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Hormel Foods Corp. (HRL)

Q1 2025 Earnings Call

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CORPORATE PARTICIPANTS

Jess Blomberg
Director-Investor Relations, Hormel Foods Corp.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

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

John Ghingo
Executive Vice President-Retail, Applegate Farms LLC

OTHER PARTICIPANTS

Peter T. Galbo
Analyst, BofA Securities, Inc.

Kenneth Goldman
Analyst, JPMorgan Securities LLC

Heather L. Jones
Analyst, Heather Jones Research, LLC

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Benjamin M. Theurer
Analyst, Barclays Capital Casa de Bolsa SA de CV

Thomas Palmer
Analyst, Citigroup Global Markets, Inc.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Pooran Sharma
Analyst, Stephens, Inc.

Max Gumport
Analyst, BNP Paribas Securities Corp.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Hormel Foods Corporation First 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 Thursday, February 27, 2025.

I would now like 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 first quarter of fiscal 2025. 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 along with our supplemental slide materials.

On our call today is Jim Snee, President and Chief Executive Officer; Jacinth Smiley, Executive Vice President and Chief Financial Officer; and. John Ghingo Executive Vice President of the Retail segment. Jim and Jacinth will review the company's fiscal 2025 first quarter results and provide a perspective on the remainder of the year. Then, John will join Jim and Jacinth for the Q&A portion of the call.

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The line will be open for questions following the prepared 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 Investors website and archived for one year.

Before we get started this morning, I'd like to reference our Safe Harbor statements. 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 will be 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

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

Thank you, Jess. Good morning, everyone. We achieved solid top line results in the first quarter and made great progress against our key priorities. We are on track to drive growth in the back half of the year and deliver on our 2025 expectations. Our value-added portfolio is strong and performing well, evidenced by our top line performance and our leadership positions in the marketplace.

We grew organic net sales 1% in the first quarter, which is encouraging given the dynamic consumer environment. Demand for key brands, including SPAM, Applegate, Jennie-O, Hormel Black Label, Hormel Fire Braised meats and Café H globally inspired proteins was strong. Our value-added portfolio continues to be highly relevant to customers, consumers and operators.

Our teams executed well in the first quarter to deliver these results, and I'd like to highlight a few of the initiatives that contributed to our organic top line growth. In retail focusing our resources on our flagship and rising brands has proven to be highly effective. We grew overall volume and net sales for these brands, led by SPAM, Applegate natural and organic meats, Hormel Black Label bacon and Jennie-O lean ground turkey.

One of our most iconic brands, SPAM, has increased households and attracted younger consumers due to our focused investments. In the first quarter, this included the successful SIZZLE marketing campaign, on-trend flavors like Korean BBQ and new avenues of product usage, such as the launch of SPAM Musubi in a national retail chain sushi department. Our investment and focus behind this brand is spotlighting its versatility and potential for continued growth.

The success of the Applegate brand in the quarter reflects our continued focus on leaning into our loyal consumers' values and needs. We understand that the Applegate consumer expects high quality, great tasting products with simple ingredient statements. This is just one reason the brand is leading the way in their respective categories in the natural channel. We are also using innovation to generate additional growth. Most recently, we launched two new Applegate frozen convenient breakfast platforms with breakfast sandwiches and pancake and

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sausage sticks. This innovative and consumer-focused approach has fueled growth for the Applegate brand driving volume and dollar growth across categories.

Another flagship brand, Hormel Black Label bacon, continued to showcase the power of protein meeting indulgence. After a remarkable fiscal 2024 for Hormel Black Label, we are proving that the momentum we are building for the brand is lasting. The team continues to lean into powerful marketing and innovation and our latest innovation Hormel Black Label Oven Ready delivers an easy, convenient mess-free way to cook bacon.

Despite a challenging macro environment, I am encouraged by the volume-led growth from our flagship and rising brands in the first quarter, and we expect our focused efforts to continue delivering results. A key driver of retail's momentum is the recovery of our Planters business, our largest flagship brand. The first quarter met our expectations with significant sequential recovery in the marketplace. The team has been taking the right actions to return the brand to top line growth with improved fill rates, distribution gains and accelerated innovation.

During the holiday season, our team introduced five limited time flavors to generate excitement, and these flavors brought a younger and incremental consumer to the snack nuts category. The Planters brand also played a starring role in our Here For The Snacks campaign. Seasonality for many of our retail brands peaks around the Big Game. Benefiting from the alignment that our go-forward structure has created, we were organized to implement a scaled multi-brand event, integrating Planters, Hormel pepperoni, Hormel Gatherings, Herdez, Wholly and Hormel chili into a single campaign.

This initiative represents a significant shift in how we show up in the retail space. We transitioned from individual brand investments to a comprehensive multi-brand media plan while capitalizing on a strategic partnership with ESPN. The scale of our relevant portfolio changed our interactions with customer partners. For example, we doubled our in-store display counts compared to last year and received numerous accolades from our trusted retailers.

Looking ahead for the Retail segment, I am confident in our team's ability to build on the momentum we experienced in the first quarter with our flagship and rising brands. The breadth of our portfolio will continue to allow us to navigate the consumer environment. Expect to see innovative solutions addressing convenience and flavor needs launching in the coming months, along with continued advertising support for our key brands to drive profitable top line growth.

Shifting now to our Foodservice segment, I would be remiss if I didn't start by acknowledging the upcoming retirement of Mark Ourada, our Group Vice President of Foodservice, after an incredible 37-year career with Hormel Foods. Mark has been pivotal in the successful development and evolution of our $3.8 billion Foodservice segment. And I know many of you have enjoyed meeting with Mark over the years. His passion for great food, his care for the team and his accountability to our customers and company will be greatly missed.

We also announced David Weber, a 33-year Hormel Foods team member and current Vice President of Foodservice Sales, will succeed Mark to lead the Foodservice segment. I look forward to many of you meeting David out on the road later this year and I'm confident you will be energized by his passion for the industry and for our company.

The Foodservice segment's results have been driven by strong performance across the premium prepared proteins, turkey, premium bacon and breakfast sausage categories. Products such as branded Jennie-O turkey items, Hormel Fire Braised meat and Café H globally inspired proteins delivered strong volume and net sales

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growth in the quarter. Impressively, premium prepared proteins achieved a fifth consecutive quarter of double-digit net sales growth.

Looking ahead for Foodservice, we expect the team to continue driving growth through our solutions-based portfolio and knowledge and expertise of our direct selling organization and our diverse channel and market presence.

Turning now to our International segment, the first quarter was marked by several highlights demonstrating how we continue to develop our global presence. Two of our biggest global brands, SPAM and Skippy, excelled in the first quarter through brand and exports. In China, the team advanced our snacking strategy with the introduction of barbecue bites, further solidifying our presence in the meat snacking category. The barbecue bites deliver an everyday offering with on-trend flavors and are a welcome alternative to carb-based snacks.

We also continue to benefit from our partnership with Garudafood in the quarter, driving our snacking efforts into new channels with plans for further expansion into new markets in the future. After a strong recovery by our International segment last year, we continue to expect another year of growth in fiscal 2025. We also made solid progress on our transformation initiative in the first quarter. Our commitment remains to transform and modernize our processes, our portfolio and the way we create value in order to return the company to its historical earnings trajectory.

Let me remind you that this is not a cost savings initiative, but a program designed to generate growth through investments in our people, processes, data and technology, and our brands. In return, we will generate a continuous growth flywheel that allows top line momentum and bottom line returns. We continue to optimize our portfolio in the quarter, divesting a noncore sow farm operation. This was our last connection to vertically integrated pork, further demonstrating our commitment to reducing commodity exposure and simplifying our portfolio.

As we shared in our last call, we expect fiscal 2025 to be a milestone year in our T&M initiative, as we expect to deliver $100 million to $150 million in additional benefits. We are off to a great start in 2025 and remain focused on achieving our three-year goal.

Before I turn it over to Jacinth for further details on our results, I want to take a moment to reference my recent retirement announcement. As you saw in the news release, a search is underway for the next leader of our company. I want to emphasize my personal commitment and confidence in our ability to achieve our fiscal 2025 goals. We have started the year on track and it is my firm belief that we have the right strategy in place, the right focused resources and the best brands, products and team members to continue to drive long-term sustainable earnings growth.

With that, I will turn the call over to Jacinth to discuss our financial commentary related to the first quarter and details on our outlook.

Jacinth C. Smiley

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

Thank you, Jim, and good morning, everyone. As Jim noted, we achieved solid top line results in the first quarter and made great progress on our strategic priorities. Net sales for the quarter were $3 billion, a 1% organic increase over last year. Foodservice led our top line growth, primarily driven by strong performance across many of our premium categories. The Retail segment benefited from growth in our value-added portfolio, and the International segment saw growth from their China business and exports.

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Our gross profit margin was 15.9%. Value-added growth was more than offset by year-over-year margin pressures related to the Planters recovery, higher commodity input costs, namely pork, beef and nuts, and the supply chain impacts of bird illnesses. For the first quarter, adjusted SG&A expenses increased 2.5%, mainly due to employee-related expenses. We continue to invest in our leading brands. We spent $43 million in advertising expenses during the first quarter. And as Jim noted, we plan to increase brand support to drive growth for fiscal 2025.

Interest and investment income for the first quarter decreased primarily due to lower performance from the rabbi trust. The effective tax rate was 21.8%, which is favorable compared to the prior year due to the purchase of federal transferable energy credits. We reported diluted earnings per share of $0.31 for the first quarter of fiscal 2025 and adjusted diluted earnings per share of $0.35.

Turning now to cash flow, operating cash flow was $309 million for the first quarter. We invested $72 million as capital expenditures and our largest spend was for value-added capacity unlocks. We continue to estimate capital expenditures for fiscal 2025 to be $275 million to $300 million, with a focus on capacity, infrastructure investments and new technology. We are committed to dividend growth and remain a proud dividend aristocrat. We paid our 386th consecutive quarterly dividend during the quarter at an annual rate of $1.16 per share, a 3% increase over last year. We ended the first quarter with $2.9 billion in debt and remain at the low end of our stated net debt to EBITDA target.

Our overall value-added portfolio performed well in the marketplace and exceeded our expectations. The Planters recovery is on track and the brand delivered as expected in the quarter. As anticipated, we experienced negative impacts from lower year-over-year whole bird turkey market and lower investment income. Additionally, we face incremental headwinds as we navigated the supply chain impact of bird diseases and commodity market input costs, which were significantly higher year-over-year and above our expectations. Taken together, our first quarter earnings were in line with our expectations.

Looking ahead to the second quarter, for Retail, we expect net sales to be comparable to the prior year. In Foodservice, we expect mid-single-digit growth in organic net sales. We expect strong top line performance for the International segment, resulting in high-single-digit growth. We expect growth in our value-added portfolio and benefits from our T&M initiative to be partially offset by lower investment income and higher investments in people, data, technology and brand support.

Additionally, we are pleased with our significant market recovery in the Planters business. However, we will have a difficult year-over-year comparison in the second quarter given the strong brand performance in the prior year. We are also monitoring pressures in the turkey supply chain as we navigate bird diseases impacting poultry and we'll take appropriate actions to preserve profitability. Overall, for the second quarter, we expect our bottom line to be comparable to the first quarter and below prior year.

Shifting now to our second half guidance, we expect to significantly benefit from the recovery of our Planters brand. Value-added turkey is assumed to be a tailwind in the second half and we are confident in our supply position. We anticipate broad-based growth in the Foodservice segment and continued growth in China in the International segment. Continued investments in our brand and the Transform and Modernize initiative will drive value.

For the full year, we are reaffirming our organic net sales growth outlook of 1% to 3% and adjusted diluted net earnings per share expectations of $1.58 to $1.72. We remain confident in our outlook for bottom line growth from

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each segment in the second half of the year and remain committed to delivering long-term value through strategic execution, including continued success from our Transform and Modernize initiative.

To conclude our remarks, we are pleased with our strong top line results this quarter, reflecting the strength in our value-added portfolio and leadership positions in the marketplace. As we look ahead, we are confident in our execution of our strategic priorities, including our Transform and Modernize initiatives. Our solid financial foundation and strategic focus position us well to achieve our targets and continue delivering sustainable growth.

At this time, I will turn the call over to the operator for the question-and-answer portion of this call.

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 Peter Galbo with Bank of America. Your line is now open.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Hey, good morning, guys. Thanks for the questions. Jim, Jacinth, just wanted to unpack the EPS cadence a bit more. Obviously, the first quarter, I think you said was in line, but maybe came in a couple of pennies below where we had been talking about last quarter. I think you were looking for $0.04 to $0.05 headwind from Planters and turkey in the first quarter. Maybe it seems like that came in a bit more. And then the flattening out kind of the 2Q EPS at a similar rate to 1Q would imply that you're pushing, I don't know, $0.05-ish of EPS into the back half of the year and it's a pretty steep ramp as you get there. So just curious kind of what gives you confidence that you can actually effectively ramp the EPS to the level it needs to be in the back half of the year and some of the building blocks to help us get there.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Sure. Good morning, Peter. Thanks for the question. As we deconstruct really what we've been saying over the last year, I think it's important for us to have that conversation again and really demonstrate why we're well positioned for a strong second half. And probably the best way to think about it is to what hasn't changed from what we've been talking about and then what has changed. And so what hasn't changed is the fact that our value-added business in retail continues to perform well.

The Planters recovery, the Planters performance is on track. And again just as a reminder, we'll have a strong second half with favorable year-over-year comps, broad-based growth in Foodservice. And again, we expect favorable year-over-year comps in the second half after a strong recovery in 2024, steady strong growth in International, right? Those are the things that haven't changed and have remained consistent.

The part that has changed from what we talked about in Q4 is the fact that we've experienced some pressures especially in the near term on our turkey supply chain. And so as we're thinking about that for the balance of the year, we've had to take some strategic pricing actions that are in place. And although we won't recognize the benefit of that in Q2, so we'll have the pressure, but not the benefit in Q2, which is why we've guided you so prescriptively in that quarter, but we will get the benefit in Q3 and Q4. And so when we think about that back half of the year, it's a very achievable second half. We understand that it's strong, but there's not a lot that's changed from what we told you and we've taken the right actions on the turkey complex.

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

A

And Peter, to provide just a little bit more color in terms of order of magnitude for the second half, obviously, as you mentioned, we expect Planters to be a big contributor to the bottom line growth and next is T&M. That initiative continues to deliver strongly. We're off to a strong start. We expect the second half to be even stronger and the rest of the value-added portfolio continues to grow, so that will deliver growth in the second half as well. So the bottom line is overall our value-added business is strong, as we have said, and we expect growth from every segment of the business in the second half, which is what gives us our confidence in our guide.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Got it. Thanks for all of that. Very clear. And Jim, I just was hoping maybe you could elaborate a bit more on the CEO search process, the succession planning. I think historically, Hormel we've thought of it is kind of growing people internally and promoting from within has, I think, been the history. But just curious if there's any difference in the thinking this time around with the board on being more aggressive in an external search. Thanks very much.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, thanks for that question, Peter. I think it's important, you hear all the time, right? The most important responsibility of the board is to make sure they select the right CEO for the job. And as I think about my time and tenure in the role, I've had the chance to really build the next wave of company leaders. We think about everything that we've got done and that we've had to navigate. I mean it's pretty impressive and I'm really proud of the work that we've done.

And then building this next wave of company leaders and having many of them in place is what really sets our company up for the future. And I believe that the next leader can help finish some of the work that we've started thinking about the T&M initiatives and also be formative in the years that follow. And so, the search committee is hard at work, just like you said, giving good consideration to both internal and external candidates, which is absolutely the right thing to do, right? You want to have that rigor and make sure that you've properly surveyed the landscape. And it's more important for them to get it right than it is for them to go fast.

And so I am very confident that whether it's internal or external, we're going to find the right person to lead the company into the future. And then also until that transition takes place, I'm not going anywhere. I'm focused on the business. I'm engaged with the team, right? And we're driving to deliver our 2025 goals. And even beyond that, as needed, I'm available and will be a strategic advisor to the organization. So we're in a really good place with everything that we've done and have yet to come. But really appreciate the question.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Great. Thanks very much.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah.

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Operator: Your next question comes from Ken Goldman with JPMorgan. Your line is now open.

Kenneth Goldman
Analyst, JPMorgan Securities LLC

Q

Hi. Thank you. On the pressures in the near term on the turkey supply chain that you referenced, could you maybe elaborate a little bit on what those pressures are? What exactly you're feeling? And given that whole bird turkey prices as far as we can tell haven't really moved, how comfortable are you in taking pricing and having your customers accept this pricing willingly in light of the underlying commodity, maybe not having moved so much, if that's the right way to think about it.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah. Ken, thanks for that question. And the way we described it is strategic pricing actions across the entire turkey complex. And so we want to make sure that we make the distinction that this is a fundamentally different conversation than we had last year. Last year, we were talking about pure commodity markets, commodity items like whole bird, and we are positioned very differently. And so we are thinking about the complex, but a big part of that complex is the value-added business that we have in turkey, both in Retail and in Foodservice.

And so when we think about really the two factors that are driving these actions, there is some turkey illness in the supply chain that's providing some pressure and having supply chain impacts. But then the other side is just there are a number of underlying turkey categories or commodities that are at all-time highs. And so when we think about those markets relative to the value-added pricing, that's what we know how to do and that's how we know how to manage a business. And obviously, John will have a big impact in terms of that value-added complex. So maybe John, you go and add a little more color.

John Ghingo
Executive Vice President-Retail, Applegate Farms LLC

A

Yeah. Thank you. And thanks, Ken, for the question. So just to expand on that comment a little bit that this year is different from a turkey perspective. Last year we were talking about commodity whole birds. Now we are talking about value-added turkey and a significant consumer opportunity with that value-added turkey complex. And if you look at poultry and in particular ground turkey, it's very aligned with consumer needs. So consumers continue to seek lean sources of protein. Poultry is a great choice. That's just one example of where we see the appeal of poultry is among the GLP-1 community. So it's very early days on GLP-1, still a lot to learn about the impacts of GLP-1, but some of the early research we are seeing shows that in addition to fresh fruit for weight management products, poultry and fish are among the highest growth categories experiencing increased consumption for those on GLP-1.

So and then you look at it from a lifestyle and usage perspective. Ground turkey is a very versatile option for consumers. It plugs in very well for everyday life, different food experiences. So with the number one brand nationally in Jennie-O and ground turkey, we're in a great position to capitalize on that growing consumer market. And in fact, if you look at the first quarter of the year, Jennie-O was up 6% in volume and that was – that's scanner data, consumption data. But that's within a growing category. So demand has been very strong for some time and the trends underneath that rising demand, we believe, are longer term in nature. So we really like that plot from a consumer perspective as well.

Kenneth Goldman
Analyst, JPMorgan Securities LLC

Q

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Great. That's helpful. Thank you. And as a follow-up and to build on Peter's question, Jim, I think, first of all, congrats on your coming retirement. I would be curious for a little more color and some of the questions we're getting from investors I'd like to pass on. First of all, was there any consideration to waiting on the announcement until a successor was found, just given that, I think some interpreted the move as a little more sudden and unexpected to the board. Maybe that's wrong. I'd love to hear your thoughts on that.

And then is now really the ideal time is the other question I get, just given the transformation and modernization program, especially how much of that growth really needs to come next year to have someone new in the seat, is that the ideal situation for the company? So I know there's never a perfect time, but just wanted to get some of your added thoughts on that, if I could.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah. Thanks, Ken. And first, thanks for the congratulations. I appreciate that, and absolutely the questions you're asking are the questions I've been getting for, what, six weeks now. And I think there's a couple of things at play here, and I'll go back to what I said, right? The most important job of the board is to make sure that they pick the right CEO. And so the way we're going at at this time, which I think is very responsible in terms of surveying the internal and external landscape, if you're going to go and look at the external landscape, it's hard to tell somebody you're going to recruit them to be a CEO when there's a CEO in the chair who hasn't announced a retirement.

So I think that in and of itself is a really important consideration in the process. And so could you have waited? I suppose, but it would have put more pressure on the process. And I just don't think that's fair to the organization. I think the way that we announced it and said, hey, Jim is going to be here through the end of the year, Jim is going to be a strategic advisor as needed, and I think that's really important to the second part of your question to say these are big initiatives that are started under my watch with – I mean, the entire team committed to these Transform and Modernize initiatives. So it's not Jim Snee, who is executing against the Transform and Modernize initiative every single day. It's the incredible team that we have that is bought in. They see the need and they believe in the opportunity. So that work is underway and that work continues. And as we've said, it really turns into this powerful growth flywheel over time becoming even more powerful.

The last part I would say, Ken, and this is another thing that deserves strong consideration. If I wait till the end of Transform and Modernize and somebody and I say, I'm done, I'm retiring, and now the next person has to come in and then say, oh, what's next? That's not fair to that person. So I think this allows us to continue the execution of T&M that's already underway. It gives the next person appropriate time to really think about and formalize or put together their plan for the future, right, rather than having to have that on them in day one.

And so I think the timing actually makes a lot of sense. Yes, it's maybe a little bit different than we've done in the past. But I also think we're a different organization than we've been in the past. And some of the things that we've undertaken are different than we've undertaken in the past, really set us up for the future. So long-winded answer, but hopefully as you start to put all those puzzle pieces together, you see how it really does make sense for the organization.

Kenneth Goldman
Analyst, JPMorgan Securities LLC

Q

Thanks so much.

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James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah.

Operator: Your next question comes from Heather Jones with Heather Jones Research. Your line is now open.

Heather L. Jones
Analyst, Heather Jones Research, LLC

Q

Good morning. Thanks for the question. I want to follow up on turkey. So I estimate that you guys have lost something north of 5% of your supply, but the dark meat complex has moved considerably. But the lighter meat pricing has started to move and the pricing commentary on whole birds has definitely gotten more constructive as shortages start to take effect in the marketplace. So just wondering when you're framing your full-year outlook, are you assuming any benefit from the more positive commentary that we're hearing on whole bird pricing or are you only assuming a benefit from passing through higher pricing on the value-added portion?

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

A

Good morning, Heather. Thanks for the question. So our assumptions on whole birds have not changed in our plan. So that's consistent. And so the change that we're referencing here relates to the rest of the turkey complex and the pressure that we're seeing on the rest of that turkey supply chain. And when we talk about pricing action, it's specific to that. And so that's what's changed in our assumptions as we look at what we guided before and where we are coming off Q1. And when we think about the back half, the tailwind is really specific to the rest of the turkey complex.

Heather L. Jones
Analyst, Heather Jones Research, LLC

Q

Okay. Thank you for that. And then my follow-up is when you take your guide and just back into rough math on the EBIT side, to get to the 2026 number implied at your 2023 Analyst Day, I mean it implies somewhere between 15% to almost 25% EBIT growth in 2026. And just wondering if, one, talk to your comfort level on that; and two, what would drive that kind of growth because, I mean, that's a pretty substantial growth number for any packaged food company. So just would be curious to hear your thoughts on that. Thank you.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, thanks, Heather. And I think, again, consistent with the commentary and discussion that we had on our Q4 call, which was really our T&M update, as we laid out, we do believe that we're still on track to deliver that 2026 number. And as I just mentioned to Ken, right, the T&M work is creating this powerful growth flywheel that's only going to accelerate as we continue to move along. And so it is a combination of underlying growth in our business. And I think we've kind of laid that out in terms of value-added business, Retail, Foodservice, International, reasons to believe there.

And then when you supplement that with the power of T&M and how that's going to escalate over time, that's what gives us confidence, so we're not going to get into the specifics. Obviously we'll continue to give you updates as we progress, but it's those two things and that has not changed from our perspective in Q4 of last year.

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Heather L. Jones
Analyst, Heather Jones Research, LLC

Q

Okay. Thank you.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah.

Operator: Your next question comes from Rupesh Parikh with Oppenheimer. Your line is now open.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Good morning and thanks for taking my question. And Jim, also, congrats on your retirement.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, thanks, Rupesh. Thanks for your email.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

So maybe I guess to start out, just – a question just on margins. So, obviously gross margins are down in Q1. Just want to get a sense of how you guys are thinking about the interplay between gross margin and SG&A for Q2 and then for the balance of the year.

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

A

Good morning, Rupesh. So when we think about our margins for Q2, we signaled that we expected to be, right, comparable to Q1. We will see margin – we will see margin pressure coming off of our Q1 going into Q2. Our top line for sure is going to continue to be strong, but our margins will be pressured by the turkey supply. As we talked about, we expect Planters to continue to recover. But we don't see that full recovery until we get into the back half of the year. And so quarter-over-quarter, we will see a comparable Q1 to – Q2 relative to Q1, really driven by turkey and nuts.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Then Rupesh, I think I just had a different way. We are going to have gross margins that are down versus last year, but we do expect sequential improvement from Q1 to Q2. And as Jacinth said, where those pressure points are really driven by turkey market dynamics in the second quarter. But again, I think as we're thinking about not just the second quarter, back half of the year and beyond, the portfolio is really well positioned to drive growth and ultimately exceed historical margin levels.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

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Okay, great. And then maybe just one follow-up question. Question for John. You've been now at the company for a few quarters. So I just want to get a sense from your perspective how the business has performed versus expectations and whether you see any new opportunities at this juncture.

John Ghingo
Executive Vice President-Retail, Applegate Farms LLC

A

That's great, Rupesh. Thank you for that opportunity. I've been back almost six months now and I've been touching on three themes. So I guess I'll touch on each one of those quickly here. First, it's been great to see the transformation happening in the company. Now, that was well underway when I walked back in the door. We talk about our transformation and modernization work externally, but as a returning employee, it has been striking to see from inside the company just how many important changes we are making to refresh and update and modernize the company. Some of that, I would say, is things that are low-hanging fruit or would be more typical in the industry.

But some of it is truly work that is going to help us leapfrog with better technology, better data, better processes. And across the board, it's been great to see how our people have been able to elevate their work, improve their decision-making through that transformation. So that was kind of one big observation.

Second, it has been extremely encouraging to see the progress we're already making on the Retail business. So the unified approach Jim mentioned earlier to One Retail is clearly beginning to work. If you look at the strong consumption momentum on our flagship and rising brands that we saw in the first quarter of the year, to the stronger capabilities and bigger customer relationships we're able to build, to our first ever scale program, Jim mentioned here for the snacks program in the first quarter, there's plenty of evidence of momentum that Retail is on the right path. So that's kind of the second key point I would make.

And then the third is I think to what you're asking around the opportunity I see. And it really comes down to our unique portfolio that we have with Hormel. So we have a very diverse and compelling roster of leading brands and a lot of that is anchored around protein. So, if you think about protein, it is a wonderful place to be anchored in the food industry from a long-term perspective.

On top of that, our capabilities to bring convenience, taste, relevant innovation to that portfolio of proteins is extremely powerful. So for me, the next step is bringing that journey on a very strong consumer focus and lens to that opportunity. And I think we have the ability to really set ourselves apart. If you look at everything from substantial nourishing snacks, which are in very high demand to convenient food-forward satisfying meals based around protein all throughout the day, we have a lot of opportunity.

So bringing that strong consumer dimension, I call it our third dimension, will really push us forward and help propel us. So, yes, I guess in summary for your question, extremely encouraged with the progress I've seen to-date, but even more excited about the future.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Great. Thank you for all the color and best of luck.

John Ghingo
Executive Vice President-Retail, Applegate Farms LLC

A

Thank you.

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Operator: Your next question comes from Ben Theurer with Barclays. Your line is now open.

Benjamin M. Theurer
Analyst, Barclays Capital Casa de Bolsa SA de CV

Q

Yeah. Thank you very much for taking my question. Also from my side, Jim, all the best for retirement, even if it's still a few months out that you need to hang out.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Thanks.

Benjamin M. Theurer
Analyst, Barclays Capital Casa de Bolsa SA de CV

Q

I wanted to – just like maybe to go a little bit deeper into some of the segment dynamics, particularly in Retail, it feels like and you've called this out in the prepared remarks and during some of the commentary already to something like still solid underlying growth trends. And this is really just the question as to how these categories that you're having within Retail that have been showing a more positive momentum growth just in the right categories and kind of like tying it back a little bit and to what the benefits from T&M are going to be as we think about this beyond 2025 into 2026. What are your like internal assumptions of like these categories that already are growing and kind of like outperforming? How are they expected to continue to perform into next year? Is that a key component in order to get to these 2026 targets? And if so, what gives you the confidence and that momentum to stay?

John Ghingo
Executive Vice President-Retail, Applegate Farms LLC

A

Yeah. Thank you. Thank you for the question. This is John. I'll take this one to start off with just kind of looking at the Retail portfolio and our confidence around it to get to that part of the question first. We love the breadth and strength of our portfolio. And I'll start by saying that and I think we play broadly from the standpoint of pricing tiers. Number one, we have accessible affordable brands, mainstream brands we play up through premium, which gives us some resilience and versatility in different economic conditions for consumers.

And the second part I'll just talk about is value, right? So, we're working closely with consumers around our brands and categories. What we hear a lot is it's not all about price. It really is about value. And the way they think about value is price is an element, but it goes well beyond. So they're thinking about quality, they're thinking about convenience, they're thinking about emotional and functional benefits of the brands and purchases they make.

So when we look at that, we say our balanced portfolio is really, really, not only a positive but is truly a strength for us. And what I talk about that is if you just look at this moment in time with our Q1 earnings and what's underneath that, consumers make those judgments as to is it worth it, are these brands worth it right now, do I want to pay and we have three very different examples in our portfolio of three very different brands delivering value in different ways and all showing very strong growth right now.

So the three I would call out one is Applegate. So Applegate is playing in the premium area around natural organic and it is experiencing extremely strong growth behind differentiated product quality, brand building, product innovation. And then on the other hand, we have SPAM. So SPAM historically a more value-oriented

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brand seeing growth from new multicultural consumers. We're finding value by using SPAM as part of new ethnic food solutions.

And then the third example that Jim mentioned upfront is Hormel Black Label bacon, where we're experiencing strong growth as we continue to raise the bar in the bacon category by offering value through innovative solutions that make bacon more convenient and more accessible. Our microwave-ready bacon and our new oven-ready bacon as another example. So when I take all of that and look at it and say, that's the kind of resilient portfolio that has true consumer breadth, right? That sets us up for long-term sustainable growth around our branded portfolio. And in the short run, it looks great because we look at the consumption results where we're building momentum.

The evidence of that you can see in our Q1 consumption data where our flagship and rising brands, which is the full collection of our growth-focused brands, grew over 3%, both dollar and volume consumption in the quarter, and that is with Planters still recovering. Outside of Planters, that growth has been over 5% in both dollar and volume consumption for the quarter versus prior year. So the strength of those brands really led the way for total Hormel Retail to grow our dollar consumption versus prior year in a challenging environment.

So as I look forward and look at the upside of these brands, as we continue to advance our consumer insights, our marketing capability, our investment in these brands and really bring that strong consumer lens that I mentioned earlier as an even stronger dimension, we feel very good about the portfolio we have and our ability to navigate the years ahead with these brands and grow.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

And Ben, I think the other part of your question that's important to address is the impact of T&M. And John did a great job talking about why we see those opportunities. But underneath that, obviously, is we need to be able to support innovation. And so a lot of the work that we're doing in terms of reshaping the portfolio for growth. But then as we think about portfolio optimization and making sure that there is room for these great innovations, that's an important part of a T&M work.

And then also we talked on Q4 about Hormel production system and making sure that we're as efficient as possible because that allows us to make sure that we have capacity to support the growth. So, all of these things, again, linked together to give us that confidence in this Retail business that John talked about over time.

Benjamin M. Theurer
Analyst, Barclays Capital Casa de Bolsa SA de CV

Q

Okay. Got it. And then quick follow-ups. Really, I think that's for Jacinth. Just on advertising investments, which was basically flat versus a year ago. But if I remember right, you're guiding for an increase. So you've called out the lower investments for Planters obviously still in the ramp up here. But is that essentially the part where you were expecting to see the ramp up as you need to get back into the different point of sales in order to gain back the market share you lost because of the outages in Suffolk. And how should we think about the cadence of the increase of marketing expense throughout the rest of the year?

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, Ben, I mean, you've hit it right on the head, right? It was and we pulled back on some Planters to make sure we got the market recovery, right? And we said we're doing that on, we're on track. We will see the

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sequential ramp up of investments. And I think the important thing here is that we do expect a full year of double-digit marketing and advertising increases.

Benjamin M. Theurer
Analyst, Barclays Capital Casa de Bolsa SA de CV

Q

Got it. Thank you.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah.

Operator: Your next question comes from Thomas Palmer with Citi. Your line is now open.

Thomas Palmer
Analyst, Citigroup Global Markets, Inc.

Q

Good morning. And Jim, I know this is probably not your last earnings call, but I do want to congratulate you and thank you.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah. Thank you, Tom.

Thomas Palmer
Analyst, Citigroup Global Markets, Inc.

Q

And on Planters, I just wanted to clarify. It's good to hear the plant issues are resolved. What about on the distribution side? How much work is left to kind of regain distribution? Is there a point where we might see retail sales trends start to more clearly inflect and then just the level of investment, bet it traditional marketing or maybe slotting fees, how much does that really start to ramp and how much, I guess, is that a consideration in 2Q versus the back half?

John Ghingo
Executive Vice President-Retail, Applegate Farms LLC

A

Okay. Thanks for the question, Tom. This is John. I'll kind of ground us in where we are and I think what's ahead for Planters. So, yes, to your point, we continue to be fully recovered in our Suffolk facility and have been fully servicing our customers for Planters items out of that facility. Our inventory levels are in a good position. We're beginning to ramp back up our advertising and promotions, and we are seeing very clearly sequential improvement in our scanner data in terms of both points of distribution and overall consumption.

To the distribution point specifically, last quarter, we talked about two different types of distribution losses. One, I would characterize more as holes on the shelf as a result of just not being able to get enough product to the shelf as quickly as we want to. Those types of holes were more temporary in nature and we have recovered that distribution. The second type of distribution losses were where we didn't have sufficient supply and were taken out of a planogram or a reset taken out of the shelf set. Those we are recovering largely. The places where we haven't recovered that type of distribution yet is largely related to timing, meaning waiting for the customer resets, which typically happen once or twice per year. So we are recovering distribution very well sequentially and on track to continue on that path.

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In terms of your question around the cost of that and any slotting investments, nothing has changed with that relative to our expectations and what we have projected in our plan. Now, as we continue through the remainder of the second quarter, we expect to see that sequential progress continue. Although I will note we are lapping an incredibly strong second quarter of 2024 for Planters and the year ago consumption – the year ago comparisons are very high in the second quarter of last year. Moving into the back half, we begin to lap those weaker comparisons in the second half of 2024. We will continue to drive our three-part plan that is stepped up advertising, strong in-store promotions and increased focus on our exciting innovation.

And if you remember our new items, we talked about flavored cashews and the flavored nut duos. Both of those have proven to be highly incremental and attracting new younger households to the brand and to the category. So we're going to continue to dial that up in the back half as well. And I'll finish just talking a little bit about Planters in general, because it continues to be a tremendous opportunity and growth platform for us. The macro snacking trends are strong, in particular consumer demand for nourishing snacks with substance and protein continues to grow, and the substantial nature of Planters to have a leading brand in this space with so much innovation potential is really an ideal growth platform for us.

And then on top of that, on top of kind of the brand-specific opportunity, Planters opens up these portfolio opportunities for us as well. So if you think about how we're driving our new One Retail operating model in particular, Jim mentioned the Here For The Snacks program, Planter was a clear anchor for Hormel in that Snacks program. We anchored around Planters, but then we added our other snacking platforms around that, Hormel pepperoni, Herdez salsa, Wholly guacamole, Hormel chili and we were able to create our first true scale program with great success at Retail.

So to answer the question, in summary, I would say feeling very good about the sequential improvement in Q2 and about the growth we should see in the second half.

Thomas Palmer
Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for all that detail. The second, I wanted to ask on the input cost inflation commentary. You noted pork, beef and nuts as running inflationary in the quarter. I guess to what extent is it running consistent with what you expected? You did note the higher pricing in turkey. Are there pricing actions to consider for the other commodities? Thanks.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, Tom, the ones we called out were higher than last year and slightly above our plan. As we think about that, we can manage commodity fluctuations because a lot of them were more pass-through pricing mechanisms. So an impact but certainly not the order of magnitude of the pressures in the turkey supply chain.

Thomas Palmer
Analyst, Citigroup Global Markets, Inc.

Q

Got it. Thank you.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah.

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Operator: Your next question comes from Michael Lavery with Piper Sandler. Your line is now open.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Q

Thank you. Good morning, and Jim, congrats as well.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Thanks, Michael.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Q

Just wanted to see if we could get a better sense of maybe some of the price/mix splits versus volume. You've talked about how the turkey pricing is a big factor for the second half. The price/mix was strong in 1Q and volumes were down. So I guess want to make sure we understand how much higher you expect price/mix to go and what the pressure on volumes might look like. And I guess part of the question is a follow-up to your comments to Peter's first question, just talking about how – what hasn't changed is the strength of the value-added business in Retail and it's performing well. I assume that means ex-Planters, obviously, because it masks some of the momentum. And so maybe just tying all that together, how to think about where we go from 1Q?

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah. I think the big driver in that, Michael, and as we've talked about having Planters show that sequential improvement and that's going to continue to ramp up. I mean, that's a big part of that price/mix ratio. And so having that come back into play and being in a much stronger position is really positive for us. Obviously, it's very accretive and as we see that continue to ramp up in the back half of the year and of course then with the year-over-year comps, it'll be very favorable.

John Ghingo
Executive Vice President-Retail, Applegate Farms LLC

A

And the other thing I would add to that, Jim, is just from a year-over-year pricing perspective in our center store portfolio, we had taken price in the second quarter of last year. And so in the first quarter, you're still seeing that pricing play through and some suppression of the volumes related to that center store portfolio, very much in line or a little bit ahead of our elasticity assumptions that we had built in. But that will be behind us as we move through the second quarter. We'll pass the lapping of that pricing. That was the other dynamic.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Q

And then I guess maybe just the same question tweaked a little bit, in the first quarter, your price/mix in Retail and of course we don't have the turkey segment separated, we don't have visibility on that like we used to. But it being in Retail and Foodservice, your price/mix this quarter was highest in about seven or so quarters. Foodservice, it goes even a bit further back. The momentum was already very strong without the turkey pricing coming, I guess how much price/mix should we be expecting? And are you suggesting it accelerates from here? There's the mix lift from Planters you're pointing to as well. Maybe just help us understand how high that could go?

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James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, I think it really all goes back to the strength of the value-added portfolio, Michael, and it is – the beauty of our portfolio was value-added, it's in Retail, it's in Foodservice and it's in International. And so, I don't know beyond the Planters, the lapping of the pricing. We haven't talked a lot about Foodservice, but I think it's important to note that the Foodservice segment does remain historically strong and that top line growth has been really broad based for them.

We did have some unfavorable comps expected in the first half, mainly through divestiture of HHL, some of the marketing dynamics. But they're able to be closer to the market in terms of pricing, that is obviously a benefit for us. So I think really the best answer is the entire value-added portfolio that really has strength for us and we expect that to continue.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Q

No, that's helpful. And maybe one last piece of that same question. What volume expectations really should we have that's been pressured in Retail for some time? The Planters piece is, of course, part of that. But with such strong pricing, should we expect volumes down or do you think that you'll see them both be positive, maybe what's the breakdown of just how you're thinking about the year?

John Ghingo
Executive Vice President-Retail, Applegate Farms LLC

A

Yeah. I mean, if you look at the Q1 dynamics around volume in Retail, you mentioned snack nuts, that is a factor. And I also mentioned the pricing impacts from a year ago kind of lapping those pricing impacts. If you look at the consumption on our business in Retail from a volume perspective, it's fairly flat despite some of those dynamics. And so we believe we can continue to hold and grow volume and holding gross sales, right. That's our expectation behind the strength of the overall portfolio.

Michael S. Lavery
Analyst, Piper Sandler & Co.

Q

Okay. Thanks so much.

Operator: Your next question comes from Pooran Sharma with Stephens. Your line is now open.

Pooran Sharma
Analyst, Stephens, Inc.

Q

Great. Thanks for the question. Just wanted to get a sense of what led you to kind of reduce the commodity exposure? Was there something that happened during the quarter, was it kind of just more of an opportunistic move? And just a follow-up on that. You've obviously been taking steps to reduce your commodity exposure over the past couple of years. I was just wondering if you could quickly remind us where you are at with this move now.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, Pooran, that's a great question. And so you're referencing our Mountain Prairie divestiture, which was really the last piece of our business that was in hog live production. And so, again, as we look across our organization and think about our differentiating capabilities, it's not in hog production. And so, we've been in that business

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through the T&M process as we think about portfolio optimization and even though it's on the front end of the supply chain, so an important part of the portfolio. It just didn't make sense for us. And when we think about the volatility that it could introduce from time to time, that's not the business that we're in.

And so, I mean it's very strategic, it's very thoughtful, it makes a lot of sense. So we're not in the hog production side at all. We certainly are in the hog harvest here at our Austin, Minnesota facility in a fairly sizable way. And we think that's an important part of our business. And so I think we're in a really good place on the hog side of our business.

Pooran Sharma
Analyst, Stephens, Inc.

Q

Great. Thank you for that color. And just wanted to ask about T&M real quick. You said you made a progress on all initiatives. I was just wondering if you could share any color in terms of the amount of progress and then if you could share any color in terms of the ramp for the new DC in Memphis?

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

A

Good morning, Pooran. So as we mentioned, we are really off to a good start here in 2025 coming off of a solid year in 2024 where we delivered what we said we would do on T&M. And the guide that we've put out for 2025 is between $100 million to $150 million, and we are on track to do that. And yes, there will be a little bit of ramp as we go into the second half of the year when we think about those numbers and where we will land. And in general, everything remains on track. I mean we feel really good about the long term in delivering 2026 when we think about where we're investing and driving value for the organization.

And so in terms of your next part of your question around the Memphis DC, I mean, that of course is part of this T&M work that we're doing, which is designed to enhance our inventory flow and increase our distribution capacity for the business. So really part and parcel of how we're thinking about our network and getting closer to our customers and reducing logistics costs for the business.

Pooran Sharma
Analyst, Stephens, Inc.

Q

Great. Thanks for the color, and Jim, congrats again on the announcement.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Thanks, Pooran.

Operator: [Operator Instructions] Your next question comes from Max Gumport with BNP. Your line is now open.

Max Gumport
Analyst, BNP Paribas Securities Corp.

Q

Hey, thanks for the question. On the last quarter, you talked about how the high end of your guidance range would be possible depending on better volume, better product mix, improved turkey market, Planters over-delivery or T&M over-delivery. It sounds like in terms of what we've learned so far for the first quarter, that improved turkey market piece probably is maybe not coming to fruition, it sounds like there's been pressure so far.

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So would you say coming out of the first quarter that you now view behind with your guidance range as less likely given what you're seeing in turkey market? Just wanted to clarify that. Thanks very much.

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

A

Yeah, good morning, Max. So our guidance range, as we talked about before and I appreciate you calling out everything we said there and remembering what we said about what gets us to that high end of that range, which we consider to be a very holistic and realistic way of thinking about the range. And so we are still committed to what gets us to that $1.72, which is the high end of the range. So that's consistent, right? All those are the things.

The only thing that could change and it's always the case, right, turkey could plays up and down the range that we have there and that's the only thing that could change. But everything else that we talked about, right, higher volume, better mix, right, the Planters recovery, which is on track, T&M delivering, that's on track, right, getting returns from our marketing investment. All of those things are still in play. And again, I mean, really just the turkey dynamics here that could skew across that cadence.

Max Gumport
Analyst, BNP Paribas Securities Corp.

Q

Okay. Got it. Thanks very much. And then just on T&M specifically, I think last quarter, there was some confusion about how to think about various targets you have on Transform & Modernize in terms of what net target for EBIT or what's the gross target in terms of the savings. So you have an explicit target of the T&M program driving $200 million plus in projected EBIT income from 2023 to 2026. You also have a target this year of getting savings that, I believe, are in a $100 million to $150 million range. But can you just help us tie those three targets together? Maybe give us a sense for when you end FY 2025, how much of that $200 million plus in EBIT income from T&M would you have expected to now have achieved over there? Thanks very much.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, Max, I mean I think the key here is this Transform & Modernize just continues to build, right. And we talk about the growth flywheel that we've got in place. And this is only going to continue to become more powerful and escalate. Our 2025 guide obviously has a portion of reinvestment as well. When we think about brands, people, data, right, there's a lot going on again in terms of the specific breakdown, I think having just walked through that with you would be really helpful. But the key takeaway here for us in terms of T&M and the success that we have seen off to a great start in 2025 will be another strong year and really keeps us on track to deliver against what we've laid out here.

Max Gumport
Analyst, BNP Paribas Securities Corp.

Q

Okay. Thanks very much.

James P. Snee
President, Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, thank you.

Operator: There are no further questions at this time. I will now turn the call over to Jim for closing remarks.

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James P. Snee

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

Yeah, good morning. And I want to thank all of you for joining us. As we've discussed this morning, we achieved solid top line results and remain on track to deliver against our 2025 expectations. And we'll do that with strong value-added business in our Retail segment, continued broad-based growth in Foodservice, strong, steady growth in International. The significant sequential market recovery of our Planters business, the on-track performance of our T&M initiative, all of those things is what gives us the confidence to deliver on these expectations, but more importantly, drive long-term and sustainable earnings growth. Thanks again for your time. Have a great day.

Operator: Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.

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