

| Cash Assets | 759.8 | . |  |
| :---: | :---: | :---: | :---: |
| Receivables | 507.0 | 551.5 | 536.5 |
| Inventory (FIFO) | 950.5 | 968.0 | 1076.9 |
| Other | 103.4 | 93.9 | 100.6 |
| Current Assets | 2320.7 | 2047.4 | 2245.0 |
| Accts Payable | 385.9 | 387.3 | 358.0 |
| Debt Due |  |  |  |
| Other | 400.4 | 396.7 | 427.1 |
| Current Liab. | 786.3 | 784.0 | 785.1 |
| ANNUAL RATE | Past <br> 10 Yrs | Past 5 Yrs. | d'11 |
| of change (per sh) | 10 Yrs. | 5 Yrs. | '17.'19 |
| Sales | 8.0\% | 6.5\% | 4.5\% |
| "Cash Flow" | 9.0\% | 9.0\% | 9.5\% |
| Earnings | 11.0\% | 12.0\% | 11.0\% |
| Dividends | 11.5\% | 13.5\% | 10.5\% |
| Book Value | 10.5\% | 10.0\% | 11.0\% |


| Fiscal Year Ends | QUARTERLY SALES (\$ mill.) A Jan.Per Apr.Per Jul.Per Oct.Per |  |  |  | Full Fiscal Year |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 2011 | 1921.6 | 1959.0 | 1910.6 | 2103.9 | 7895.1 |
| 2012 | 2039.4 | 2012.9 | 2008.2 | 2170.2 | 8230.7 |
| 2013 | 2116.3 | 2152.7 | 2159.5 | 2323.2 | 8751.7 |
| 2014 | 2242.7 | 2244.9 | 2284.9 | 2427.5 | 9200 |
| 2015 | 2360 | 2370 | 2410 | 2560 | 9700 |
| Fiscal Year Ends | EARNINGS PER SHARE A bJan.Per Apr.Per Jul.Per Oct.Per |  |  |  | Full Fiscal Year |
| 2011 | . 55 | . 40 | . 36 | . 43 | 1.74 |
| 2012 | . 48 | . 48 | . 41 | . 49 | 1.86 |
| 2013 | . 48 | . 47 | . 42 | . 58 | 1.95 |
| 2014 | . 57 | . 52 | . 51 | . 60 | 2.20 |
| 2015 | . 66 | . 60 | . 59 | . 70 | 255 |
| Calendar | QUARTERLY DIVIDENDS PAID ${ }^{\text {cm }}$ |  |  |  | Full Year |
| 2010 | . 105 | . 105 | . 105 | . 105 | 42 |
| 2011 | . 128 | . 128 | . 128 | . 128 | . 51 |
| 2012 | . 15 | . 15 | . 15 | . 15 | . 60 |
| 2013 | . 17 | . 17 | . 17 | . 17 | . 68 |
| 2014 | . 20 | 20 | 20 |  |  |

BUSINESS: Hormel Foods Corporation is an international manufacturer and marketer of consumer-branded meat and food products, which are sold fresh, frozen, cured, smoked, cooked, and canned. Well-known brand names include: Hormel, Always Tender, Cure 81, SPAM, Dinty Moore, Jennie-O, Mary Kitchen, Little Sizzlers, Chi-Chi's, Kid's Kitchen, and Skippy. Distributes products
Hormel is performing well in a challenging climate. Not all divisions are thriving, to be sure, including the Grocery Products unit, which accounts for about $16 \%$ of the top-line mix. That business, led by the company's canned meat and microwave meal franchises, is being hampered by high input costs and related price hikes that were taken earlier in the year. Still, a diverse product portfolio is serving Hormel well these days. Thus, while grocery profits are down, the company is benefiting from strong industry demand for pork and turkey, and from ongoing efforts to drive sales of value-added products (e.g., Horme Rev snack wraps) across the Refrigerated Foods and J ennie-O Turkey Store operations. Favorable grain costs and higher commodity turkey prices are helping the J ennie-O unit, too, a further testament to Hormel's balanced business model.
The company's results are being bolstered by some recent acquisitions. Specifically, the purchase of the Skippy peanut butter brand is already paying off
in a big way. Indeed, Hormel is having good success leveraging the recognizable label on the home front, such as by rolling

[^0] (B) Based on diluted shares outstanding. Ex middle of Feb., May, Aug., and Nov. - Div'd tangibles. In '13: $\$ 1312.6$ mill., $\$ 4.98 / \mathrm{sh}$. (E) In
to supermarkets and independent food stores in all 50 states as well as overseas. Has approximately 19,800 employees. The Hormel Foundation owns 48.8\% of common stock; all officers/directors as a group, 3.2\% (12/13 Proxy). President and CEO: Jeffrey M. Ettinger. Inc.: DE. Address: 1 Hormel Place, Austin, MN 55912-3680. Telephone: 507-437-5611. Internet: www.hormel.com.
out a new portion-controlled Skippy Singles product for on-the-go consumers that are looking to add more protein to their diets. Skippy, notably, is also enabling the company to make inroads abroad, in China and other fast-growing emerging markets. This should add a further measure of diversity to the business as we move through the decade. In the meantime, the deal for the Muscle Milk brand appears very promising.
Hormel purchased CytoSport, the owner of Muscle Milk sports nutrition drinks, bars, and powders, for $\$ 450$ million over the summer. And we look for it to be immediately accretive to earnings (by $\$ 0.05$ a share on an annualized basis), as the company endeavors to expand distribution of Muscle Milk products and capitalize on the heightened demand for protein-enriched foods. All told, we see share net rising $13 \%$ in fiscal 2014 (ends October 25th), to $\$ 2.20$, and another $16 \%$ in fiscal 2015, to the $\$ 2.55$ mark.
This high-quality food issue, though not cheap, has investment appeal as a core long-term holding.
Justin Hellman
October 24, 2014


[^0]:    (A) Fiscal year ends on last Saturday in Oct.

