

Jim Sheehan

Senior Vice President,
Chief Financial Officer

39 Years with Hormel Foods

Hormel Foods Career History

Oct 2016: Senior Vice President and Chief Financial Officer
March 2016: Vice President and Chief Accounting Officer
2000: Vice President and Controller
1999: Treasurer, Hormel Foods Corporation
1998: President, Hormel Financial Services

Favorite Hormel Foods Product



Hormel Foods

A Long-Term Growth Story



Jim Sheehan

Senior Vice President &
Chief Financial Officer

Returning Cash to Shareholders

51 CONSECUTIVE YEARS OF DIVIDEND INCREASES

S&P 500 DIVIDEND ARISTOCRAT

$1.1B DIVIDENDS PAID

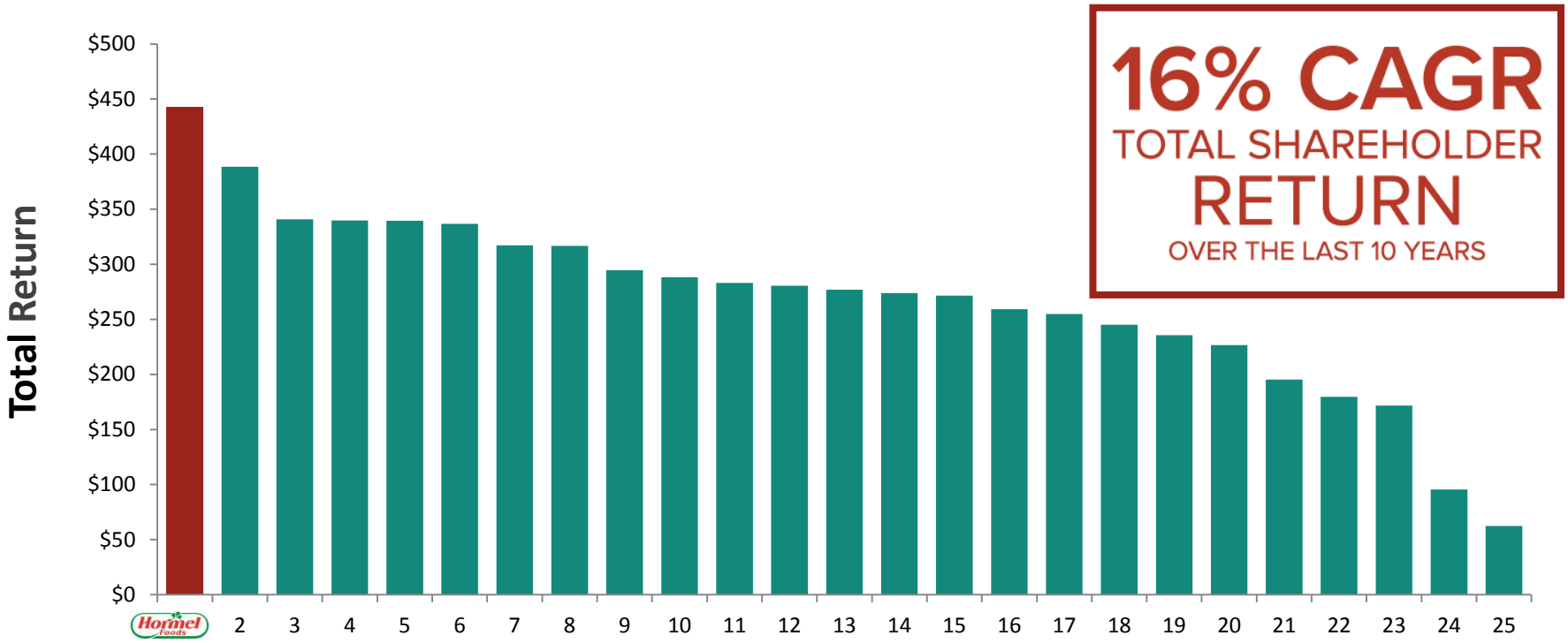
2012-2016

36% PAYOUT RATIO

$300 MILLION SHARE REPURCHASES

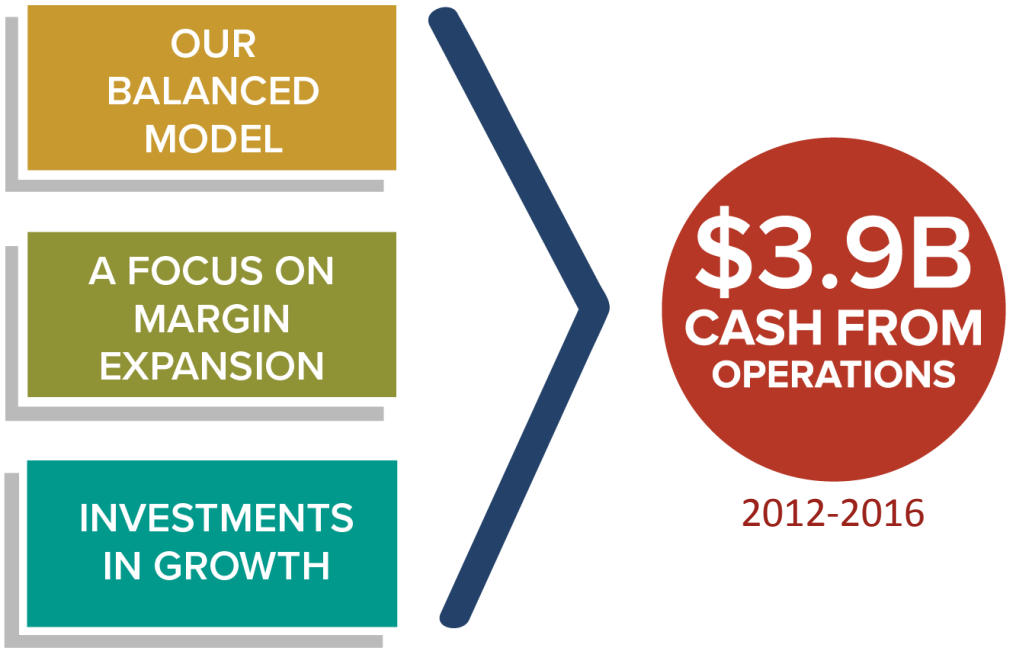
2012-2016

Leading Our Peers in 10-Year Total Shareholder Returns



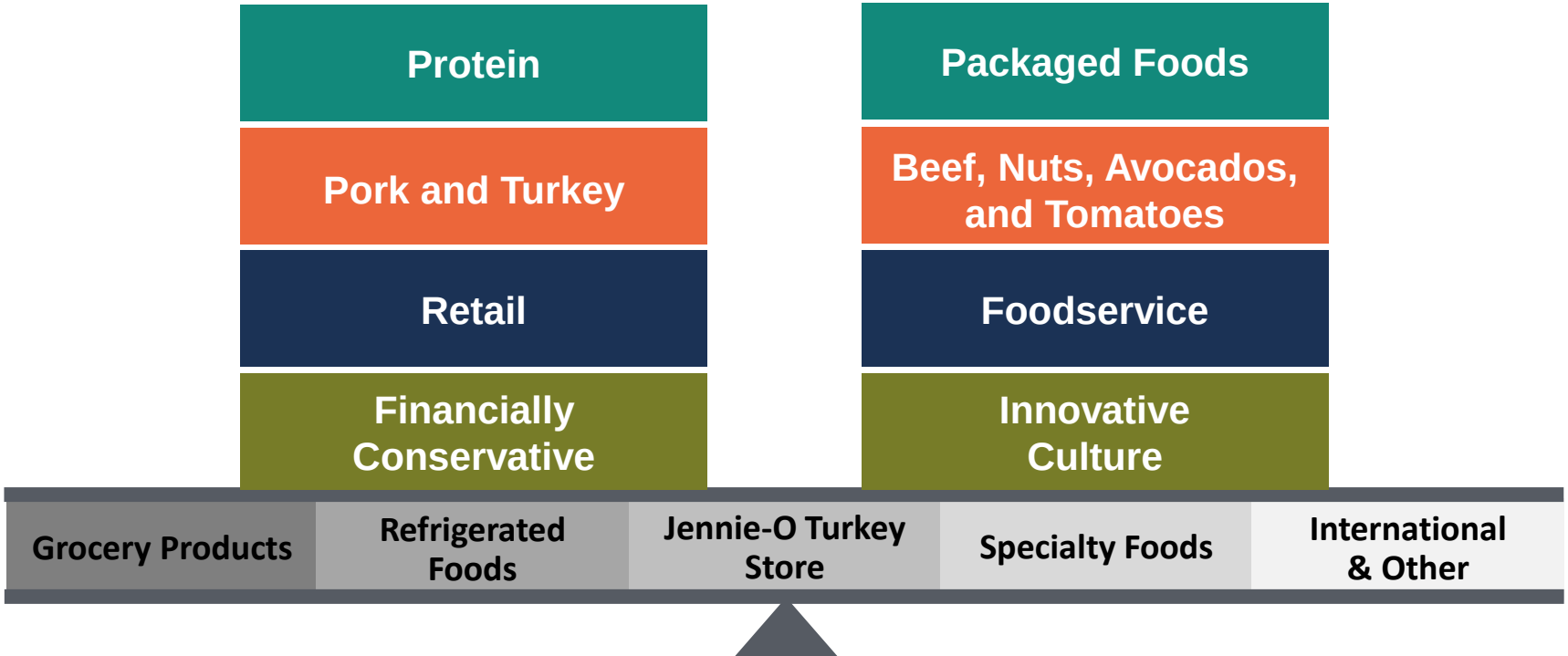
Total shareholder returns including reinvestment of dividends 4/27/07 – 4/27/17 (Peer set as disclosed in 2016 Company Proxy Statement)

A Strategy That Delivers Strong Cash Flow

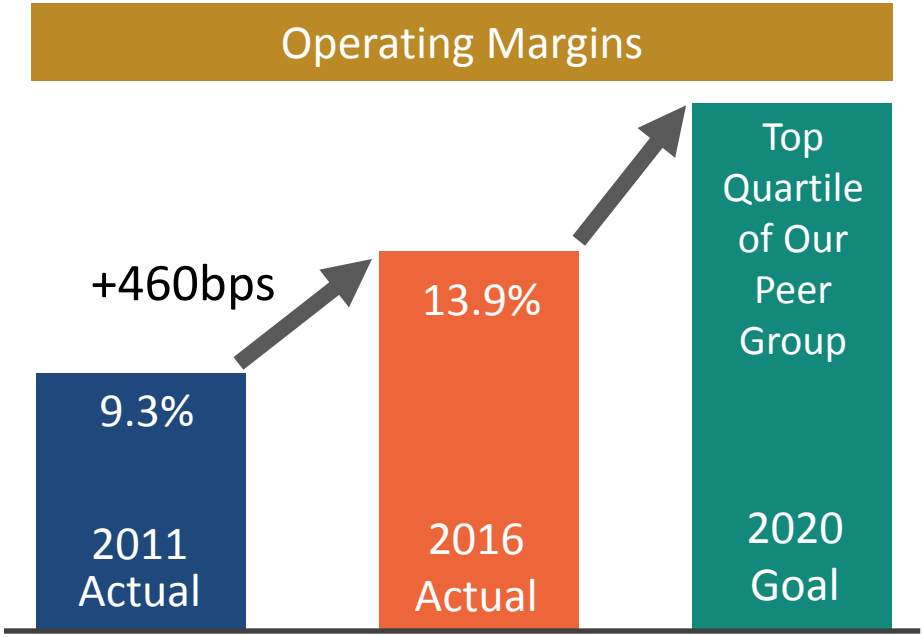


Our Balanced Model

Our Business is Resilient During Various Economic Conditions



A Focus on Margin Expansion



Acquisitions
Innovation
Product Mix
Cost Containment

Divestitures

2011 – 2016 Internal Data

Transforming Our Margins

Combined Operating Margin

ACQUISITIONS
Mid-Teens

SKIPPY BRAND
CYTOSPORT
APPLEGATE NATURAL & ORGANIC MEATS
WHOLLY GUACAMOLE AMERICA'S #1 BRAND
Justin's

DIVESTITURES
Low Single Digits

FARMER JOHN SINCE 1933
Saag's ARTISANAL MEAT
Precept foods
DIAMOND CRYSTAL

$3 Billion Investment In Growth

Acquisitions

$2.2B

SKIPPY

CYTOSPORT

APPLEGATE
NATURAL & ORGANIC MEATS

Justin's

Capex

$800M

Hormel BACON 1 PERFECTLY COOKED BACON

Hormel FIRE BRAISED MEATS

Hormel NATURAL CHOICE

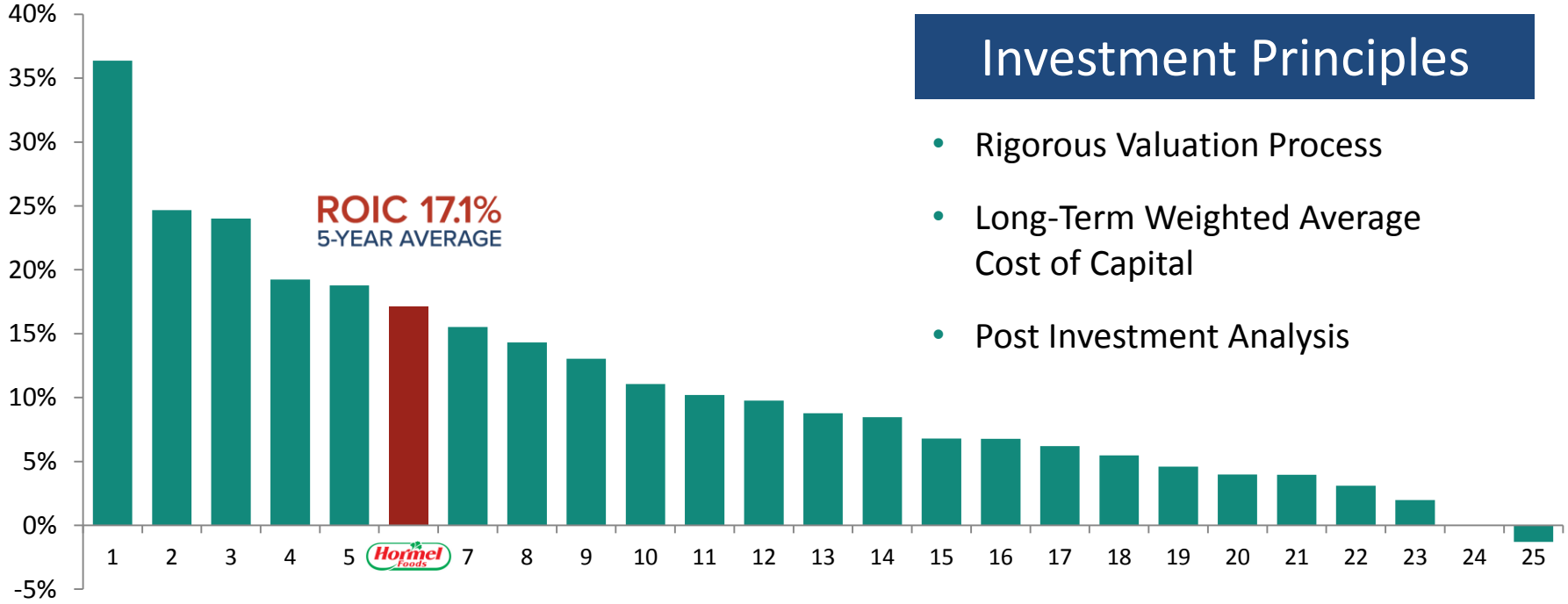
Hormel EST 1891 Black Label BACON

Jennie-O Brand

Hormel PEPPERONI

Internal Data 2012 – 2016

Resulting in Consistently High ROIC



Investment Principles

- Rigorous Valuation Process
- Long-Term Weighted Average Cost of Capital
- Post Investment Analysis

Factset data based on fiscal 2012-2016 data for Hormel Foods and time-relative data for peers listed in Company 2016 proxy statement.

Our Financial Strategy

- Strategic cost management
- Improving our cash cycle
- Optimizing our capital structure



Strategic Cost Management

- Allocate resources to support strategic initiatives and long-term goals
- Minimize expense in less mission-critical areas
- Enhance our culture of continuous improvement



A Focus on Cost Management

Corporate-Driven Projects

Research and Development



Reformulation

Supply Chain





Close California Facility
Move Production Equipment
Overhead Management
SKU Rationalization

Sales and Marketing



Promotion Strategy
Portfolio Management
Advertising Strategy

A Focus on Cost Management

Employee-Driven Projects

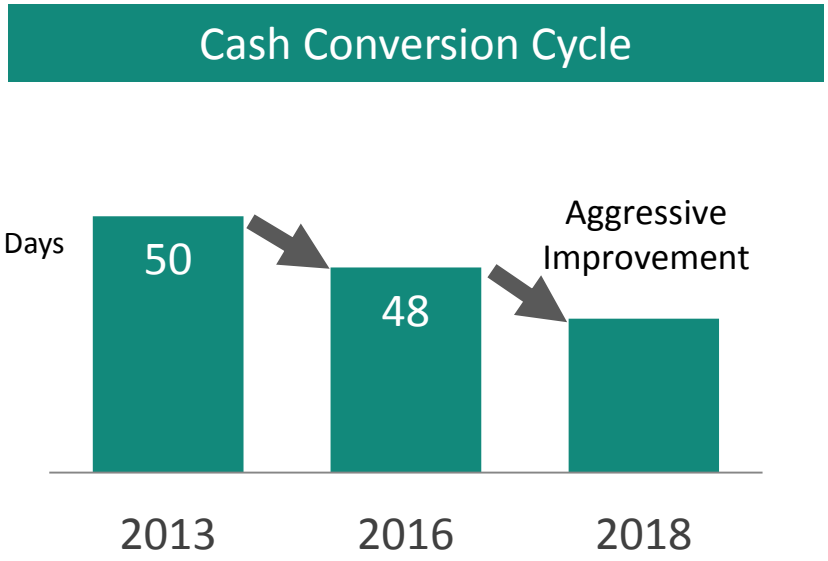
Hormel Foods

PROCESS *Best* of the Best

- Projects submitted by employees across the organization
- 1,000+ projects each year



Improving Our Cash Cycle



- Obtain industry-leading accounts payable terms
- Aggressively enforce selling terms
- Optimize inventory levels

Optimizing the Balance Sheet For Growth

$549 MILLION IN CASH

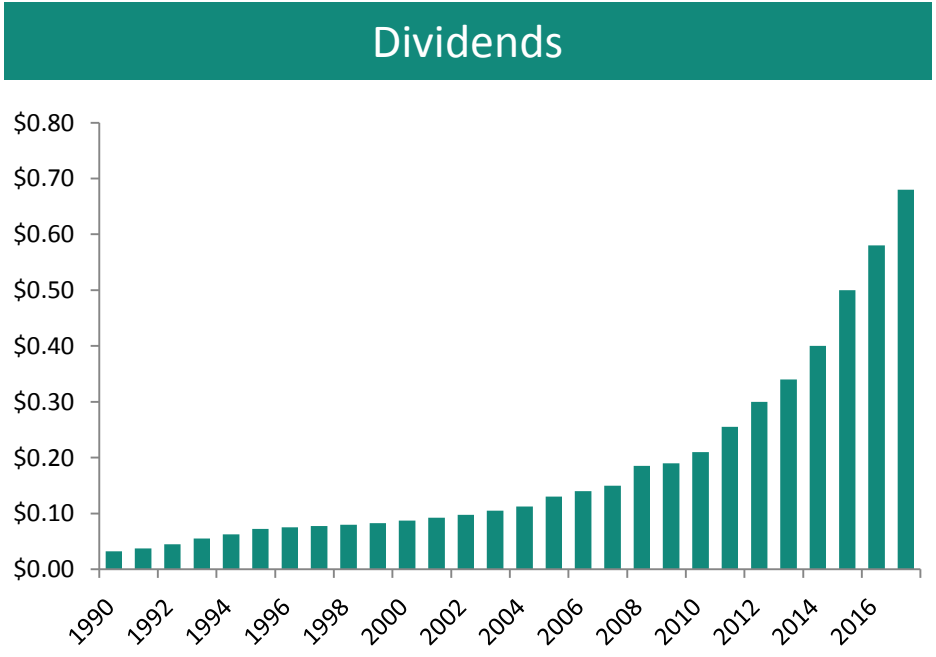
INVEST CAPITAL FOR GROWTH

MAINTAIN INVESTMENT GRADE RATING

CURRENT RATINGS:
MOODY'S: A1
S&P: A

Internal data as of fiscal Q2 2017

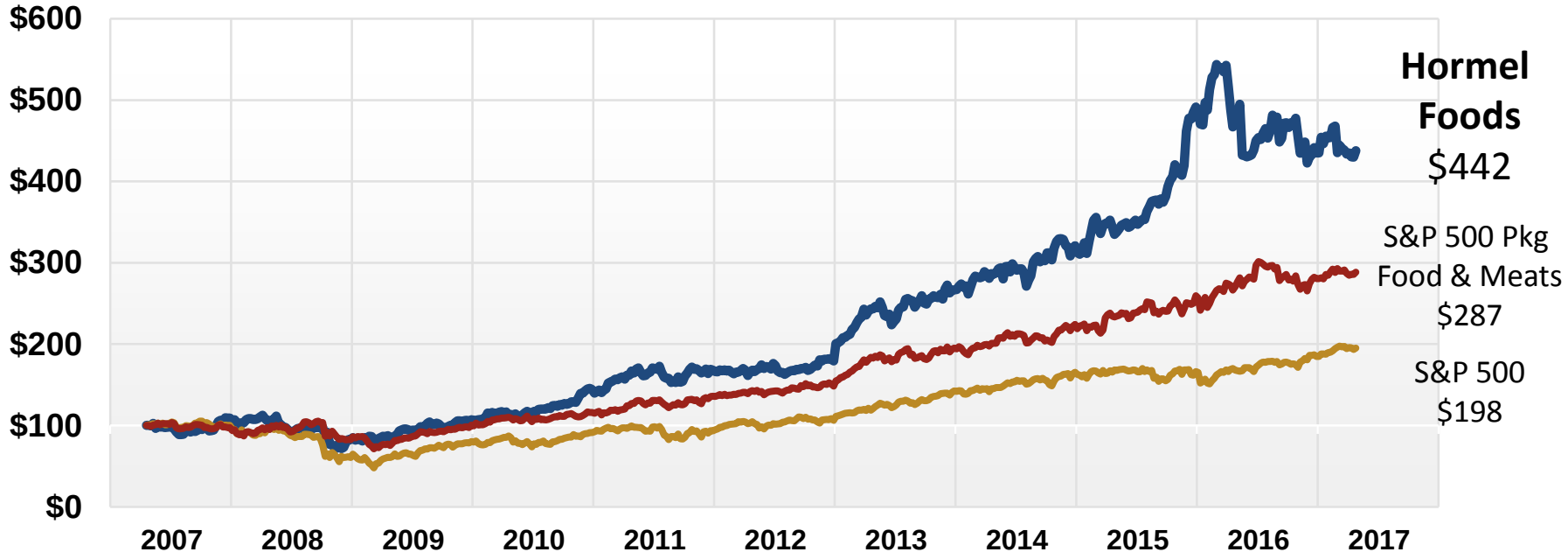
Commitment to Returning Cash to Shareholders



MAINTAIN DIVIDEND ARISTOCRAT MEMBERSHIP

CONTINUE SHARE REPURCHASES

Delivering Returns for our Shareholders



$100 invested on 4/27/07 in stock or index – including reinvestment of dividends

Key Takeaways

A Strong Financial Formula for Growth

1. Utilize capital to grow the business
2. Maintain a strong balance sheet
3. Strategic cost management
4. Maintain dividend growth

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