

04-Dec-2024

Hormel Foods Corp. (HRL)

Q4 2024 Earnings Call

CORPORATE PARTICIPANTS

Jess Blomberg

Director-Investor Relations, Hormel Foods Corp.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

Jacinth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

Nathan P. Annis

Vice President-Corporate Development, Hormel Foods Corp.

John Ghingo

Executive Vice President-Retail, Applegate Farms LLC

OTHER PARTICIPANTS

Rupesh Parikh

Analyst, Oppenheimer & Co., Inc.

Ken Goldman

Analyst, JPMorgan Securities LLC

Thomas Palmer

Analyst, Citigroup Global Markets, Inc.

Heather L. Jones

Founder, Heather Jones Research, LLC

Max Gumport

Analyst, BNP Paribas Securities Corp.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Adam Shepherd

Analyst, Stephens, Inc.

Rahi Parikh

Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Hormel Foods Corporation Fourth Quarter Earnings Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] . This call is being recorded on Wednesday, December 4, 2024.

I would now like to turn the conference over to Jess Blomberg, Director of Investor Relations. Please go ahead.

Jess Blomberg

Director-Investor Relations, Hormel Foods Corp.

Good morning. Welcome to the Hormel Foods conference call for the fourth quarter of fiscal 2024. We released results this morning before the market opened. If you did not receive a copy of the release, you can find it on our website, hormelfoods.com, under the Investors section. On our call today is Jim Snee, Chairman of the Board, President and Chief Executive Officer; Jacinth Smiley, Executive Vice President and Chief Financial Officer; John Ghingo, Executive Vice President of the Retail Segment; and Nathan Annis, Vice President of Corporate Development. Jim and Jacinth will review the company's 2024 fourth quarter and full year results and provide a perspective on our outlook for fiscal year 2025. Then, Jim, Jacinth, and Nathan will provide a holistic update on our Transform and Modernize initiative which was introduced at our 2023 Investor Day.

John will join Jim, Jacinth, and Nathan for the Q&A portion of the call. The line will be open for questions following Nathan's remarks. As a courtesy to the other analysts, please limit yourself to one question with one follow-up. If you have additional questions, you are welcome to get back into the queue. At the conclusion of this morning's call, a webcast replay will be posted to our investor website and archived for one year. Before we get started this morning, I'd like to reference our Safe Harbor statement. Some of the comments we make today will be forward-looking and actual results may differ materially from those expressed in or implied by the statements we are making. Please refer to our most recent annual report on Form 10-K and quarterly reports on Form 10-Q which can be accessed at hormelfoods.com under the Investors section.

Additionally, please note we will be discussing certain non-GAAP financial measures this morning. Management believes that doing so provides investors with a better understanding of the company's underlying operating performance. The presentation of this information is not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. Further information about our non-GAAP financial measures, including our comparability items and reconciliations, are detailed in our press release which can be accessed from our corporate or investor website.

I will now turn the call over to Jim Snee.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

Thank you, Jess. Good morning, everyone. In fiscal 2024, we demonstrated the solid execution of our strategy, the power of our portfolio, and the resilience of our team. In our business segments, we navigated a dynamic macro consumer environment by reinvesting in our brands, expanding market presence, and introducing innovative solutions across our portfolio. In doing so, we delivered solid results, coming in line with our adjusted diluted net earnings per share expectations for the year. We made significant progress in the first year of our

Transform and Modernize initiative, delivering an impressive \$75 million in operating income benefit and setting our company up for growth and long-term success. With our disciplined financial approach, the strength of our value-added portfolio, and the benefits from Transform and Modernize, we delivered a record year of operating cash flow, enabling us to return a record amount of cash to our shareholders in the form of dividends.

In Retail, we leveraged the strength of our brands by prioritizing resources towards brands and categories where we know we can win. Flagship and rising brands such as Hormel Black Label, Jennie-O, SPAM, and Applegate delivered strong growth and expanded households across on-trend categories. We brought meaningful, consumer-centric innovation to our brands and fueled their growth through increased advertising investments. We continue to expand our leadership in our Foodservice segment, growing net sales by 6%, well above industry growth. This success highlighted the differentiated value and relevant offerings our dedicated team brings to the industry. The team executed on our strategic priorities by launching solution-based innovation for our operators and drove impressive growth in the convenience channel by expanding distribution of entertaining and snacking brands like Columbus and Gatherings.

And as expected, we saw the strong recovery of our International segment. We increased branded exports for the SPAM family of products and Skippy peanut butter. We drove growth from investments in the Philippines and Indonesia and achieved a solid recovery of our China business. We remain well-positioned to deliver growth and expand our global presence. In addition to delivering on expectations and driving momentum with our value-added portfolio, we accomplished other considerable milestones in fiscal 2024. We drove a 140-basis point increase in our estimated net sales from innovation. Successful innovation underscores the importance of understanding consumer and operator needs and delivering effective solutions, especially in this dynamic macro environment. Our brand teams understand that consumers are hungry for new food experiences, both in-home and away from home.

Innovation will continue to be foundational to our growth strategy, supported by our exceptional R&D professionals, signature chefs, and Brand Fuel teams. And the safety of our employees will always remain a pillar of our culture. I am proud to report that in fiscal 2024, we achieved our safest year in our company's history. This milestone is fundamental to our success and a testament to our team members' focus on our safety-first culture. Cash flow has always been a bedrock of our company. And this year, we broke our all-time record for operating cash flow, delivering \$1.3 billion for the year. The strength of our portfolio, the disciplined operation of our business, and the success of our T&M initiative allowed us to deliver this significant achievement.

As a result of our record operating cash flow and disciplined capital allocation strategy, we once again returned a record amount of cash to shareholders in the form of dividends. We also recently announced the 59th consecutive increase to our annual dividend, a record we are incredibly proud of. There are a number of reasons to be excited about the position we are in today because in fiscal 2024, we overcame significant headwinds to deliver our earnings guidance. We leveraged the strength of our value-added portfolio across our Retail, Foodservice, and International sales, and we delivered \$75 million of operating income benefits through our Transform and Modernize initiative. As we head into 2025, our brands continue to have either number one or number two share positions in over 40 retail categories.

We are making strategic investments into flagship and rising brands like Hormel Black Label Bacon, Planters, SPAM, Applegate, and Jennie-O. Our Foodservice segment continues to provide unique value in the marketplace, and our International segment is well-positioned to deliver growth and expand our global presence. Transform and Modernize is on track, delivering value and helping to return the company to its historical earnings trajectory. There is a growth mindset embedded in our culture, allowing us to be more competitive, agile, and capital-efficient. We are fueling investments back into the business to drive growth and deliver shareholder

returns. The momentum in our underlying business coupled with the strength of our most transformative initiative ever gives me great confidence in our team, brands, and company.

I will now transition the call to Jacinth for her remarks.

Jacinth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

Thank you, Jim. And to everyone joining us today, I would like to echo Jim's comments around the confidence in our business, the power of our portfolio, and the strength of our global team and culture. Volume for the fourth quarter was 1.1 billion pounds and net sales were \$3.1 billion. For the full year, volume was 4.3 billion pounds and net sales were \$11.9 billion. Gross margin in the fourth quarter and full year increased [ph] 50 (00:10:42) basis points to 16.6% and 17% respectively. This reflects the strength of our value-added portfolio and the early successes of our Transform and Modernize initiative. Full year SG&A expenses increased compared to last year primarily due to employee-related expenses and the T&M initiative. We expect SG&A expenses to increase in fiscal 2025. Advertising investments for fiscal 2024 were \$163 million, up 2% compared to last year.

We have planned for double-digit percentage increases in advertising investments in fiscal 2025. For fiscal 2024, interest and investment income increased due to favorable rabbi trust performance and higher interest rate. Interest expense increased due to higher rates on debt issued during the year. Our fiscal 2025 expectations assume lower interest and investment income and comparable interest expense. Operating income for fiscal 2024 was \$1.1 billion, operating margin was 9%, and adjusted operating margin was 9.6%. The tax rate for fiscal 2024 was 22.3% and the effective tax rate for fiscal 2025 is expected to be in the range of 22% to 23%. For the full year, diluted net earnings per share was \$1.47 and adjusted diluted net earnings per share was \$1.58.

Turning now to the balance sheet. We remain committed to dividend growth, investing in our business, and maintaining our investment grade rating. Our record cash flows from operations of \$1.3 billion in fiscal 2024 and disciplined financial strategy directly support these commitments. In fiscal 2024, we returned a record \$615 million to our shareholders in the form of dividends, including payment of our 385th consecutive quarterly dividend. We also recently announced an increase of our annual dividend of 3% to \$1.16 per share for fiscal 2025. This will represent a remarkable 59th consecutive year of dividend increases. We invested \$256 million in capital projects during fiscal 2024, and our largest projects were focused on capacity for value-added growth. We are targeting between \$275 million and \$300 million in capital projects for fiscal 2025.

We ended the year with \$2.9 billion of debt and over \$765 million in cash and short-term securities. We remain comfortably within our stated goal of 1.5 to 2 times net debt-to-EBITDA. Inventories finished the year at \$1.6 billion, a decrease of \$104 million from the beginning of the year. We enter fiscal 2025 with responsible levels of inventory to service our customers and ample production capacity to grow our business. Finally, I would like to provide additional color on a few items from fiscal 2024. First, as we noted during our third quarter earnings call, we experienced storm damage to our Papillion, Nebraska facility in early Q4. This event resulted in approximately \$9 million of negative impact to the fourth quarter. Second, we made significant progress during the quarter regarding the Suffolk production disruption. We are improving fill rates, regaining distribution, refilling shelves, and prioritizing innovation.

At the same time, we do expect some near-term commercial impacts and higher costs, most notably in the first quarter of fiscal 2025. We expect to benefit from the recaptured momentum in the Planters brand starting in the second quarter of fiscal 2025. Lastly, in the final week of the fiscal year, we divested our Hormel Health Labs business which was reported in our Foodservice segment and contributed [ph] 64 (00:16:17) million pounds and \$108 million of net sales to our top line and approximately \$0.01 to adjusted EPS in fiscal 2024, which will not be

repeated in future years. Shifting now to our fiscal 2025 outlook. We expect each segment to deliver top line growth as we continue to provide innovative offerings in the marketplace and increase investments in our brands. For full year fiscal 2025, we expect the following in each of our segments.

Retail: comparable volume and low single-digit increases in net sales. Foodservice: after adjusting for Hormel Health Labs divestiture, mid-single-digit increases in volume and mid-single-digit increases in net sales. And for international, low single-digit increases in volume and high single-digit increases in net sales. We also anticipate segment profit growth from each segment for the full year with growth weighted towards the back half of the year. Regarding key input cost assumptions in our fiscal 2025 outlook, we expect pork input costs to be comparable to fiscal 2024 and remain above the five-year average; beef costs to continue to be a headwind; nut input costs to be a drag year-over-year; turkey markets to continue to be depressed for the full year with lower year-over-year whole bird prices, specifically in the first quarter. Our outlook also accounts for a moderate benefit due to favorable grain prices.

I would also like to note that we expect \$0.04 to \$0.05 of unfavorable earnings per share impact in the first quarter from lower year-over-year whole bird prices and the Suffolk production disruption. In total, we expect net sales of \$11.9 billion to \$12.2 billion, organic net sales growth of 1% to 3%, adjusted diluted earnings per share in the range of \$1.58 to \$1.72, and an estimated \$100 million to \$150 million of incremental benefits from the T&M initiative. To the entire Hormel Foods team around the globe, I thank you for your dedicated efforts in fiscal 2024, and I look forward to achieving our fiscal 2025 goals working alongside you.

With that, I'll turn the call over to Jim.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

Thanks, Jacinth. Please advance to slide 13 where we will begin the next portion of our call and provide an update on our transformation initiative. I will provide a brief introduction before turning the call over to Jacinth and Nathan. Just over one year ago at our 2023 Investor Day, we announced the most transformative initiative in our company's history. Our commitment is to transform and modernize our processes, our portfolio, and the way we create value. We are doing this by investing in our people, data and technology, and our brands. Today, you will hear about the significant progress we made in 2024 against our commitment. At Investor Day, we described three interconnected buckets of opportunity for earnings growth. As a reminder, the purpose of our growth initiative is to regain historical, predictable earnings growth and drive long-term value.

The Transform and Modernize benefits generate incremental investment to drive business growth. As our business grows, we expect to deliver even more benefits through our transformational initiative. We are creating a sustainable growth engine for the company, and watching year one unfold in such a powerful way gives me confidence in our future.

With that, I'll turn the call back over to Jacinth for you to hear more about our progress.

Jacinth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

Thanks, Jim. As Jim noted, we have made significant progress in year one. I will take a few minutes to talk about our successes to-date and our expectations over the next two years, inclusive of the investments we're making to drive those benefits. As a reminder, Transform and Modernize is not just a cost savings exercise, although that certainly is a real and substantial benefit. Rather, Transform and Modernize is about the way we do business

across the enterprise, and it involves every single member of the Hormel Foods team. It is about reshaping how we operate, creating new opportunities for growth, and generating a powerful growth flywheel. And to make all that happen, we're making strategic investments in key areas of the business. As we shared with you last year, we have organized the initiative into five pillars. Four of those pillars focus on supply chain efficiency.

With Plan, we're adopting a holistic approach to end-to-end planning. With Buy, we're implementing [ph] more (00:22:14) sourcing events to reduce costs and improve our procurement structure and tools. With Make, we're standardizing ways of working to improve yield, increase capacity, and avoid unnecessary CapEx. And with Move, we're assessing and addressing near-term capacity and long-term network optimization. Regarding Portfolio Optimization, we're finding new ways to reduce complexity, address low-margin items, and create room in our portfolio for further innovation. This work is being done at both the brand and business level to ensure our portfolio reflects our company's strategy and leverages our core competencies. Nathan will be providing more detail and actual examples for each of these five pillars in just a few minutes.

But before I turn it over to Nathan, I want to reiterate that year one of Transform and Modernize was a success, delivering \$75 million in benefits. It is important to note, however, that this only reflects the benefits from the Buy, Make, and Move pillars of our T&M initiative. Specifically, we have seen the greatest savings from the improvements in logistics, followed by raw materials and supplies, and then manufacturing efficiencies. Looking at fiscal 2025, we're expecting annualized operating income benefits from T&M to be in the range of \$100 million to \$150 million compared with 2024 operating income, and that is an addition to the \$75 million we achieved this past year. In fiscal 2025, we expect the largest savings from these efforts to come through raw materials and supplies, followed by significant benefits from manufacturing and logistics.

We also made excellent progress with our Plan and Portfolio Optimization pillars. With our Plan pillar, we expanded on our end-to-end planning capabilities. We're building an infrastructure that ensures a more accurate demand signal flows through to our supply planning, and that is absolutely critical. With Portfolio Optimization, we have made progress in harnessing the power of our portfolio which is resulting in a more consumer-centric, less complex, more profitable product mix. More broadly, we believe the T&M initiative is enhancing Hormel Foods' capabilities and unlocking our full potential. As I mentioned before, this is not just a cost savings initiative. We are making foundational investments in data and technology and people and processes to transform our company. In total, we're expecting to spend approximately \$250 million through 2026.

Taking a closer look at our spend, within the people and process category, we are investing in talent and upskilling our team members while creating a much more data-driven and analytical organization with modern processes. Importantly, we are driving complexity out of the organization. With our data and technology investments, we are building the analytical capabilities to make empowered decisions based on strategic insights to gain a competitive edge across all of our businesses. Ultimately, we believe we are creating an incredibly powerful flywheel of sustained value creation. By focusing on investments, transformation, and growth, we are laying the foundation for profitable and predictable growth not just today but for years to come.

With that, I'll turn the call over to Nathan Annis, our Vice President of Corporate Development, who will provide a deeper dive into our transformational initiative.

Nathan P. Annis

Vice President-Corporate Development, Hormel Foods Corp.

Thank you, Jacinth. It has been a couple years since 2021 when I was last in Investor Relations, and it's exciting to be back giving you an update on our Transform and Modernize Transform initiative and to review some case studies that highlight our progress and the value we're creating. Our Transform and Modernize initiative is

reshaping how we operate across the company in four key ways. First, our processes have historically been built on deep institutional knowledge and were quite manual. As our company has grown, these processes became more complex and highly customized. We have started transforming these processes into streamlined enterprise-wide ways of working that leverage intelligent automation and digitization. I cannot overstate how critical this change is to all the work we are doing in our initiative.

Next, our key capabilities, like business planning and execution, used to be siloed and under-leveraged. Over the recent years and quarters, we've moved to centralize these functions to capitalize on our scale while also strategically investing in areas where we are differentiated [ph] in the marketplace (00:28:25). Historically, our business was overly complex, bogged down by a lengthy list of vendors and SKUs. Looking ahead, we are simplifying our operations in a smart, data-driven way. We're also strategically segmenting our business to optimize our investment. Last, where we once had a variety of methods for identifying and realizing value and savings, we now use a standardized, more disciplined approach. This new process ensures we are capturing value consistently with clear accountability tied to key metrics.

These four strategic changes are integral to the work we are doing, and our team is setting a new standard for excellence in these areas. Now, let's explore some specific examples of how these changes are making a difference in the five pillars, beginning with Buy. This pillar represents a comprehensive enterprise effort to develop a new framework and tools for procuring goods and services across the entire organization. Our prior efforts of creating One Supply Chain and restructuring our segments through GoFWD are paying dividends as we scope opportunities. Viewing procurement through an enterprise-wide lens allows us to significantly transform how we operate. For instance, we're establishing a new operating model that includes a modern structure, standardized training, and updated policies and governance.

Additionally, we're adopting new procurement systems such as advanced sourcing tools, should-cost modeling capabilities, and enhanced data visibility and analytics. In 2024, we began implementing the Buy pillar by focusing on categories in cost of goods sold and indirect spend. For 2025, our goal is to target the remaining categories across our P&L. By 2026, we expect this new approach will be fully embedded in our culture, and we anticipate benefiting from consistent year-over-year productivity growth. A great example of our efforts with the Buy pillar is a recent sourcing event focused on routine supplies and parts for our manufacturing facilities. In the past, these items were procured through a fragmented process with hundreds of vendors and inconsistent purchasing methods.

By streamlining our sourcing strategy and using enterprise-wide agreements, we significantly reduced complexity and our number of vendors while targeting improvements in our inventory levels. This project is just one of many that we are implementing to drive value. By incorporating these new tools and methodologies into our operations, we are developing a procurement function that delivers substantial financial savings, boosts cash flow, and sets the foundation for sustainable benefits well into the future. In the Make pillar, we are transforming the way we manage our manufacturing network to boost efficiency, increase capacity, and reduce costs through the implementation of our proprietary Hormel Production System or HPS. The essence of HPS lies in standardizing ways of working across all our manufacturing facilities.

By introducing consistent management processes backed by a maturity model that ensures accountability, we're embedding the right practices at every level of our organization. Initially, we've concentrated these efforts on facilities facing capacity limitations. HPS is not only enhancing production yields and improving capacity, but also boosting team member engagement while reducing downtime, working capital, and overall cost. A standout success story from the Hormel Production System comes from our efforts to address production bottlenecks for Hormel Bacon 1 fully-cooked bacon at our Wichita, Kansas facility. Our Foodservice team has consistently driven

growth for this differentiated and highly profitable brand, but our capacity limitations were hindering our ability to fully meet demand.

A possible solution was to add new production lines, which would have been expensive and require significant lead time to implement. By deploying HPS at Wichita, we increased capacity by approximately 18%. This increase not only allows us to meet future demand but also brings lasting improvements in productivity, cost efficiency, and team morale. By extending these best practices to other facilities facing similar challenges, we're enhancing the agility and responsiveness of our manufacturing network. This shift not only helps us keep pace with current demand but also lays the groundwork for sustained long-term growth. Our Move pillar is all about enhancing our logistics network and boosting distribution capacity. A significant achievement in this pillar has been the renegotiation of enterprise-wide freight rates.

With a detailed freight RFP process supported by our procurement team, we have secured immediate cost reductions. Additionally, we have optimized the flow of finished goods through our network, effectively lowering landed costs. Looking forward, a key milestone for the Move pillar will be the opening of a new distribution center in the Memphis Metropolitan Area. Scheduled to become operational in the second half of 2025, we expect this facility will greatly improve our inventory management and expand our distribution capability. Reiterating what Jacinth shared, our investments go beyond just cutting costs; they're crucial for creating a more robust and scalable logistics network. The Plan pillar is perhaps the most extensive and complex of our five pillars, and we believe our work here will revolutionize our approach to end-to-end planning across the company.

Historically, our planning processes have been overly manual, dependent on spreadsheets, legacy technology, and numerous different processes. Our efforts are fundamentally transforming our planning function by centralizing these activities, adopting integrated business planning across all business units, and embedding more data analytics and AI to guide our decisions. We believe this comprehensive, integrated, and scalable approach will enhance service levels, reduce costs, decrease working capital, and improve engagement for hundreds of team members across various functions. This all sets the stage for a more efficient and responsive organization. Portfolio optimization is a critical element of this initiative and is designed to reshape our product portfolio to improve margins and drive top line growth.

This strategic focus touches all pillars and ultimately enables us to streamline operations and concentrate on the most profitable and growth-oriented categories. Historically, we have had a long tail of unprofitable or low-volume items, and we have managed these inconsistently across the enterprise. The restructuring of our company through GoFWD has allowed us to take a more enterprise approach. And during 2024, our efforts have centered on creating a rigorous process to consistently assess and manage every item in our portfolio. As a result of these strategic evaluations, we've taken decisive steps, including divesting a non-strategic business, Hormel Health Labs. Additionally, we've taken action on a large number of low-volume or unprofitable SKUs and we will continue to rightsize our portfolio.

Portfolio optimization is also about strategically reinvesting in innovation, and we are tailoring our portfolio to resonate with current consumer and operator trends to fuel sustainable growth. This ongoing process ensures that each product in our portfolio is capable of making a significant contribution to our revenues and margins, ensuring Hormel Foods remains a leader in the marketplace. We made excellent progress in 2024 and we're excited to continue our work and drive accelerated value in 2025 and 2026. Through continued investments in data, people, process, and technology, we are unlocking the potential of our people across the enterprise and positively impacting all aspects of our financials. We're incredibly excited by how these five pillars have become increasingly interconnected and how the work has converged with other enterprise objectives.

The merging of these activities means that they are rapidly becoming ingrained in our culture and helping to transform Hormel Foods into a more efficient, responsive, and competitive company.

And with that, I'll hand it back over to Jim.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

Thanks, Nathan. As we wrap up our remarks this morning, I think it's important to recognize that we are a stronger company today because of the strategic actions we've taken in the past, like One Supply Chain and GoFWD. These actions, combined with our Transform and Modernize initiative, positions us for continuous improvement, profitable and predictable growth, and sustainable long-term shareholder value creation. We remain committed to our long-term growth algorithm of generating between 2% to 3% organic net sales growth and between 5% to 7% operating income growth. There are many reasons to believe in our long-term strategy. We have a portfolio of leading and differentiated brands which are fueled by innovation. We are organized for long-term growth with an ability to deliver stable financial performance. And we do all of this with a focus on being a strong corporate citizen.

We are building a more efficient, scalable, and adaptable organization that is well-positioned to meet the demands of an evolving marketplace. All of this would not be possible without the dedication and performance of our team members, and I want to thank them for their hard work and commitment.

With that, Jacinth, John, Nathan, and I will take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Rupesh Parikh from Oppenheimer. Please go ahead.

Rupesh Parikh

Analyst, Oppenheimer & Co., Inc.

Q

Thanks for taking my question. I wanted to go back to the FY 2025 guidance range. I know you guys gave some color in terms of how to think about some of the puts and takes, but I was hoping if you can go deeper into some of the variables that get you to the low or high end of the range. And then, it sounds like Q1 will be the most challenged, so just also want to get a sense of whether you think you can actually grow earnings in Q1. Thank you.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah, thanks. Thanks, Rupesh. The important thing for our 2025 outlook, right, is it demonstrates growth on top and bottom line. It's realistic, it's achievable, and it's consistent with how we messaged about the business. As we're thinking about 2025, we expect growth in key retail categories, Bacon, Applegate. We've talked about our flagship and rising brands and the success we're having there. Again, this successful pipeline of innovation is going to be really important. The value we create in a unique manner with our Foodservice business, continued growth from International. After an impressive rebound in 2024, we do expect growth again in 2025. Our value-

added turkey business is an area of the business that's really, really strong, whether it's our lean ground turkey or the business in Foodservice.

The other part I think that is really important to call out is the additional brand support that we are planning in 2025. So, we've got a strong double-digit increase plan to support our brands. And then, we'll be making other additional investments as part of this transformation initiative, whether it's the people, the processes, the data and technology, and we have available capacity to support all of this growth that we're expecting. And so, we do expect some near-term impacts in Q1, commercial impacts for Planters, wraparound impacts on the whole bird turkey business. And then, the other part is really this Transformation and Modernization initiative, over-delivering strong performance in year one, acceleration in year two. And when we put all of that together, that's what really gives us confidence. And so, we're entering 2025 with momentum in this underlying business with really great support all around it.

And when you couple that with the performance and the strength of the transformation initiative, that's really where we are and why we have confidence in our ability to grow top and bottom line in 2025.

Jacinth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

A

Yeah, and good morning, Rupesh. And then, in terms of the guide, what Jim just articulated is really what gives us confidence to hit the midpoint. But when we think about what gets us to the higher end of the range, it's a couple key things, right? Higher volume, a better product mix, an improved turkey market, Planters over-delivery. And certainly as Jim talked about, just the strength and over-delivery on our T&M initiative certainly gives us the opportunity to get to that higher end.

Rupesh Parikh

Analyst, Oppenheimer & Co., Inc.

Q

Great. That's helpful color. Best of luck. Thank you.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Thank you.

Jacinth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

A

Thank you.

Operator: Thank you. And your next question comes from the line of Ken Goldman from JPMorgan. Please go ahead.

Ken Goldman

Analyst, JPMorgan Securities LLC

Q

Hi, thank you. And just to follow-up on that question, your underlying EBIT growth, if we just exclude T&M this coming year, is expected to decline, and I think the math works out that way. You do have – you talked about some of the headwinds in 1Q. You talked about the investments that you're making. Is there an element of conservatism or prudence or whatever word you want to use? I know, Jim, you had talked over the last year about maybe wanting to add, I don't know, a dash or a dollop of incremental conservatism into your guidance. And I'm

just trying to get a sense of if you feel like this range does factor in some unforeseen events to the downside that – in a way that maybe you hadn't as a company in the longer-term past.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. Ken, thanks for the question. Starting with the Transform and Modernize initiative, I think one thing that's really important, and I'm sure we'll talk more about it over the balance of the call, is this really isn't a, like, standalone dollar amount that we should be looking at because this really is interconnected into the business. And the term that we've started to use internally is this flywheel to generate growth because it is. As business grows, we get more benefits; and as we get more benefits, we're able to reinvest in the business. And so, this is a holistic look at our business and the growth that we expect to achieve in 2025. Your comment on conservatism, I think from where we sit, we want to make sure that we're always appropriate. And when we think about items that have had a lot of volatility, we've talked probably unnecessarily about turkey in the last couple of years.

And so, we want to make sure that given that recent volatility, we are appropriate in how we plan and guide the business. The other part is this Planters rebound, and we want to make sure again that we get this right as we start to really scale the commercial piece of this, as we've navigated our way through the production concerns that are largely resolved. And so, our ability to fill holes faster, right? We're turning on advertising, we're turning on innovation. That's what really, in my mind, makes this plan realistic, achievable, and appropriate.

Ken Goldman

Analyst, JPMorgan Securities LLC

Q

Great, thank you. And if I can ask a quick follow-up. Are you still planning on, I think you are, \$250 million of net operating income improvement from 2023 to 2026? And the reason I'm asking is it, just mathematically, requires a reasonably high step-up in 2026 at this point. Just curious if that's still the case. And if so, kind of what you think, without obviously providing 2026 guidance, some of those key factors might be.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. Thanks, Ken. You're right, we're not guiding 2026 but we are on track for the \$250 million. And there are a lot of things to feel good about and that we're excited about. It's this trajectory of T&M after a successful year one, which is now interconnected into this flywheel. And we are creating this long-term, lasting value. We're building processes, we're building capabilities, but underpinning that is the strength of the brands and the business. We're talking more about flagship and rising brands and how important they are to our portfolio when they're growing. Our Foodservice business continuing to be differentiated and growing in the marketplace, and then our International piece. So, yeah, we're on track and what gives us confidence is really the strength of the underlying business coupled with that transformative initiative.

So really, really good progress. And I know you heard from Nathan in the prepared remarks, and I'm sure we'll get some additional questions, but we're in a really good place.

Operator: Thank you. And your next question comes from the line of Thomas Palmer from Citi. Please go ahead.

Thomas Palmer

Analyst, Citigroup Global Markets, Inc.

Q

Good morning. Thanks for the question.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Hi, Tom.

Thomas Palmer

Analyst, Citigroup Global Markets, Inc.

Q

At the midpoint, your guidance implies around \$85 million operating profit growth. You expect \$125 million from cost savings and also organic sales growth. I just want to make sure I'm thinking through the pieces you laid out that might limit the flow-through of these two items to operating profit. So, it sounds like advertising could be higher, in the \$1 million range. I think turkey plus Suffolk could net out for the year to maybe a slight headwind. I'm just trying to bridge what else is kind of limiting this flow-through to make sure – as we think through this year.

Jacinth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

A

Yeah. Good morning, Tom. I just want to just clarify that our Transform and Modernize initiative isn't just a cost savings initiative; it is about reinvesting in the business for growth. And Jim mentioned this flywheel, and that's exactly how we're thinking about it as we go through what is we're targeting as a three-year initiative. But really, it goes beyond that and it's a foundation to set the company up for long-term growth, and we're getting value beyond 2026. But in terms of your specific questions as to what's included in the midpoint there, Jim mentioned already how we're thinking about whole bird turkey and how we're thinking about turkey pricing.

Certainly, prices were depressed coming out of Q4, and we are expecting that to – what we've baked in is for the full year that turkey will remain at those lower levels for 2025, in addition to the fact that we are making double-digit investment in our brand for 2025, and that's included as well in that guide, in addition to investing in capabilities for our business as it relates to the T&M initiative from data and technology and also around our people.

Thomas Palmer

Analyst, Citigroup Global Markets, Inc.

Q

Okay, thanks. And then, just on what's going on with Suffolk. It's kind of been a couple quarters now delaying the restart. I guess, what's really contributing to that slower ramp and why the confidence now that kind of 1Q will be the end of the issues?

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. That's an important part of 2025, Tom. And it's important to know that we've made significant progress in Q4 regarding the situation, so our production concerns are largely resolved and we're in a good place from a supply perspective that's ramping up and continuing to build. A couple of other pieces that I think are important, and I'm going to let John probably get into more specifics. But as a reminder, right, we had tremendous momentum in the Planters business last year, right? And since the time of acquisition, we've had a lot of positive data, right? The work that we've done, whether it's volume, sales, shares. That's what gives us the confidence about where we were and where we know we can get this business back to. And a lot of that work is obviously, it happens in Retail and Foodservice, but an outsized portion is in Retail.

John Ghingo

Executive Vice President-Retail, Applegate Farms LLC

A

Thanks, Jim. Good morning, Tom. So, I'll just comment briefly on the Planters recovery and kind of next steps around Planters. This quarter, the first quarter is largely refilling retailer shelves, replenishing retailer inventories, replenishing our own inventory, essentially refilling all of those gaps that were created in the back half of last year as we dealt with the supply disruption. By the end of the first quarter, we will be in a position to fully meet retailer demand across the entire Planters portfolio. In the meantime, we are seeing some progress in our scanner data. So, our baseline trends are improving sequentially over the past two four-week periods, meaning baseline declines are lessening versus prior year. And what's driving that is a restoration of lost distribution on those items that were impacted by the supply disruption at retail.

In fact, more than half of that distribution has been recovered at this point versus where we were at our low point. So, we still have more to do over 2025 on that recovery, but we are very encouraged by the good progress at this point. We have chosen in the near-term to scale back some of the merchandising activity, in particular in November and December. So, our Q1 data will be a little bit choppy from the scanner, but we're prioritizing getting the base replenished and getting the shelf back to where it needs to be. Now, as we get into the second quarter, we will start to dial back-up promotions. We will dial back-up advertising, we will start to attract consumers back to the brand and begin to recapture that momentum that Jim commented on. I mean, in general, Planters is a great platform for us. It's sitting in a wonderful space. The macro snacking space continues to be a great consumer space.

The substantial nature of Planters' portfolio really fits with what consumers are looking for in terms of more substantive fuel-oriented snacks. We have a leading brand that's very responsive to advertising, to promotions on its core with a lot of innovation potential. Just looking at some of the innovation we were driving behind our flavored cashews and Duos lines. They were attracting new households, bringing in younger consumers. We're going to continue driving that, and we have restoration of advertising spend on Planters that'll help us do that.

Jacynth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

A

And just a reminder, I mentioned it in my prepared remarks. But in Q1, as John is mentioning here, that's going to be a period of, right, recovering. From a financial impact standpoint, there is going to be \$0.04 to \$0.05 of impact unfavorably in the quarter split between whole bird turkey and Planters, and that's about a 50/50 split. But the key takeaway here is Planters is a brand that is strong and we expect to benefit from recaptured momentum in Q2.

Thomas Palmer

Analyst, Citigroup Global Markets, Inc.

Q

Okay. Thank you for all the detail.

Operator: Thank you. And your next question comes from the line of Heather Jones from Heather Jones Research. Please go ahead.

Heather L. Jones

Founder, Heather Jones Research, LLC

Q

Good morning. Thanks for the question. I guess, my first question is wondering – it sounds like as part of the T&M initiative, there could be further SKU rationalization. So, I was just wondering if the sales and volume guidance you gave, I know it excludes the Hormel Health Labs, but does it anticipate further SKU rationalization?

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. I think all of that's embedded in our guidance, Heather. I think your callout on Hormel Health Labs is important when you think about the top line impact of \$100 million, the bottom line impact of \$0.01 EPS, but that does figure into the year-over-year comparison. The work that we are doing on [ph] TCO (00:56:13) is included in our guide. I'll maybe ask Nathan to comment a little bit more about it to give you some additional color.

Nathan P. Annis

Vice President-Corporate Development, Hormel Foods Corp.

A

Yeah. Hi, Heather. This is Nathan. As we think about portfolio optimization and how it's built into next year, I would think about it in two different ways. First, it's all baked into the guidance. And as we think about what SKUs are coming out, they're usually unprofitable SKUs or SKUs that are adding complexity. And I think the key takeaway for us is that we're creating the right room in the portfolio to drive innovative, new items and the right profitable items.

Heather L. Jones

Founder, Heather Jones Research, LLC

Q

Okay, thank you. And then, as my follow-up, I just want to talk about turkey. So, over the years since I followed you guys, I mean, you've taken all these steps in your pork business to make it more and more value-added and to reduce your exposure to the more commodity elements. In the turkey side, because of HPAI, that business has just become even more cyclical and just – the impact on exports, et cetera. But just wondering, I know it's an important value-added business for you, the ground turkey, but just was curious as to your thoughts about taking steps on that side to do similarly to what you've done on the pork side of, like, focusing more on value-add and maybe entering into partnerships that would limit your exposure to the more commodity volatile side. So, I know it's a wide-ranging question but, just broadly how are you all thinking about that strategically?

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah, Heather, it is. It's wide-ranging but it's an important question in terms of the work that we have been doing as an organization and where we see this going. And so, I think if you do start with that pork analogy that you have, and I think back to my early days in the chair and how frequently we talked about pork operating margins, and fast forward eight, nine years we're not talking about that because of those steps that we took. It still exists, but it's obviously a small portion of the portfolio and the impact that it has. I want to remind you that several years ago, right, we did a lot of work on Jennie-O Turkey Store, our turkey portfolio. We called it Project Tower, I can't remember if we said that publicly, but it really was all about, right, appropriately sizing the supply side of the business. And the phrase that we used was creating a demand-driven business with a goal of exactly what you're saying, right?

Reduce or minimize the volatility because we don't get any credit for that, and so we had a plan. There's a lot of work that's been done to get that supply to the right size. What has hindered that is the most recent avian influenza outbreak because supply then became obviously very disruptive, and we weren't able to fully execute some of the actions that we had planned and wanted to put in place. But we are on that track, and we agree with your assessment that our goal is to create a demand-driven business. And that demand is our focus on the value-added business. When we think about the success of lean ground turkey, that is the number one scanned item in our company. And when we think about how that aligns with today's consumer, that opportunity is only going to continue to increase.

The work that we've done to integrate the business into Foodservice has yielded very positive results, and so you can see how we are setting this business up for long-term success while minimizing the volatility. And so, we are

focused on the value-added business, lean ground turkey in Retail, broad offerings in Foodservice. And it is a very important part of this portfolio just as, again, as we think about what's happening in the consumer environment.

Heather L. Jones

Founder, Heather Jones Research, LLC

Q

Thank you so much. I appreciate it.

Operator: Thank you. And your next question comes from the line of Max Gumport from BNP Paribas. Please go ahead.

Max Gumport

Analyst, BNP Paribas Securities Corp.

Q

Hi. Thanks for the question. I just wanted to turn back to the question on 2026 because you did reaffirm the \$250 million of growth from 2023. It does imply about \$200 million of EBIT growth in FY 2026. It sounds like you'll only have \$25 million or so left of the T&M program in 2026. Strategic value I think was only supposed to contribute \$25 million over the three-year period, and the goal is to get the base business to grow 5% to 7% in 2026 or about \$75 million. So, it feels like there's a pretty big hole I'm missing in terms of what would get you to that target in 2026. I'm just hoping you could provide a bit of color, just high level given you have reaffirmed the target and you've discussed it previously. Thanks so much.

Jacinth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

A

Good morning, Max. Thanks for the question, and we have indeed reaffirmed our \$250 million of expanded operating income by 2026. And I just want to clarify that that number is a net number, so net of our reinvestment in the business, net of inflation. And so, going back to what we're calling the growth flywheel, this is all interconnected in terms of what we're delivering to get to that \$250 million. So, it is indeed not just a growth number. So, when you think about it, we are delivering more than \$250 million from our initiatives to be able to actually yield a net \$250 million to get to the operating income expansion of the \$250 million by 2026.

Max Gumport

Analyst, BNP Paribas Securities Corp.

Q

Got it. But just any other drivers you would point to in terms of what helps you get there? I think if it's a net number, there's probably an even bigger hole that I hadn't considered. Just any other key drivers you could point to?

Jacinth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

A

Yes. I mean, it goes back to the items that Jim talked about when we kicked this off in terms of our portfolio, our brand, right? Our underlying business driving that, our flagship and rising brand continuing to deliver Foodservice, continuing to deliver the recovery of our International business. And all of the other initiatives within our T&M as well are really driving those so, I mean, it's everything together. And we will – I mean, certainly Jim can add additional color here, but it is beyond just the pieces underneath our T&M initiative.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. And Max, first off, it's nice to meet you. And I think the math that you're doing, you might imply that there's only so much left in the work that we're doing, and that's not at all how we're thinking about this. The work that we're doing, successful in 2024, accelerating in 2025, continuing to accelerate in 2026 with benefits to the organization that go well beyond 2026. And you heard from Nathan some of the successes that we had in 2024, but he may want to elaborate on a few more points.

Nathan P. Annis

Vice President-Corporate Development, Hormel Foods Corp.

A

Yeah. Hey, Max, this is Nathan. As you think about what we're doing in 2025 that sets us up for continued success in 2026 and beyond, in the Buy pillar we will have RFP in virtually every category, some categories multiple times. We'll have implemented over a dozen different modules in our end-to-end planning system like demand planning, scheduling, deployment that'll yield benefits well into the future. We'll have fully implemented our Hormel Production System across all of our different facilities. We'll have an optimized logistics network and we'll have really done – made more progress reshaping our portfolio, picking up steam, driving more innovation. So, we feel really confident about what we're doing now and how that will deliver value in 2026 and beyond.

Max Gumport

Analyst, BNP Paribas Securities Corp.

Q

Great. Thanks very much. Nice to meet you guys, too, and I'll leave it there.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Thank you.

Operator: Thank you. And your next question comes from the line of Peter Galbo from Bank of America. Please go ahead.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Hey, guys. Thanks for taking the question. And, Nathan, nice to speak with you again.

Nathan P. Annis

Vice President-Corporate Development, Hormel Foods Corp.

A

Yeah, good to see you again.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Jim, not to ask this question six ways to Sunday. But again, I think there's just a lot of confusion now about what this net \$250 million means. And maybe just to ask it in a slightly different manner, if I just take the midpoint of your guidance for this year, you'd be up, call it, \$40 million in EBIT relative to your 2023 starting point, and that's on \$200 million of savings kind of program to-date. So, forgetting about 2026 for a moment, maybe we can just clarify that that's the right way to think about kind of 2025, relative to 2023, as a starting point?

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. That's correct, Peter.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Okay. So, whatever our assumption is on 2026, whether that additional \$210 million that would have to come through in 2026, that's kind of the toggle as to how you would get to your 2026 target and that's how we should think about it?

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. And I think that's correct, Peter, and there's a couple of pieces as you are thinking about it, is this strength of the performance of our growth initiative, strong 2024, accelerating in 2025, continuing to accelerate in 2026, right? The recovery of our planters business, right, the opportunity to grow that business now that we've worked through the situation and are filling on the supply side and getting that business back on track, and then the strength of the underlying business, the brands, the business, right? We talked again about flagship and rising brands, Foodservice, International. So, it is all interconnected. The math you're doing is right, but those opportunities are there as we look into obviously 2025, which we have, and as we're thinking about 2026, right? That's why we're saying we're on track because we're doing the same type of thinking behind the scenes.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Okay, okay. Thank you for that clarification.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

And then, if I can just on turkey. I get the \$0.025 headwind in the first quarter. I think there was a mention on some benefit from lower grain prices that you're expecting. So, maybe I have this wrong, but is the expectation in 2025 that turkey on the full year basically ends up being a neutral, again offsetting the first quarter weakness against kind of a grain benefit? Do we have that correct?

Jacinth C. Smiley

Executive Vice President & Chief Financial Officer, Hormel Foods Corp.

A

From a grain perspective – or maybe I'll start first with turkey. I mentioned before that we're expecting turkey pricing to be comparable to our Q4, so we haven't assumed any upside there for the year. From a grains perspective, just a reminder, we strategically hedge our grains to reduce volatility, and we've done that for 2025. So, we're well bought into 2025 and so we'll see moderate benefit from grains in 2025. And so, that's really what's baked into our guide here.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

And I think just if you do break it apart into the different components, obviously we – as Jacinth said, there's some moderate benefit to the grain. Our value-added business, we expect growth. And then, the commodity side of the business, again, we feel like we planned it appropriately, thinking about it with being flat to slightly down.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Okay. Thanks very much, guys. Appreciate it.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah.

Operator: Thank you. And your next question comes from the line of Michael Lavery from Piper Sandler. Please go ahead.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Thank you. Good morning.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Good morning.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Just risking belaboring this a little bit further. I want to come back to – I guess it was partly answering Max's question. Nathan, I think it was – you have given some examples beyond just sort of the T&M maybe program or initiatives. But I think they seem to fall under things like portfolio optimization or better procurement or better efficiencies that kind of felt like they're under the umbrella of exactly those initiatives. And so, I know there's some blurry lines, especially the deeper you get into it just in terms of it's not like simply closing a plant, for example, where there's quite discrete costs. But can you just maybe help us understand if you do have most of the T&M savings in hand by the end of fiscal 2025, is it just more sort of similar type things to come next that help keep pushing the upside to EBIT even if you haven't necessarily identified those out of the gate kind of starting fiscal 2024?

Is that the right way to think about it? Or maybe just help us understand kind of how we should bucket some of these in our head?

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. Michael, this is Jim. I think the first thing I just want to clarify, so your comment about we have all the savings in hand by the end of 2025, that's not what we what we said nor do we intend that because there's an acceleration in 2026. And so obviously, there's two components of this. There's the three-year initiative that we've laid out knowing full well that the benefits of this program will go well beyond 2026. And maybe just for additional color, Nathan, do you want to just maybe go back to some of the things you were talking about and how you expect the programs to fall through?

Nathan P. Annis

Vice President-Corporate Development, Hormel Foods Corp.

A

Yeah. Hey, Michael, this is Nathan. As you think about all of the different projects that we're doing, it meant many of them are creating value. But a lot of them are driving new capabilities that will support our business and really help us beyond 2025, 2026, and into the future.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Okay, that's helpful. And just back on Planters, I think initially, you felt like you didn't have distribution at risk. It sounds like obviously, you're regaining it now. Maybe what's changed a little bit in terms of how the distribution evolved? And maybe one part I want to make sure I understand is in the rebuild, did it get to the point where now there's slotting fees we should be thinking about as you restore that? Or maybe just help us understand kind of how those moving parts look.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. I want to handle the first part of that, Michael, because on the last call we did say that we have not lost any distribution. Since that time, we have had a couple of instances where we have lost distribution, but there are two components to this. And the other component is the lost distribution by not being able to supply the product on the shelf. And I think the work that – or the comment that John made earlier really demonstrate kind of the significance or how that splits apart. John, you want to maybe comment on that?

John Ghingo

Executive Vice President-Retail, Applegate Farms LLC

A

Sure. So, if you think about the distribution on Planters, those short-term, I'll call them shelf gaps that resulted from the supply shortage on the SKUs in particular that were impacted out of Suffolk, that recovery has been going well, right? That's where we have more than half of that distribution back at this point. And largely, that distribution comes without slotting and without investment. Where we have other issues, let's say that might be some distribution that we're going to have to work to get back longer-term, there could be some investment required to do that but that's not a major factor in our plan. We're very confident and comfortable that the investments we have built in the plan at this point will get Planters back to growth beginning in the second quarter.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Okay. That's really helpful clarification. Thank you.

Operator: Thank you. And your next question comes from the line of Pooran Sharma from Stephens, Inc. Please go ahead.

Adam Shepherd

Analyst, Stephens, Inc.

Q

Good morning. This is Pooran's associate, Adam. Thanks for taking the question.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah.

Adam Shepherd

Analyst, Stephens, Inc.

Q

Can you talk about the key drivers of growth within Foodservice? And if you could highlight any bright spots for the quarter or maybe how we should think about achieving that mid-single-digit growth next year?

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. Adam, thanks for the question. I think for Foodservice, the playbook, so to speak, really remains the same. The business remains historically strong and healthy. In 2024, we had really good volume and net sales growth. We expect good, strong growth across the board in 2025, and that growth will be – it'll be broad based and across a number of different categories. As we've said many times, we continue to operate from a position of strength through that direct sales team that we have, the portfolio of ongoing innovative product solutions that really are helping operators with their pain points, the diversified channels that we operate in. We've always had really strong presence in commercial or the restaurant segment. But over the years we've built out so many capabilities when you think about lodging, college and university, with Planters adding the convenience store muscle.

So, there's a lot of really good opportunities. Now, that's not to say we don't understand what's happening in the macro environment, but we're well-positioned to address that and overcome that with this really differentiated business that we have. It's the direct selling organization, innovation, and a keen operator focus that will allow us to deliver really good results in 2025.

Adam Shepherd

Analyst, Stephens, Inc.

Q

Thank you. That's very helpful.

Operator: Thank you. And your next question comes from the line of Rahi Parikh from Barclays. Please go ahead.

Rahi Parikh

Analyst, Barclays Capital, Inc.

Q

Hey, everyone. I'm on for Ben Theurer. Just for T&M, [ph] kind of (01:17:07) a different question. Where are you at the end of your full year 2024 guidance or where are you right now versus your initial budget plan? I think you mentioned over-delivery in year one, so maybe more hardcore numbers if possible there. And how does the incremental \$100 million to \$150 million next year compare to your original timeline? Thank you.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

A

Yeah. I think the big thing, Rahi, is we're on track, right? I mean, as we thought about what we're going to be able to deliver, we're on track. And again, it's the momentum and the acceleration that we're gaining really in this, again, we'll call it interconnected business, the flywheel, really being able to create that value as an organization. And obviously, the further we get along, the more capabilities that we build, the more confidence that we gain. And so, we feel really good about what we did in 2024, acceleration in 2025, and continued acceleration in 2026. Nathan, do you want to add anything?

Nathan P. Annis

Vice President-Corporate Development, Hormel Foods Corp.

A

Yeah. I would just say that in fiscal 2024, we spent a lot of time just standing up all of the different projects. And as we go into fiscal 2025, we have a running start. We've got more and bigger projects pushing the team to think bigger, so a lot of things in the pipeline and pretty excited about how it's all shaping up and feel like we're on track.

Rahi Parikh

Analyst, Barclays Capital, Inc.



Okay, sounds good. Thanks so much for the color.

Operator: Thank you. There are no further questions at this time. I will now hand the call back to Mr. Jim Snee for any closing remarks.

James P. Snee

Chairman, President & Chief Executive Officer, Hormel Foods Corp.

Well, I want to thank all of you for joining us today. As you can tell, we are incredibly proud of what we accomplished in 2024 and even more excited about the momentum that we have as we enter 2025. There is a lot of great work being done by our amazing team. I want to wish all of you a safe, healthy, and happy holiday season. Have a great rest of your week.

Operator: Thank you. And this concludes today's call. Thank you for participating. You may all disconnect.

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