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Hormel Foods Corp. (HRL)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Hormel Foods Corporation Third 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, August 28, 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 third 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 supplemental slide materials.

On our call today is Jeff Ettinger, Interim Chief Executive Officer; John Ghingo, President; and, Jacinth Smiley, Executive Vice President and Chief Financial Officer. Jeff, John and Jacinth will review the company's fiscal 2025 third quarter results and provide a perspective on the remainder of the year. We will conclude with the Q&A portion of the call. The line will be open for questions following the prepared remarks. At the conclusion of this morning's call, a webcast replay will be posted to the Investors section of our 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 on our website 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 on our website.

I will now turn the call over to Jeff Ettinger.

Jeffrey M. Ettinger

Interim Chief Executive Officer & Director, Hormel Foods Corp.

Thank you, Jess. Good morning, everyone, and thank you for joining us. Having been in my current role for just over a month, I am committed to building upon the strong foundation in place, rooted in an impressive portfolio of products, iconic brands and a great culture.

Since returning to the company, I have been immersed in working with our leadership team and gaining a deeper understanding of our operations and strategic priorities. It is clear to see our robust solutions-based portfolio and the protein-centric nature of our offerings work well in today's consumer landscape.

Further, a major focus of mine has been learning about the Transform and Modernize initiative, its current trajectory, the key projects underway and how the work is progressing. I've been impressed to see the solid and demonstrable benefits of the program, not just financially, but through building capabilities for the future. Our mission is clear: deliver profitable growth.

And, if we turn to this quarter's results, we are halfway there, having delivered organic net sales growth for three consecutive quarters. Building upon modest gains in the first and second quarters, we achieved an impressive organic net sales increase of 6% in the third quarter. What is equally notable is that this growth was broad-based, driven by all three of our segments.

It is clearly disappointing that our top line results did not translate into the bottom line growth we expected. The unanticipated surges in commodity input costs that affected our industry absorbed not only the margin delivery from our top line growth, but also our incremental benefits from our T&M initiative.

Regarding the fourth quarter, we expect continued net sales growth, supported by our leading positions in the marketplace. To address commodity inflation, we are taking targeted pricing actions. We expect profit recovery, however, to lag into next year, with the near term pressures we experienced in the third quarter persisting through the fourth quarter.

John will share more information on the progress being made in each of our segments and Jacinth will go into greater detail on the third quarter performance and our guidance for the remainder of the year. But, before I turn

the call over to them, I wanted to align on expectations regarding what you can anticipate from us today and moving forward.

In line with what the team has stated previously, we plan to share holistic 2026 guidance on our fourth quarter earnings call, including the specifics around our expectations for the T&M initiative. What we will provide today is commentary related to our high level vision for 2026, which Jacinth and I will cover later in today's call. Beyond the words you hear from us today, I want you all to leave with the absolute confidence that driving sustainable growth, both on the top line and the bottom line, is our top priority. I am confident in the capabilities of our team and the opportunities ahead for our company.

I look forward to reengaging with this investment community over the next year. Ahead of John's remarks, I'd like to extend my congratulations on his recent appointment as the 11th President of Hormel Foods. This marks a pivotal moment for our company, as John brings a fresh and energizing approach to leadership, one that is already resonating across the organization.

His ability to balance strategic clarity with the collaborative people-first approach is exactly what we need as we continue to evolve and grow. I look forward to partnering with him, and I'm confident we will make meaningful progress in advancing our mission over the coming year.

And, with that, I will turn the call over to John.

John Ghingo

President & Director, Hormel Foods Corp.

Thank you, Jeff. I want to take a moment to congratulate you and welcome you back to the company. Many of you know Jeff already is a purpose-driven leader, with a proven track record of successfully leading this company. In just a short time since his return, I've been impressed with his clarity of vision, the conviction with which he leads and the mentorship he's extended to me personally. He brings renewed energy and focus, and I'm excited to partner with him as we move forward.

Further, I also want to take a moment to congratulate Jim Snee on his well-deserved retirement and thank him for all he has done for our company and for me personally. Jim was a transformative leader in a culture-first mentality and recognized the opportunity for greater potential for our company. He launched our journey of transformation and I look forward to carrying that torch forward. With that, let's jump in.

In today's consumer landscape, there's a lot to be considered. Consumers are cautious, yet resilient. They have shown a willingness to spend when products and experiences meet their needs, but rising costs are forcing consumers to make tradeoffs.

That said, we believe the powerful combination of our protein-focused portfolio, leading positions across multiple channels and capabilities related to innovation, renovation, customer partnership and strategic brand investment position us well to maintain the top line momentum that we've built over the last three quarters.

Take our Retail segment, for example, where our vision is focused, deliberate and is now in motion. We are building a consumer-led growth engine, powered by protein-centric solutions that deliver meaningful value to customers and consumers. By modernizing our products to deliver category-leading differentiation, innovating bigger and bolder, and taking a disciplined approach to investment and execution, our Retail team is building strong brands, and I'm pleased with how these efforts are translating into results.

In the third quarter, our flagship and rising brands delivered 3% dollar consumption growth. And taking a closer look at those results, I am particularly encouraged by the volume-led momentum across many of these brands. In fact, many of our category-leading brands showed impressive consumer volume demand in the third quarter, including brands like Wholly guacamole, SPAM, Black Label bacon, Herdez, Hormel pepperoni and Applegate, to name a few.

Each of these brands leverage the personalized take on our common playbook. They started from a position of strength with consumers, benefited from our ongoing renovation and innovation work, which is focused on staying ahead of evolving consumer preferences and many receive targeted marketing support to drive both relevance and measurable returns.

Digging into one of these brands a bit further, the SPAM brand shows just how impactful our approach can be. Our ongoing modernization strategy for the SPAM brand delivered another strong quarter, with a year-over-year volume and net sales growth. We leveraged the brand's iconic equity by partnering with customers on impactful summer promotions and launching a limited time offer designed to drive both volume and net sales growth, all reinforcing the SPAM brand's relevance in the marketplace.

Another great example of the impact of brand modernization is the launch of the Hormel pepperoni brand renovation work. This 110-year old brand is the number one retail pepperoni brand, and we would like to keep it that way for another century. Our team initiated a thoughtful renovation project on the brand and we recently unveiled a refresh package design. This update is more than cosmetic. It's an investment with customers to bring excitement to this important category and to signal to consumers that Hormel pepperoni is evolving with their tastes and expectations. The launch was supported by our new campaign, Boldly Irresistible, and we expect this renovation to drive stronger purchase intent, accelerate velocities and reinforce brand loyalty.

I also want to spend a minute on our Jennie-O lean ground turkey business, which offers a clear illustration of how a strong brand that is well aligned with evolving consumer preferences for lean, affordable protein wins in the marketplace. As we said previously, we needed to take inflation-based pricing, which went into effect late Q2. Because of the strength of this brand, we were able to successfully navigate elasticities and capture dollar share and net sales growth.

Before I conclude my comments for the Retail segment, I want to give an update on the performance of our Planters business. I am pleased to report that, by the end of the quarter, scanner data was now reflecting year over year growth in distribution, household penetration and dollar sales. With the foundation restored, the team is back on the offense, reengaging consumers with innovations like nut duos and flavored cashews, while also launching a limited-time bar nuts variety to spark excitement around summer snacking. With the capacity in place to fulfill demand and accelerating sales momentum as we entered Q4, I am encouraged by the top line recovery of the Planters business.

Profitability, on the other hand, is being impacted by mix and inflation. We are actively working on drivers to balance the evolving needs of consumers and drive profitability. Looking ahead for Retail, we expect that our brand-building playbook will enable continued strong top line performance in the fourth quarter. However, we remain cautious on segment profitability. The ramp-up of commodity markets in the third quarter has created margin pressure that will continue through the fourth quarter. As Jeff shared, we are taking targeted pricing action to help offset these pressures, which will go into effect throughout the fourth quarter and early in the first quarter of fiscal 2026. Our focus for Retail is to build a consumer-led growth engine, powered by protein-centric solutions that deliver meaningful value to customers and consumers.

Let's now shift to our Foodservice segment. Our operators are facing a challenging environment. Industry-wide traffic has remained soft, with overall visits slightly down year over year. Casual dining has showed relative resilience in recent months, but the broader foodservice industry continues to face headwinds from inflation and shifting consumer behavior.

The dynamics of this environment, particularly the impact of commodity pressures in the third quarter, led to margin compression for our business, but we believe that the pass-through nature of costs for much of our Foodservice portfolio will allow us to recover profitability over time.

As a result, we believe that underlying volume health continues to be a good measure of success for the segment and, here, our team delivered strong results in the quarter. Once again, organic volume and net sales growth for the Foodservice segment outpaced broader industry results in the third quarter. Our growth was broad-based, showcasing our great solutions-based portfolio and the power of our direct selling organization.

While you've heard us highlight this team often, I did want to take a moment to congratulate both the Retail and Foodservice selling teams for being recognized for the 24th consecutive year by selling power as one of the best companies to sell for.

For Foodservice, this is certainly a testament to the value that team delivers to their customers and operators. As I said, volume net sales growth came from many of our Foodservice brands in the third quarter. Planters snack nuts, the Jennie-O turkey portfolio and Hormel premium pepperoni, all delivered significant growth.

For a bit of insight, in a highly competitive category like pepperoni, we delivered 20% year over year volume growth for Hormel premium pepperoni. These results highlight the team's understanding of our customers' and operators' needs, and the quality and value of our portfolio. A recovery in industry traffic would certainly create a more favorable operating environment for our Foodservice business, but we are not waiting for an industry recovery to return this powerful portfolio to the segment profit growth that we know it can deliver.

Closing out the segments, in International, net sales growth in the third quarter was driven by our thriving China business. Overall, the China market is rebounding and we grew our in-country business across both Foodservice and Retail channels this quarter. This performance leaves me encouraged about the opportunities ahead for our proven in-country model.

Another contributor to my optimism on China is its success as an innovation engine, which is helping to build our snacking portfolio. Meat-snacking innovation out of China delivered solid performance in the quarter and the team strategically launched Skippy cones into a new channel, further accelerating its distribution growth globally.

Beyond China, International's exports in the third quarter also delivered positive top line results, led largely by our global SPAM brand exports. Profitability was down year over year, mainly due to our Brazil business, which remained under significant pressure in the quarter. The operating environment in Brazil continues to be challenged by competitive pricing dynamics. Our international team remains focused on expanding our global brands and portfolio with the same mission of returning to profitable growth.

Turning back to our performance overall in the third quarter. While our top line results were impressive, the bottom line results were disappointing. The commodity inflationary pressures we felt were significantly greater than anticipated. But, to be clear, I remain confident about our future.

First, we have a terrific portfolio. Being a leader in protein solutions is valuable in today's consumer landscape. Consumer demand for protein is an enduring trend and showing no signs of slowing down. Our portfolio is positioned for achievable growth.

Second, we are actively evolving to stay ahead of a dynamic and competitive marketplace. Transform and Modernize is enabling us to unlock the full value of our portfolio. This initiative is building long-lasting capabilities, future-fitting our supply chain and further developing our processes, data and talent. Said differently, this is truly helping us modernize as a company.

And, third, we have a great team. As I recently shared internally, I believe in a we mindset because while no single person has all the answers, I firmly believe that together, we do. I am energized by the opportunity to lead this talented team as we unlock the full potential of our impressive portfolio and company.

With that, I will now turn the call over to Jacinth to provide details on our financial performance, our fourth quarter outlook and commentary leading into fiscal 2026.

Jacynth C. Smiley

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

Thank you, John, and good morning, everyone.

We are pleased with the top line growth we delivered in the third quarter. All three segments showed its unique strength and the top line result emphasize the power of our globally diverse portfolio, leading brands and team.

Organic net sales in the third quarter were \$3 billion, a 6% increase over last year, with organic volume up 4%. Our Retail segment grew volume and net sales 5% over last year, with five of our six retail reporting top line growth above a year ago.

Volume growth was significantly supported by the turkey portfolio, both in whole bird and value-added lean ground turkey. Excluding turkey, Retail volumes also grew in total.

Our Foodservice business once again outperformed the broader industry, with broad-based top line gains of 2% organic volume growth and 7% organic net sales growth. Our International business delivered strong top line results, with 8% volume growth and 6% net sales growth, led by our thriving China business. Gross profit was relatively flat year over year, as the positive impact from top line growth was offset by higher than expected input costs. Inflationary headwinds pressured margins. However, these were partially mitigated by savings from our Transform and Modernize initiative, which delivered in line with our quarterly expectations.

As we noted during our second quarter call, we anticipated upward pressure on input costs, driven by pork, beef and nut market. However, during the third quarter, markets worsened significantly beyond our projection.

To illustrate the order of magnitude of these external markets, as compared to last year, pork bellies were up approximately 30%, the pork cut-out was up about 10% and pork trim was up 20%. Beef also remained a persistent inflationary headwind industry-wide and near all-time high. Collectively, we experienced approximately 400 basis points of raw material cost inflation in the third quarter alone, representing a notable increase relative to last year. As we have previously discussed, when commodity markets rise sharply, there is a delay between the impact of pricing actions and the resulting improvement of profitability.

For the third quarter, adjusted SG&A increased 6%, primarily driven by employee-related expenses. Advertising investments were also higher for the quarter as we continued to strategically invest in our brands to support long term brand health.

Equity in earnings for the third quarter increased due to favorable results for MegaMex Foods and a modest benefit from our international investments. Interest and investment income increased due to performance from the rabbi trust. Overall, adjusted EPS for the third quarter was \$0.35.

Cash flow from operations was \$157 million for the quarter, a sequential improvement from the second quarter, but remained down compared to the prior year as we intentionally built additional seasonal inventory. Elevated commodity markets also impacted our higher inventory balances.

Capital expenditures were \$72 million during the quarter, with our largest investments directed towards capacity enhancements and new technology initiatives. We remain committed to strategic reinvestments and expect to deploy approximately \$300 million in capital expenditures for fiscal 2025. I remain confident in our ability to generate strong, sustainable cash flows over the long term, which supports our continued execution of a disciplined and balanced capital allocation strategy.

As a proud dividend aristocrat, dividends paid to shareholders in the third quarter were \$159 million, totaling \$474 million for the first nine months of fiscal 2025. We also declared and paid our 388th consecutive quarterly dividend. We ended the quarter with our net debt leverage ratio well within our target range of 1.5 to 2 times, reflecting our balance sheet discipline and financial flexibility.

The Transform and Modernize initiative continued to perform well and met our expectations for the quarter, delivering incremental benefits to the bottom line. The team has executed impactful work to drive value, which totaled approximately 90 projects in the third quarter. As we have shared, this initiative is more than just a cost savings project. It is about the way we do business across the enterprise, building new capabilities and reshaping how we operate, while creating a new path for growth.

An especially noteworthy project this quarter involved optimizing our manufacturing footprint. We announced the partial closure of one facility and the reallocation of production volume across our broader network, aimed at enhancing operational efficiency and long term scalability.

With a robust backlog of projects, I'm confident in our ability to deliver meaningful results. We are reaffirming our expected range of \$100 million to \$150 million of incremental benefits in fiscal year 2025 and believe we will finish the year near the high end of our T&M range.

Shifting to the remainder of 2025, there are some considerations to keep in mind as we close the year. We continue to expect a top line growth in the fourth quarter and we expect our turkey portfolio, the Planters brand and our leading positions in the marketplace to continue to be a strong growth driver.

For profitability, we have announced inflation-based pricing actions related to the third quarter markets, which we expect to partially benefit in the fourth quarter and carry into the first quarter of fiscal 2026. As the fourth quarter has begun, counter to our expectations, commodity markets have remained elevated across a variety of inputs. With that, we're assessing additional pricing actions. Our tariff estimate remains unchanged at a \$0.01 to \$0.02 EPS headwind for fiscal year 2025. Altogether, we expect fourth quarter adjusted EPS to be in the range of \$0.38 to \$0.40, reflecting a prudent outlook amid ongoing industry dynamics.

As we look ahead to fiscal 2026, we are approaching the timeline for delivering on the long term financial goals we outlined at our 2023 Investor Day. Over the past two years, we have numerous achievements to be proud of, especially within our Transform and Modernize initiative, where we have extracted value and invested in developing processes, talents and the capabilities that will help propel us into the future.

However, the growth goals we previously set for 2026 were based on certain assumptions that have not been realized. Among those assumptions were expectations of a more stable input cost environment, stronger consumer sentiment and earnings growth in the second half of fiscal 2025.

That being said, as Jeff and John have mentioned, we are aligned and focused on returning to profitable growth.

Jeffrey M. Ettinger

Interim Chief Executive Officer & Director, Hormel Foods Corp.

We're in the early days of our annual planning process and while we are not providing fiscal 2026 guidance today, our belief is that our long term growth algorithm is a better metric to use when considering our go-forward results. As we look ahead, we expect the top line to benefit from pricing actions, growth across our brands and product mix improvements.

On the bottom line, we expect continued meaningful benefits from our Transform and Modernize initiative, benefits from the manufacturing footprint decisions we have made this year and possible cost reductions related to SG&A spend, which has outpaced growth in recent years. We will provide our holistic 2026 guidance on our fourth quarter earnings call.

Before we transition to Q&A, I want to leave you with a clear message: we are not just navigating the present, we are building a better company for the future. My confidence in our future is grounded in the strength of our robust protein-centric portfolio, the resilience of our team and the long term capabilities we are building to drive sustainable growth.

At the same time, we recognize that our bottom line performance did not reflect the potential of our business this quarter. We are committed to driving growth and enhancing long term profitability. Our balance sheet is strong and we believe our top line growth is sustainable. We remain focused on delivering lasting value for our shareholders, through consistent top line and bottom line performance, aligned with our long term growth algorithm.

With that, I will turn the call over to the operator to begin our Q&A portion of the call.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Your first 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. Good morning, Jeff, John, Jacinth. Well, Jeff, first of all, welcome back, I guess. And, John, congrats on the new role. First question really is, as we look back, call it three months ago, when you did the call for the second quarter, you really sounded very confident as to the outlook for the second half, and there was a lot of like data points you gave out to kind of like believe things are going into the right direction.

So, really, within the last three months and then particularly as you kind of like look into the next three months, what has changed so much versus call it late May, early June, when the last time was when you updated the market? What has driven this revision?

John Ghingo

President & Director, Hormel Foods Corp.

A

Yes. Obviously, a very fair question. Thank you, Ben, and good morning. So I'll start off by kind of bringing us back to the expectations we had three months ago. And, clearly, we had confidence entering the second half and we had that for good reason.

If you kind of looked at our growth targets in the back half, we had four critical drivers of performance and what we were expecting. One was we had mentioned that we had landed or announced significant pricing on our value-added turkey business at the end of the second quarter that would take hold in the third quarter. Two, we were expecting improved foodservice industry traffic in the back half of the year, which you know is important for our company and for our business. Three, we knew the sequential recovery of Planters was going well and when we hit the back half of the year, we were going to be lapping the supply disruption. And so, we saw the clear opportunity in Planters. And then, four, our Transform and Modernize initiative was on track and we had significant expectations for the back half on T&M. So, those were kind of the four building blocks of what set our expectations for the back half.

As the third quarter unfolded, a few of those things went well and actually continued to meet our expectations and come to fruition. So, the turkey pricing, for example, our turkey business has been strong, on track with our expectations. We landed the pricing. We've delivered strong growth on our value-added turkey business and we have recovered the profitability we needed to.

We also have seen in the third quarter broad-based top line growth across the portfolio. So that was a check. And our T&M delivery actually has remained on track. In fact, we expect to finish the year toward the top end of the range we've been providing on T&M. So all three of those things were in line with our expectations.

What we didn't expect and what changed dramatically, the first one, there are three things, but the first one is the most significant, which was the steep run-up in commodity markets, and that has very much pressured our earnings. That run-up in commodity markets was both sudden, and it was major as it occurred across inputs that are major for our business. That was sort of the first and biggest factor, but there were two other elements that were important that unfolded.

Foodservice traffic did not recover the way we expected it to . The industry remained soft. Traffic, still declining. And then, the third one is Planters' recovery is very much on track. From a top line perspective, we're very pleased with how that is going, but the profit recovery has lagged somewhat. Profit on Planters did grow in the third quarter, but not at the same rate as the top line has grown in that recovery.

So, when you look at those three factors, they were kind of a new news in the third quarter. We also adjusted our expectations based on those same factors for the fourth quarter because we see them persisting through the fourth quarter.

And, while we're encouraged by the momentum on the top line, we are obviously aligned on the urgency for driving profitable growth and we have both made adjustments to our near term plan. But also, just to reiterate, we do remain confident in our future and our team overall.

And, I think, Jacinth, you may want to add some more detail?

Jacinth C. Smiley

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

A

Yeah. Certainly. Good morning, Ben. And we are certainly disappointed in terms of where we are from a profitability standpoint. And, as John touched on, the major change that happened here is relating to commodity markets, and just the significant run-up that happened in the middle of the third quarter as we went in.

And then, when we think about what we have done to respond to that, we have announced pricing relating to the impact for the third quarter. However, given where markets remain, we have – we are continuing to evaluate additional pricing actions.

So, that has really informed how we're thinking about the rest of the year and also as we think about 2026 because we expect the fourth quarter to continue to be pressured by these significant market pressures, and then just the consumer sentiment, where it sits at the moment.

So, in our mind, right, we are in a spot where we need to be responsible with how we rebase our 2026 target. Overall, we recognize the second half did not meet our expectations. We understand the disappointment this brings. And, as Jeff mentioned, we remain firmly committed to driving sustainable growth and enhancing long term profitability. And what really do matters in this time that's so dynamic is how we respond and the team is responding and staying focused on executing with discipline, investing in our strength and positioning ourselves for the future.

Benjamin M. Theurer

Analyst, Barclays Capital Casa de Bolsa SA de CV

Q

Yeah. Got it. And then, my follow-up is really – I would describe it more as a strategic question. So, Jeff, for you, obviously, you've been at the company and then you've kind of like went on and came back just a few months ago, first on the board, and then now more recently as Interim CEO. So, as you kind of come with fresh eyes, with fresh thought as you look at the business, what are you seeing? How do you feel about the company? How do you feel about the different business segments and where do you think Hormel offers the greatest opportunities from a shareholder return perspective as you take on your role over the next coming months?

Jeffrey M. Ettinger

Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah. Thanks for the question, Ben. As I look at it, coming back after a number of years, I believe Hormel is still in an enviable position to grow from. I mean, if you look at sort of the traditional processed meat categories, we are the innovation leader in bacon and pepperoni in both the Retail and Foodservice segments. We're a leader in more healthy new age proteins with portfolios such as Jennie-O and Applegate. We're a leader in protein solutions for the foodservice industry with Café H and Fire Braised and Flash 180, which I had a chance to see at the restaurant show when I did join the board.

We have two great global brands in SPAM and Skippy, plus a growing business in China on the International front, and we're strong in certain non-meat protein areas, such as Planters and Skippy, and our Mexican portfolio and our partnership with MegaMex.

Frankly, we intend to be able to expand on this sort of strategic side, Ben, at your conference next week, the Barclays Back to School Conference. And so, we'll give you more details on kind of what we're excited about there.

Now, to answer sort of the second part of your question, the very first day John and I assumed these new roles, we had a town hall with our team, and we really talked to the team about, hey, what does winning look like, frankly, in this industry or frankly, to me, almost in any business? And it's all about growing your top line and your bottom line. Growth in your top line shows that your products are connecting with consumers and customers and I'm encouraged that, in this recent quarter, we delivered on just that. So we're kind of halfway there in that regard.

But you also have to grow the bottom line. You have to grow the bottom line to show that you're actually getting paid for all the hard work you're doing in a total system basis and you also need to do it because it serves the interests of our shareholders, who we understand have other options in terms of their investments. And so, growth is imperative. So, that's – our focus is going to be consistently driving top and bottom line growth.

Benjamin M. Theurer

Analyst, Barclays Capital Casa de Bolsa SA de CV

Q

Okay. Thank you very much.

Operator: Your next question comes from Tom Palmer with JPMorgan. Your line is now open.

Thomas Palmer

Analyst, JPMorgan Chase & Co.

Q

Morning. Thanks for the question and congratulations, Jeff, on your return and, John, on your recent promotion. In your prepared remarks, you noted that your long term growth algorithm is a better metric to use for forward earnings. I just want to make sure I understood to what extent this applies to 2026, because given some of the cost headwinds this year and also what seems to be emerging tailwinds from areas like turkey, Planters and the T&M program, I think there was some hope that next year could be more of an above algorithm type year?

Jeffrey M. Ettinger

Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

Happy to take the question, Tom. This is Jeff. I personally have always found it important to have clear and measurable goals for the team and, indeed, Hormel Foods has communicated its current goals of 2% to 3%

growth in net sales and 5% to 7% growth in operating income for the past several years. We think these are aggressive but reasonable goals in today's food industry environment, and I personally agree that these are the appropriate goals for our general future expectations.

We want the team to focus in the long term on hitting these on both the top and bottom line, frankly, I'd like to see quarter after quarter, but these are not intended as our fiscal 2026 guidance. That will come on the Q4 call when we weigh all the considerations, including some that you mentioned in your question.

Thomas Palmer

Analyst, JPMorgan Chase & Co.

Q

Okay. Understood. Thank you. And then, look, traditionally there is some degree of seasonality in input costs, I think during the third quarter it's not totally unusual to see some seasonal increase, and then some easing as we look at the fourth quarter. To what extent is this seasonal decline embedded in your outlook? If it were to occur, would that be as expected or that could be an incremental tailwind?

And then, I guess, just kind of thinking through the comment about strategically building inventory in the quarter, maybe what areas were built because I'm a little curious why, when commodities are so elevated, that strategic decision was made?

Jacinth C. Smiley

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

A

Yeah. Good morning, Tom. So if I start with your first question. So, you were a little cheeky there. You got three questions in. But – so that first part of your question around the commodity markets and seasonality. Yes, it's – typically, indeed, there is seasonality and it starts to come down in the fourth. I mean, as we sit here today, right, markets are still elevated above the five-year average and that's what's really informing where we sit and the guide that we're giving for Q4.

That being said, even when markets – if markets starts to come down, given the fact that we have built inventory that we are not going to necessarily see positive impacts from that because we already have inventory in place. And so, when we think about where we're guiding, right, we are expecting, again, the seasonality to be there, but the markets, again, staying elevated and we are not expecting that to have any material impact.

And, when we think about the inventories – from an inventory standpoint, we did build inventory for back to school. We also – which is mainly around Skippy. Then another piece around our center store as we were trying to get our fill rate to where they need to be to service our customers. And then, in general, given the significant inflation, that also has impacted the balance that you will see on our balance sheet from an inventory perspective.

Thomas Palmer

Analyst, JPMorgan Chase & Co.

Q

Okay. Thank you for addressing the multi-part questions. Thanks.

Operator: Your next question comes from Leah Jordan with Goldman Sachs. Your line is now open.

Leah Jordan

Analyst, Goldman Sachs & Co. LLC

Q

Good morning. Thank you for taking my question. I wanted to ask about the pricing in the Retail. You took pricing for value-added turkey in the quarter, but pricing overall wasn't really a driver for the top line. So, what's the offsetting pressure you're seeing there?

And just how are you thinking about your ability to pass through more pricing given the targeted actions you're planning over the next couple of quarters? What are you planning in terms of elasticity? And, just on those pricing actions, how much of the portfolio will be impacted in the fourth quarter versus 1Q of 2026?

John Ghingo

President & Director, Hormel Foods Corp.

A

Yeah. Thank you for the question, Leah. This is John. I'll tackle pricing. And I'll pull back a little bit, too, just to talk about pricing, in general, because the markets are dynamic. Obviously, pricing is a critical topic. And I will get into Retail, but I'll just start by kind of grounding in Foodservice as well, since that's a big important part of our business.

So, from an overall perspective, when we talk about our Foodservice pricing, generally, the vast majority of the pricing passes through based on movements in commodity markets, whether those movements are up or down. Now, there is typically a timing lag. And so, in a period of escalating markets, there tends to be some compression and then that margin gets restored on the way back down. So that's kind of the Foodservice aspect.

From a Retail perspective, to your point, there are two very fundamental differences with pricing when it comes to Retail. First, the lag time tends to be longer. When we do announce pricing actions to our retailers, there's a longer lag to actually get the pricing implemented. And the second fundamental difference is we need to be very measured with the decisions on if we do or don't take prices up and by how much we take them up when we do.

In that Retail case, we're triangulating across three different fundamental variables to guide those decisions. So, one is commodity markets and COGS. Obviously, we want to maintain and improve profitability, but we also have to balance two other variables. Anticipated consumer response is critical. And so we know the consumer environment right now is challenging. The consumer is strained for a variety of reasons.

And then, third variable is brand health and our support behind our brands to withstand pricing, right? That's the third piece. So when you talk about elasticity, you're really talking about those second two elements, consumer response and the particular brand and category and the support plan behind the brand of how do we measure and estimate what will be the elasticity impact.

So to come back to the point about turkey, we mentioned in the last call that we were seeing an increase across our supply chain and costs on turkey and we said we had announced pricing in Q2 that we had to implement in Q3. And I bring it up as an example because we were able to kind of triangulate around those variables and successfully implement that pricing in the third quarter.

Our Jennie-O turkey business right now – ground turkey business is up 13% in the latest 13 weeks, so through Q3. The category continues to be up as well. We have recovered the margin we needed to, and the reason we're able to do that is because of the strong product quality, the brand investments we've made, the overall execution behind the business we've been able to get through that pricing successfully.

So now to come back to kind of the here and now. We have recently announced targeted pricing actions across other parts of our portfolio based on the escalation we've seen in the markets that Jacinth referred to. So we will

begin to see the benefits of that pricing in the latter part of Q4 and really into 2026. And, as we continue to see these persistently elevated markets, we are evaluating additional targeted pricing actions as warranted.

However, what I will say is we will continue to be thoughtful and measured to make sure the consumer can withstand additional pricing, that the pricing is constructive for the respective categories, and that our brands are well supported through communications, quality and innovation to best mitigate those elasticity impacts.

What I feel good about is that this measured approach has allowed us to keep our consumption increasing. So if you look at our overall consumption results in Retail, over 3% growth on our flagship and rising brands, 1.5% growth for total Hormel. We want to make sure we stay vibrant and growing with the consumer.

Leah Jordan

Analyst, Goldman Sachs & Co. LLC

Very helpful. Thank you.

Q

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

Michael S. Lavery

Analyst, Piper Sandler & Co.

Thank you and good morning. I wanted to just come back to how to think about some of what's ahead. And I appreciate you don't want to give fiscal 2026 guidance, but you had set out a three-year plan a year-and-a-half ago that you haven't explicitly updated. So, how should we think about just your latest thinking on the T&M savings and the net EBIT growth that you've put a bit of a stake in the ground for? Obviously, that would suggest some amount of kind of guidelines for where 2026 would land, and unless it's changed, is that under review?

Q

Jacinth C. Smiley

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

Yeah. Good morning, Michael. So as we mentioned in our prepared remarks, we'll certainly give a robust update on our Q4 call. That being said, right, when we had our Investor Day, there were certain assumptions that we had at that time. And so those targets were grounded in those assumptions. There has been changes certainly, as we have seen the last couple of years unfold, some of which we're talking about here today, right? This significant rise in commodity, the market was not what we anticipated at that time, in addition to the fact that we expected and anticipated a really strong second half in 2025, the consumer is also pressured. That was not contemplated.

A

In addition to what John mentioned before as well, in terms of the Planters recovery, while it's recovering on the top line, the profitability is certainly lagging. So those are some of the – those key assumptions that's different than when we really talked about our projections for 2026. And, again, we will give you further updates as we talk about it in Q4.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Okay. That's helpful. And just a follow-up on some of the pricing thinking, and maybe slightly in two parts. One is just we've covered a little more on the Retail side, but you had mentioned some non-core pressure in Foodservice. Maybe if – sorry if I missed it, but could you specify some of what that was?

Q

And then, on the pricing, in response to the commodity pressure, you've mentioned that there's some under consideration. I know we're getting closer to the end of the year. What's in guidance in terms of – is any new pricing actions really primarily affecting fiscal 2026 or could there be a little bit of upside still left in the rest of the year to go?

John Ghingo

President & Director, Hormel Foods Corp.

A

Yeah. So, what I would – to answer the second part of your question first, additional pricing actions at this point would largely impact 2026, really wouldn't have a material impact on Q4. In terms of Foodservice, just to take a step back on Foodservice a bit, the Foodservice business for us does remain quite resilient and we're pleased with the top line growth and net sales growth. It's broad based across numerous categories. You've seen organic volume growth being driven by several categories. So, we feel very good about that.

To come to the question about margins, so we are – we mentioned non-core business. The point that we had mentioned earlier this year, the divestiture of Hormel Health Labs is the point we were making there around some of the margin coming out due to that divestiture.

Foodservice, we feel very good about our plot and our ability to continue to drive growth despite a challenging industry. The traffic is down. If you look at it, we're growing the business, we're leveraging our direct sales team and we're leveraging our portfolio of value-added solutions. We have our diversified sales channel mix, right? We're going to continue to drive on those things and on top of that we're going to continue to navigate the headwinds.

One of those, when you look at our Foodservice business is convenience stores. So the convenience store channel also comes up into our Foodservice business. Convenience stores have been very soft from a traffic perspective. And so that does have some impact on mix and profitability as well.

Michael S. Lavery

Analyst, Piper Sandler & Co.

Q

Okay. Very helpful color. Thanks.

John Ghingo

President & Director, Hormel Foods Corp.

A

Yeah.

Operator: Your next question comes from Peter Galbo with Bank of America. Your line is now open.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Hey, guys. Good morning. Thanks for taking the question. John, I know there's been a lot of discussion around kind of the pricing dynamic on the go forward. But I guess just if I'm reading your comments or understanding your comments correctly, it does seem like the price cost lag has a potential negative price net of cost impact at least through the first quarter. And then, based on what Jacinth was saying, to the extent markets have remained in an unfavorable position relative to your expectations that that could linger really through the first half. So, I just – I'm hoping to get a little bit more color in terms of when you think you kind of get back to parity from a price versus cost perspective. Or maybe said another way, when you actually get caught up, if kind of the current dynamic holds into the end of the year?

John Ghingo

President & Director, Hormel Foods Corp.

A

Yeah. So what I would say is, where we have the pass-through pricing in place across our portfolio, it is a matter of timing and we will get caught up and we'll ride that up and down, but there will be lag. We tend to fare better when the markets are coming down and it's a little bit tougher when they are going up, right?

On the parts of the business where we are announcing list price changes in Retail, it is a little bit different, right? So as we mentioned, we took a round of pricing actions that we already announced. We're evaluating potentially additional pricing actions, as warranted and needed.

If you take a step back to the comment I made a few minutes ago, we will price where we need to from a commodity perspective, but we are going to balance that. I mean, we are also focused on making sure our brands and categories stay healthy, long term growth, attracting consumers through this kind of cycle of what is really low consumer sentiment, high consumer strain, as well as these very elevated markets, we just need to be measured and thoughtful and disciplined around those decisions.

So, we will continue to evaluate its dynamic obviously. Where we need to leverage, trade promotion is another variable in that mix to balance things for the consumer and, profitability, we can do that as well.

Jacinth C. Smiley

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

A

Yeah. I'll just quickly add and just remind you as well that we certainly are able to navigate, right, volatility. What's harder for us to do is navigate a really sharp run-up in markets because it takes longer for us to then be able to impact our profitability in a positive way with that sharp run-up because of some of the lag time that John just mentioned.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Okay. Got it. And, Jeff, zooming back out, obviously being the kind of second go around with the company but, I guess, this is not the first time that heightened inventory levels have become a question mark for Hormel. We went through this issue for I know a different reason a couple of years ago, but just – I'm getting a lot of questions on kind of why take the inventory up to the levels that they are at kind of the peak of commodity cycle.

And, on top of that, just as you've come back in, like is the visibility just on cost and on – just various cuts, like has it – is there a problem there from a system standpoint? It just seems like – again, going back to when you guided, I know it that it – the cuts moved, but the drastic nature of kind of the [indiscernible] maybe there's just a visibility problem and I'd love to get your thoughts there as you've stepped back in. Thanks very much.

Jeffrey M. Ettinger

Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

I appreciate the question, Peter, and definitely look forward to meeting you in the coming months. Really probably, John would be a little more appropriate to answer it because I'm five weeks in and have been tackling a lot of areas, but what past decisions on where we put inventory weren't one of them that I'm as familiar with.

Jacinth C. Smiley

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

A

Yeah. No, maybe I'll jump in...

Jeffrey M. Ettinger

Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

Go ahead.

Jacinth C. Smiley

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

A

...first there. So just to clarify, we do not have an inventory problem. So the inventory build and the inventory balance that you see there was intentional. So, we had intentional build to be able to supply our customers.

And what I mentioned before is you – the inventory balance may appear elevated because of the commodity piece and the input costs, one, and then there are other areas where we built intentionally because we need that from a demand perspective from our customers and, in some cases, where our fill rates were lower, right, the inventory was lower. So, we needed to get our fill rates up to be able to get our service levels up. So, again, not an inventory problem.

Peter T. Galbo

Analyst, BofA Securities, Inc.

Q

Okay. Thanks, guys.

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

Pooran Sharma

Analyst, Stephens, Inc.

Q

Thanks for the question. Just maybe I wanted to get your perspective as obviously a big buyer of kind of pork cuts and just being active in the hog market, it just seems like production has been pretty lackluster, especially over the past several weeks, and that's – that seems like a bit more severe than what we would have thought just by looking at the June Hogs and Pigs Report. And, we were seeing continued reduction in the breeding herd with partial offsets in efficiency. Based on kind of what you've been hearing, how do you think about supply prospects for the hog industry for – looking out to the intermediate term?

Jacinth C. Smiley

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

A

Yeah. Good morning. So just a reminder that we do have long term supply agreements. And so, right, with those contracts, we feel good about our ability to get supply in line with our consumer or our customer demand and filling our customers.

Jeffrey M. Ettinger

Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

I guess I'd just interject. I mean, pork producers are clearly in a very profitable mode right now which – I mean, in the long run, that's going to be more in supply as may not be coming in the next couple of months but.

Pooran Sharma

Analyst, Stephens, Inc.

Q

Got it. No, I think that makes sense. High prices – and high prices, low price and low prices. I guess my follow-up, maybe we could shift to turkey, and you guys talked about this a little bit on the last call. Industry supply tightening, potential capacity reductions, are you beginning to see any sort of potential market share gains or margin benefits materialize just from that dynamic itself or is the situation still largely the same as it was last quarter?

John Ghingo

President & Director, Hormel Foods Corp.

A

Yeah. Thank you for the question. This is John. I'll talk about turkey a little bit. So, when we talked about our ground turkey business last quarter, we talked about some of those dynamics around the industry. We talked about escalating costs in the supply chain [audio gap] ground turkey in particular has continued to perform very, very well. Demand is strong and if you look at what's underneath that, we believe it's enduring drivers of demands. So consumer interest in lean protein and poultry is very strong. There are a number of different food tribes who are gravitating toward lean protein and poultry as a great choice and ground turkey, in particular, has a versatility that is super helpful for consumers just to plug in to their daily needs of different meals and meal occasions. So, demand on the ground turkey side remains very strong.

To your question about market share, so we are outpacing the category in terms of our branded growth, significantly we're growing double digits, we're outpacing category growth. We are gaining market share. We do have the number one brand. We love our position ground turkey. We're going to continue to drive that.

So I think – whereas last quarter we were sort of in this mode of needing to recoup margin and take pricing, we had to take that pricing. It was driven by inflation, clearly, the dynamics around that, but we really like how our brand has fared and how the category has fared through this third quarter.

Pooran Sharma

Analyst, Stephens, Inc.

Q

Great. Thank you for the color.

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

Erica Eiler

Analyst, Oppenheimer & Co., Inc.

Q

Good morning. This is actually Erica Eiler on for Rupesh. Thanks for taking our questions. So, I wanted to go back to the profitability here and maybe big picture, you've talked about the business in terms of the financial algorithm over time, but if we look at the business and if you go back a few years, this was a double-digit operating margin business. So, I guess, my question is, do you still view this as a double-digit margin business over time?

Jeffrey M. Ettinger

Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

Thanks for the question, Erica. This is Jeff. I guess, I'm going to defer on the specific number in terms of the margin, but I do want to talk about what we see as encouraging signs for bottom line going forward. I mean, clearly, we have sales momentum, we're already growing sales earlier in the year, had a very solid quarter with 6% growth this time.

The team will be actively focused on finding opportunities to enhance mix, to obtain better margin results as well. We've talked about pricing. We've talked about how we took pricing already and the benefit of that will kind of start coming in Q4 and definitely will be emerging by Q1. We've talked about T&M, the current projects [indiscernible] (01:01:44), as we said, give you an update on that on the next call.

Jacynth mentioned in her earlier comments some of the manufacturing changes and sometimes it's – like one of them got announced Q2, the one about the 100-year old plant related to our Columbus business. But, I mean, I'm talking to our operations manager, I mean, a couple of those lines are just moving in now. I mean, there's a trailing benefit sometimes with some of these moves.

We just announced the move, for example, in our Atlanta plant, where we're going to be running bacon elsewhere in the supply chain system. But, again, that doesn't happen in just a week. That takes a little time to materialize.

And then, we talked about SG&A. This quarter, SG&A was up 6%. And, ultimately, we want to get into a position where the growth of SG&A is not outpacing sales. It has done that over the last couple of years. And so we are looking at possible cost reductions in that area as well.

John Ghingo

President & Director, Hormel Foods Corp.

A

And, just to double click, Erica, to Jeff's comment around mix, just to add a little bit more there. So, I look at it in two ways. At the enterprise level, our Foodservice business has very strong margins. And so, our ability to continue to invest and drive disproportionate growth in our Foodservice segment is critical. We have a consistent track record of driving growth in that business. Obviously, when the industry is healthier, we'll be able to drive even more growth behind that business. So that's kind of focused more at the enterprise level.

And then when you drop into Retail, the focus there is to continue to drive our flagship and rising brands which tend to have our higher margins and our advantage businesses. And so, we distort our investment to flagship and rising, we de-prioritize and even exit at times non-core less strategic businesses in Retail. And you could see that play out in the numbers this past quarter, where our flagship and rising brands grew over 3% in consumption, our total Hormel plot was up 1.5% in consumption, right? So they are driving the growth for Retail.

So obviously we were impacted by commodity markets in the quarter, but strategically from a mix perspective, that's how we think about it at the enterprise level.

Erica Eiler

Analyst, Oppenheimer & Co., Inc.

Q

Okay. I appreciate all that color. And then, just my follow-up just on the top line. So, strong organic sales growth this quarter, you're expecting solid growth again in Q4. So, do you believe you're on a path to more sustainable organic sales growth going forward? Just curious if you're confident that we're at a sustainable inflection here.

John Ghingo

President & Director, Hormel Foods Corp.

A

Yeah, I mean, we are we are confident in our strategies to drive top line growth around the business. We absolutely are. If you kind of look across the segments, we think we have an advantaged model in Foodservice with our direct selling force, with our value-added innovative solutions for operators and we're going to continue

drive that. And, to the extent that the industry picks up and gets healthier, we should be able to drive more growth behind Foodservice.

We also feel really good about our branded portfolio in Retail and our ability to market and connect better with consumers on solutions for those branded businesses, the value-added branded businesses in Retail. So our flagship and rising brands have been putting consistent consumption growth, and we're going to continue to focus on that. So, we do feel good about our plot, and our confidence in driving top line into the future.

Erica Eiler

Analyst, Oppenheimer & Co., Inc.

Q

Great Thank you.

Operator: [Operator Instructions] Your next question comes from Thomas Henry with Heather Jones Research. Your line is now open.

Thomas Henry

Analyst, Heather Jones Research, LLC

Q

Good morning. Thanks for taking the question. Coming back to turkey, we experienced any benefit from elevated turkey breast meat pricing year or would that be all in 2026? And then, in addition, could you provide a rough split on the benefit from whole bird pricing expected in 2025 versus 2026? Thank you.

John Ghingo

President & Director, Hormel Foods Corp.

A

Yeah. So, on whole birds, they are slightly better than what we had expected from our original outlook, but most of that upside is going to be in next year around the fresh season, around Thanksgiving. And we don't have any guidance around – on breast meat right now.

Thomas Henry

Analyst, Heather Jones Research, LLC

Q

Got it. Thanks for the color.

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

Jeffrey M. Ettinger

Interim Chief Executive Officer & Director, Hormel Foods Corp.

I want to thank everybody on the call for your thoughtful questions and engagement today. We understand the mission. It's clear. We need to build on our top line momentum and urgently return to bottom line growth so that we can deliver long term sustainable value. As I said, I look forward to meeting with you over the course of the year. Thank you.

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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