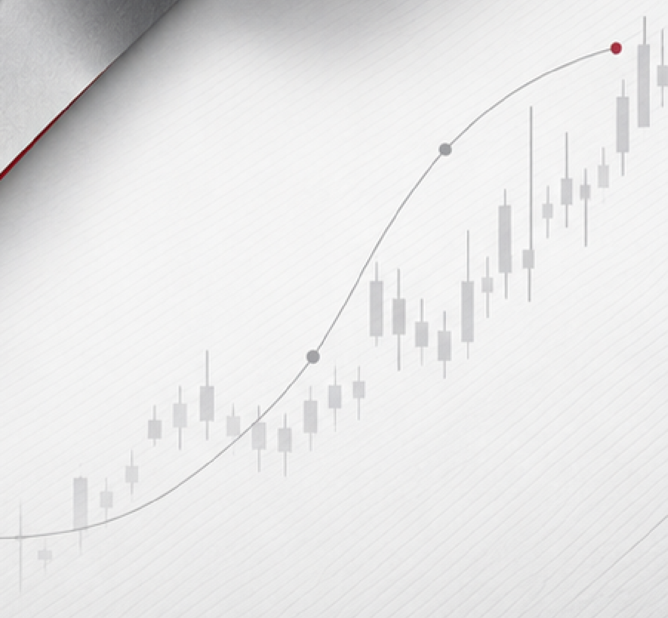
MARS INCORPORATED

×

WM. WRIGLEY JR. COMPANY

M&A TRANSACTION ANALYSIS

Valuation, deal logic, negotiation range, financing risk, and post-close controls for a debt-funded acquisition of the global gum leader.



PREPARED BY
ANDREW RODRIGUEZ

PREPARED FOR
MARS INCORPORATED

FEBRUARY 5, 2025

01 Executive decision

The strategic logic is sound: Mars gains gum and mint exposure, a wider global footprint, and operating benefits large enough to matter. The failure mode is just as clear. If Mars pays the upside price on announcement day and then misses on cost savings, working-capital release, or cultural protections, the deal becomes a trophy purchase financed with $22 billion of debt.

> **VERDICT**
> Pursue the acquisition, but do not pay the full upside case upfront. Anchor the bid near the deal-base value of $89.60 per share and put the $105.03 case behind objective performance hurdles. Price discipline here is not just negotiation posture; it is the primary control on financing risk.

DECISION POINT	BOARD READ
Real decision	Whether Mars should buy a high-quality target at a premium while preserving price discipline and post-close cash control. The price question and the debt question are the same question.
Buyer posture	Offer $90–95 per share upfront ($24.8B–$26.2B), with contingent consideration to $105.03 per share only if measurable targets are hit.
Seller reality	Wrigley has family voting control, category leadership, and brand heritage. Non-price protections carry real economic value and can close a price gap that cash alone cannot.
Hard constraint	Debt funds roughly 76% of the full offer. Cash generation and integration discipline matter more than announcement-day scale.

What the numbers connect to

Four figures fall directly out of the source model and frame every decision in this report.

IMPLIED SHARES	IMPLIED 2008 EBITDA	UPFRONT ZONE MULTIPLE	DEBT AVOIDED AT ZONE
275.7M	**$2.10B**	**11.8–12.5x**	**$2.8–4.1B**
$28.96B ÷ $105.03 per share; consistent with $21.85B ÷ $79.25	$28.96B ÷ 13.8x, cross-checked against $21.85B ÷ 10.4x	$24.8B–$26.2B against $2.10B EBITDA, vs. 13.8x at the full offer	Holding the $7B cash contribution constant vs. the full offer

Derived from source figures. The source model treats offer value and enterprise value as equal, which implies negligible Wrigley net debt; confirm in diligence.

The negotiation range and the balance sheet are linked. Every dollar per share above the $90–95 zone is roughly $276 million of additional consideration, and under the stated funding plan nearly all of it arrives as debt. That is why the recommended structure pays for the base case in cash and debt, and pays for the upside case only with proof.

> COVER CONTEXT
> **Buy the asset, not the story.** $28.96B full offer | $89.60/sh deal-base | $90-95/sh upfront | 76% debt mix

02 Transaction snapshot

BUYER — MARS INCORPORATED	
Founded	1911; private, family-controlled buyer
Global confectionery share	11%: large enough for retailer relevance without dominating the market
Core strengths	Chocolate, pet care, food; the deal reduces chocolate concentration
Capital posture	Historically no-debt; the financing plan changes operating discipline

TARGET — WM. WRIGLEY JR. COMPANY	
Founded	1891; durable brand identity and family voting control
Global gum share	36%: category leadership
Reach	180+ countries; a fast path into higher-growth regions
Innovation	80+ product launches in 2007; the R&D routine is part of the asset

Strategic fit

The deal creates a broader confectionery company, not a larger chocolate company. That distinction matters. Wrigley brings gum, mint, and sugar confectionery strength where Mars is thin, plus distribution in markets Mars can enter faster after close than it could build alone.

STRATEGIC REASON	EVIDENCE FROM SOURCE	MODEL IMPLICATION
Category mix	Mars has 68% revenue exposure to chocolate; Wrigley has 82% exposure to gum and mints.	The combined portfolio is less exposed to cocoa and chocolate cycles.
Distribution	Mars reaches about 60 countries; Wrigley reaches 180+.	Faster access to emerging markets on existing rails.
Retail power	$141B global confectionery market with no dominant owner.	A combined buyer negotiates from more volume across more categories.
Innovation	Wrigley launched 80+ products in 2007.	Mars must protect the R&D system it is buying, not absorb it.

STRATEGIC WARNING

Centralize finance, procurement, IT, and the debt dashboard. Move carefully with brand, R&D, and frontline commercial teams. The deal works because Wrigley is different. An integration that makes Wrigley more like Mars destroys the thing being paid for.

Source basis: supplied work example and embedded model assumptions.

03 Valuation and negotiation range

Wrigley is not a distressed seller. It led the peer set on beginning-2008 stock price, EPS, and P/E multiple. Mars should pay for quality once, then make the upside contingent on results.

PEER MARKER	WRIGLEY	NEXT COMPARISON	READ
Stock price, beginning 2008	**$57.66**	**Hershey, $35.87**	Wrigley traded at the top of the set.
EPS	**$2.29**	**Hershey, $2.11**	Operating quality supports a premium.
P/E ratio	**25.2x**	**Tootsie, 24.9x**	The market already awarded Wrigley a premium multiple.

Scenario values per share

SCENARIO	LT GROWTH	STANDALONE VALUE	VALUE WITH DEAL BENEFITS
Worst	**1%**	**$55.82**	**$74.16**
Base	**2%**	**$65.39**	**$89.60**
Best	**3%**	**$79.25**	**$105.03**

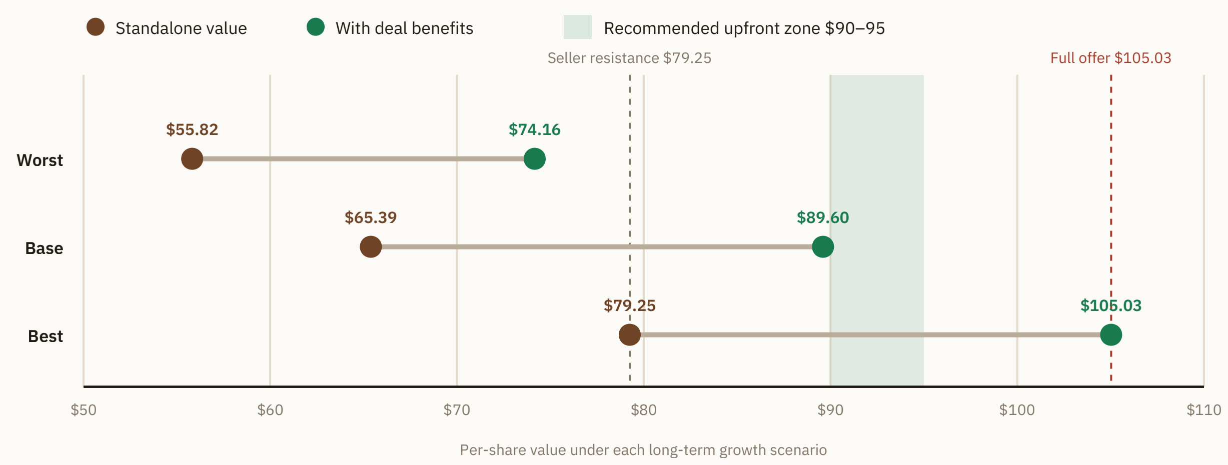


Figure 1. Value map. Each line shows how deal benefits move a scenario's value. The upfront zone pays the base case with benefits; the full offer only clears if the best case is delivered.

Pricing and negotiation range

METRIC	FULL OFFER	SELLER RESISTANCE	UPFRONT ZONE	SETTLEMENT RANGE
Price per share	**$105.03**	**$79.25**	**$90–95**	**$79.25–$105.03**
Total value	**$28.96B**	**$21.85B**	**$24.8–26.2B**	**$21.85–$28.96B**
Premium to $57.66†	**82%**	**37%**	**56–65%**	**37–82%**
EV / 2008 EBITDA	**13.8x**	**10.4x**	**11.8–12.5x**	**10.4–13.8x**

† Premiums computed against Wrigley's beginning-2008 price of $57.66, the only market price stated in the source. The source report quoted premiums without a stated base; this table makes the base explicit.

The settlement logic is simple. Wrigley's best standalone case supports a resistance point around $79.25 per share: below that, the family is giving away value it can plausibly reach alone. Mars can justify $89.60 if the operating plan is credible, because that is the base case including benefits Mars itself creates. The $105.03 case belongs behind hurdles because it requires strong execution across costs, growth, and culture at the same time.

PARTY	SHOULD INSIST ON	WHY IT MATTERS
Mars	Contingent upside, debt guardrails, and named integration owners.	Mars should not absorb upside risk before the benefits are proven.
Wrigley	Heritage protection, employee commitments, R&D autonomy, and visible governance rights.	These terms protect the asset and help secure family consent; they close price gaps cash cannot.
Shared landing zone	**$90–95 per share upfront, with additional value tied to objective milestones.**	**The structure pays for base value now and upside only after delivery.**

04 Value capture plan

Cost savings and working-capital release are bankable; revenue uplift is a plan, not a fact. The pricing structure should reflect that ordering, and the arithmetic below shows why.

BENEFIT SOURCE	VALUE	PRIORITY	MEASUREMENT
SG&A savings	**$200M / yr**	Highest	Run-rate savings by quarter, workstream by workstream.
Net working-capital release	**$167M one-time**	Highest	Inventory days and supplier terms.
Production capacity	**$50M**	Medium	Repurposed assets and avoided capex.
Logistics savings	**$85M / yr**	Medium	Distribution-center footprint and freight cost.
Revenue upside	**$400–600M**	Lower certainty	Gross sales lift by region and channel.

ANALYST CHECK — WHAT THE PRICE IS ACTUALLY BUYING (DERIVED)

The model prices deal benefits at roughly **$6.7B** in the base case ($89.60 minus $65.39 standalone, times 275.7M shares). The bankable pieces cover only part of that:

- Run-rate savings of $285M per year ($200M SG&A + $85M logistics), capitalized at an assumed 8%, are worth about **$3.6B**.
- Add the one-time $167M working-capital release and $50M of capacity: about **$3.8B**, or 57% of the priced benefits.
- The remaining ~$2.9B rides on revenue upside and multiple effects. Even crediting $400–600M of revenue at an assumed 25% operating margin, capitalized the same way, adds only $1.3–1.9B.

The benefit value in the price does not fully reconcile to its bankable components. That gap is the argument, in dollars, for paying the upside only on proof. Assumptions (8% capitalization rate, 25% margin on lifted revenue) are illustrative and labeled; the conclusion survives reasonable changes to both.

Treat revenue upside as an operating plan that earns value over time, not a valuation input on day one. If the commercial pilots work, the earnout pays and everyone is happy to write the check. If they do not, Mars has not borrowed against sales that never arrived.

05 Financing plan and risk controls

The offer is mostly debt-funded. That breaks with Mars's traditional no-debt posture and forces a cash-first operating model from the day the deal closes.

SOURCE OF FUNDS	AMOUNT	SHARE OF TOTAL
Syndicated loan	**$18.00B**	**62%**
Cash reserves	**$7.00B**	**24%**
Subordinated debt	**$3.96B**	**14%**
Total (full offer)	**$28.96B**	**100%**

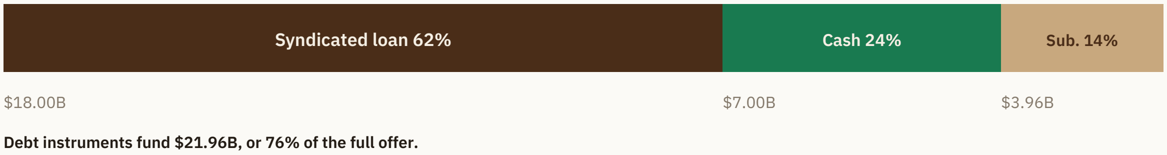


Figure 2. Sources of funds at the full $28.96B offer.

PRICE DISCIPLINE IS THE FIRST RISK CONTROL (DERIVED)

At $90–95 per share with the $7B cash contribution held constant, required debt falls from $21.96B to **$17.8–19.2B**: $2.8–4.1B less borrowing before a single integration decision is made. For scale, at an illustrative 6% blended cost of debt, the full offer implies roughly **$1.32B of annual interest**, against $285M of targeted run-rate savings. The savings cover about a fifth of the interest. Wrigley's own cash flow carries the rest, which is why protecting the asset is a financing requirement, not a courtesy.

Operating rules after close

01 Use SG&A savings and working-capital release for debt paydown before any new discretionary acquisition.

02 Track savings monthly. Annual reporting is too slow for this debt load.

03 Protect R&D and brand investment so debt discipline does not damage the engine Mars is buying.

04 Tie leadership incentives to cash generation, savings quality, and revenue quality, not headline volume.

On the leverage guardrail. The proposed debt/EBITDA ceiling of 3.0x only has meaning against combined-company EBITDA, which the source model does not state. Against Wrigley's implied $2.10B alone, acquisition debt of $21.96B starts at 10.5x. Before signing, either confirm combined EBITDA exceeds the ~$7.3B the ceiling implies, or replace the ceiling with a dated paydown glide path. A guardrail nobody can compute is not a guardrail.

RISK	WHAT CAN GO WRONG	CONTROL
Culture	Loss of Wrigley identity, morale, or senior talent.	Protected Wrigley division, employee commitments, joint steering committee.
Debt	Debt service crowds out brand, R&D, and product investment.	Computable leverage guardrail, cash dashboard, dated paydown targets.
Execution	Cost savings do not arrive on schedule.	Named owner and monthly target for each workstream.
Regulatory	Delays or required divestitures.	Early regulator engagement by region and category.
Commercial	Retailers or rivals use integration noise against Mars.	Account plans, retailer communication, pricing monitoring.

06 Integration roadmap and kill criteria

PROTECT	CENTRALIZE	PHASE
Brand identity, R&D autonomy, key commercial teams.	Finance reporting, procurement, IT systems, debt dashboard.	Distribution-center work, product bundles, regional expansion.

WINDOW	PRIMARY JOB	ACTIONS
0–30 days	Stabilize the organization	Announce protections, name workstream owners, launch the cash dashboard.
31–100 days	Capture controllable savings	SG&A plan, supplier-term review, IT systems inventory.
4–12 months	Test commercial upside	Retailer bundle pilots, Russia and Asia plans, R&D launch calendar.
Year 2–3	Scale what worked	Consolidate distribution centers, review debt paydown, expand proven bundles.

KILL CRITERIA — STOP FURTHER INTEGRATION SPEND AND ESCALATE TO THE BOARD IF ANY OF THESE TRIP

CONDITION	THRESHOLD	CHECK
Annualized SG&A savings run-rate	**Below $150M**	**Month 12**
Working-capital improvement vs. the $167M target	**Below 50%**	**Month 12**
Key Wrigley leadership or R&D departures	**Above agreed thresholds**	**Quarterly**
Retailer feedback shows shelf disruption or brand confusion	**Two or more top-20 accounts**	**Month 6, then quarterly**

Kill criteria protect the earnout logic in both directions. If the operating plan is failing, Mars stops funding the failure and the contingent consideration correctly does not pay. If the plan is working, the same dashboard is the evidence Wrigley's sellers need to collect. One set of numbers, no arguments.

07 Recommended term sheet

TERM AREA	RECOMMENDED POSITION
Financial terms	Upfront target of $90–95 per share ($24.8B–$26.2B), with the path to $105.03 per share available only through contingent, objectively measured hurdles.
Financing	Syndicated loan up to $18B, $7B cash, and subordinated debt as needed; sized down $2.8–4.1B if the upfront zone holds.
Capital guardrail	A leverage ceiling defined against confirmed combined EBITDA, or a dated debt paydown glide path; either must be computable from the monthly dashboard.
Cultural terms	Five-year employment guarantee for 2,100 Chicago staff, an $18M cultural integration fund, protected Wrigley identity and R&D autonomy.
Control terms	Quarterly board review of savings, cash, and revenue targets; a named executive owner for each workstream.
Walk-away right	Mars may withdraw if Wrigley refuses performance-based upside or uses the proposal to run an auction.

Immediate next actions

01 Validate the cost-saving assumptions with the finance, procurement, IT, and logistics owners who will be accountable for them.

02 Turn the $90–95 upfront zone and the earnout mechanics into a clean bid structure with defined hurdles and measurement dates.

03 Draft the heritage, R&D, and employee protection schedule before final price negotiation; these terms are currency.

04 Build the post-close cash dashboard before the debt financing is signed, not after.

FINAL CALL

The deal is attractive if discipline holds. Mars should buy the asset, not the whole upside story: pay the base case upfront, make the seller prove the rest, and protect the parts of Wrigley that create the value. The same discipline that wins the negotiation also keeps $2.8–4.1 billion of debt off the balance sheet on day one.

Basis and limits. All headline figures (scenario values, benefit estimates, funding amounts, peer data) come from the supplied work example and its embedded model assumptions. Figures marked “derived” are computed from those source numbers: implied shares of 275.7M ($28.96B ÷ $105.03), implied 2008 EBITDA of $2.10B ($28.96B ÷ 13.8x), and the resulting zone totals, multiples, and debt deltas. Illustrative assumptions are labeled where used (6% blended cost of debt; 8% capitalization rate on run-rate savings; 25% operating margin on lifted revenue). Premiums are stated against the beginning-2008 price of $57.66. The source model treats offer value and enterprise value as equal, implying negligible target net debt; confirm in diligence.