

KELLOGG CO. NYSE-K		RECENT PRICE	60.19	P/E RATIO	15.1	(Trailing: 15.8 Median: 17.0)	RELATIVE P/E RATIO	0.89	DIV'D YLD	3.3%	VALUE LINE								
TIMELINESS 3 Lowered 12/20/13	High: 38.6	45.3	47.0	50.9	56.9	58.5	54.1	56.0	57.7	57.2	68.0	69.5	Target Price Range 2017 2018 2019						
SAFETY 1 Raised 1/30/09	Low: 27.8	37.0	42.3	42.4	48.7	40.3	35.6	47.3	48.1	46.3	56.0	55.7							
TECHNICAL 2 Raised 10/17/14	LEGENDS — 12.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession																		
BETA .60 (1.00 = Market)																			
2017-19 PROJECTIONS																			
Price	Gain	Ann'l Total																	
High 90	(+50%)	13%																	
Low 75	(+25%)	9%																	
Insider Decisions																			
N	D	J	F	M	A	M	J												
to Buy	0	0	0	0	0	0	0												
Options	7	0	0	1	0	0	1												
to Sell	6	0	0	2	1	2	1												
Institutional Decisions																			
4Q2013	1Q2014	2Q2014																	
to Buy	281	268	290																
to Sell	262	287	259																
Hld's(000)	285255	256995	280051																
Percent shares traded																			
12	8	4																	
% TOT. RETURN 9/14																			
THIS STOCK INDEX																			
VL ARITH. INDEX																			
1 yr. 8.0 9.5																			
3 yr. 27.1 84.2																			
5 yr. 45.9 104.4																			
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
16.70	17.23	17.15	21.77	20.36	21.51	23.28	25.11	27.42	30.19	33.58	32.97	33.91	36.94	39.30	40.77	41.85	43.35	Sales per sh	51.05
2.04	2.21	2.32	2.39	2.60	2.83	3.15	3.39	3.41	3.78	3.99	4.18	4.48	4.48	4.83	5.27	5.50	5.85	"Cash Flow" per sh	7.00
1.35	1.50	1.61	1.31	1.73	1.93	2.16	2.36	2.51	2.76	2.99	3.16	3.30	3.38	3.37	3.77	3.95	4.15	Earnings per sh A	5.15
.92	.96	1.00	1.01	1.01	1.01	1.01	1.06	1.14	1.20	1.30	1.43	1.56	1.67	1.74	1.80	1.90	1.96	Div'ds Decl'd per sh B	2.40
.92	.66	.57	.68	.62	.60	.67	.92	1.14	1.21	1.21	.99	1.30	1.66	1.48	1.76	1.90	1.95	Cap'l Spending per sh	2.10
2.20	2.01	2.21	2.14	2.19	3.52	5.47	5.63	5.20	6.48	3.79	5.96	5.90	4.93	6.70	9.77	12.25	14.30	Book Value per sh C	20.65
405.00	405.46	405.64	406.61	407.85	409.70	413.02	405.33	397.70	390.05	381.86	381.38	365.60	357.30	361.27	362.80	355.00	345.00	Common Shs Outst'g D	335.00
28.6	23.8	16.1	21.8	19.5	17.3	19.2	18.9	18.9	19.0	17.0	14.5	15.7	15.8	15.3	16.5	16.5	16.5	Avg Ann'l P/E Ratio	16.0
1.49	1.36	1.05	1.12	1.07	.99	1.01	1.01	1.02	1.01	1.02	.97	1.00	.99	.97	.93	.93	.93	Relative P/E Ratio	1.00
2.4%	2.7%	3.9%	3.5%	3.0%	3.0%	2.4%	2.4%	2.4%	2.3%	2.6%	3.1%	3.0%	3.1%	3.4%	2.9%	2.9%	2.9%	Avg Ann'l Div'd Yield	2.9%
CAPITAL STRUCTURE as of 6/28/14																			
Total Debt \$7494 mill. Due in 5 Yrs \$3697 mill.																			
LT Debt \$6029 mill. LT Interest \$220 mill.																			
(Total interest coverage: 10.1X)																			
Pension Assets-12/13 \$5.01 bill. (62% of Cap'l)																			
Oblig. \$4.89 bill.																			
Pfd Stock None																			
Common Stock 360,122,788 shs.																			
as of 7/26/14																			
MARKET CAP: \$21.7 billion (Large Cap)																			
CURRENT POSITION																			
2012																			
2013																			
6/28/14																			
(\$MILL.)																			
Cash Assets																			
281																			
273																			
290																			
Receivables																			
1454																			
1424																			
1544																			
Inventory (Avg Cst)																			
1365																			
1248																			
1303																			
Other																			
280																			
322																			
354																			
Current Assets																			
3380																			
3267																			
3491																			
Accts Payable																			
1402																			
1432																			
1462																			
Debt Due																			
1820																			
1028																			
1465																			
Other																			
1301																			
1375																			
1368																			
Current Liab.																			
4523																			
3835																			
4295																			
ANNUAL RATES																			
Past																			
Past																			
Est'd '11-'13																			
of change (per sh)																			
10 Yrs.																			
5 Yrs.																			
to '17-'19																			
Sales																			
6.5%																			
5.0%																			
4.5%																			
"Cash Flow"																			
6.5%																			
5.5%																			
6.5%																			
Earnings																			
8.0%																			
5.0%																			
6.5%																			
Dividends																			
5.5%																			
7.5%																			
5.5%																			
Book Value																			
10.5%																			
6.5%																			
19.5%																			
QUARTERLY SALES (\$ mill.)																			
Full Year																			
2011																			
13198																			
2012																			
14197																			
2013																			
14792																			
2014																			
14865																			
2015																			
14950																			
EARNINGS PER SHARE A																			
Full Year																			
2011																			
3.38																			
2012																			
3.37																			
2013																			
3.77																			
2014																			
3.95																			
2015																			
4.15																			
QUARTERLY DIVIDENDS PAID B																			
Full Year																			
2010																			
1.56																			
2011																			
1.67																			
2012																			
1.74																			
2013																			
1.80																			
2014																			
1.80																			

(A) Based on diluted shares. Excludes non-recurring gains (losses): '98, (\$0.12); '99, (\$0.67); '00, (\$0.16); '01, (\$0.14); '02, \$0.02; '12, (\$0.09); '13, \$1.17; '14 Q1-Q2, (\$0.11). Quarterly earnings may not sum to total due to a change in the share count. Next earnings report due Oct. 30th. (B) Dividends historically paid mid-Mar, June, Sept., and Dec. Div'd reinvestment plan available. (C) Includes intangibles. In '13: \$7.418 billion, \$20.55/sh. (D) In millions.

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Company's Financial Strength A
Stock's Price Stability 100
Price Growth Persistence 45
Earnings Predictability 100

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We are lowering our 2014 share-net estimate for Kellogg by a nickel, to \$3.95, which sits in the middle of the company's downwardly revised guidance range. Although it has matched expectations so far this year, there are a few troublesome concerns that face the cereal maker. The biggest problem remains Kellogg's struggling ready-to-eat (RTE) line. In addition to the competition it faces from the likes of General Mills, Post Holdings, and several private-label manufacturers, Kellogg must deal with the changing dynamics in the breakfast category. In recent years, many consumers have switched to Greek yogurt and breakfast sandwiches as their morning meal. Kellogg's management recently noted that returning its cereal line to a growth mode will "take some time." It hopes to speed up the recovery by increasing marketing spending and product innovation, as well as by repositioning its key brands to improve the health and wellness attributes of its cereal products. **The sluggish cereal business has offset some positive developments elsewhere.** The company has seen recent growth in the Pringles business, as well as in its international markets. Whether the growth in the latter is sustainable remains to be seen, given the stronger U.S. dollar and the weakening economies in the euro zone and parts of Asia. Too, the company's snacks business has witnessed some sales erosion in recent quarters. **Meanwhile, Kellogg continues to return money to its shareholders.** It pays a competitive dividend, which was raised by 6.5% with the September payout, and it remains aggressive on the share-repurchase front, buying back nearly \$330 million of stock in the first half of 2014. A solid cash flow also should help Kellogg improve its leverage after it took on a sizable amount of debt to finance the Pringles acquisition a few years back. **This stock doesn't stand out for the year ahead or the 3- to 5-year pull.** We don't see any near-term catalyst to drive this issue higher. That said, in a volatile stock market, high-quality Kellogg shares (note the low Beta and high Price Stability rating) may appeal to risk-averse investors.

William G. Ferguson October 24, 2014