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Hormel Foods Corp. (HRL)

Investor Meeting

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MANAGEMENT DISCUSSION SECTION

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

Welcome to the Hormel Foods 2021 Virtual Investor Update. We're disappointed at not being able to be with you in person and looking forward to seeing you all soon. Today's presentation is a little over two hours long, followed by 30 minutes of live Q&A. In addition to the content today, we have five videos online, and they are our foodservice: go-to-market strategy; a plant tour of our newest production facility, Papillion Foods; our environmental, social and governance initiatives; retail and e-commerce strategy; and of course, the company's largest acquisition, Planters.

We will be sharing forward-looking statements and those may differ from actual results. You can see a detailed list of our risk factors in our recently filed 10-Q available at hormelfoods.com under the Investors section. If you would like to ask a question in the live Q&A, either email ir@hormel.com or call 844-479-5350 and use the conference ID 4262615. This information can be found by going to our Investor website. On behalf of the entire Hormel Foods team, we appreciate your support and time today.

I'd now like to welcome Jim Snee, Chairman of the Board, President and Chief Executive Officer.

[Video Presentation] (00:01:32-00:02:22)

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James P. Snee

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

Good morning and thank you for joining us virtually today for our 2021 Investor Update. We have a great agenda for you that will clearly demonstrate how Hormel Foods is well-positioned for long-term sustainable growth. Our last Investor Day was October of 2019 at the New York Stock Exchange. Since then, the world has changed in more ways than we ever could have imagined. And we look forward to the day where we can safely meet with all of you in person. So, on behalf of the entire Hormel Foods team, we appreciate your support and time today. Let's get started.

Since the onset of the pandemic, we never wavered on our commitment to employee's safety. Our responsibility to the country's food supply or on making disciplined and strategic investments that ensure we are positioned to deliver long-term sustainable growth. We remain very confident in our ability to deliver our long-term outlook despite the current challenging environment. And we focus today's presentation on our plans for growth as well as the investments we are making and our long-term strategy.

Today, Hormel Foods is making a choice to move onward. For Hormel Foods moving onward means continuing to evolve into an even better, stronger, more agile and more balanced global branded food company. Moving onward means thinking boldly and differently, leveraging our 130-year history while executing the strategies and initiatives that will ensure our success well into the future. Said simply, as we move onward, we have a clear line of sight to long-term sustainable earnings growth, and I'm excited to share our vision and strategy with you.

This presentation will feature many of the leaders from across our organization. Each of them will be highlighting key initiatives and plans we have for the upcoming years. Our management team has an impressive average of 25 years of experience at Hormel Foods, and you will certainly see that on display throughout the presentations. And while we know that this Hormel Foods experience makes us uncommon, we have also brought new management talent into the organization from some of the world's largest and most successful companies.

Now, throughout today, I would like you to come away with three key messages: first, we made excellent progress on our 2019 strategic initiatives; second, we are very optimistic about the outlook for long-term sustainable growth; and finally, we are very excited about our growth prospects coming from combining and amplifying our scale in snacking and entertaining.

As a global branded food company, Hormel Foods is a truly uncommon company with a clear purpose: Inspired People. Inspired Food. We are 20,000 inspired team members creating inspired food for all our consumers around the world. And while our vision is our aspiration, Our Food Journey is how we operate at Hormel Foods. It isn't just about the food we make, but it's also about the difference that we are making in the world. We know that building social value and creating economic value do not have to be competing goals.

Now, we've always been a leader in our industry and a difference maker in our communities. And I'd like to invite Jacinth Smiley to provide an update on what we are doing as a company in the areas of environmental, social, governance, diversity and inclusion.

Jacinth Smiley

Group Vice President-Corporate Strategy, Hormel Foods Corp.

Hi, I am Jacinth Smiley. I'm the Group VP for Corporate Strategy. Our Food Journey is really something that we have been living with for the last 130 years. It is, of course, in this environment, how we use that framework to

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speak to our ESG efforts in the space. The Our Food Journey squarely aligns with our strategy. We really don't see them as being different.

In order for us to continue to be successful our focus must be on the customer, on the consumer, on the community, on the people. And we have continued to build all of those partnerships in that way as part of our strategy for us to continue to grow.

Inspired People. Inspired Food. is our purpose. And personally, I always say – as a leader I always say to folks, I say, people is at the core. And if you start with people and you get that right, everything else will fall into place. So that's another thing that drew me to Hormel Foods because I think inspired people will run through walls.

If you invest in your people and people feel good about showing up every day, then they will be innovative, they'll be creative, they'll work hard, they'll find all the solutions to ensure that our customers continue to stay happy, right? And happy customers will continue to drive volume and drive growth and drive success for our company.

So impacting in our communities that we work in is definitely part of who we are as a company. And hunger initiatives is very important for Hormel Foods and something that we continue to really lean into. And this past year, we have actually donated $6.4 million to hunger causes, and that is a big deal. It is not something that we take for granted and not something that anyone has to ask us to do.

The Inspired Pathways is really generational, not only impacting the employee themselves, but generations to come and really changing the trajectory for those families in a really meaningful way.

This year, we have seen that not only the support that we've given for the two-year college tuition for free, but we've also assisted folks to go on to four-year universities and helping them fill out the application, getting financial aid, all of that they're not able to do that literally have brought families to tears because that's not something that they would have been able to do on their own. So it is truly impactful and really speaks to who we are as a company in terms of making an impact on our employees, while making impacts in our communities.

We take our environmental goals very seriously, and we have actually achieved almost all of our 2020 goals. And so, we continue to look forward to our 20 By 30 Challenge which will take us to a whole different level. 20 By 30 Challenge and you certainly – we don't skip a beat. The Our Food Journey, we've achieved a ton in 2020. And then this is just the next stage of that, taking it up a notch to be able to say we want to achieve these 20 goals by 2030, and they certainly align with the United Nations' areas of responsibility around corporate governance.

We have so many examples of those purpose-driven brands, and I'll just give you a few examples. I think about Happy Little Plants. That's a shift in consumer behavior and consumer trend that we have recognized that it's beyond a trend and beyond a movement, but really consumers wanting to have that flexibility around how they eat because they're more educated about how they should eat and have that choice about how to eat. I think about Natural Choice, Applegate, where you do have the choice between natural and then going all the way to organic. Justin's is another example of the organics that we have on the shelves.

So that's just a few that really are driven by us listening to the consumer and the consumer needs. Because of our commitments to corporate responsibility and being such a good corporate steward, Hormel Food (sic) [Hormel Foods] continues to receive so many different awards and accolades from all around the world.

Our Food Journey continues to evolve, and that's the beauty about how we have approached this because the consumer is always changing, their behavior is always changing, the trend always changes, the stakeholders and

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what they think about the environment is always changing. So we continue to evolve our products, evolve our brands, evolve the taste based on our consumer feedback and trends. As consumers continue to care about their food experience and the companies behind the foods that they eat, we're also being thoughtful about being a purpose-driven brand and thus a purpose-driven company.

Part of why I came to Hormel Foods and why I'm here today – sitting here today, I'm excited. I'm really excited about this company. It's about where the company is going, the journey it's on and the trajectory that I see based on a winning team in my mind that's here.

I mean, people that are passionate about this company, passionate about what they do, passionate about a consumer, passionate about food, passionate about where the trend's going. And I am so excited to be part of that and want to be doing anything at all that I can to be part of that journey.

It makes me feel wonderful to work for such a company. I mean, honestly, it's just one of those things where you can work for companies and you say, okay, well, I love the space that they play. But when it becomes so personal, right, it just feels good in your gut that you can show up in work and feel proud to say I work for Hormel Foods, they do all these wonderful things for people, for communities, they impact lives. Those things matter. Those are real things.

James P. Snee

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

Hormel Foods has always taken a very proactive and thought leadership approach to ESG, in part because of our uncommon ownership structure. Today, the Hormel Foundation owns approximately 47% of our common stock. For almost 80 years, the Hormel Foundation has had three distinct goals: to provide for the heirs of our founders, George and Jay Hormel; to provide for philanthropic causes in Mower County, Minnesota; and to preserve the independence of Hormel Foods. Our unique ownership structure gives us an ideal balance between near and long-term orientation. We have an incredible team of inspired at Hormel Foods, and I'm proud to be on their team.

At our last Investor Day in 2019, we outlined six key initiatives. We called them our Path Forward. And I'm pleased today to say that despite the challenging conditions over the last two years, we made excellent progress on all six initiatives. As we look forward to the next few years, our key initiatives are shifting slightly for two key reasons. First, we have accelerated our evolution with the addition of Planters. The Planters business is our springboard for combining our snacking and entertaining brands and we're excited to share our initiatives in that category.

Second, the world and consumer behavior has also changed since October 2019. We all know that consumer behavior was forced to shift during the pandemic and while some of those behaviors might disappear, many are likely to stick around.

As we think about the food industry, we're adapting to three key trends we are seeing. First, we all spent much more time cooking at home during the pandemic. And while the foodservice industry has recently undergone an incredible rebound, we expect many of the habits consumers built during the pandemic to linger. The second trend we are seeing in the food industry is the redefinition of value. We've always been firmly aligned with the value shopper with our center of the store brands, but value means many other things. Value also means convenience for time strapped consumers, simplifying meal prep, delivery, meal kits, and click and collect all fit the need for time savings. And finally, the pandemic accelerated the widespread adoption of e-commerce. Innovations happen not only at retail with click and collect, but also in the foodservice industry with carryout or

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pickup. Hormel Foods was at the forefront of these changes, and we were able to lead and capitalize on the trends as they happened.

So, our six new initiatives not only capture these trends, but build on our accomplishments since 2019 and before. First, expanding our leadership in the foodservice segment is incredibly important, and we have the portfolio, expertise, team and partnerships to do so. Not only do we need to grow in the areas where we are strong, but we need to grow in areas where we haven't had a large presence like convenience stores. Planters provide scale and gives us a leadership position in this very important channel, and we need to take advantage of that opportunity.

Second, we must continue to protect and grow our core brands, brands like SPAM, HORMEL Pepperoni, Jennie-O, Hormel Black Label, and many others. Keeping our brands relevant and strong is vital to our continued success. Much of our messaging today will be focused on how we are growing these brands.

Third, we need to aggressively expand internationally. We are a global branded food company and our international business is still not to the scale we needed to be, but we are confident we can do more and we have plans in place to get us there.

As we think about those first three initiatives, there are three underlying platforms where we are particularly advantaged as a company, namely, bacon, dry sausage and SPAM. These platforms can be found widely across our business segments and go-to-market channels.

Bacon is a consumer favorite and represents one of the largest categories we compete in as a company at over $1 billion in net sales. We sell bacon in every segment, in every channel under brands, including Hormel Black Label, Jennie-O, Columbus, Applegate and Natural Choice, as well as brands in the foodservice channel such as Hormel Bacon 1, Griddlemaster, Applegate and Old Smokehouse. While raw retail bacon and foodservice bacon represents the foundation of our business, our premium products, such as microwave, Bacon 1, flavored, natural and organic bacons continue to grow at a high rate relative to our traditional raw bacon. And we've made sizeable investments in all forms of bacon, including capacity for raw and pre-cooked bacon, a major expansion for our microwave-ready bacon and further investments for our Bacon 1 product line.

Dry sausage, another important category also represents over $1 billion in net sales annually represented by Hormel Pepperoni, Hormel Rosa Grande Pepperoni, Fontanini authentic Italian meats, Columbus Craft Meats charcuterie, and many other brands which are important to our customers, consumers and operators. Dry sausage spans almost every segment and every channel. This category has shown exceptional growth driven by core items such as our traditional retail Hormel Pepperoni and our foodservice toppings business sold under many brands, but also by our snacking and entertainment portfolio with brands such as Hormel Gatherings party trays and Columbus. To support the incredible growth we are seeing in this business, we have expanded our Burke pizza toppings plant in Nevada, Iowa. We have built a new charcuterie plant in Omaha and have already added a pepperoni line to the Omaha facility scheduled to be operational in January.

Our next growth platform is a category unto itself, SPAM luncheon meat. SPAM is a global cultural icon. And after 83 years is still generating exceptional growth. On track for its seventh consecutive year of record sales, SPAM continues to resonate with some of the fastest growing consumer demographic segments in the US, along with an incredibly long runway for growth internationally in markets like the Philippines, China, South Korea and Japan. And we are very excited to announce that our board of directors recently approved a fifth SPAM production line, which will provide our domestic and international teams with much needed capacity to continue this incredible growth.

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And so, we think about our first three initiatives. It is clear to us that we are in the right categories. By accelerating investments behind these categories and brands, we will drive stronger competitive positions and long-term top and bottom line growth.

Our fourth initiative is to amplify our scale and snacking and entertaining across the entire company. Snacking and entertaining cuts across all segments and channels and we are perfectly positioned to leverage our powerful and complementary portfolio of brands including Planters, Hormel Gatherings, Wholly, SKIPPY and Columbus in this space.

Our fifth initiative is to enhance the growth of our ethnic and food forward portfolios. We have growing businesses like MegaMex and Applegate, and we are continuing to evolve our portfolio to meet the changing needs of today's consumers.

Finally, we need to continue modernizing our organization to best meet the needs of our society, stakeholders, consumers, customers, and team members. Through process improvements, product and business innovations and groundbreaking technology, we have no choice, but to keep making evolutionary leaps in our company.

Mark Coffey, who leads our supply chain, will now give you an overview of how our supply chain team is leading the charge towards setting our company up for long-term growth.

Mark A. Coffey

Group Vice President-Supply Chain, Hormel Foods Corp.

I'm Mark Coffey. I'm the Group Vice President of Supply Chain, 36 years with Hormel Foods. So, Safety First is a cultural belief at Hormel Foods and it's really paramount to everything we do in one supply chain. And just think about it, who would want to work for a company where they or their family member or their friend wasn't safe or didn't feel safe? So our philosophy is we believe that every injury is preventable. We aren't perfect, but we come to work every day and we strive to be perfect.

Our plant professional team has came to work every day with this sense of pride and ownership and commitment to do their job as part of the essential workforce to make sure that we kept food on grocery store shelves and kept the American people fed. You remember in the early days of the pandemic, when there was a run on grocery store shelves and the shelves were empty of essential goods. Again, throughout that, our plant professionals, they came to work every day with a sense of pride and commitment, and I just couldn't be prouder of all of our plant teams.

Labor and labor availability is a huge issue for our entire country right now. This is not a Hormel Foods issue; it's an issue that's impacting every business and the entire supply chain of the United States. So, what are we doing about it? You know and we're doing four things. It's about number one, we have to hire, we have to retain, we have to simplify and we have to automate. So, let's first talk about hiring. We have to make sure that our wages and benefits are competitive so that we can keep up with the competitive set of businesses within the geographic areas that we have locations.

Number two, we've got to retain those people. It's not just about paying competitive wages and benefits. We have to have a culture that says we care about people and we want people to be a part of our family of companies. So treat people right, make sure that we're building our welfare areas and our amenities that are all about inclusion and belonging.

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And then, we have to simplify our portfolio. What we've learned through COVID is that we've got a lot of SKUs and a long tail to our portfolio of products. So, as we've saw this tightening of our labor supply, we've had to make choices about what products we're going to produce. And finally, we've got to automate more. If you think about Hormel Foods manufacturing footprint, we've seen a dramatic change in the last 10 years.

In the last five years alone, we've built five new manufacturing plants. In the last five years, spending almost $1.5 billion in capital. But besides those five manufacturing plants we've designed, built and commissioned, we've acquired a number of businesses through acquisition that have brought eight new manufacturing plants into our fleet of manufacturing plants. So, over the last decade, we've added 13 manufacturing plants to our footprint all of that giving us more scale, scope and capabilities for future growth.

So with the Planters acquisition, we acquired approximately 675 team members in three manufacturing locations. Suffolk, Virginia; Fort Smith, Arkansas; and a Corn Nuts plant in Fresno, California. So, as we did due diligence of those facilities, we came away from that due diligence with a really good feel for these plant locations. These were well-run plants with good management systems in place, and they were considered employers of choice in their locations. So, our take on this was they weren't broke and they didn't need a lot of fixing. That gave us the luxury to bring them on board and then stand back and see how we could bring value and help optimize them. So, really happy with those locations. Well, we're doing this interview at our newest value-added growth plant of the future, Papillion Foods, and this is just really an exciting, exciting project for one supply chain in our company.

So, by this coming January, in January of 2022, Phase 1 and Phase 2 of Papillion Foods will be open, will be producing the growth platform products of dry sausage, both Columbus Salami and HORMEL Pepperoni; Phase 1 Columbus Salami, Phase 2 HORMEL Pepperoni. We have almost 400 people working in a state-of-the-art manufacturing plant, again, enabling us to fuel growth of the future for these all important dry sausage family of products.

I love this company. I love what we stand for. And I love the trajectory we're on and the future ahead of us. We're a global branded food company. We're a growth company. We're a Fortune 500 company. So we're a big company, but at Hormel Foods, you're not just a name, you're a person.

James P. Snee

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

We have the team. We have the culture. We have a durable competitive advantage. We have strong brands. We have diversification and a supply chain which positions us well for the future.

So now, I want to give you insight into our strategy for how we are going to deliver long-term sustainable growth. For us, it all starts with our formula for success: building brands, innovating, making strategic acquisitions, and continuing to find balance across our entire organization. And this isn't a new formula. Brand building is what we do at Hormel Foods. Our efforts in brand building continue to pay off, as evidenced by our record top-line growth this fiscal year.

We continue to hold an impressive number one or number two position in more than 40 categories, led by brands such as SPAM, SKIPPY, Wholly, Herdez, HORMEL Pepperoni, Columbus, Hormel Gatherings, Applegate, and Jennie-O. Additionally, our branded foodservice strategy has paid dividends throughout the industry recovery, as our sales continued to outpace pre-pandemic levels.

In recent quarters, we've taken pricing on virtually every brand, which has led to the strong price mix you have seen in our results. In fact, we have taken price increases on over 90% of our retail and deli brands, and price

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increases on every single brand and category in foodservice. This is impressive. And one of the keys to this success is our direct sales force. This team of almost 1,000 team members is a competitive advantage and allows us to develop deep lasting relationships with our customers, built on transparency and trust. In times like right now, having a direct sales force, who can have difficult but necessary conversations with our customers, is vital.

We've also made significant investments in innovation during the pandemic, as we continue to bring award-winning innovation to the market. We remain excited about the innovation efforts behind the SKIPPY, Justin's, Herdez, and Hormel Black Label brands, as well as the Jennie-O and Happy Little Plants brands in the foodservice channel. As we've been saying for some time, we've been ready for a larger acquisition, and we were able to accomplish that with Planters. Right now, we're focused on integrating Planters, which has allowed us to effectively operate the business with limited interruptions. However, we haven't stopped looking for other companies that would fit into key strategic areas such as foodservice and international. We continue to evaluate a pipeline of acquisitions targets, potential joint ventures, and early-stage investments.

Acquisitions are a key part of our strategy. And even as we search for the next perfect fit into Hormel Foods, we will not compromise our financial discipline. Brand building, innovation, and acquisitions are core to our growth strategy. And we are leaning into six advantage platforms: bacon, dry sausage, SPAM, snacking and entertaining, Mexican, and international. Collectively, these six growth platforms represent over $5 billion in sales for our company, they are accretive to our growth goals, and we have a high level of conviction in our ability to win in these categories within the marketplace. Make no mistake; we expect all our businesses to perform at a high standard. But when we look back three, five, or ten years from now, these six growth platforms will stand out as the core of our growth engine, as well as guide our brand building, innovation, and acquisition strategies.

One of the hallmarks of our company is our balanced, flexible, and diversified business model that can withstand market volatility, business fluctuations, and other unforeseen events. We have a clear balance across raw materials. Today, less than 50% of our business comes from pork, with another approximately 25% from other meat proteins such as chicken, beef, and turkey.

With the acquisition of Planters, approximately 25% of our business is from non-meat inputs, such as peanuts, almonds, cashews, avocados, and tomatoes. This balance allows us to avoid being overexposed to any one market dynamic, which drives more consistent earnings. The last two years have demonstrated the logic behind the balance that we have built in channels as well. Even as foodservice, which represents over 30% of our business, was declining at a rate of over 50% in the initial months of the pandemic, our top line never wavered, as retail, deli, and international were able to balance off the foodservice to clients.

An important part of our balance is also linked to the tremendous progress we've made in expanding our portfolio to reach consumers when and where they want to eat. As a consumer yourself, think about all the places you can buy food, and I'm pretty certain you will find a Hormel Foods branded product there, center of the store, perimeter of the store, the deli, vending machines, all types of foodservice establishments, including pizzerias, hotels, C-stores, major chains. The list goes on. We have an enviable position in the food space, and this pervasiveness is just one more thing that makes our company uncommon.

Now Jim Sheehan will go deeper into the financial aspects of our company, but I want to briefly outline how we see our company results rolling up over the long term. From a top-line perspective, we still believe 2% to 3% organic growth is achievable. We expect this to happen through a combination of volume growth, pricing, and mix. In the near term, we expect outsized sales growth given the tremendous pricing we have taken and due to the additional capacity we are bringing online. We also know each year will be different. But over the long term, expect us to deliver 2% to 3% organic growth.

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From a bottom-line perspective, we expect to deliver 5% to 7% growth over the long term. While our recent bottom-line results are being hampered by a high level of inflation and labor issues, our pricing actions will catch us up and offset the higher costs that we are seeing. History shows we have a track record of improving margins over market cycles, and we expect to exit this unprecedented market cycle in a much stronger position. We also expect to benefit from additional cost savings, improved mix as we continue to shift away from commodity businesses, and increased SG&A efficiency.

Finally, we must continue innovating and are maintaining our 15% innovation goal, with 15% of our sales coming from products innovated in the last five years. Our growth goals are clear. Our growth goals are achievable.

As we think about one of the key catalysts for growth in our future, our newest initiative is snacking and entertaining. The addition of the Planters snack nuts business, the largest acquisition in our company's history, brings many benefits to the company, including over $1 billion in sales and accretive margins. But what excites us the most is what this brand can do to further our evolution as a global branded food company. Specifically, this transaction will accelerate and fuel our efforts in the snacking and entertaining space. As I've referenced, one of our most important initiatives is to amplify our scale in snacking and entertaining.

Now prior to the acquisition of Planters, we possessed a wonderfully broad set of snacking items, from our premium Columbus, Applegate, and Justin's items, to our more mainstream Hormel Gatherings, Natural Choice, and SKIPPY product lines, and our growing portfolio of Mexican offerings, we had already been building a large snacking and entertaining portfolio for brand stewardship, innovation, and strategic acquisitions.

But Planters not only perfectly complements our current portfolio of brands, it opens many doors to more occasions and places where consumers snack and entertain. Our expectation is that the snacking and entertaining trend will only accelerate as the pandemic subsides and consumers return to on-the-go lifestyles and as they return to more group gatherings and large family celebrations.

Now because of this, we have taken a holistic view on the snacking space, a view which covers all day parts and occasions. Now when most people think of snacking, they think of an on-the-go occasion or maybe a quick snack at work. But at Hormel, we believe that snacking can happen in a solo setting or a social setting, and quite frankly, everywhere in between. With the addition of Planters, we possess a broad, balanced, and versatile snacking portfolio that is perfect for any consumer need state.

And now, Jeff Baker, Group Vice President of our Deli organization, and Jeff Frank, Vice President of Grocery Products, will take you through a few of the brands that give us confidence that snacking is our next major growth pillar.

Jeff Frank

Vice President-Grocery Products, Hormel Foods Corp.

My name is Jeff Frank. I've been at Hormel for 25 years, and I'm Vice President of our Grocery Products division. Planters is truly an iconic consumer brand. It was launched in 1906, and it's got a universal consumer awareness with well over 95% of US consumers aware of the brand. So Planters really is the trusted brand when it comes to the snack nuts space. We know that consumers today are snacking more than they ever have before. They're enjoying snacks multiple times a day, and there's clearly a consumer need to have a solution for both on your own or solo snacking, as well as more social snacking occasions.

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Jeffrey R. Baker

Group Vice President-Deli, Hormel Foods Corp.

My name is Jeff Baker. I'm the Group Vice President of Hormel Deli Solutions, been with Hormel for over 30 years. I do believe the Hormel enterprise does have an advantage in social snacking. And it starts with our strong brands. Within social snacking, we have the Hormel Gathering (sic) [Gatherings] brands, which represents our Party Trays, our Snack Tray business, as well as Columbus Craft Meats, which makes beautiful salami. And so from that standpoint, we have a great advantage there. We have a very versatile portfolio, everything from every day, mainstream grab-and-go to very premium grab-and-go. And then we have the innovation pipeline that is so well-developed.

Jeff Frank

Vice President-Grocery Products, Hormel Foods Corp.

So with the addition of the Planters and Corn Nuts brands augmenting our already strong snacking spaces like party trays, salsa, guacamole, and charcuterie, we think the Hormel portfolio is now really well equipped to meet the consumers wherever they need to be in terms of snacking, and they can have a satiating, as well as a flavorful snack experience based on our portfolio.

The Planters brand adds a lot to our company's snacking portfolio in several important ways. I think the first one is really around scale. Many investors may be focused on the scale that Planters brings to boost our company's overall snacking portfolio, and that makes perfect sense. But the Planters brand also comes with a high level of expertise and a strong reputation in the industry, and I think a track record for successfully growing the snaking category overall.

Jeffrey R. Baker

Group Vice President-Deli, Hormel Foods Corp.

So if you think about social snacking, there's two different areas. There's every day snacking, and then there's the, hey, I want to make a statement snacking. And so for that every day snacking, you've got Hormel Party Trays and Snack Trays, it's perfect, grab-and-go, open the package, rip open the bags, boom, it's ready, very convenient, very quick. When you have a little more time, you want to impress people, that's Columbus Craft Meats. We have beautiful charcuterie, beautiful salami, paninos, everything that you would need to impress your guest. And so while the innovation pipeline is full and both going down the social snacking lanes, they are slightly different, and that's beautiful because it allows us to be able to attract different consumers.

Jeff Frank

Vice President-Grocery Products, Hormel Foods Corp.

I'd say the second way that this acquisition really boosts Hormel snacking portfolio is around occasions. Planters is able to meet consumers for both that solo and those more social snacking occasions. And so for those solo occasions, our portfolio has products like on-the-go packs and pop-and-pour jars and snack mixes, those kinds of things. And for those more social occasions, we got larger canisters and jars of peanuts, cashews, mixed nuts, and other things to really have something for a larger group when that's appropriate.

Jeffrey R. Baker

Group Vice President-Deli, Hormel Foods Corp.

We want to be the people that bring ideas and be a consultant to our customers when it comes to social snacking, how to expand that area within the store. And because we have such a diverse portfolio, everything from

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everyday snacking to let's make a statement social snacking, we have the answers to all those questions, and we can help that customer develop that section and make charcuterie approachable, make sure that our everyday products are ready and ready to be grabbed and put into the into the consumers' carts.

Columbus is extremely exciting to me for a lot of reasons. First of all, more than 100 years of producing high quality, beautiful salami, and that knowhow came to us, that was incredibly educational for the Hormel team as well, because we learn about how to do that and we brought on some great people as well.

One of the beauties of the Columbus Craft Meat (sic) [Meats] acquisition was it got us into a very on-trend category, and that's charcuterie. It actually rounds out the portfolio that we had by adding the Columbus Craft Meats to the team that we have, team of brands that we have today. If you've never seen charcuterie before, the first time that you see a charcuterie board, you think, how in the world would I ever do that? Our job at Columbus Craft Meats here is to try to make that more approachable for the consumer. You can do this. You can combine the crunch, the salt, the sweetness together on a charcuterie board very, very easily. And it's our job to try to help the customers, our retailers, make their sets look like it's very approachable, and then do some education on the backend through omni-channel to help that consumer help to build their own charcuterie boards for themselves. And so that's our job is really to try to make charcuterie more approachable.

And we continue to take the learnings that we have from the Hormel Gatherings Party Tray and push that into Columbus on the premium side. And we have a couple of just beautiful charcuterie platters that we're launching under the Columbus brand for this holiday season that are absolute showstoppers, and they will be almost as simple as our Hormel Party Tray to assemble and put together.

Jeff Frank

Vice President-Grocery Products, Hormel Foods Corp.

I'd say another important benefit of Planters to Hormel is the products themselves. They're versatile, they're wholesome. In many ways, they're better for you than some of the other snacking options. They're full of substance, and probably most importantly, they're delicious.

Lastly, I'd say the Planters products perfectly complement our other snacking brands within the portfolio: Hormel Gatherings with Party Trays and other social snacking items, the Columbus line of charcuterie, and then Herdez salsas and Wholly Guacamole, just to name a few.

Our high-level objective for the brand is really to convert that high brand awareness to increased purchase through driving household penetration and share gains. And we really have three strategies to execute that. The first is around rejuvenating our equity in the brand. And that entails things like exciting advertising and brand support centered around key consumer timeframes, as well as a component of evergreen or always on support for the brands.

The second area that we're focused on is renovating our core. We've got some exciting packaging innovation with an eye toward environmental sustainability and consumer interest, along with some really interesting flavor innovation coming in 2022 as well. And then finally, the third piece is around executing more broadly as a snack brand, leveraging the Planters scale to organize around a total portfolio within Hormel Foods around snacking and an approach that really supports our broader portfolio in that process.

James P. Snee

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

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Our snacking portfolio is a result of brand building, innovation, acquisitions, and a focus on balance, the same approach we've taken across many other parts of our business. We have a powerful and complementary portfolio of brands in this space, and the teams across the retail, foodservice, deli, and international channels are going to execute and grow this platform.

Our investments in the snacking and entertaining space are just another example of our evolution as a global branded food company. Hormel Foods is a dynamic, growth-oriented company. And today, I want you to come away with clarity about how we will generate long-term sustainable earnings growth well into the future. We have a lot of great content today from some excellent presenters, and we will take your questions live after the entirety of the presentation.

Deanna T. Brady

Executive Vice President-Refrigerated Foods, Hormel Foods Corp.

I am Deanna Brady, Executive Vice President of Refrigerated Foods. Refrigerated Foods has been able to deliver long-term growth. The growth in earnings has come from a couple things, so we've had a deliberate effort to continue to improve the value-added portfolio within Refrigerated Foods and continue to diversify away from commodity and continue to innovate, as well as bring new products to the marketplace that really meet a need state, that are value-added and extremely profitable. And the longer we do that, and the more of that that we do, continues to drive earnings power within Refrigerated Foods.

Consumers and foodservice operators really are at the center for everything that we do, whether we're thinking about what things are on trend, what things are of concern, as well as their need states. And in particular, need states have become increasingly important over the course of the last two years, as consumers' needs have shifted from week-to-week to month-to-month. What's meaningful about Refrigerated Foods is our ability to transcend channels, to transcend the consumer, both in what they want to eat, where they want to eat, perhaps where they want to buy it, how they want to shop for it. And our brands have the ability to meet the consumer really in all of those aspects that I described.

When you think about some of our base brands or our core brands that have been around for quite a long time that continue to be number one or number two in their categories, think of HORMEL Pepperoni or even Black Label Bacon, those are really amazing base business for us that we need to continue to nurture and protect. But we've also got a lot of high-growth brands, when you think about Columbus and Applegate, as well as other areas within the business where we've got brands that are finding new areas to grow in. And so it's really that intentional balance between our base businesses and our growth businesses and ensuring that we're paying attention to both.

Our brands are not ours to own; consumers own our brands. And so it's really important for us to be mindful of that and be really respectful. And so, nurturing the brands comes through making sure that we're supporting them through advertising, making sure that the brands are in front of the consumers, that we're reminding them about the value they bring and the need state they solve for. As we think about the brands, it's also important for us to support them by continuing to innovate under those brands, and keeping them fresh and relevant is really, really important.

Innovation is table stakes in Refrigerated Foods across all of our businesses, and we require each business to really have a well-thought-out innovation platform and path forward. When you think of one of the benefits of having a direct selling organization is one of their fun parts of their job is bringing innovation to a retailer, innovation to a foodservice operator, innovation from a foodservice standpoint. You might go call on a foodservice

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operator with Bacon 1, but while you're there, you're going to talk about our other products within the portfolio, like other bacon or pepperoni or lunch meats.

Innovation, from a retail perspective, innovation is really critical to bringing incrementality and growth to a category, especially big categories, mega categories, where maybe they're mature and growth has slowed. Retailers are really, really interested in understanding how you can bring innovation and bring additional consumers and additional dollars into a category. So it's important on several fronts.

Acquisitions have been really meaningful for Refrigerated Foods. You'd probably be surprised to know that even the Planters acquisition has played a part in our growth and success. So the convenience store segment within Hormel lives within Refrigerated Foods in our Foodservice division, so roughly 15% of the Planters acquisition is in the C-store space. And we're really excited about that because it really gives us a strong base of business in the C-store channel, and we can wrap all our other brands, both Grocery brands and our Refrigerated brands, that align well with the convenience store customer and consumer and think about how do we play into one of the company's strategies of snacking. And it gives us a really strong foothold and a mechanism to make that happen.

When you think of other acquisitions like Sadler's and premium Kraft barbecue and tucking that acquisition under our Foodservice business and division has been really powerful. And when you think of Columbus, and Columbus was a great brand – Kraft brand and it really enabled us to stand up the Deli division within Refrigerated Foods.

Fontanini and premium Italian meat and what that's brought to our Foodservice division, that was a really nice acquisition when you also think about the continued importance and growth in the pizzeria segment and the popularity of pizza. Fortunately, we had those assets as we worked through COVID. Those were some of our highest growing categories throughout the pandemic, both in foodservice and at retail. And so, blessed to have the Fontanini brand as well as products and those assets for our organization to leverage.

There's a lot of different ways within Refrigerated that we provide balance to the company. And one way that I think it's overlooked a lot is within Refrigerated Foods, we have a variety of different inputs when you think about pork being one aspect of our business, we also have a lot of beef within the business. Surprisingly, we have a lot of poultry within our portfolio. And some of those items that you wouldn't necessarily think that Hormel would be successful with, from a poultry standpoint, are just amazing items that do exceedingly well; think of our Fire Braised Chicken and foodservice as an example.

I would also add that we're really excited about our opportunities in plant-based. And we just recently debuted a plant-based pepperoni product that is getting amazing attention, and we can wrap around other plant-based pizza toppings to our Burke and our Fontanini operations. And really when you think of pizza and pepperoni and these toppings, it's something that Hormel is known for. So why shouldn't we be known for plant-based pizza toppings as well. And we see that as a really great pocket of growth for the future.

Pepperoni continues to do very well. We're looking forward to unlocking additional capacity. We also have some additional advertising that we're going to be turning on this next year once that capacity comes online. It's played a really meaningful part of people's lives over the course of the last two years. And what we're really excited about is our Cup N' Crisp Pepperoni (sic) [Pepperoni Cup N' Crisp], which really was a foodservice pepperoni that we brought to retail. And it has a whole different consumer base that's very foodie-forward. And the millennials love it and it's geared towards Instagram and Pinterest and people taking food photography and showing off the great things they make with food online.

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Black Label Bacon is very exciting. We've got a lot of research and a lot of fun things happening with Black Label Bacon. Most recently, we launched the Make It campaign. People love bacon, and so we're excited to make sure that we're bringing a lot of great ideas to them.

Applegate's doing really well. They had a really successful year. Their brands were – really resonated with consumers, and they were able to bring a lot of new households into their family of brands and their categories that they do business.

And when I think of the mega trends, I feel like we are really well aligned within Refrigerated Foods. When you think of labor saving in a portfolio that's – was developed for decades, but really is so relevant today to meet the labor saving needs of the future, both food away from home and also in home as well, and having really viable options that people can take home and put dinner on the table in pretty quick fashion.

When we think about snacking, and I think across the portfolio, our ability to address that mega trend of snacking in a variety of different formats and a variety of different portfolios is well aligned. I think it's important, too, as we think about the mega trend of just health and wellness and having products that are healthy and are mindful of nutrition, are mindful of communities, as well as mindful of the planet.

And then, finally, the mega trend of plant-based protein and thinking about how we'll be participating in plant-based protein with our Happy Little Plant (sic) [Happy Little Plants] brand bowls at foodservice and at retail in the future.

One of the most meaningful things for us in 2022 will be the foodservice recovery and what that means to our foodservice business. Foodservice, it's highly incremental. It's highly profitable. It is a differentiated capability, not just because we are successful in foodservice, but that we've been building a really successful model over time and our ability to execute foodservice is best-in-class. And so, that's really exciting and I think has meaningful power on – earnings power in 2022.

Mark Ourada

Group Vice President-Foodservice, Hormel Foods Corp.

I am Mark Ourada. I'm Group Vice President for the Foodservice division for Hormel, and I've been with Hormel a little over 32 years. I know over the years, since we began as a group back in 1991, we have grown substantially to probably nearly a third of the company.

I think we talked about the balanced portfolio as a corporation, obviously, with foodservice, retail, domestic, international. And foodservice is the same way. We've got a broad variety of companies within the corporation to include Jennie-O and Hormel and Dan's Prize and Burke and all the different entities. I think the power of our portfolio, it certainly is fed by the power of our retail portfolio and those brand names. There's a lot of competition out there in private label and private brands, but the quality that we bring with our brands like Austin Blues and Old Smokehouse and Café H and Bread Ready and Bacon 1, I mean, those are brands now that operators have come to recognize beyond just Hormel. So we've built a lot of equity in those brands, and that comes with keeping that quality level there and continuing to innovate within those brands so that they remain relevant to the operators.

Being one of the only companies amongst our peer groups who has a direct sales force, they are very dialed in and they're very professional and like to think of themselves as culinary. And so, it's a great team and we've done a great job growing the business over the years.

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As we've seen this labor challenge continue to climb, I mean, you go into restaurants now and it's not uncommon for them to apologize upfront that we've only got one person on the grill tonight. It's going to take a little while. Please have patience. They just don't have the people or the expertise or the time to prepare in larger quantities so many of these great products that their customers need.

When we talk about offering solutions and high quality solutions to customers that just don't have the labor today and that – it was an issue before, and now it's certainly been exacerbated through COVID. But, again, giving them a quality, consistent product that is restaurant-quality that the patron would never know that that was a fully prepared product, that's our goal there.

So we've continued to expand that from the Café H ethnic line to Austin Blues Barbecue and the whole Fire Braised line. And now, even within Fontanini with a different prepared dinner meats like sausages and meatballs, we have just got the full portfolio. Again, as customers come through this and are looking for that high-quality type product, we've really got the answer form within those premium prepared lines.

Well, everybody loves bacon, and certainly we're one of the leading companies with bacon. We've got such a broad portfolio. So whether it's raw bacon and the different value tiers we have and the quality tiers, or fully cooked bacon, talking about Bacon 1 again that we developed quite a few years ago, we've got the portfolio to meet the needs of customers, and they want bacon and everything right now for flavor and everything else. So we feel very strongly the demand is there, and we are selling a lot of bacon right now. And just feel great about the advantages we have, particularly with the Bacon 1 line.

So pizza toppings, like bacon, we've been one of the leading producers of pizza toppings, especially in the dry sausage category. And with a broad portfolio we've got, obviously, with the Hormel products and we've got Burke, and then we acquired Fontanini several years ago, we've got a great offering of different tiers and the highest quality offering with Fontanini products.

So we feel extremely strong. The demand that we saw through COVID continue and is continuing to grow. So we feel great about that. And then really through innovation, we have now launched several plant-based options in the pizza topping category. And because of our expertise in pizza toppings, that's kind of where we feel it's important to go on the plant-based, into a discipline that we're very good at. And we've proven that with pepperoni and crumbles chicken and even a plant-based meatball that we've launched; very, very popular. So we feel great about the pizza industry and we feel great about where we sit as a leader in that industry.

I think what we've learned through the years, especially if you look back at 2008, 2009 with the recession, the business does shift. And, ultimately, you've got some new segments or channels that maybe come to the forefront that maybe didn't exist before or weren't quite as important. And we've seen that, again getting back to our direct sales team and how close we are to customers. We can see where that's starting to happen, and we're first in line when that does.

So we try to pivot when we put resources where we need to, and we have the flexibility to do that. So with this recent pandemic, when we see things like assemblers and commissaries really start to rise in importance because other people don't have the labor to do the business, they use commissaries and assemblers to do that, ghost kitchens, certainly for the delivery aspect of the business, and we know people in those segments. So, we'll shift and have some resources on that, so that we can take advantage of that opportunity because, again ,getting back to our product portfolio, we have the products that they're looking for, so pre-made, pre-sliced, pre-portioned-type product that works so well for them.

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So, when we look at the global opportunity, I mean that's where we aspire to go. We've got the different opportunities to really get into all the different businesses and wherever it may go. So, as channel shift in different parts of the business emerge, we feel very good about both the product portfolio and the different lines that we've got to answer, answer the needs of the operator, as we've done over the years, over the last 30 years, is pivoting and going where the needs are of the customers. So, whether that was getting into the prepared and the pre-cut and the pre-sliced and now it's plant-based and Halal and the different things that customers are looking for, and we'll be in a position to continue to do that.

Deanna T. Brady

Executive Vice President-Refrigerated Foods, Hormel Foods Corp.

We've never been better positioned in the channels where we compete when you think about foodservice and our ability to help the foodservice industry recover, when you think about snacking and what's taking place both in convenience as well as in the deli area through our Columbus brands, and then finally, the natural channel and the success that we're experiencing with Applegate, really all three of those things make us feel really comfortable about our future. I'm excited about the future of Refrigerated Foods because of the diversity that lives within Refrigerated Foods, and we've got so many opportunities to think about, innovating once, but then bringing that item to market in a variety of different ways. So, when you think of food forward, food is at the center of everything we do, and I want the teams to be thinking about the food first. If we don't have great food, great visuals of the food, great inspiration of how you would use the food or what the food could mean or does mean in life, if they don't get there first, then we're going to back up because that's – it all is going to center and start with the food first.

[Video Presentation] (01:07:49-01:12:12)

Luis G. Marconi

Group Vice President-Grocery Products, Hormel Foods Corp.

I'm Luis Marconi. I'm the Group Vice President of Grocery Products, and I've been with Hormel for 21 years. Hormel is a fantastic global branded food company, and Grocery Products does a really good job contributing with our portfolio brands with that journey. Grocery Products has been able to deliver consistently long-term top and bottom line growth over the last few years, and this has been the result of us intentionally evolving our portfolio in alignment to what the consumer is growing. So, the center store today is going through what we call a revival. And this is a result of the pandemic. We started to see an emerging trend of people working from home, cooking more at home, and, of course, that benefited our portfolio significantly because we have really well-balanced portfolio of meat proteins, plant proteins, versatile proteins, and at the same time products that offer significant value. The notion of value for Grocery Products is, as a matter of fact, one of the core elements of our value proposition. And when you think about how consumers today define value, is – goes beyond price. Value for consumers is think about flexibility to have a product that can be used in multiple recipes; think about yield, is a product that allow them to serve multiple family members or have multiple servings that can be used during several occasions. So, with that context in mind, you can see where our products are a perfect fit. So, think about nut butters, SKIPPY. SKIPPY is a very nutritious, very versatile, and really good value for money for a family. Think about SPAM. Spam can be prepared in multiple ways and served as a very nutritious product, but it's also a really good value for money and it's very tasty and yield tremendous servings for one can.

Other example is Compleats, it's a really good value for money. In 60 seconds, you can have a really fulfilling solution for those consumers that want our food; and with recipes like Dinty Moore and recipes like Alfredo, is a tremendous solution for a fast and ready meal. So, that's how we think about value. And, as a matter of fact, that's actually when you're thinking, you've talk with the consumers, we asked them, what is it that you see in our

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brands constantly. And this is not new. This is something that has been a component of our proposition for several generations actually, is the notion of the value.

So, brand stewardship is at the core of what we do. We connect the consumers in novel ways, and we use up consumer insights to understand what their motivations are. We understand also what the different segments of the population are so we can connect with them in relevant ways. One of the things that we actually differentiates ourselves is we use in our group an anthropologist that will give us insights to understand what truly motivates consumers, and therefore we organize and align our messaging accordingly to where that consumer is going, is understanding where those unmet needs are, and then working with our R&D, with our brand teams to develop and introduce that innovation that is going to create the breakthrough that consumers are going to enjoy. That's what makes brands relevant. That's what give us the edge to compete and to win in the marketplace.

One of our distinct competitive advantage of the Grocery Products portfolio is that our brands fit today's consumers need states, and think about snacking with a portfolio of Planters and then SKIPPY, Justin's and the and the MegaMex brands. Then the other one that is very important is healthy eating choices. And then we have avocados, nuts. And we have also meat and plant-based proteins. Then think about home meals with our great portfolio of legacy canned meats. We have ready meals with the Compleats microwave tray. So, again, we have a tremendous portfolio that fit very nicely with the consumer of today in their need space.

SPAM, which is the core brand in our canned meats portfolio, is on track to deliver its seventh consecutive year of record sales, is another example of how our brands stay relevant under today's circumstances. This is a brand that is 84 years old, and what is most impactful is the fact that the growth is coming from this younger and more diverse consumer segment, seeing them utilizing the brand in novel ways with multicultural recipes, which, by the way, we are promoting. Those recipes has been fascinating.

In nut butters, we have seen consistent performance. SKIPPY has gained share over the last few years. We're very excited with the innovation that we've seen. With – Tim has done a terrific job with the SKIPPY Squeeze with the added protein and most recently with the no-sugar added. Those are great innovation that reflect, again, where the consumer is going.

Very excited about Planters. We just completed the integration in a very professional and effective way. I'm very excited where the team is with all their brand building plans. With the innovation, I just saw some of the concepts that the team is developing, and very excited to see also our sales plan. We've seen a lot of execution already happening even though we've been with the business just for a few weeks. A lot of excitement in the marketplace with key retailers. And I can't tell you how excited I am with the merchandising programs and all the activity that is coming.

Mexican foods is a phenomenal category, is more popular than ever before. Mexican cuisine continues to gain popularity across America. And something that is really exciting is that the Generation Z is, in our research, is showing that they love spicy foods more than any other generation in America. And so when you project spicy foods and their flavors and the colors and the spice of the Mexican cuisine, that's great news for us.

Ryan Michaelis

President and Chief Executive Officer of MegaMex Foods, Hormel Foods Corp.

I'm Ryan Michaelis. I'm President and CEO MegaMex Foods, and I've been with Hormel going on 25 years. MegaMex is a company purely focused on reimagining Mexican flavor. So, it's a partnership between Hormel Foods and Herdez del Fuerte. We go to market every day with a primary focus of really inspiring consumers through Mexican flavors and authenticity. MegaMex is really starting to create its own identity in the Mexican food

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space in the US. I mean, you got to remember again, we've only been a company for the last 12 years. So, what started out as a small little joint venture agreement has quickly blossomed into what we think is going to be one of the most recognized Mexican food companies in the US. And frankly, that's our objective, and we really leverage that behind our primary focus day in and day out is Mexican food, the change in consumer demographics, and really the younger generations and how they use that. So, our aspirations are to be as quickly a billion-dollar organization at the same time to continue to be the most recognized and the most authoritative on the Mexican consumer and the Mexican cuisine as a category.

And I think we all understand that the demographics in the US continues to change. And top of that, we know where Mexican as a cuisine is positioned. But I think, most importantly, the piece of it is, is the younger generations obviously love to customize their options, right? They like to travel the world through food, and our ability to deliver that in an experience around some of our salsa and sauces really plays well into that. The younger generations also like to have spice, right? And so we're able to deliver on that promise as well, uniquely positioned across our broad portfolio.

I think as consumers try our products and primarily specifically the Herdez line of products, what you'll start to see is how the consumers are using them, and it's not in the traditional format of a salsa application with a chip. It's more about enhancing a flavoring experience, enhancing a cooking experience, or really leveraging some uniqueness of some prototypes of flavors that they are accustomed to or they're not accustomed to, but they obviously want the benefit of. And so it's an easy point of exploration for them.

We believe that we're strongly positioned as one of the only companies that has really three strong salsa brands, and those are the brands of Herdez, which is primarily a national brand for us is CHI-CHI'S, which is generally the East Coast; and then La Victoria, which happened to be one of the first jarred salsas in the US on the West Coast.

We're extremely proud of the work that's been done on the Herdez brand. And so if you really jump back five years ago, 70% of the consumers were really first or second-generation Mexican. But you fast forward to today's environment, the changing landscape in the US, 70% of the consumers are general market, right? So, now we know that the general population really has the aspiration to really achieve and reach Mexican authenticity, and we think Herdez is positioned extremely well. I think the proof points are really about the success. So, if you really go back over the last several years, Herdez has been or is one of the fastest growing brands within the salsa category. We've been successful in extending the brand reach into taqueria sauces and street taco sauces. Most recently, we've also started to launch a new hot sauce and avocado-inspired flavored hot sauce. And then you're starting to see the brand start to penetrate different avenues of the salsa category, which is more on the line of cremosas. And it touches on the point we talked about earlier, which is really about how that consumer is starting to change their habitual patterns of how they use our products. And so, those are more of a cooking ingredient, a summer sauce, those types of applications.

So, we're extremely proud of the Wholly brand. Let's first talk about the guacamole category. It has a 22 household penetration in the United States today around prepared guacamole as a category. We're the number one brand in that particular area with the Wholly guacamole products. But I think what's uniquely positioned about Wholly as a brand is that we know that today the household penetrations of avocado in the US is at 72% and it's at an all-time high. And we also know there's tremendous runway for growth of really adapting the consumer to the prepared guacamole as a substitute when they don't want to make it at home, but at the same time we know that consumers are using avocado more habitually every day, and we all know that dealing with avocados, you really never know what you're going to get until you cut inside. And we think Wholly is positioned really, really well to deliver on that convenience promise to the consumer. And that's really where a lot of our time and innovation is

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being spent, is really trying to solve those dynamics through either a pure smashed avocado product, a diced avocado product, a guacamole starter product, really leverage behind the Wholly brand.

If you ask us, where does MegaMex sit within both of our parent organizations, we kind of think of ourselves as the growth engine. And so, why do we think from that side of the business? It's a lot of the points that I've highlighted earlier today, but it's really primarily centered on the growth of the cuisine, the changing demographics in the US, and the customization and adaptability of the younger generations, whether it's spice or the ability to add different sauces. And we know that that's going to continue to grow, and we're extremely well-positioned. We obviously lead going to market with two what we think are flagship brands. So, the Wholly has always been the leader in the avocado space and prepared category. At the same time, we also know that the Herdez brand is positioned extremely well as the authentic brand in the US landscape. It's continued to perform well over the last several years. We've seen strong performance at every Mexican category or every Mexican flavor expansion, a category that we've kind of started to target with that brand, and so we're extremely bullish, right? And we think that as a company that's primarily centered on Mexican food, that's what we do day in and day out, we're extremely well-positioned for a runway of growth in retail.

Luis G. Marconi

Group Vice President-Grocery Products, Hormel Foods Corp.

Going forward, I'm very excited for the future of Grocery Products. We play in really relevant large, consumer-driven categories like simple meals, like Mexican foods, nut butters, and now snack nuts, and we play with really strong brands, brands that have very unique equities and brands that are winning. As a matter of fact, literally, almost all of our brands in the last two years are showing growth after the pandemic, so I'm very excited about it. And then we are supporting that growth not only because the trends – our brands are on trend, but we're supporting that growth with our actions. We're supporting by investing in our brands. We're supporting and sustaining that growth with innovation that is meaningful. We also are supporting and sustaining that growth with our key executional capabilities, our direct selling organization that has best-in-class capabilities like our revenue growth management, our e-commerce capabilities with our digital experience group, and our One Supply Chain.

Patrick J. Connor

Group Vice President & President-Consumer Products Sales, Hormel Foods Corp.

PJ Connor, I'm the President of Consumer Products Sales, and I've been with the company for 25 years. A few things that you need to know about our direct selling forces; number one, they're highly trained and experienced; number two, they're a competitive advantage for their organization; and three, they haven't been more excited to be selling our portfolio right now.

In regards to training, we are known in the industry to be a really strong developer of talent from a training perspective; in fact, Selling Power magazine has named us to their best companies to sell for, for a number of years, in large part because of our onboarding and training that we do. Training that's not just for our new employees, but all the way up to our most senior members, and very relevant training that's going on in today's market. Omni-channel selling, supply chain management, sustainability.

And then when I talk about experience, we bring a great mixture of tenured staff that bring consistency, stability and institutional knowledge to the team. And you mix in some really talented new employees that bring fresh ideas and new ways to think about the business. And when you combine those two together, you have a strong, diverse group that executes at a very high level.

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The second benefit that the organization has is the competitive advantage that the direct selling organization brings. They bring category expertise to 40 categories that we have a number one or number two share by bringing an insights-driven selling approach to the business where they create triple wins; a win for the consumer where their unmet needs are addressed, to our customers where their share goals are achieved, and then for Hormel where sales and profit expands.

And then the last one that I want to talk about is this team is really excited about the portfolio that we have to sell today. Our legacy business has never been more relevant to today's consumer. And you add in the fact that we continue to bring in meaningful incremental innovation from Herdez with taqueria sauces and hot sauces, SKIPPY with SKIPPY squeeze and protein, and then our Refrigerated portfolio with Hormel Pepperoni Cup N' Crisp. Then you add on the most exciting acquisition that we've had in the history of our company, a powerful brand, an iconic brand like Planters that we'll now be able to sell in the fast-growing snacking segment.

Many of the customers that Planters has business in today are greenfields for some of the rest of our portfolio that it can really be that anchor to bring those items into play, particularly in emerging and specialty channels. And it also really makes us a more relevant player and channels that although we play a big role in, this really elevates our game. Our dollar channel business grows almost two times. Our drug channel business triples in size. So, a lot of leverage that we're able to have, which leads to opportunities that we haven't been able to have before because we now have a seat at the table that we may not have had before at the size of our business.

The promotional environment has evolved during pandemic, and I believe will continue long term and that evolving is not purely just from the supply and demand dynamics that have changed, but also because where we interact with the consumer, where they have the purchase decision to make is evolving as well. And there's this blending now of traditional media and digital media and trade promotion. With that said, I can assure you that we're going to continue to invest in our brands to drive consumer trial and to drive consumer retention, and that our dollars will follow where those best returns are on that money.

When you have brands that are able to lead in price, which we need to do when we're the category leader or second in 40 categories, we have a responsibility to push those prices through. And when you're able to get the pricing through and see that not only that the brand performs well but the categories perform well, that's where everybody wins. And that's what we've been able to do during the pandemic is pass along these costs and the consumers following us. And at the same time, the private label brands are elevating their prices as well. And so you have this where the number one, number two shares and private label are winning and many of the others are being squeezed out. 2019, our e-commerce business is what I would call on our toddler stage. And as I've often said, the pandemic or COVID nothing but create steroid shots in a number of ways. And certainly that was the case with e-commerce. It's growing at a rapid pace and evolving very quickly.

Leslie Lee

Vice President-Digital Experience, Hormel Foods Corp.

I'm Leslie Lee. I'm the Vice President of our Digital Experience Group, which is focused on e-commerce, and I've been with Hormel for five years. So the DEG started five years ago. We'd started with five people, and our focus was on digital across our enterprise. We had a focus in digital marketing, a focus in e-commerce, and a focus in our product systems. Since then, we've grown our business, our focus, our digital group to over 25 people, and that focus is really centered around e-commerce and growing our e-commerce business. Some of the investments that we made early on have been in our product capability, our technology, in order to compete in e-commerce. And so the investments that we made three or four years ago really set us up to be able to be strong competitors now as e-commerce is taking off in the grocery industry.

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Our analytics has come a long way in a short period of time, so we've invested early on in getting product data and to understand the data, our sales data from an e-commerce standpoint. And we've built data lakes and business models to help us analyze our sales data and e-commerce. And so today we are in a really solid place of being able to know what our sales look like, where they're coming from, what our share growth look like in e-commerce.

But what we've also done is started to understand our shopping behavior and understanding how shoppers shop online versus in-store. What are the differences? What are the similarities and then we look to take those insights to be able to then determine where we're going to focus and invest moving forward. And that's one of the keys in e-commerce is being flexible and nimble, being able to understand where the trends are going, how consumers are behaving and being able to invest behind that. E-commerce sales around $500 million, and that represents about 10% of our business that is going through e-commerce.

And then from a share standpoint, from the categories we measure, we measure about 10 categories. We're growing share in about 8 of the 10 categories moving forward. And so those are the areas that I really focus on. And then going deeper into our brands and the brands that were growing share on, many of our top 10 brands are growing share across the portfolio.

Moving forward, to really grow our e-commerce business over the next couple of years, we have three strategies that we've put in place. One is around leveraging the power of our brands, really delivering integrated planning with our brands from awareness to purchase and making sure that our e-commerce business is a strategy within our brands plans going forward.

The second area is really around our consumer and thinking about our omni-channel approach to driving our online sales. We're going to take an approach that allows for us to understand how our consumers approach our businesses, our products, and make sure that we have the investments that are put in place to deliver against converting them online specifically.

The third area that we're going to really focus on is around building our relationships with our customers. We want to win with our customers and really drive our Click & Collect and delivery aspects of e-commerce. One of the things that makes me most excited and confident about our e-commerce business moving forward are the strong brands that we have as a company and really having our strong brands help us separate from all the digitally native brands or smaller brands that may be playing in the e-commerce space. And the thing that makes that important is because we can leverage our investments, not only the investments that we have to grow our brands nationally, but we can leverage those investments to then drive the conversion digitally from an e-commerce standpoint.

So we've grown during the pandemic, which every company has. However, we've put the investments in place to be able to leverage that growth and have that stickiness moving forward. And so I'm really confident about our team's ability to truly continue the momentum as things shift, whether you go back in-store or online, where we do have the right team in place to build that momentum and keep that moving forward.

Swen Neufeldt

Group Vice President-Hormel Foods International, Hormel Foods Corp.

My name is Swen Neufeldt. I'm the President of our International Division, Group Vice President of the company, and I have been with Hormel for 25 years. It's increasingly critical. International today still represents a relatively modest part of Hormel Foods revenue, a little bit because of our structure, where we have some royalty agreements and partnerships that don't necessarily come to the revenue line. But the important thing is that it's

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increasingly a critical part of the organization, our ability to grow at rates that exceed our domestic business, our demonstrated ability are really important and we see a lot more of that coming in the future. Obviously, we've had six quarters of record year-on-year growth.

I think it really comes down to three critical things. The first is strong brands, SPAM, SKIPPY. We've been able to grow those brands and we've been able to grow them at an aggressive rate. The second element is a winning formula. When you look at what we've been able to achieve in China, it's not an accident. Now that business has had achieved a really good scale and has been able to grow based on identifying key channels for growth, building strong brands, and really delivering against a balanced model. And the last one is capacity for growth.

We invested in Jiaxing to more than double our capacity to grow in China. We've invested in our operations in Brazil. We're building in Asia-Pacific Research and Development Center in China today. So the organization has really invested not only for today's growth in the last six quarters, but for a lot of quarters into the future.

So on a revenue basis, exports still represent about 55% of our business, a lot of that is SPAM, SKIPPY, certainly. And then foodservice does represent a good part of that as well. About 40% of our business is now the multinational. Historically, that's been growing very quickly. Again, China, that's Brazil. We see that as being a critical part of our growth algorithm, certainly going forward, and especially now that China again is really achieving scale. So it's able to move the needle on the total divisional business.

And then the third part, about 5% is those partnerships, royalty agreements that might be with CJ Corporation, equity in earnings through our Purefoods-Hormel joint venture, and then a royalty agreement with Danish Crown primarily focused on the United Kingdom. We see growth opportunity across all three segments. Certainly, China has a great winning formula. They're incredibly successful in foodservice, they have the balance of the retail channel, great innovation across both of those.

Norman Gu

General Manager-Hormel Foods China, Hormel Foods Corp.

My name is Norman Gu, General Manager at Hormel Foods China, with the company for 18 years. Hormel Foods in China, we have a full infrastructure, from sales, marketing, R&D, supply chain, all the way through the productions. China headquarter located in the Shanghai cities and we also have a sales office in Beijing and Guangzhou. Currently, we have three production site in China: one in Beijing for processed meat; another one in Weifang, Shandong Province for the SKIPPY peanut butters; we have the newest facility in Jiaxing. And also recently we started building a new innovation center for China and also for APAC. This new facility were up and running middle of next year.

We are building very strong balance model in China. Our strategy is multiple brand plus multiple categories. Under those powerful brands, we are focused on four major categories: refrigerated meat, that's the first one, is our biggest portion of the business today; second, grocery, which is SPAM Hormel luncheon meat; snack categories; and condiments. This leadership team average services year with the company is 14 years. This team is energy, passion, experienced, agile, so I believe though under this team leadership, our business in China, where we continue to grow.

Yeah. Our retail business in China grows significantly due to the mix shift from the foodservice to retail during the initial stage of the pandemic. We were able to grow our retail business due to a strategic investment earlier prior to the pandemic like a span. We also had a very strategic merger acquisition for SKIPPY more than five years ago. That product and brand really help our growth business in China, and again, the newly launched meat snack,

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Beef Jerky, that's doing a fabulous job with this year we tripled the business compared to the last year, just for beef jerkies.

As foodservice industries has recovered in China, we are not only benefit from this loss. We also identified new growth opportunities like a bakery channel, like a food manufacturing channel. We are keeping opting the new customer and the new business. Today, China's size, around $240 million net sales, 60% from our foodservice business, 40% is from retail. We're expecting a double-digit growth year-on-year as driven by retail SPAM, SKIPPY snack categories, and we will continue adding more distributions with more marketing investment to drive the brand awareness and the penetration. So we'll never be in a better position than we are today. The business is emerging stronger off the pandemic.

We will see a strong balance business come from a retail and the foodservice. The business is benefiting from three truly global brands: Hormel, SPAM, and SKIPPY. Therefore many years we are not able to sell our market spend in China due to the rugged terrain issues and the ability to in-country productions. But with adding more capacity in China, we believe we found our next growth market, SPAM, resonating in Chinese market. It's a high quality, different variety of flavors and convenience.

SKIPPY is another important brand. We remain a number one brand in Asia, whereas peanut butter is being using domestically as a spread. But in China, most of consumers use it as a condiment or ingredients during their cooking. We also have a very strong presence in foodservice channels. We are leveraging a strong brand equity to try to expand as a category like a snack category.

Two months ago we launched SKIPPY Funky Nut. We bring the SKIPPY out of the jar entered the snack category. That will continue to help us to grow SKIPPY brand in China. Innovation is the key to the success. Besides, we will continue to push our beef jerky business. We also plan to launch SPAM Single in next year that will allow more consumer to try to SPAM. I personally strong believe the Funky Nut will be another growth engine in snack category. E-commerce is another important channel in China markets. It's definitely one of the important our growth pillar to our business. I believe clear strategy and a strong innovation capabilities and great team, those are very powerful elements to support our business to continue to grow in the future.

Swen Neufeldt

Group Vice President-Hormel Foods International, Hormel Foods Corp.

And certainly in Brazil, that's where we're really focusing on leveraging the winning model that we've developed in China. And that team is again finding ways to grow their retail business geographically. Building a foodservice business and really looking at their portfolio to push into more premium segments and further diversify. So Brazil, not only have we learned a lot, but we're really on a great path. When you look at our exports, again it goes back to those strong brands of SPAM and SKIPPY that we've demonstrated time and time and again are relevant. We're building a significant presence in the United Kingdom, the Rest of Europe with the SKIPPY brand.

Building through our partnership with San Miguel Corporation, our joint venture, Purefoods-Hormel. They're the distributor of the SKIPPY brand and the SPAM brand in the Philippines. So, having that sales force, that marketing horsepower, and that local insight knowledge allows us to build there. And then, of course, Indonesia, small joint venture and it's early years, but a fantastic partner and we really see a great trajectory for that.

And then finally our partnerships. C.J. Corp is consistently able to grow the brand, the SPAM brand in Korea every single year. So, just extraordinary growth, great consumer relevance, great runway, great innovation. And again our partnership, our Purefoods-Hormel partnership, their processed meat side of the business, really leading shares in chilled, refrigerated meats categories, canned meats categories, and investment. We actually

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are just going to be opening a new cannery there that's really going to be even more of a catalyst for growth going forward.

Spam is a global calling card. I mean it truly is an iconic global brand. When you go to a market like Korea and you talk to people about SPAM, it puts a smile on their face. It just has an iconic role. It's an aspirational brand. It represents quality, modernity, relevance.

SKIPPY, great acquisition, came with a production facility in China, really brought a brand new channel. And so, certainly, had a good retail presence, but also had a very significant foodservice presence in China and was primarily used in traditional Chinese restaurants, where our portfolio had historically played much more in Western style: Western style restaurants, Western style QSR. So really opened up the more traditional Chinese channel for us. We certainly see a top line growth algorithm that's comfortably two times our domestic organic growth.

We think that's a great starting place. We've been able to deliver great bottom line growth as well. We're consistently focusing on a more premium mix when we think about our exports, really focusing on those branded products, and they're becoming a much bigger part of our portfolio versus some of the commodity pork that might have been a key driver some years ago.

I think when you look at our portfolio, when you look at our geographic footprint, emerging markets, China, Brazil, Indonesia, a middle class that's growing faster than anywhere else in the world, and a really relevant portfolio for those consumers in channels where they're looking for, either away from home, in home. And I think we've got a really great formula for a consistent top line and bottom line growth that exceeds what we're able to achieve domestically in the US.

Steven J. Lykken

Group Vice President & President, Jennie-O Turkey Store, Inc., Hormel Foods Corp.

I'm Steve Lykken, Group Vice President, President of Jennie-O Turkey Store, and I've been with the company for 29 years. I mean, we really refer to the lean ground business as the crown jewel of the organization. It's been something that's provided us tremendous growth over time. We're seeing awesome two-year stack data. We're seeing our total points of distribution grow even as we've gone through the pandemic, and we still have such an awesome runway relative to household penetration. There's so much more that consumers don't know about ground turkey, not to mention the vibrant brand that we've built over time. And, again, we're still less than 10% household penetration. And I think really these opportunities have provided us a whole new audience when people have been more inclined to eat at home, be a little bit more adventurous, and try to reintroduce some other proteins instead of the standard fare into their recipes.

Within the category, we've been the largest investor in building the brand. And we see that day in and day out when consumers really ask for and demand the Jennie-O brand across the country. In California, it's the number one item in the meat case, which a lot of people aren't aware of. And so, it has that opportunity to continue to grow. And so, it really is about building that confidence and building that familiarity with Turkey, getting over a little bit of that fear that it may not taste exactly the same way if I'm feeding my family. Does my casserole really taste exactly the way? So that's really the connection points we're trying to make with consumers throughout advertising.

So the brand is actually very responsive to advertising, both traditional advertisings and television, but also in the digital front. We have done a lot more curated campaigns, whether that for be on-demand digital or Click & Collect programs with major retailers.

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The Make The Switch campaign really catapulted the brand, I think, into the consumers' mindset in a lot of different ways. I think it allowed them to see turkey in a different light, turkey as an alternative for ground beef and tacos, turkey as an alternative for ground beef and other basic recipes, spaghetti, et cetera.

And so, not just the burger, but all kinds of other alternatives to bring a lean protein into those recipes, those standard recipes. And I think it's been wonderful too as we've accelerated our K-12 program, which is our kindergarten through 12 school lunch program where we've got all kinds of wonderful lunch options in major, major school districts, Los Angeles, Dallas, et cetera. So it's been a wonderful entry point, I think, for young people as we continue to build the brand.

One of the largest flagship events we had this year was the Macy's Thanksgiving Day Parade. If you can believe it or not, we're the first turkey sponsor of the Thanksgiving Day Parade. And so, that was a wonderful landmark event for us. So we're really looking forward to 2022. We've got a couple of significant initiatives that are under way. One is from a packaging refresh standpoint. As we research with customers, we found all kinds of different ways to inspire them differently on the front and the back of the package. So you'll see a fresh new look in the store, which I'm really excited about.

And then it's time for us to refresh our creative. Make The Switch has been a phenomenal sort of underpinning and launch point for the business over the last decade or so. But now it's for us to move away a little bit from the practical, more to the inspirational. And so, that's sort of where the messaging is going to be. I don't want to give you too much behind that. But we don't have to apologize for being turkey. It isn't so much of what consumers normally think as turkey sandwich only. There's so much more inspiration to be had from within the brand, and I think that's the tonality of the campaign that you're going to see.

I think, like everyone, I'm excited for us to get back to business together with all of our really important customers so we can satisfy our consumers. The ramp-up has yet to really even begin. And so, that's what I'm most excited about. We want to be a part of that excitement, that energy that's going to take place when life gets back to normal.

James N. Sheehan

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

At our Investor Day in 2019, we outlined several financial initiatives, and we've made excellent progress on those initiatives. We committed to make strategic investments in our business and our brands. Since 2019, we've invested $650 million in our facilities and $250 million in advertising for our brands.

We said we'd increase the dividend. Since 2019, we've increased the dividend almost 17%. We explained how we would transform the company with the implementation of Project Orion to make a generational leap in technology. This investment is providing better visibility into our business and process efficiencies. We've made great progress on many fronts, and we expect that progress to continue.

And finally, we had said for some time that we wanted to use our strong balance sheet to make a sizable and strategic acquisition while staying investment-grade. We accomplished this with the acquisition of Planters. We also added the Sadler's brand.

Throughout the Planters acquisition and resulting debt issuance, we took a thoughtful approach to our debt structure. As a result, we were able to attain incredibly low interest rates and a maturity profile that matches the short-term and long-term commitments to our shareholders and our bondholders.

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This chart from a third-party bank shows how attractive our debt structure is compared to our peers. Our weighted average cost of debt is 1.6%, the lowest of our peer group, and our weighted average maturity is 10.4 years. We move into the future with a more efficient capital structure and continued financial strength to invest in our business. A hallmark of Hormel Foods is our ability to generate consistent and stable cash flows.

An element of this success is our balanced business model. The balance we have across channels, categories and raw materials allow us to weather major shocks to any one business. An excellent and timely example of our balanced model is the impact of the pandemic on our results.

Through 2020, the initial view of our top line performance would show a very stable year with growth of 1%. Our balanced model proved to be sound, given the unprecedented dynamics of the pandemic. Our intentional focus on balance between channels provided stability.

Foodservice went through multiple quarters of double digit sales declines, but our retail category increased double digits quarter-after-quarter. This, ultimately, led to the sales growth. Through all of this, 2020 represented a record year of sales. This momentum has carried into 2021, with the business generating three consecutive record quarters, including the third quarter, which had the largest quarterly sales in the company's history.

We expect the fourth quarter to be another record quarter. The balance that we have in our sales channel is just one example of the balance that we have built across the company. This is one of the keys to the stability of our cash flows.

Since 2019, operating cash flow is approximately $1.7 billion and puts us in an excellent position to execute our capital allocation strategy and deliver superior shareholder returns.

Our waterfall approach to capital allocation is broken into three categories: required, strategic, and opportunistic uses of cash. Our required uses of cash starts with the CapEx to maintain our facilities. Historically, maintenance CapEx has run at approximately $100 million. In the future, including Planters, we expect that run rate to increase to about $125 million.

Another required use of cash is the mandatory debt repayments. We have no mandatory debt repayments until June of 2024. Other key required uses of cash include increases to our dividend and pension obligations. Currently, our pension plans are fully funded and require no mandatory contributions. As such, dividend growth remains an important component of our capital allocation strategy as demonstrated by Hormel's recognition as a Dividend Aristocrat.

We have paid 93 consecutive years of dividends. And we have increased dividends for 55 consecutive years. After we have fulfilled these required needs of the business we move to the strategic uses of cash. This includes CapEx for growth initiatives such as capacity expansion and efficiency projects. In the last two years we've made sizeable investments into categories such as pizza toppings, pepperoni, plant-based products, charcuterie, and our most recent announcement of a new SPAM line. Looking forward, we expect to continue making CapEx investments to grow our capacity in key categories.

Finally, acquisitions fall under strategic uses of cash. As Jim mentioned, we are ready for our next strategic acquisition. It may not be as large as Planters, but we feel we have the capacity for another acquisition especially in the international and foodservice channels.

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Once we satisfied our needs for required and strategic uses of cash, we next consider opportunistic uses of cash, such as incremental debt repayment and share repurchase. Although mandatory debt repayment does not occur until 2024, our strong cash flow is expected to provide adequate cash to utilize the call provisions in our three-year notes to make incremental payments on debts as soon as the second half of 2022. We expect to deleverage the 1.5 to 2 times EBITDA by 2023. Until we deleverage, share repurchases will be a lower priority.

Now let me update you on how our focus on technology has transformed our business. A key initiative in this transformation has been Project Orion. As an Oracle executive said to me, Project Orion was a bold move and that bold move has paid off. Oracle allowed us to make a generational leap in technology and as a platform that we can build on for years to come. We are pleased with the success across the business and we will see additional benefits coming in the supply chain. We also benefited from our investment in robotic process automation and analytics. These are areas of great focus as we transform the way we work and the way we utilize data.

We have multiple RPA projects completed and many more under way in virtually all areas of the business. These projects have already saved our staff thousands of hours and we are expanding RPA to provide additional savings and greater efficiencies in all aspects of our business processes.

This is another example of how Hormel utilizes a strategic cost management to improve our cost matrix. We have also made great advancements in analytics throughout the company, resulting in a culture of data-driven decisions. Initiatives like revenue growth management have been around for a few years and we have built a deep competency in modeling promotional activity. We are also extending this competency to other areas of the business like our Foodservice and convenience store business. This is just one example of how we have implemented analytics into our business.

Let me close with these key messages. We have made great progress transforming this company since we last met in 2019 and we are committed to continue that progress into the future. Our disciplined approach to capital allocation has not changed and we remain focused on delivering long-term sustainable growth.

Nathan P. Annis

Director-Investor Relations, Hormel Foods Corp.

Welcome back. That ends the presentation portion of our virtual investor update. I'm Nathan Annis, Director of Investor Relations, and I'm pleased to be joined by Jim Snee, Jeff Frank, Jim Sheehan, Deanna Brady, and Mark Coffey. I hope you enjoyed the last two hours and trust that you came away with clarity about how we will generate long-term sustainable earnings growth in the future.

We will now turn to your questions for the next 30 minutes. We received a lot of questions during the presentation from both sell-side analysts and long-term investors. For those of you who didn't send an email, you can call in and ask your question via the phone. I will moderate between both email questions and the phone line.

In order to get as many questions as possible, all questions taken over the phone will be limited to a single question with no follow-ups. The instructions for how to ask a question either by email or phone are listed on Hormelfoods.com under the Investors section and in the press release we issued this morning. Let's get started.

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QUESTION AND ANSWER SECTION

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Our first question comes from an investor. Jim, can you give us some confidence around the achievability of your growth algorithm given you've had multiple years of difficult operating environment?

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

A

Well, thanks, Nathan. Well, that didn't take long. And first off, thanks to all of you for joining us today.

Now, what you've heard here this morning was from a management team who has a clear line of sight on their ability to deliver growth over the long-term; clearly defined strategies, platforms that are advantaged for our organization, a willingness to make investments in our brands, in our capacity, and a team that knows how to execute.

So as we think about the business over the long-term, we are very confident in our ability to deliver those long-term growth goals. As a reminder, those are organic growth targets. Those are the same growth targets that we talked about in our Investor Day in 2019. They're clear and they're achievable.

And then the last thing I just want to remind everybody and I mentioned this in my prepared remarks is the fact that we do expect some near-term outsized growth as a result of the Planters acquisition, the pricing actions that we've taken and, of course, the added capacity that's coming online.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Great. Our next question is on the balance sheet. Can you talk about your plans for deleveraging the balance sheet? How aggressive do you want to be? And I might think of characterizing the business as being underlevered over the last several years. What do you think the appropriate level of the balance sheet leverage for this business is?

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

A

Yeah. Before I turn it to Jim, I do have a couple of thoughts and we've been very clear, very disciplined in the conversations that we've had where we've described over the last number of years just how powerful we knew our balance sheet was and is.

We also talked about our willingness to put our balance sheet to work when we found the right opportunity. And this year, we found that opportunity and we've demonstrated our commitment to utilize the balance sheet. With the acquisition of Planters, the largest acquisition that we've ever made, we're able to put that balance sheet to work, again, in a very disciplined and strategic manner. I'll let Jim talk about some of the more tactical areas of the balance sheet.

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

A

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One of the primary goals of our capital is to utilize it to grow the business along with the dividends. We have invested in the business. We have a strong cash flow and that strong cash flow allows us to continue to invest in internal investments such as facilities and growth in the facilities and automation.

We're able to take that cash flow and if we find that right acquisition to take that same disciplined approach in the acquisition, especially in the foodservice in the international area. So we're not backing away from acquisitions. At this time, it would probably be a bolt-on acquisition, but our disciplined approach to acquisitions allows us to provide a strong cash flow from those acquisitions almost from day one. So we're committed to investing in the business and we think acquisitions is a tool that we need to continue to use.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.
A

Operator, we'll now take our next question over the phone.

[Technical Difficulty] (02:06:46-02:07:22)

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.
A

All right. It looks like we're having some technical difficulties. I will ask the next question via email. Our next question was asked by multiple individuals. Raw material costs are up, broader input costs are up, and given the strong brands you've had and you've been able to take price. If we see deflation on the other side of this, how should we be thinking about your ability to keep the higher pricing you put in place?

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

Yeah. So I'll go ahead and start on that one, Nathan, and then let Deanna add some color since she's had the opportunity to really live it this year.

But I want to start by saying our team has just done an amazing job, a great job, really evaluating all of the dynamics that are happening in the marketplace. And as we think about the inflationary environment that we're in, now whether it was raw materials, packaging, freight and warehousing, labor, I mean you name it, we saw inflation. And so the team did a great job not only evaluating but demonstrating a sense of urgency and a willingness to take pricing just as soon as possible. And so we're really proud of what we've been able to accomplish but I'll let Deanna maybe share some of the examples of what's happening in the marketplace and then what we expect on the other side.

Deanna T. Brady
Executive Vice President-Refrigerated Foods, Hormel Foods Corp.
A

When we take price, we're taking price for multiple reasons and so if any one input starts to fall, that's not going to give us reason to think that it's time to drop our price. When we're taking pricing, we're taking it for the long haul so that we can invest in our brands, both through advertising, media, additional acceleration, and e-commerce, as well as innovation. And so those will be the first things that we continue to think about and augment as we see any deflation in the categories or – and across the businesses.

The other thing we'll be watching is our brands will tell us if we're priced right. Our consumers will tell us if we're priced right. Our competitors will tell us if we're priced right and those will be all – the three things that we'll be watching as we move forward.

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

A

And I think just to add to that, I mean let's not lose sight of the fact that we've done a great job in a number of different inflationary environments, being able to expand the margins on the other side. And so we do expect to come out of this in a much stronger position, just like we've done in the past.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

We'll take our next question also through email and we've had multiple questions on labor. Have you seen any improvements in labor availability with an improving COVID backdrop and the expiration of the enhanced federal unemployment benefits recently? Also, are we seeing any improvements in employee retention?

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

A

Yeah. Well, I'll go ahead and kick it off because I do think this supply chain environment that we're in is obviously one of the most complex environments that I've seen in my 30-plus years with the company.

But if you think back to three-plus years ago, we took a very, very important step with the creation of our One Supply Chain. It was our opportunity to bring together all of our supply chains so that we were operating with one voice. And I've said this many times is I can't imagine us navigating through the pandemic as well as we did if we had not made that move three-plus years ago to create One Supply Chain. Of course, leading supply chain now is Mark Coffey, who gets to live all of these complex issues so I'll let Mark maybe add some more specifics on labor and some of the other great things that they're doing.

Mark A. Coffey
Group Vice President-Supply Chain, Hormel Foods Corp.

A

Great. Thanks, Jim. No doubt about it. The number one issue impacting supply chain today is a tight labor supply and specifically availability of labor in our manufacturing plants. This issue has created disruption both upstream and downstream across our supply chain but it's not unique to Hormel. The nation's supply chain is stressed from this issue with virtually every sector of our economy feeling the impact of a tight labor supply.

But most importantly, what are we doing about it? So we have a four-pronged approach at Hormel Foods and it's, number one, we have to continue to hire. Number two, we have to retain those team members we hire. Number three, we have to simplify and, four, we have to automate. So let's talk about each one of those briefly.

Hire. In every geographic region, we have a plant location. We have to have competitive wages and benefits, and we define competitive as the ability to attract and maintain a skilled workforce. So we are making wage increases and improving our benefits so that our HR professionals at those locations can get the needed people we need into our facilities.

Number two, we have to retain. It doesn't do us any good if we hire more team members but we turn them over. The way we retain is leveraging our uncommon culture and making sure that every new employee feels like they're included in Hormel Foods and they belong on our team.

Three, we have to continue to simplify. Throughout the pandemic, we've looked for opportunities to take complexity out of our manufacturing plants by simplifying our offering. We've continued to do that throughout the pandemic and we will into the future.

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And finally, we have to automate. We have always included automation in our annual capital planning process. With the uncertainty of labor and this tight labor supply, we are ramping up our investments in automation.

I think the other way that we help solve for the tight labor supply is during this – the complexity and the unknowns is we have to lean in and leverage our broad network of coal manufacturers. In this environment, having more labor pools, more redundancy is a benefit to us.

Now, back to your original question, are we seeing any improvement as a result of the ending of the federal unemployment business and I'll just say cautiously optimistic. We are seeing – dependent upon geographic regions, some improvement in outlook and flow but cautiously optimistic is the way I'd describe that.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.
A

Great. The next question is also through email. Now, that you've owned Planters for a while, are there any new learnings that you have about future opportunities? Are you more or less optimistic about the ability to grow the business and what level of investment do you think is required to drive that growth?

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

Yeah. I'll go ahead and start and I'll let Jeff share some of the more specific plans to some of the things that we've done.

I think it's important that we go back to the whole valuation and acquisition thesis that we had for Planters. First, we started with the fact that we knew it was an iconic brand that fits so incredibly well in our portfolio and a brand, an iconic brand that we know how to manage. And then thinking about it and the opportunities about how we knew it fits so well into what we wanted to do with our snacking portfolio.

And then the third thing is that we knew it's more than just peanuts in a jar. If you go back again to the SKIPPY acquisition, how do you take peanut butter out of the jar? How do you make Planters more than just peanuts in a jar? So all of those things came into play as we made this acquisition. And then as we thought about the investments that would be necessary, investments to support the brand, investments to support innovation.

So far, we haven't seen anything that's outside what we expected in the valuation model. So we'll continue to be able to make the necessary investments to drive this business forward and, of course, we've had Jeff Frank leading the charge, leading the initiative to make sure the integration was on track and then we're driving this forward. So, Jeff?

Jeff Frank
Vice President-Grocery Products, Hormel Foods Corp.
A

Yeah. Thanks, Jim. In regard to learnings specifically, I'll break my answer into two pieces. I think that ultimately, there's the piece that has to do with the integration itself, and there are always learnings when you go through an integration, especially one with this degree of scale and scope. And ultimately, it went very smoothly and I think that's really a testament to our team's experience in doing integrations and I also think it's a testament to the team that we onboarded from the previous owner of the business. They brought a great history and historical knowledge of the business with them.

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I think the other area where we've seen some great learning has been in our ability to really scale-up our snacking platform as an organization. This acquisition clearly brought scale and unity to our already strong snacking brands like Columbus, like Herdez, like Hormel Gatherings, Wholly Guacamole. And so ultimately, what the Planters acquisition did is it unlocked the ability to have some larger conversations early in the process with customers to really talk about how we can unify all of those disparate pieces of our portfolio today into one cohesive snacking strategy moving forward. And so as we look at that now and build that strategy into the future, there's a lot of reason for optimism.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Great. Operator, we'll take our next question over the phone.

[Technical Difficulties] (02:16:17-02:16:34)

All right. It looks like we're continuing to have technical difficulties over the phone so we'll go back to email. Jim, a question on International. How big do you think International can get over the next five to seven years?

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

A

Yeah. Well, I mean you heard from Swen Neufeldt the vision that he has for the growth of International. And everything that Swen talked about really is this continued evolution of our vision to become a more global organization. The work that the team is doing in China to continue to build-out that platform, the learnings that we're gaining in Brazil, some of the joint venture opportunities, I mean it all really adds up to an accelerated growth platform for the organization. And it's also a platform that we've demonstrated our willingness to lean into.

So I think the numbers, the growth algorithm that you saw or heard from Swen earlier is very well-aligned and what we need to support the overall growth algorithm of the company. And based on their recent track record of success, I have absolutely no doubt that they're going to be able to deliver what they've said they can deliver.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Great. We're going to go back to email questions. Jim Sheehan, you gave some good commentary on capital allocation. You've done a great job growing the dividend in the past. How should we think about dividend growth going forward?

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

A

Dividend growth is a certainty. There is no doubt that dividends will continue to increase. As you understand our ownership structure, that's just a fact.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Great. Our next question is on Jennie-O. Would you please comment on expectations for the Jennie-O segment? Have you regained distribution on both the retail and foodservice channels and what's your outlook for that business?

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

A

Yeah. The first thing to remember is Jennie-O is an incredibly strong brand like so many of the other brands that you heard about today. And also, it's important to know that it's an incredibly important part of our organization, not just for Jennie-O, but turkey is a very important protein component to so many other parts of our business. It feeds into our Retail business with Natural Choice. It feeds into our Foodservice business with BREAD READY Sliced Meats and so it has a far-reaching impact on the company.

Now, when we think about Jennie-O specifically, we have been able to gain distribution. We have been able to make some really nice progress with our lean ground turkey business. And so for us, we want to continue to accelerate that growth and we know that we can because we have a strong brand and we've got a great product line that resonates with consumers.

In terms of the Foodservice business, as we've seen Foodservice rebound, particularly in the K-12 segment for Jennie-O where they're very, very strong, we have seen that business bounce back in a very, very strong way. And so as we look to the future, we know that the brand is strong. We know that the business is healthy and really what we're focused on is making sure that we have the most efficient supply chain possible to support that business going into the future.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Great. Our next question is emailed from Michael Lavery on plant-based protein. You mentioned your plant-based initiatives a few times today. Can you elaborate on your top priorities there and how your partnership with The Better Meat Company fits in?

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

A

Sure. I'll go ahead and kick it off and then throw it to Deanna to add some additional color. We've been at plant-based for several years now, so again, this isn't something that we're announcing that's brand-new today.

We've seen this trend evolve. We've known that it's a part of our portfolio that we needed to build out and so the team has been hard at work with Happy Little Plants. And we initially introduced a product line in retail. It was a great opportunity for us to learn about the production side of the business to learn more about what the consumers' looking for and that led us to really focus our short-term efforts in the foodservice space. And so I know Deanna will be able to add some color there.

But in terms of the joint development agreement that we recently announced, it's important for us to also keep our eyes and ears open in terms of what is happening in this space, the new technologies that are developing so that we can be on the leading edge, the cutting edge as these new technologies not just come into play but as they scale. The scale element is a really, really big part of the equation that we bring to this joint development agreement. So again, it's understanding where the consumer is going, the choices that they're going to want to make in the future, and then for us, making sure that we align it internally with the best possible way to be successful and we believe that we've done that.

Deanna T. Brady
Executive Vice President-Refrigerated Foods, Hormel Foods Corp.

A

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Thanks, Jim. As Mark Ourada and I both mentioned earlier in the presentations, we're really thinking about plant-based and where we have the right to win just based on our core competencies and our ability to execute.

So as we reference the area, pizza toppings is going to be the area we're going to lean into. It's a core competency for us. We've got our organization as well as the relationships with the operators who are very successful. And so we're partnering with a lot of customers right now with plant-based pepperoni, plant-based pizza toppings, meatballs, and the team has a well-thought-out innovation pipeline that will also align with other core areas of competency for the Foodservice division.

So Foodservice first would be where we're leaning, but as we're doing that, we have a parallel track to be thinking about. Then what does plant-based look like, especially in pepperoni in those same items in retail. So we're working on that strategy at the same time as we win first in foodservice.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.
A

Great. Our next question is on the supply chain for Mark. Mark, can you give us a sense of the types of supply chain complexities and disruptions that you're seeing currently?

Mark A. Coffey
Group Vice President-Supply Chain, Hormel Foods Corp.
A

Wow. Where do I start with that question? Maybe I'll start by just talking about where we've been.

So if we go back to the early days of the pandemic, literally overnight we saw consumer behavior shift. Our Retail business took off and our Foodservice business declined as these consumer behaviors changed. But throughout the supply chain, we had the opportunity to pivot in those early days. We could pivot assets. We could pivot human capital labor to support the Retail business while the foodservice was down.

Then if you fast-forward to earlier this summer as our states' economy and the economies reopened, those pivots went away. Throughout the supply chain, we no longer could pivot assets or pivot people and that exposed this issue of a tight labor supply as people left the job market throughout the pandemic. So just, again, it's a domino effect and it's exposed how interdependent our supply chain is from one supplier to the next supplier to finally to Hormel and then downstream.

So I'll just give you give you one example. Our Gatherings line of party trays, we produce the meat component but we have two other components. We have crackers. We have cheese. We have a tray. We have a lid and label. But virtually, as our business has picked up and our fall cyclical demand increased, we started to see impacts from all of our suppliers. First, our crackers supplier was struggling with labor and couldn't get our crackers in on time, then our cheese supplier, then our tray and lid supplier.

So what were we doing about all that? So the first thing we did is to the best of our ability, we've got POs in front of our suppliers and we leaned into them to get those supplies into our control so we had more opportunity to pivot from product to product.

I think the last thing I could say that we've been taught about the complexity in our supply chain is just how important these long-term partnerships and relationships are with our vendor-supplier partners. At Hormel Foods, it's not just about price. It's about the best combination of quality, service, and price. And many of our vendor partners have been partners of ours for decades and in times of complex operating environment like this in

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difficult times, you learn quickly who your good partners are and you lean into them and that's exactly what we've done. And then lastly, I'd just say just incredibly proud of how our team has managed this complex environment.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Great. Our next question comes from Adam Samuelson. Can you give us a sense of growth targets for each segment?

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

A

Yeah. Well, Adam, thanks for the question. I mean as you know, we haven't provided specific targets for any of our segments. But I think what is important as you heard from all of the presentations today, I mean there is a clear strategy, a clear path for growth in all of our businesses. And you're going to see meaningful improvement between pricing, between mix, between savings opportunities. I mean that is what this team is focused on and I think the presentations, the content today really relayed that message that the opportunities that are in front of us are real and our job now is to execute on them.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Great. Our next question is on e-commerce. We got this question multiple times. Can you tell us how you're thinking about e-commerce growth over the next few years? Is that going to be a key contributor to growth or do you think we have seen the big jump during the pandemic and now it is more stable growth going forward?

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

A

Yeah. Why don't I go ahead and kick that one off, Nathan, and then I'll let maybe again Deanna share some of the real-life examples that they're seeing. I think it's important to go back three-plus years and the investments that we made in the e-commerce channel were so critically important to set us up for success for what we've experienced over the last 18 months to two years.

We really didn't have an e-commerce play. We didn't have an e-commerce structure. So to make sure that we were able to set up all of the IT infrastructure and then to make sure that we had the human capital resources to drive the business, as you heard from Leslie Lee earlier, really, really important investments that we made at just the right time to secure our future.

Deanna?

Deanna T. Brady
Executive Vice President-Refrigerated Foods, Hormel Foods Corp.

A

We continued to see our e-commerce business accelerate throughout this past year, and we only see that continuing into the future based on the infrastructure and the group that we established but also the playbook that was developed. In that same playbook, we utilized in retail across our meat products' Refrigerated businesses, our Deli businesses, and at Applegate. And we've continued to add more people and more resources to leverage the playbook because we believe that we have the ability to grow.

Likewise, in the Foodservice business, this area really took off. When you think about to-go and the lack of labor as well as the lack of touchpoints from a foodservice distribution standpoint, it was really imperative that we

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leverage technology and digital assets to connect with our operators, connect with our sales teams, as well as our foodservice distributors and we don't see that reverting back. And so it's a big piece of our business today getting bigger every day and you can see that continue into the future.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Great. Our next question comes via email from Thomas Palmer. You mentioned you're still looking at M&A although perhaps not as large as Planters. Do you have a cap on how much debt you are willing to take? And when you consider international M&A, is the main goal right now to build scale in existing geographies or enter new geographies?

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

A

Yeah, great. Tom, thanks. Thanks for that question. As you go back in our recent history with acquisitions, I mean we've clearly identified and laid out the areas that we want to invest in. So we've talked about our desire to support our Foodservice business, our desire to support our International business, our desire to support on-the-go and snacking really and we've done all those things.

The only area that we really haven't been able to deliver on is our ethnic portfolio and so while we haven't necessarily got the acquisition done in that space, the innovation work that's happened as you heard today in MegaMex has been absolutely phenomenal.

But back to acquisitions, when we think about the opportunities in front of us, we know that we can continue to scale foodservice and find the right opportunity to add value there. The international portfolio continues to be ripe for acquisition and in terms of whether we're trying to scale a business or enter a new market, the priority really would be to scale a business, whether it's in China, that would be our number one priority, or to continue to build out that platform in Brazil where we've been several years now and have learned a lot about the marketplace and learned a lot about the consumer.

In terms of the size that we're talking about, just know that we're going to continue to maintain our very disciplined approach in terms of how we evaluate the acquisitions, making sure that we understand everything there is to know about the business, how we can add value because it's not just about writing the check. It's how do we make the business bigger and better and then always, always making sure that it fits within our disciplined financial valuation as well.

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

A

And we are committed to stay investment grade, that we have maintained that commitment. We know that we have a strong capital structure. We're very committed to improving our capital structure. We have a better capital structure today than we did a few years ago. So, we're very confident in our ability to grow this business.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

A

Great. Now, we'll take our last question on Planters and the convenience store. Jeff, you did a nice job describing the strategies for Planters but can you give us more color on to any wins that you've had since the acquisition, maybe within areas where you're not as strong such as the convenience channel?

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

A

Jeff, before I let you take it away, one thing that I do want to mention is we've laid out the strategy for why Planters was such a great fit for the organization. Another big part of this acquisition was the value capture or the synergy opportunities of which C-store is a big part. And I just want to say even though it's early, the path that we've laid out for our team to be able to achieve the value capture goals that we've established were well on track and well down the path for being able to do that and part of it is C-store.

Jeff Frank
Vice President-Grocery Products, Hormel Foods Corp.

A

That's absolutely right, Jim, and I think we really have been disciplined about that value capture approach. And there is no question that this acquisition was transformational for us and one of the ways it was transformational is that it opened new channels for us to do business in. We competed in the convenience channel always but now, we really have the scale we need to augment our broader portfolio in that channel. And we've already seen some initial successes in terms of distribution and merchandising and we think we're just getting started.

Nathan P. Annis
Director-Investor Relations, Hormel Foods Corp.

Q

Great. Well, that ends the Q&A portion of today's presentation. Now, I'll turn it over to Jim Snee for any final comments.

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

Yeah, great. Thanks, Nathan. As we wrap up today, I do want to remind all of you to be sure to take a look at our supplemental investor videos. Those have just been recently posted to the site. There are some great information, a deeper dive into a number of the areas that we've talked about today that really will give you some additional color and clarity to the great things happening in this organization. And as you heard from our management team today, there is a clear line of sight to deliver long-term sustainable growth for Hormel Foods.

We have the right strategies. We are competing in six advantaged platforms. We're willing to make the investments. We have incredibly strong brands and with this uncommon company full of uncommon inspired people, we will deliver long-term sustainable growth well into the future. Thank you for joining us today. Thank you for your continued support of our company. Have a great rest of your day.

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