Visibility into the Future

Day at K 2015

**Wendy Davidson**

President, U.S. Specialty Channels

## U.S. Specialty Channels

### Distinct Business Channels & Segments

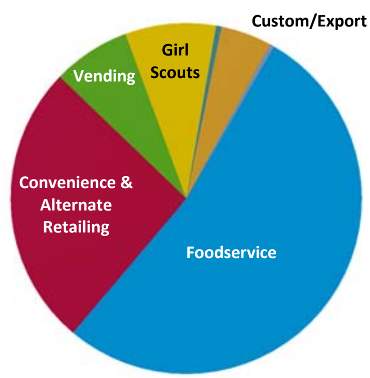
Kellogg's® Specialty Channels

**Foodservice**
- COLLEGE AND UNIVERSITY
- COMMERCIAL
- HEALTHCARE
- K-12 SCHOOLS
- BUSINESS AND INDUSTRY
- LODGING AND CATERING
- MILITARY

**Retailing**
- ALTERNATIVE RETAIL
- CONVENIENCE
- VENDING

**Other**
- Girl Scouts
- CUSTOM
- DIRECT TO CONSUMER

**$1.2B NSV[a]**



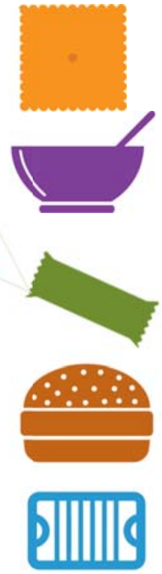

(a) 2014 net sales

## Our Focus is Driving Success

### Third Quarter 2015

- ***Share Gains*** **in Convenience**
- ***K12 & On-The-Go Growth*** **in Foodservice**
- ***Distribution Gains*** **in Vending**
- ***Menu Expansion*** **with veggie foods in Commercial Restaurants**

**+6.2%** NSV[(a)]



- ✓ Salty
- ✓ Crackers
- ✓ Cereal
- ✓ Wholesome
- ✓ Veggie
- ✓ Griddle

(a) Currency-neutral comparable growth is a non-GAAP financial measure. Refer to the Company's 2015 quarterly 10-Q filing where this non-GAAP financial measure is reconciled to the most comparable GAAP measure

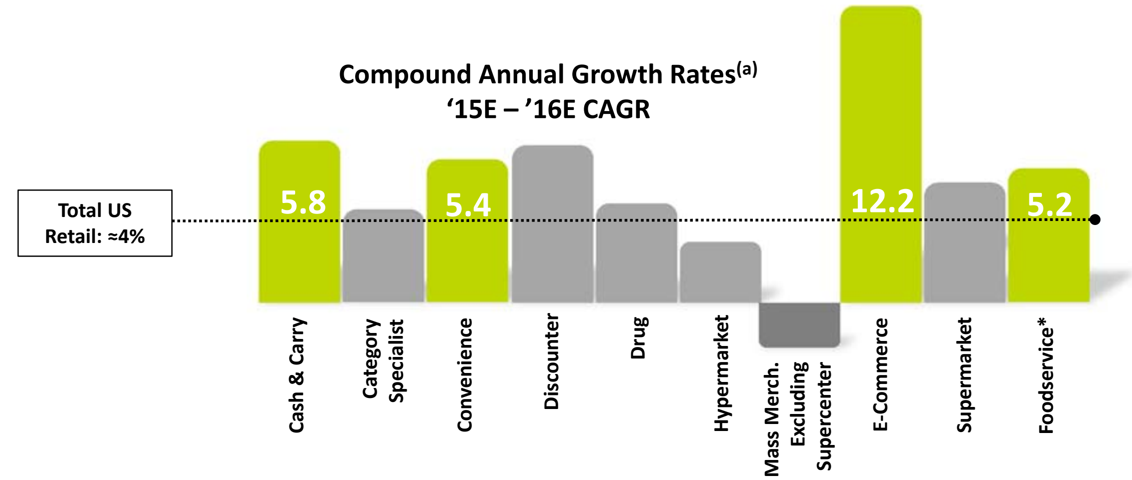


## Specialty Channels – Key Messages

- **We compete in *growth channels…***
- **… that lead *consumer trends***
- **We have an *advantaged business***
- **And we are committed to *profitable growth***

## Growth Potential

### Emerging Markets in the U.S.

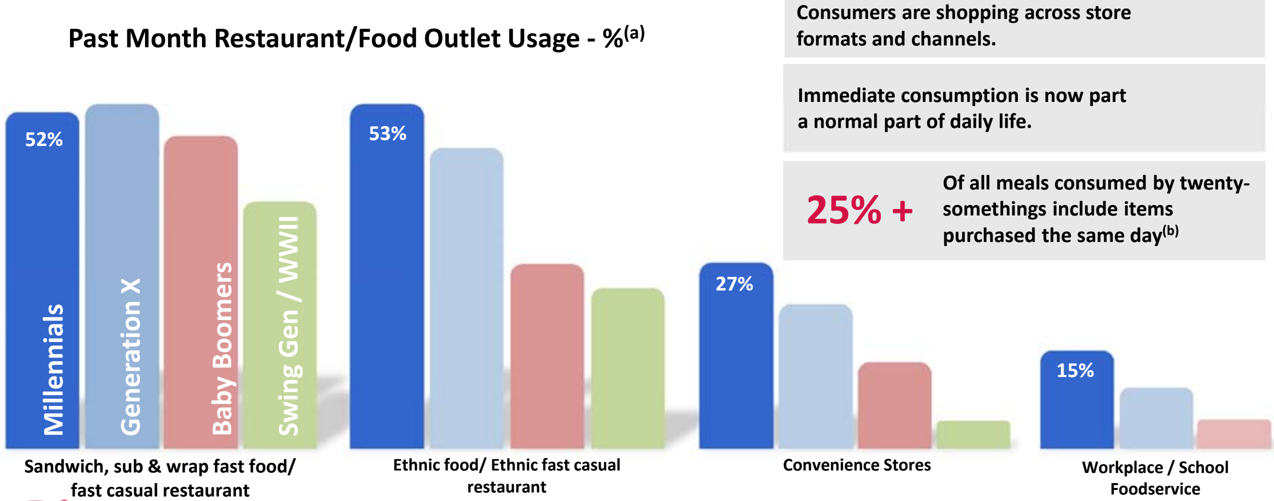



(a) Kantar Retail IQ, 2/15, 2016 forecast vs. 2015 forecast, Foodservice CAGR based on 2014-2019 forecast from Mintel, based on U.S. Census Bureau, Annual and Monthly retail trade Survey, Bureau of Economic Analysis
(b) Vending Market Watch and Proven Data



## Growth Potential

### Expanding Reach to Meet Consumer Where they Are




Consumers are shopping across store formats and channels.

Immediate consumption is now part a normal part of daily life.

**25% +** Of all meals consumed by twenty-somethings include items purchased the same day[b]

(a) Mintel "Dining Out: A 2015 Look Ahead", January 2015
(b) U.S. Grocery Shopper Trends, FMI, 2014

## Growth Potential

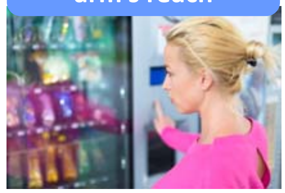
### Brand Ubiquity

**Growth Potential Through Channel Penetration and Reach**

**Build affinity for our brand with kids**

- Schools
- Restaurants

**Bring brands within arm's reach**



- Convenience
- Alt. Retail
- Cafeterias / On-the-Go
- Vending / Micro Markets
- Custom

**Branded food partnerships**

Burger King, Dannon, Girl Scouts, Breyers

**Bringing Kellogg brands to consumers whenever they are away-from-home**

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## Growth Potential

### Expanding Our Reach and Leveraging Channel Insights

**RETAIL**

Inception → Adoption → Proliferation → Ubiquity

- Inception (Retail): Ethnic markets; Ethnic aisle
- Adoption (Retail): Farmers markets; Specialty grocers; Gourmet food stores
- Proliferation (Retail): Traditional grocery; Mass merch; Club stores
- Ubiquity (Retail): Drug stores; Dollar stores

**FOODSERVICE**

- Inception (Foodservice): Fine dining; Ethnic independents
- Adoption (Foodservice):
  - Gastro pubs
  - Chef-casual
  - Food trucks
  - Upper casual
  - Casual independents
  - Fast casual
- Proliferation (Foodservice):
  - Lodging
  - Casual chains
  - Colleges
  - QSR
  - Grocery deli
- Ubiquity (Foodservice):
  - Convenience stores
  - Corporate cafeteria
  - Family restaurants
  - Healthcare
  - K-12 schools

(a) Datassential, Menu Adoption Curve 2015

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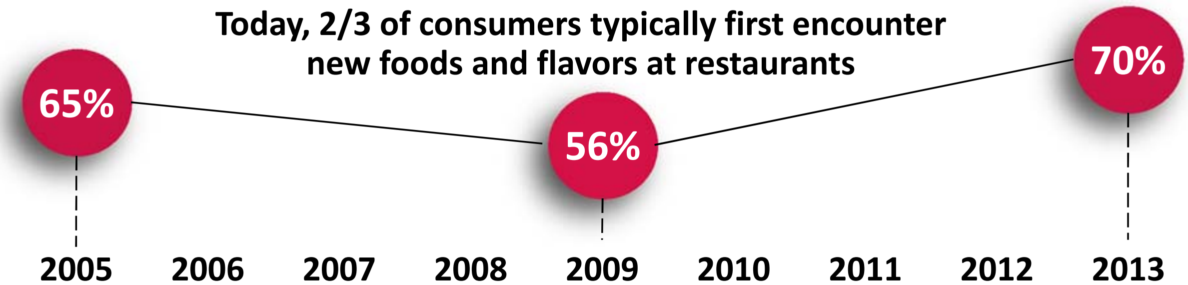
## Growth Potential

### Restaurants on Leading Edge of Food Trends

**Today, 2/3 of consumers typically first encounter new foods and flavors at restaurants**




Datassential, 2015 Trends, January 2015



## Structural Advantages

### Category Leadership in Our Core[a]

**Rice Krispies Treats**

- *#1 selling* Wholesome Snack in Foodservice
- Growth *outpacing* total category growth
- Whole Grain *#1 selling* Treat Bar in Schools

**Pop-Tarts**

- *#1 selling* Toaster Pastry brand in C-Store[b] and Vending[c]
- Whole Grain *#1 brand* in schools
- Growth *outpacing* total category growth

**Keebler**

- *#1 selling* Sandwich Crackers C-Store[b]

(a) Product Evaluations Snacks Market Share Tracker, 12 Months Ending 06/2015 , Internal Sales Data
(b) Nielsen Total C-Stores, 52 Weeks Ending 10/31/15; (c) Brandshare vending, 12-months ending Sept, 2015

## Structural Advantages

### Success in Building Brands in Specialty[a]

- Growth *outpacing* salty-snack category
- *#1 selling* warehouse potato-chip brand

- *#1 Cracker brand* in Foodservice[b]
- *#1 selling* wholesale cracker brand in Convenience with double-digit growth
- *#1 snack-cracker brand* in Vending[d]

- *#1 selling* cereal Manufacturer in C-Stores and Foodservice[c]
- *6 of the top 10 brands* in both C-Stores and Foodservice[c]

(a) Nielsen, Total Convenience, 52 Weeks Ending 10/31/15
(b) Product Evaluations Snack Tracker, 12 Months Ending 6/15
(c) Product Evaluations RTEC Tracker, 12 Months Ending 12/14
(d) Brandshare vending, 12-months ending 9, 2015



## Structural Advantages

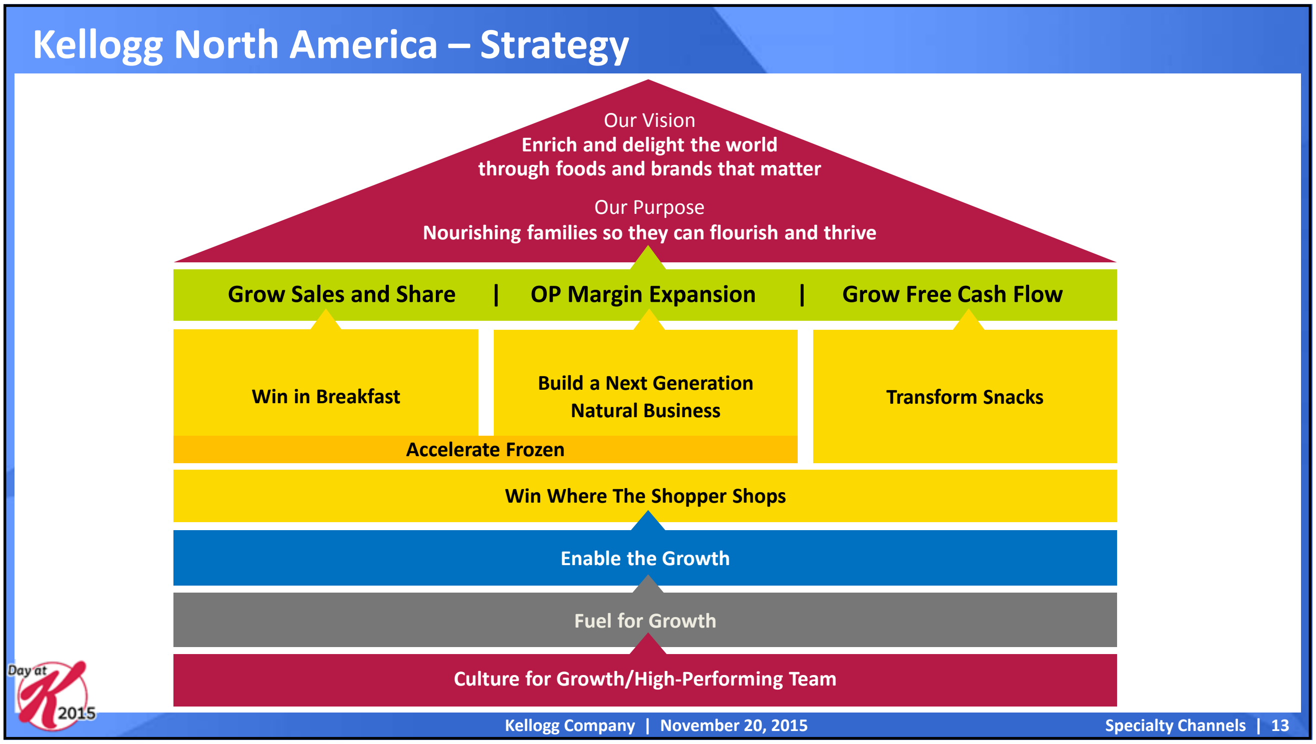
### Power of Our Brands in Specialty[a]

- *#1 selling cookie* in the Vending channel[a]
- Celebrating 40th anniversary in 2015

- *#1 brand* in frozen griddle[b]
- *Leading growth* in K12 schools[b]

- *#1 Veggie brand* in Foodservice[c]
- *#1 share* of national restaurant chains[c]
- Growth *outpacing* industry category[c]

(a) BrandShare Vending, 12 Months Ending 9/2015; (b)Interflex Data SY 2013/14; represents 54% of all K12 school bid awards; (c) Product Evaluations Veggie Tracker, 12 Months Ending 6/2015


Kellogg North America – Strategy
Our Vision
Enrich and delight the world through foods and brands that matter
Our Purpose
Nourishing families so they can flourish and thrive
Grow Sales and Share | OP Margin Expansion | Grow Free Cash Flow
Win in Breakfast
Build a Next Generation Natural Business
Transform Snacks
Accelerate Frozen
Win Where The Shopper Shops
Enable the Growth
Fuel for Growth
Culture for Growth/High-Performing Team
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Win Where the Shopper Shops – Our Unique Focus
Drive Accelerated, Profitable Growth and Brand Ubiquity
Bringing Kellogg Brands within Arms Reach of the Consumer
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## Strategy – Win Where the Shopper Shops

### Across All Categories & Channels

- Breakfast
- Salty Snacks
- Cookies & Crackers
- Veggie
- Wholesome Snacks
- Griddle

- Drive Core Penetration
- Expand our Channel Reach
- Win With Our Customers

COMMERCIAL
CUSTOM
CONVENIENCE
VENDING
FOODSERVICE
DIRECT TO CONSUMER

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## Strategy – Win Where the Shopper Shops

# Expanding Reach to New Channels

COMMERCIAL
ALTERNATIVE RETAIL
DIRECT TO CONSUMER

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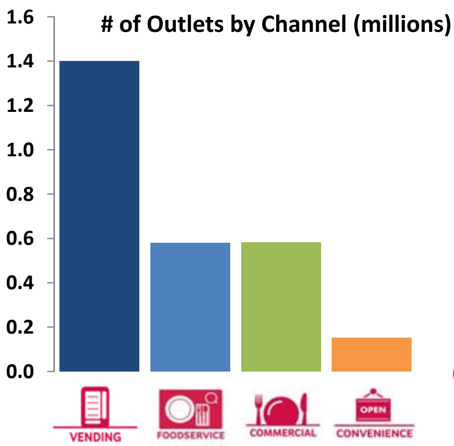
## Strategy – Win Where the Shopper Shops

### Expanding Our Reach




Grocery Drug Club

**+2M Potential Outlets**

**Vs.**

**+50k Retail Outlets**

Vending = # of candy/snack/confection machines – Automatic Merchandiser State of the Vend Industry 2015
Foodservice outlets from Technomic Foodservice Industry Forecast, June 2015
Convenience outlets from NACS State of the Industry, 2014
All others from Kantar Retail IQ, November 2015

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## Strategy – Win Where the Shopper Shops

### Expanding Our Reach with Branded Partnerships

FOODSERVICE

COMMERCIAL


Salty

Veggie

Eggo®

Snacks


Ice Cream and Yogurt Mix-In


Branded Fresh Baked Cookies

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## Strategy – Win Where the Shopper Shops

### Enabling Expansion With Innovation

- **Speed to Market**
- **Brand Building**
- **Test and Learn**


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## Strategy – Win Where the Shopper Shops

### Accelerating Our Growth Into the Future

- Drive Penetration and Reach through *Channel Focused Packaging and Food*
- Drive Expansion into *New and Emerging Channels*


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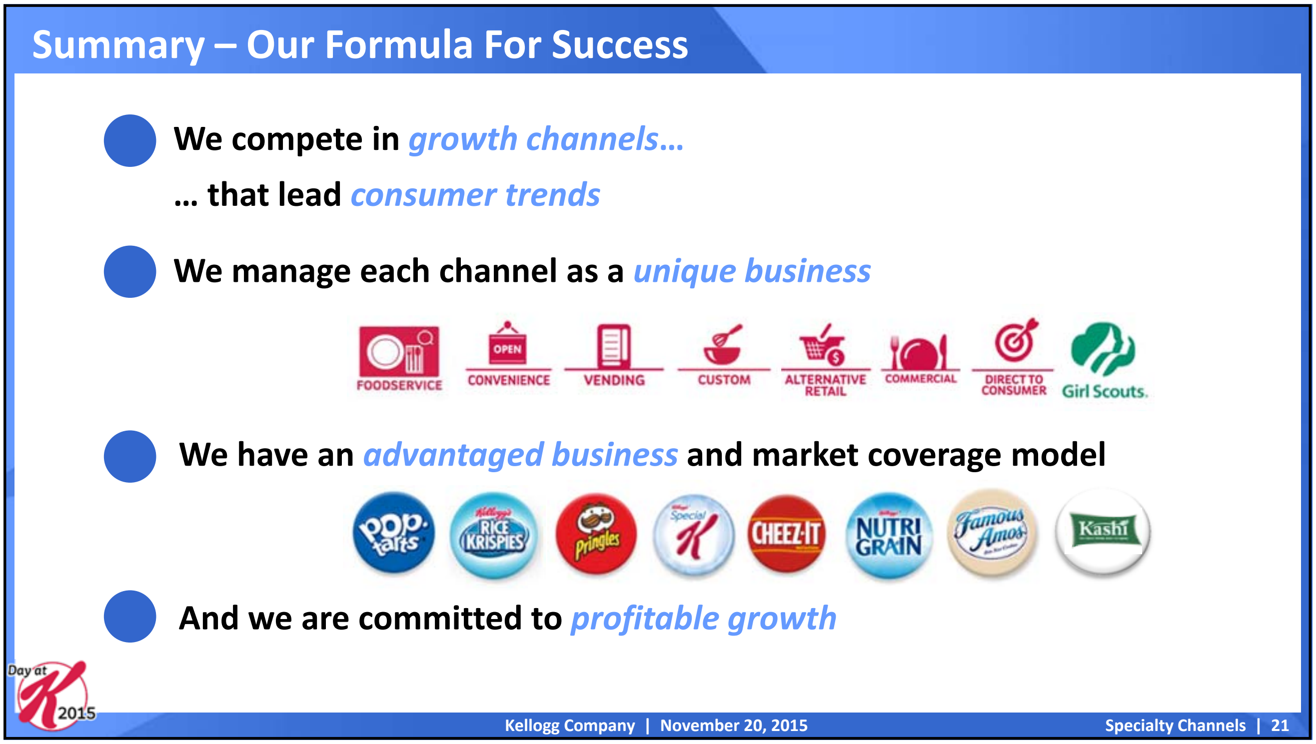
Summary – Our Formula For Success
We compete in growth channels…
… that lead consumer trends
We manage each channel as a unique business
FOODSERVICE
OPEN
CONVENIENCE
VENDING
CUSTOM
ALTERNATIVE RETAIL
COMMERCIAL
DIRECT TO CONSUMER
Girl Scouts.
We have an advantaged business and market coverage model
pop tarts
RICE KRISPIES
Pringles
Special K
CHEEZ-IT
NUTRI GRAIN
Famous Amos
Kashi
And we are committed to profitable growth
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