Hormel Foods Corp Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

James P. Snee, Hormel Foods Corporation - Chairman, President & CEO

PRESENTATION

James P. Snee, Hormel Foods Corporation - Chairman, President & CEO

Good evening, and welcome to the Hormel Foods' 2021 Annual Meeting of Stockholders. I'm Jim Snee, Chairman of the Board, President and CEO. We would have enjoyed meeting with you in person. However, due to COVID-19 restrictions, we are holding this meeting virtually. In attendance, are our Board of Directors and members of our leadership team. Also joining us are representatives of Ernst & Young, our independent registered public accounting firm.

The agenda as well as the rules of conduct we will follow is posted on the online meeting portal. Our Corporate Secretary, Brian Johnson, has confirmed proper notice of the meeting has been given and a quorum is present at this meeting.

Please note the legal disclosure shown on the meeting screen as some of the comments tonight may be forward-looking. I declare the polls open for voting. The polls will remain open until all items of business have been presented. The Board of Directors has elected Jana Haynes, Gary Jamieson and Nadia Braaten as inspectors of elections for this meeting.

Our first item of business is the election of a Board of 12 directors. In addition to me, the nominees for Director are as follows: Prama Bhatt, Chief Digital Officer, Ulta Beauty; Gary Gary Bhojwani, Chief Executive Officer of CNO Financial Group and Former Chairman of Allianz Life Insurance Company of North America; Terry Crews, former Executive Vice President and Chief Financial Officer for Monsanto Company; Steve Lacy, Chairman of the Board of Meredith Corporation; Dr. Elsa Murano, Director of the Norman Borlaug Institute for International Agriculture, Texas A&M University and former under Secretary for Food Safety at the U.S. Department of Agriculture; Susan Nestegard, former President, Global Health Care for Ecolab; Bill Newlands, President and Chief Executive Officer of Constellation Brands; our Lead Director, Chris Policinski, former President and Chief Executive Officer of Land O'Lakes; José Luis Prado, Vice Chairman of Evans Food Group; and former President, Quaker Oats North America; Sally Smith, former President and Chief Executive Officer of Buffalo Wild Wings; and Steve White, who recently retired as President, Comcast West Division.

The second item of business is ratification of the Audit Committee's appointment of Ernst & Young as the company's independent registered public accounting firm for fiscal 2021.

The third item of business is the say on pay advisory vote on executive compensation. The Board believes our compensation programs have been effective and recommends a vote for adoption of the resolution to approve the compensation of the company's named executive officers.

All of these items were included in the proxy solicitation available to you before this meeting. We will now vote on these items of business. Any stockholder who has not voted by proxy and would like to vote online tonight, may do so by clicking on the voting button on the online portal.

While the voting is being completed, I'd like to recognize the retirement of Dakota Pippins from our Board of Directors. Dakota joined our Board in January 2001, and retires today after serving for 20 years on our Board. Dakota served as Chair of the Board's Governance Committee for over 8 years during his tenure. We thank Dakota for his valuable contributions to our Board and wish him the very best.

I'd also like to report on 2020 executive retirements and advancements. Jim Splinter, Group Vice President Corporate Strategy, retired in June after 36 outstanding years of service with the company. Larry Vorpahl, Group Vice President and President of Hormel Foods International Corporation; retired in August after an extraordinary 34-year career with the company.

We thank Jim and Larry for their distinguished leadership and wish them well in retirement. Succeeding Larry is Swen Neufeldt, who advanced Group Vice President and President of Hormel Foods International Corporation. Swen brings a wealth of international and strategic business experience to this post, which will serve him well as we continue to focus on accelerating growth outside North America.

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Lisa Selk was named Vice President of Meat Products Marketing, the post held by Swen Neufeldt. Lisa brings a strong marketing, innovation and general management background to her new position. Pierre Lilly was promoted to Senior Vice President and Chief Compliance Officer.

Pierre's qualifications and his proven track record of multiple audit, compliance and leadership roles makes him the ideal person to take on this important new position. Leslie Lee was named Vice President of Digital Experience. Leslie brings an extensive marketing and digital background to this growing and increasingly important role within the company.

Donnie Temperley, Vice President of Refrigerated Foods Operations, announced his retirement after 39 distinguished years of service with the company. Tim Fritz, Vice President of Grocery Products Operations, announced his retirement after 37 outstanding years of service with the company.

We thank Donnie and Tim for their inspiring leadership and also wish them well in retirement. Succeeding Donnie is Clint Walters, who advances to Vice President of Refrigerated Foods Operations and succeeding Tim is John Forsythe, who was named Vice President of Grocery Products Operations.

Clint and John have served us in a variety of operations roles, including as managers of major production facilities. I am confident they will continue our track record of operational excellence.

I declare that the polls are now closed. Based on the preliminary vote tabulation, I'm pleased to report each of the 12 Director nominees has been elected by a majority vote. And items 2 and 3 have been approved by the required votes. The final vote tabulation will be included in a Form 8-K filed with the SEC in the next few days. This concludes the business portion of the agenda, and I declare the formal meeting adjourned.

I will now share some highlights from our fiscal year 2020, and then we'll have our question-and-answer session.

When we met last year to discuss our 2019 business results and strategic plans for 2020, none of us could have possibly imagined how much our world would change in a matter of weeks. Fortunately, over the last 130 years, we have built an uncommon company that was prepared for the unprecedented events we faced this past year.

And while there have been many heroes throughout this pandemic, our frontline production professionals showed up each and every day with a sense of purpose and pride as we reaffirmed our commitment to always put their safety first.

We were among the first in our industry to make protective equipment available to our team members, spending millions of dollars on masks, face shields and other protections. We were among the first to bring protective innovation to our plants to ensure that our team members were safe and production of essential food could continue.

And we were among the first to offer a COVID pay program to allow those who were ill to stay home from work and still be paid, a program that has resulted in minimizing the spread of COVID in our workplaces and our communities.

We also paid unconditionally approximately $11 million in appreciation bonuses to full and part-time plant production team members for their heroic work throughout the year. Our focus on ensuring our team members were safe, both inside and outside of our facilities, led to the internal development of an educational campaign called KEEP COVID OUT!. This initiative was quickly implemented to help prevent the spread of the virus in the communities where we live and work and to keep the virus out of our production facilities.

This Hormel-developed program was applauded by members of the Centers for Disease Control and Prevention. In addition to ensuring safety of our team members, we also had the significant obligation to ensure that our brands and food products were available when customers and consumers needed us the most. Our one supply chain system worked tirelessly to meet unprecedented retail demand for our products, while also having to manage the sharp reduction in food service demand. The steps we took allowed us to achieve record company sales as all 4 business segments, Grocery Products, Refrigerated Foods, Jennie-O turkey Store and International, delivered sales growth for the full year.

From an earnings perspective, we delivered diluted earnings per share of $1.66. While this number was down from 2019, we need to remember, this included $80 million of incremental supply chain cost or $0.12 per share that our experienced leadership team managed through. We were also comparing against an additional $0.10 per share gain from the sale of CytoSport in 2019.

We frequently talk about the strength of our iconic brands and at no time in this company's history have brands mattered more. Through our outstanding marketing, brand and sales teams, our brands holding #1 or #2 position in over 40 categories. And this year, we invested over $120 million to advertise and support our brands in the marketplace.

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In 2020, consumers became increasingly more loyal to brands they know and trust. Brands such as SPAM, Skippy, Jennie-O, Applegate, Columbus, Hormel Black Label, and numerous others thrived as consumers transition to eating more meals at home.

Since the pandemic, our brands and products have been introduced to over 2 million households. Our research also shows that the new Hormel Foods consumers didn't just buy our branded product once, they continue to make purchase after purchase.

In fact, over 87% of all new consumers made a repeat purchase during the pandemic and over 75% of these new consumers made 2 or more purchases. We delivered strong double-digit growth in our retail brands, which led to share gains in many of the categories we compete in.

But perhaps the most impressive statistic you will hear tonight is that a Hormel Foods product can be found in 85% of U.S. households. That's over 100 million houses, where you will find one of our products. That's a lot of Spam, Black Label bacon, Applegate, HORMEL Pepperoni, SKIPPY Peanut Butter, Justin's, Jennie-O and many other Hormel Foods products.

Consumers also pivoted to e-commerce for their food needs during the pandemic, and Hormel Foods was well prepared to capitalize on the accelerated transition to online grocery shopping for pickup or delivery. Our investments in e-commerce over the last 5 years ensured our placement on the virtual shelves of the top retail shopping sites.

Our e-commerce sales grew by over 100% during the pandemic. We also gained market share in numerous key categories, and we expect continued high levels of growth in 2021 and beyond.

Not only were our core brands highly successful in 2020, we also delivered some of our best innovation throughout the year. We met our 15% innovation goal and delivered exciting new items such as SKIPPY Peanut butter squeeze packs, Hormel Cup N' Crisp Pepperoni, Herdez, Salsa Cremosas, and HAPPY LITTLE PLANTS, plant-based pepperoni for foodservice among more than a dozen other products, all delivered without interruption.

Unfortunately, the pandemic wreak havoc on the foodservice industry, challenges that continue today. Our customers, hotels, restaurants, colleges and universities had drastic changes to their operating models and Hormel Foods was there to help.

With our direct sales force taking the lead, we immediately became a resource center for these operators. As a leader in the industry, we will continue to do our part to support the foodservice industry as it recovers in the year ahead.

Our International segment delivered strong growth in 2020. This growth was led by our retail and foodservice businesses in China as the country returns to new normal. Demand for brands such as SPAM and SKIPPY, continue to be incredibly strong in regions such as Europe, the Philippines and South Korea.

Our international business is important to our long-term growth goals and we continue to invest in our key markets, including China, where we're building a new research and development facility. When completed, this facility will serve as the innovation hub for our Asia Pacific region and is just one of the many investments we are making in our facilities around the world.

Closer to home, we invested $368 million into capital projects that will expand production capacity and enhance our capabilities. We recently opened Papillion Foods in Nebraska, our newest manufacturing facility. And also started shipping product from our expanded pizza topping production area at our Burke corporation manufacturing facility in Iowa. We've also committed to a large expansion of our pepperoni production capacity to support further growth in our retail and foodservice businesses.

In 2020, and we generated over $1.1 billion in cash from operations. This was a 22% increase compared to 2019. This cash allows us to invest in our business, make strategic acquisitions and return cash to our shareholders. And this year, we returned a record $487 million in dividends to our shareholders. We'll celebrate our 55th consecutive year of dividend increases in 2021, increasing our dividend by 5% to $0.98 per share. And this coming dividend in February will represent our 370th consecutive dividend payment, which is quite an amazing accomplishment.

We also continued to make strategic and disciplined acquisitions, including Sadler's Smokehouse in March. This family-owned company based in Henderson, Texas, has been a key smoked meat supplier of ours for over 2 decades and has proven to be an outstanding addition to our family of companies.

During the height of the uncertainty caused by the pandemic, we also secured $1 billion in long-term debt to provide liquidity and allow us to take advantage of more strategic opportunities that meet our parameters for growth in the future.

Our company continues to have one of the strongest balance sheets of all Fortune 500 companies. And we've been rewarded for our long-term decision making by the market. Over the past 10 years, the total return to shareholders in

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both stock price and dividends has been almost an 18% compound annual growth rate, outpacing both the S&P 500 and our peer group.

We also never wavered on our commitment to be a responsible global corporate citizen and good neighbor. We've donated dollars, products and meals to support our communities and those in need. In short, we did what you would expect us to do because it was the right thing to do.

We continue to show our thought leadership and stewardship of important social issues, including environmental sustainability, corporate responsibility, food security and education. In the last 5 years, we've donated more than $50 million to important causes. And this year, we went a step further.

We announced our new Inspired Pathway scholarship program in August. Starting in the fall of 2021, Hormel Foods will provide community college tuition for every graduating senior, who's the child of one of our employees. We know college education can change lives, lift up communities and start a ripple effect that will be felt for generations.

Modeled after the work the Hormel Foundation has done in Austin, Minnesota, this program is the first of its kind for a public company and will have a long-term impact on our team members, their families and our communities.

Additionally, we also achieved our corporate responsibility and environmental stewardship goals in 2020, including water, energy and packaging reductions, to name a few. In the next few weeks, you'll hear more about our new corporate responsibility goals as part of our [20 by '30] challenge, focused on all that we plan to get done by 2030.

And because of efforts like this, we were once again named as one of Newsweek's most responsible companies, one of Fortune's most admired food companies and one of CR Magazine's top corporate citizens. Additional awards and accolades also included honors for innovation, inclusion and diversity and being one of the world's best employers.

We have an incredible team of inspired people who weathered this storm with agility, perseverance and above all else, unmatched integrity. I'm proud to be on their team. I thank them, and I thank you for your continued faith in Hormel Foods.

I'm now happy to take questions. We've received some questions in advance, and we have a team of people who will be presenting your questions. (Operator Instructions).

Assisting me with our Q&A are Nathan Annis, Head of Investor Relations; Wendy Watkins, President of Corporate Communications; and Brian Johnson, Vice President and Corporate Secretary.

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And to give as many people as possible the opportunity to participate, we opened up the virtual meeting portal for questions after we filed our proxy in December. And tonight, we'll start with some of those questions and comments.

There were a number of questions and comments related to the pandemic and our company's response. We sincerely appreciate the comments many of you made about how proud you have been to watch your company take care of its people and its communities.

And also how you believe we have gone above and beyond what most companies have done. You heard in my prepared remarks how our #1 priority was and continues to be to keep our team members safe at work and at home, and we spared no cost to make this happen.

As the CEO, I wanted to make sure that every team member returned home in the same healthy condition that they came to work. The next area is around food and security, and it's clear that COVID has increased food and security during the pandemic.

QUESTIONS AND ANSWERS

Answer – James P. Snee: And the question is, does Hormel have a role or responsibility in helping to solve this problem?

Our answer is simple. As a global branded food company, the answer is yes. As you saw in the prepared remarks and some of the videos, we support countless local and national organizations with dollars, products and meals. And while we increased our efforts during the pandemic, this isn't new to us.

We've been focused on hunger and education as our 2 philanthropic pillars for quite some time, and we will continue to do so. As we roll out our [20 by '30] challenge goals over the next several weeks, you'll see that sustainable food security is clearly part of those goals. We also got a lot of questions about brands and our portfolio during the pandemic.

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Specifically questions about how consumer behavior during the pandemic impacted our products. And again, as we mentioned in the prepared remarks, we're really proud of all the new consumers and households that we've brought into our brand franchises.

But the key for us is to make sure that we keep as many of those new consumers buying our products long after the pandemic is gone. So our sales teams and our marketing teams are already at work, making sure that we take advantage of this opportunity and keep those consumers purchasing Hormel products for years to come.

We've also received questions about our International business. Specifically, the company has invested in China for several years now. Do you see increased opportunities or challenges with China? And what plans do you have for continued investment in China and what products have been successful there?

So we continue to see increased opportunities for our business in China. And I think 2020 was a great example of what's possible for our business. They navigated their way through the pandemic. They encountered a lot of the same challenges that we did here domestically, increase in retail business, a sharp downturn in the foodservice business. But as life started to return to normal, their business not only returned to normal but showed continued growth in both the retail and foodservice channels.

The business in China also has been very successful with e-commerce. In a lot of ways, we've learned domestically from them on how to run our e-commerce business. They've also done a great job with innovation. Countless foodservice and retail innovations. Their most successful one was beef turkey this year. And it was a product that was introduced and sold almost exclusively in the e-commerce arena.

We'll be investing to build a state of the art research and development facility to support that business because we know that we're just getting started. And although we've been there for a long time, the business is really starting to hit on all cylinders. And that's why we're so optimistic about the increased opportunities that we see.

And you know it wouldn't be an annual meeting without this question. Jim, when can I expect to see products like SPAM with cheese and Little Sizzlers back on the shelf or in the freezer?

Well, I'll give you the same answer that I've given you in past years. We have so many great varieties of SPAM in our portfolio. And while not all of them have been available on the shelf because we've been very focused on getting as much product through our production lines and out the door as possible. So we have scaled back some of the varieties, but many of those varieties will be returning to the shelves near you.

Now as for Little Sizzlers, I can honestly tell you that they are not on the docket for reintroduction. As much as that pains many of you, we do have an outstanding line of Applegate sausage that I know all of you will love every bit as much.

A lot of questions related to our evolving nonmeat portfolio, which we've been able to expand through acquisitions and innovation. Questions about what will you do to take advantage of this consumer trend?

And make no mistake about it. We are focused on today's consumer like no time in our history. And we know that we need to stay aligned with their needs, their wants, their behaviors. And we've done that with a great balance of both meat and nonmeat items.

Our teams have done a great job growing our MegaMex, salsas, sauces and dips, SKIPPY Peanut Butter, Justin's Almond Butter, and we've been innovating with HAPPY LITTLE PLANTS, plant-based items for both retail and food service. So the focus has been there, and we'll continue to stay focused on those consumers and their evolving needs, wants and behaviors.

[Race Hardy] wants us to elaborate on cell-based meat. Well, all I can tell you at this point is that we are watching that technology very closely as it continues to evolve and develop. Our research and development, our innovation, our insights team are all actively engaged with a number of new technologies.

Another question around corporate citizenship. And specifically, I have noticed a significant change in the company's reputation as a good corporate citizen in the last 5 years. I believe businesses that care about their ability to create change in the world, attract more customers, consumers and even shareholders. Can you share more about the strategy behind this noticeable evolution?

And really, our strategy has been quite basic. It's, to not only continue the great work that we've been doing long before the last 5 years, but the strategy has been to tell our story more frequently and more broadly. It's a story that we kept to ourselves because we are a very humble company. But times have changed, society has changed, the requirements of companies has changed, and we knew that we weren't being as efficient and as frequent as we could be with our storytelling.

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And so that's really why you've seen the change over the last 5 years. Not necessarily a change in behavior in being a good corporate citizen because we've done that for 130 years, but a change in how we're telling that story more frequently and more broadly.

A lot of comments and questions around our Inspired Pathways initiative, and we talked about it in the prepared remarks and the videos. And no specific questions, but just a lot of positive feedback.

And I want to just reinforce that this is an opportunity for your company to make a difference to really change the lives of our team members and their children. We've already started the process for the fall of 2021. We've got a team in place, collecting applications but even more than that, making sure that we've got team members willing to help those applicants because there's nothing more difficult than trying to navigate the paperwork of a college education.

And so again, beyond just having the program, we've dedicated the resources and team members who have committed their personal time to help. We believe that this will be a game changer, not only for our company, for our team members but their children for years to come.

In terms of other questions, that really wraps it up. That encompasses just about everything that we've talked about between the video, prepared remarks and then questions this evening.

I'd like to thank all of you for participating in tonight meeting and being a shareholder of Hormel Foods. Good night and stay safe.

Analyst: Operator

Question – Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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