7	1,401.2
Total Assets	**31,090.1**	**31,451.7**	**31,469.9**	**33,653.3**	**32,595.3**	**32,813.6**	**33,671.5**	**34,886.5**
LIABILITIES AND EQUITY								
Current Liabilities								
Accounts payable	3,982.3	4,194.2	3,987.8	4,086.2	4,158.2	4,217.9	4,313.1	4,391.5
Current portion of long-term debt	1,674.2	1,709.1	1,614.1	1,693.8	1,688.2	1,400.0	1,405.4	1,433.6
Notes payable	811.4	31.7	11.8	314.5	321.8	328.2	333.8	340.4
Other current liabilities	1,552.0	1,600.7	1,419.4	1,415.1	1,447.6	1,476.6	1,501.7	1,531.7
Total current liabilities	**8,019.9**	**7,535.7**	**7,033.1**	**7,509.6**	**7,615.8**	**7,422.6**	**7,554.0**	**7,697.2**
Long-term debt	9,134.8	9,965.1	11,304.2	13,257.4	11,942.1	11,516.2	11,259.6	11,024.6
Deferred income taxes	2,218.3	2,110.9	2,200.6	2,200.6	2,200.6	2,200.6	2,200.6	2,200.6
Other liabilities	929.1	1,140.0	1,283.5	1,279.6	1,309.0	1,335.2	1,357.9	1,385.1
Total liabilities	**20,302.1**	**20,751.7**	**21,821.4**	**24,247.3**	**23,067.5**	**22,474.6**	**22,372.1**	**22,307.5**
Stockholders' equity:								
Common equity	1,258.4	1,297.9	1,302.5	1,329.9	1,357.8	1,386.3	1,415.4	1,445.1
Retained earnings	18,532.6	19,838.6	20,971.8	21,986.1	23,310.1	25,015.1	26,886.1	29,094.4
Common stock in treasury, at cost	(7,278.1)	(8,410.0)	(10,357.9)	(11,618.7)	(12,829.1)	(13,727.1)	(14,643.1)	(15,577.4)
Accumulated other comprehensive loss	(1,970.5)	(2,276.9)	(2,519.7)	(2,519.5)	(2,519.5)	(2,519.5)	(2,519.5)	(2,519.5)
Total stockholders' equity	**10,542.4**	**10,449.6**	**9,396.7**	**9,177.7**	**9,319.2**	**10,154.8**	**11,138.9**	**12,442.7**
Noncontrolling interests	245.6	250.4	251.8	228.3	208.6	184.2	160.5	136.4
Total equity	**10,788.0**	**10,700.0**	**9,648.5**	**9,406.0**	**9,527.8**	**10,339.0**	**11,299.4**	**12,579.1**
Total liabilities and equity	**31,090.1**	**31,451.7**	**31,469.9**	**33,653.3**	**32,595.3**	**32,813.6**	**33,671.5**	**34,886.5**

A10. Cash Flow Statement

Cash Flow	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Cash flows from operating activities:								
Net Earnings				2,365.1	2,688.1	3,093.6	3,285.2	3,656.5
Depreciation & amortization				566.1	569.3	581.4	593.4	602.8
Deferred Income Taxes				- -	- -	- -	- -	- -
Change in working capital				5.7	7.1	(10.9)	53.1	16.7
Net cash flow from operating activities				**2,936.9**	**3,264.5**	**3,664.1**	**3,931.8**	**4,276.1**
Cash flows from investing activities:								
Capital expenditure				(681.3)	(727.1)	(752.6)	(747.5)	(770.9)
Acquistions, net				(12.4)	- -	- -	- -	- -
Change in other assets				- -	(29.8)	(26.5)	(23.0)	(27.5)
Net cash flow from investing activities				**(693.7)**	**(756.9)**	**(779.1)**	**(770.5)**	**(798.3)**
Cash flows from financing activities:								
Changes in current portion of long-term debt				79.7	(5.6)	(288.2)	5.4	28.1
Changes in notes payable				302.7	7.2	6.4	5.6	6.7
Changes in long-term debt				1,953.4	(1,315.3)	(425.9)	(256.6)	(235.0)
Changes in other liabilities				(3.9)	29.4	26.2	22.7	27.2
Changes in common stock				27.4	27.9	28.5	29.1	29.7
Changes in common stock for treasury				(1,260.8)	(1,210.4)	(898.0)	(916.0)	(934.3)
Dividends Paid				(1,350.8)	(1,364.2)	(1,388.5)	(1,414.3)	(1,448.2)
Changes in noncontrolling interest				(23.5)	(19.7)	(24.4)	(23.7)	(24.1)
Net cash flow from financing activities				**(275.8)**	**(3,850.7)**	**(2,963.9)**	**(2,547.7)**	**(2,549.9)**
Net cash flow				**1,967.4**	**(1,343.0)**	**(78.9)**	**613.6**	**927.9**
Cash and cash equivalents - beginning of year				418.0	2,385.4	1,042.4	963.5	1,577.1
Cash and cash equivalents - end of year			**$418.0**	**$2,385.4**	**$1,042.4**	**$963.5**	**$1,577.1**	**$2,505.0**

A11. Sensitivity Analysis

Terminal Growth Rate

WACC \ $ 75.30	0.80%	1.30%	1.80%	2.30%	2.80%	3.30%	3.80%
8.56%	$47.65	$49.79	$52.24	$55.08	$58.42	$62.39	$67.20
8.06%	$51.64	$54.20	$57.16	$60.64	$64.78	$69.79	$75.97
7.56%	$56.24	$59.33	$62.95	$67.26	$72.48	$78.93	$87.09
7.06%	$61.59	$65.37	$69.86	$75.30	$82.01	$90.52	$101.63
6.56%	$67.89	$72.57	$78.24	$85.24	$94.10	$105.68	$121.47
6.06%	$75.40	$81.31	$88.60	$97.84	$109.92	$126.37	$150.12
5.56%	$84.52	$92.12	$101.75	$114.34	$131.50	$156.26	$195.12

Beta

Equity Risk Premium	0.59	0.64	0.69	0.74	0.79	0.84	0.89
4.92%	$82.53	$78.93	$75.60	$72.51	$69.64	$66.97	$64.48
4.82%	$83.45	$79.84	$76.51	$73.42	$70.54	$67.87	$65.36
4.72%	$84.38	$80.78	$77.44	$74.35	$71.47	$68.78	$66.27
4.62%	$85.33	$81.73	$78.40	$75.30	$72.41	$69.72	$67.20
4.52%	$86.30	$82.71	$79.37	$76.27	$73.38	$70.68	$68.16
4.42%	$87.30	$83.70	$80.37	$77.27	$74.37	$71.67	$69.14
4.32%	$88.31	$84.72	$81.39	$78.29	$75.39	$72.68	$70.14

Dividend Growth Rate

WACC \ $71.49	0.8%	1.8%	2.8%	3.8%	4.3%	4.8%	5.8%
8.56%	$43.01	$44.98	$47.02	$49.14	$50.23	$51.34	$53.62
8.06%	$47.68	$49.88	$52.17	$54.54	$55.76	$57.00	$59.56
7.56%	$53.50	$55.99	$58.58	$61.27	$62.65	$64.06	$66.96
7.06%	$60.95	$63.82	$66.80	$69.90	$71.49	$73.11	$76.44
6.56%	$70.84	$74.21	$77.71	$81.34	$83.21	$85.11	$89.03
6.06%	$84.60	$88.66	$92.88	$97.27	$99.52	$101.82	$106.54
5.56%	$105.05	$110.14	$115.44	$120.94	$123.77	$126.65	$132.58