03-Sep-2025

Hormel Foods Corp. (HRL)

Barclays Global Consumer Staples Conference

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MANAGEMENT DISCUSSION SECTION

Benjamin M. Theurer
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All right. Well, welcome back. Good afternoon. Thanks for joining us. Next on stage, we have Hormel Foods, global branded food company, approximately $12 billion annual revenues across 80 countries worldwide. With us is Jeff Ettinger, Interim CEO; John Ghingo, the company's President; and Jacinth Smiley, EVP and CFO.

QUESTION AND ANSWER SECTION

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

Q

Now, clearly, Jeff, to then John, it was a rough last week on earnings. So, maybe let's just start off discussing the most recent results and all that transition we have to go through, short-term challenges obviously, and how you hopefully can turn those into some of the opportunities. So, could you just give us summary positives and negatives of what was the issue in the third quarter? And how you think you're currently set up for the fourth quarter, just given the outlook you provided last week?

Jeffrey M. Ettinger
Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

Yeah, I'll be happy to take that, Ben. And first of all, I just want to thank you for having us. It's been nine years since I've had the opportunity to be at this conference and it's still an excellent one and you get great attendance. So, appreciate that. Obviously, going into the quarter, the team had expected to be able to drive both top and bottom line growth and understand that long-term, that's the mission at the place.

As the quarter turned out, we kind of got halfway there. I think the top line, frankly, got a little bit missed in the sense of, yeah, we definitely missed the bottom line, we're going to talk about that in a minute. But the top line was 6% growth, volume growth as well on top of growth in the first and second quarters as well. All three segments, Retail up 5%, Foodservice up 7%, International up 6%. I don't think you're hearing a lot of those kind of growth numbers maybe in the session here. So, we're proud of that.

But we also understand that, look, when it came to the bottom line, the kind of cascading cost pressures that we ended up being confronted with during the quarter, overcame our ability to deliver that on the bottom line.

They went up steeper and faster and have lingered longer than we had anticipated and even if we had anticipated them the way pricing works, it takes roughly 60 days in the Foodservice part of the business, up to 90 days in the Retail part of the business and so that's a work-in-process. The team understands they need to be doing that and are working toward that.

In terms of the outlook for Q4, there's a hangover effect to that. As I mentioned, 60, 90 days haven't run yet. And so, we're seeing a similar outlook for Q4, good top line, little bit pressured on the bottom line. And while we didn't give guidance on the recent call last week for 2026, we did give kind of an early read and we are optimistic at this point as to why we should be able to drive both the top line and the bottom line in 2026. And we can get into that a little more as the conversation goes forward.

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

Q

Okay. So, you talked about the input cost challenge. And clearly it was the speed and the kind of like the magnitude of the increase that maybe was a little bit more atypical. So, as you kind of like see that still at an elevated level, but coming down a little bit, how does that set you up from a just like a sequential point of view from a profit outlook?

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

A

Yeah. So, if we think about the fourth quarter, as we talked about on the Q3 call, our expectation is certainly that we are going to continue to see elevated markets and markets have remained elevated going into the fourth quarter. And so, the reason we've had this pullback and in our mind, a realistic view of the rest of the year is for that reason.

So, we feel confident in the guide that we gave on the Q3 call relating to Q4 for that reason, we have built up inventory, so when we think about the commodity market and the run up in markets, during that period, we have been building inventory.

So, even with markets coming down, if they did, then we're not going to see that benefit really show up in the fourth quarter because the inventory that we have already built. That being said, I mean, that will flow over into the new fiscal year.

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

Q

Thank you. And then, I mean, you've talked about it, Jeff, the pricing piece and pricing components, some of the delays here.

So, as we think about it, the initiatives of the magnitude of price increases that you have to take, just maybe walk us through, give us a little bit of more clarity into like which segments, which areas you think you have more ability to set pricing without challenging too much of the elasticities, to kind of like get down on the volume.

So, what's like kind of like the magnitude of pricing? Is it stacked? So, how should we think about these pricing actions for the next, call it, three to six months to kind of like offset these input cost pressures?

John Ghingo
President & Director, Hormel Foods Corp.

A

Yeah, I'll take that one, Ben. So, thank you. And obviously, pricing is a critical topic right now. If you step back and look at our business, some of it is not really much of a decision to be made. Our Foodservice business, for example, a lot of that pricing is what we would call pass-through pricing where the prices are moving up and down with those market movements.

And that's happening automatically, obviously, when the markets are running up and our pricing is following that, there's some margin compression that'll happen in the short-term in those quarters where we're chasing that. And as the markets eventually ease, prices come back down and we'll recoup and restore the margins on the business, right, so, that's the pass-through model.

On Retail, our pricing challenges are fundamentally different in two ways. One, as Jeff mentioned, the lag time tends to be longer, so it takes us longer to implement those pricing actions through our retail partners, but two, there are more strategic decisions that are need to be made. And I'll start off by saying with the consumer sentiment where it is in the backdrop, these are very difficult decisions.

They're always difficult or even more difficult right now because we're triangulating across three pieces. One, we are looking at commodity markets, inflation in general, the pressure on our cost of goods. We have to look at that and see what we need to cover from a margin perspective. However, there are two other critical pieces. How much pricing can the consumer withstand is a critical question, and that varies by category.

And then, also, what is the strength of the brand to your point in that category that we have and how are we supporting the brand? And so, what we're doing is we're making what I would say are very measured, thoughtful, strategic decisions regarding how much price we can take and where. So, the pricing actions we announced in the third quarter when we saw markets running out were largely focused on the parts of the business that were impacted.

So, think about items that are made with pork, pork trim, pork bellies. Beef is certainly very, very high. So, those are the items. And we're seeing the need to take that pricing both in the refrigerated parts of our portfolio, as well as in the shelf-stable or center store parts of the portfolio. So, those pricing actions that were announced in Q3, taking hold in Q4, will begin to have a more significant impact in 2026.

We also mentioned last week that we are evaluating additional strategic pricing actions that could potentially be announced in Q4 for 2026 based on where the markets continue to sit at that elevated state. So, if you look at our business, right, when we have things lined up well and I'll use the example of turkey.

So, in the turkey business, in the second quarter of this year, we saw a quick dramatic run up in our supply chain costs across the board in turkey. We needed to take a significant pricing action that we announced in Q2, that really hit the market in Q3. That was behind our Jennie-O ground turkey business.

Now, in that case, we have high-quality brand, number one brand in the category, well-supported brand, strong execution and even though we needed to take that pricing because it was inflation justified, it was still difficult to get done. We were able to actually do it successfully. That business in the third quarter grew consumption double-digits, category remained healthy, which is critical for us. We want to see the category continue to grow, which it did, and we were able to recoup that margin.

So, that's the approach we're taking across the board, is really focusing on where our brands are strongest, where they're well supported and where we can continue to get momentum in the category. What we don't want to do is we don't want to take consumers out of the categories.

We don't want to push consumers out of our brand. So, we're finding that balance of how do we continue the top line momentum, continue consumption momentum, which we saw in the third quarter, but cover as much of the commodity inflation as we can.

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

Q

Okay. Got it. So, maybe we'll leave it here with a short-term, backward looking, and look more like general market, medium-term, long-term opportunities. Jeff, John, so you're kind of like both in a new role, well, for you, it's a new old role if you want to call it this way, and you obviously as President.

So, maybe, Jeff, for you now back in that Interim CEO role, you're going to work together with John for the coming quarters. So, what's going to be your predominant focus during that period of time? And then, maybe passing it on right after then to John, what he's going to be mainly focused on? How are you going to work together to kind of like move Hormel forward over the next 12 to 15 months?

Jeffrey M. Ettinger
Interim Chief Executive Officer & Director, Hormel Foods Corp.
A

Great. Yeah. I'm excited to be partnering with John, the board. I rejoined the board of directors of Hormel in March and then asked if I could work with John for a period of about 15 months here. We bring different, but I think complementary backgrounds. I'm most kind of a career Hormel guy.

John has been in mainstream food industry with Kraft Mondelez all over the world. He's been in more of the new age food spaces, if you will, with WhiteWave and with Applegate for us. He's been in the private equity space. And so, he knows Hormel, but he also knows the industry more broadly and so it's a good opportunity to work together with that.

The board also asks me to do, I think in part, because I had just finished about a few months ago serving a different interim role. I actually was the Interim President of the University of Minnesota and I learned in that role. I'd never been an interim before, but it's very focusing. It's like, okay, you have a year. And so, it makes you focus on what kind of impact can you create during that year. So, Ben, that's kind of my take on, look at what areas can I add some value during the year.

We've been trying to reemphasize to the team the importance of goals, the importance of hitting those, in our case, it's 2% to 3% net sales growth, 5% to 7% operating income every unit, every quarter, as often as possible, get to make sure that the team looks at that and knows that that's what's expected.

I've been looking hard at the building blocks for a successful 2026. And given that we already talked about our top line is in pretty good shape, you can't take that for granted. But it's a lot of emphasis on the bottom line. And so, there's a number of things there, including our T&M initiative that Jacinth I'm sure will talk about it in a bit.

But one of the other areas we talked about that I will – we'll definitely be focused on what's the others up here and the rest of our team in the next 90 days. We talked during the call about a review of our SG&A spending. We've seen that spending go up nearly $100 million in the last couple of years, against flat – what turned out to be flat sales. And so, we think there are opportunities there to right size that part of the portfolio, and we want to get on with doing it. And it's fair to the team, it's fair to putting us in the best position possible for success in 2026.

John Ghingo
President & Director, Hormel Foods Corp.
A

And I guess, Ben, I'll add a little bit on my kind of approach to this. So, first off, I would say I rejoined Hormel just one year ago this week, and I came back to the company for two big reasons. One is because of the potential I saw in the portfolio, very unique portfolio in the industry and two, because of the people and the culture.

And so, it's been a pleasure working here early days with Jeff, but his deep understanding of the company, the culture and all of our various stakeholders has been extremely beneficial to me. So, it's been a good partnership out of the gate. My big focus, if I had to put a headline on it right now, is just making sure we have the right strategic focus as a company, both in the near-term and in the long-term.

And I think we need to get a lot more value out of our portfolio and extract a lot more value out of our portfolio. We're beginning to do that. There's more runway to continue to do that. If you look at our unique plot in the industry, we are a packaged food company and we're a meat company. We're a protein company. But we're not selling – commodity protein is not our game. We're selling value-added proteins. So, we have protein-centric portfolio, which is very much on trend with what consumers are still moving toward.

We actually have a great breadth of proteins when you look across at different animal proteins, as well as nuts and nut butters. And then, we have a great ability to convert to a lot of different occasions for consumers through convenience, through easy prep, through flavor and taste, and through what I would call fuel and nourishment that we provide through our proteins.

And so, if you look at our Foodservice side of our business, our Retail side of our business, we cover a lot of occasions; breakfast, lunch, dinner, everything in between from a snacking perspective is ripe for us, right? So, I look at the power of that portfolio in the industry right now, and I think it's a really, really unique plot.

That being said, we need to modernize, we need to be updating our portfolio. We need to be renovating our brands, innovating into some of these bigger consumer spaces, which are very, very attractive. But there's a modernization that we're on the journey. We need to continue on that journey. And then, the second piece of it is modernizing the company and so we've talked publicly about our Transform and Modernize initiative, which is yielding some efficiencies and savings.

But what it's also doing is it's helping us update everything from our data, our processes, our systems, our ways of working, our culture. So, my focus in this time period right now is to make sure we're laser focused on the right strategy to start bringing the benefits of this modernization, both internally and externally to the marketplace, and make sure we're positioning our brands and our portfolio for the longer term as well.

Benjamin M. Theurer

Analyst, Barclays Capital Casa de Bolsa SA de CV

Q

Okay. So, you talked about the portfolio strategies of just staying along the lines of those. Consumer, obviously, as you also said, is somewhat challenged, right, with general inflationary pressure, et cetera. So, as you think about your portfolio within the broader market context, what aligns already today? Where do you need to make investments?

So, just like general, like, kind of like how can you connect the dots if you want to put it this way, between what is your portfolio and what the consumers want and where the demand growth and where growth is actually in – on the consumer side?

John Ghingo

President & Director, Hormel Foods Corp.

A

Yeah, that's a great question. I guess, I would start with the consumer mindset. There are a few words I would use right now to describe the consumer mindset. One is strained, one would be cautious. Strained from the standpoint of the cumulative effects of inflation have kind of piled up on consumers over time. It's really mounted to something quite significant.

Two, in terms of the outlook into the future, there's uncertainty, right. And that adds to the strain, that adds to what would be a cautious consumer behavior. And sentiment remains very, very low. So, we saw a little tick up in our tracking on consumer sentiment in July, and it dropped right back down in August. So, consumer sentiment, because of the uncertainty and because of the cumulative effects of inflation, remains quite low.

So, now you put that in context and what does that look like? How is that impacting our business? So, Foodservice, which has been a historical growth engine for us and continues to grow, but certainly traffic is down in the foodservice industry.

And if you look across channels, it's down pretty broadly, whether you look at QSRs, college and university, healthcare, convenience stores, which we classify as Foodservice, all of those channels are under traffic pressure. Consumers are just not going to those channels. We expected some bounce back in the spring and summer that we frankly haven't seen. So, that's on the Foodservice side, it's industry pressure.

On the Retail side, what that looks like is consumers making tough decisions every day over what they can afford to and want to pay for, to put in their shopping basket. And so, in some cases, that means consumers are trading down to lower priced alternatives.

And we have certainly seen broad-based and significant growth from private label at lower price points across a lot of different categories in the industry at large. But consumers are still seeking value in different ways, and that's where our portfolio really fits in. And we need to be laser focused on meeting those needs for value.

So, if you think about how consumers, when are they willing to pay? They're willing to pay for time. So, when we can be more convenient, when we can have easy prep in the kitchen and we can give them back time, they will pay for that convenience.

If we can bring a really unique flavor and food forward experience through our brands and products, they will pay for that. If we can bring some kind of a fuel stop, a nourishing snack in the midst of a busy day, consumers will reach and pay for fuel.

So, our portfolio is, number one, well-positioned to take advantage of some of those definitions of value in the consumer momentum in those spaces. We talk about our flagship and rising brands. That's how we talk about it. Those are the brands we distort more investment to, more resources to for growth. So, why do we do that? Well, our flagship brands are our five largest brands, where we see significant consumer opportunity, they're advantage businesses for us.

Our rising brands are also sizable businesses with a lot of growth potential, but tend to be a little bit smaller than the flagship. Collectively, that set of business is for us our advantage, they tend to be our higher margins. So, they drive favorable mix for us and they have big consumer spaces we're pushing them to for growth.

So, an example of that would be take two of our flagship brands, Planters and Hormel pepperoni, both of those brands have great potential to expand beyond the remit of their immediate categories and really push into what I call the consumer space of substantial snacking.

So, if you look at the behavior around snacking right now, there is pressure on snacking, but it's largely coming from consumers having less sugar, less carbs, wanting to cut back some of what I would call mindless munching. But what consumers are gravitating more toward and still looking for are satiating snacks with substance and nourishment, protein, fuel, right? They want to eat more frequently during the day, smaller meals, mini meals.

And so, our fuel-oriented portfolio with things like pepperoni, Planters, nuts fit incredibly well into that substantial snacking space. So, pushing our flagship brands into these big consumer spaces is an immense opportunity.

Another example of that would be our Jennie-O ground turkey business that I mentioned earlier. Consumers are seeking lean sources of protein, and so ground turkey and poultry fits that incredibly well, and not only is ground turkey lean protein, which consumers are looking for, it's very versatile. And versatility is another version of value.

If I can put it in the refrigerator and use it in three different meals in three different ways, I've now created value in my kitchen, value for my family, value for me. So, that would be another example of how we're taking our flagship brands and positioning them into these bigger spaces that one around lean protein. And then, I'll give you one more example, which is if you if you kind of click down into our rising brands, we have some incredible growth opportunities there with brands like Applegate.

Applegate is one where we continue to push into the higher end of our categories with natural, organic, high animal welfare meat. But what we're delivering every day to consumers who agree and align with that mission is we're delivering them convenience, value, versatility in the kitchen, simplicity, simple ingredient statements. And so, they're willing to pay for that bundle, and our Applegate business continues to post significant growth quarter-after-quarter as a result of that connection.

Our Mexican brands is just one more I'll mention, which is consumers continue to migrate to flavor experience. And so, we have some wonderful Mexican brands in our portfolio with Herdez and Wholly guacamole.

And so, our ability to take those brands and connect them to authentic food experiences, we've recently taken Herdez and brought it over into our protein-based Entrées portfolio. So, consumers looking for flavor adventure now can get an authentic Mexican flavor experience in a new category, and that has proven to be valuable as well.

So, from a Retail perspective, we have so much opportunity with our brands to reorient them into these growth spaces. And then, when you go to Foodservice, operators are looking for help too, right? Because the foodservice industry, with traffic soft, inflation up, consumers are not willing to pay the price points that are on the menu, operators are looking for way to take costs out and simplify.

And so, we're getting in the kitchen and helping them figure out ways to reduce labor, to take cost out of the system and to keep things affordable. And so, that has been incredibly valuable for us to continue to drive top line growth in our Foodservice business in a soft industry.

So, if I look out, I feel really good about our breath. I feel really good about our connection to operators on the Foodservice side, consumers on the Retail side, and our ability to solve problems for them with our brands and innovation will ultimately be our pathway to growth.

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

Q

Okay. Let me pick-up on one of those and we have it on display here. Obviously, Planters was very successful when – after you kind of like got into the innovation and then obviously you had the planned outage a little over a year ago to kind of like disrupt it or put a brake, pause on the growth opportunity.

So, as you gain back that shelf space, as you gain back that share, where do you stand right now? Where were you as of the third quarter? And what's still the runway left? Where do you need to get to in order to like gain back all these point of sales that might be still missing?

John Ghingo
President & Director, Hormel Foods Corp.

A

Yeah, yeah. Great question. And obviously, Planters is a really important brand for us in a very incremental, attractive category. To start with, sort of the short-term answer to your question, which is we've been driving sequential improvement period-over-period for the past nine months, right, recovering our distribution in the marketplace, recovering our consumption, we've now turned to growth.

So, in the latest four weeks of Circana data, which now bleeds into our fiscal Q4 into early August, we actually were up in dollar sales versus prior year on Planters, 4% up on distributions, 7% versus prior year. So, the brand is back to growth. We are back on offense with the brand. It is a wonderful brand, and so what we're doing essentially to continue to attract consumers to now is what we call our three-part plan.

So, the brand is very responsive to communications. So, we have been advertising the brand, supporting the equity and attracting people back that way. Number two is in-store execution and snacking, having those impulse purchases, strong in-store promotional plans, super important, that's the second part.

And the third part, maybe the one I'm most excited about is, we are back to innovating on the brand and supporting our innovation on the brand, and in snacking so much of the vibrancy of a brand and a category comes to the news and the innovation.

And so, if you look at some of the platforms we put out on Planters, flavored cashews, our flavored nut duos where we're doing two different nut types with flavor combinations, extremely fun, exciting. But what's more exciting is they're actually attracting new consumers to the brand, younger consumers to the brand and to the category.

So, we're reinvigorating not just the Planters brand, but the snack nuts category. So, our retail partners are very happy. We're back on offense with Planters. We're back in the position to drive brand growth, category growth, and really support the brand in an aggressive way.

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

Q

Okay. Got it. Just on Transform and Modernize, obviously, things have been progressing fairly well. So, where do we stand right now? What are like the final steps to kind of like conclude? And maybe give us just a little bit of an update, what you may have seen in the interim of incremental or additional opportunities within Transform and Modernize versus what was the initial target, I think two-and-a-half years ago or something like that.

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

A

Yeah, certainly. So, I'll start out from the standpoint of, while we have put a stake in the ground and put a timeframe, right, we have a timestamp of this three year Transform and Modernize initiative that really was around us, setting a target for ourselves and holding ourselves accountable to something to some metric. That being said, you've heard us talk before about the fact that the benefits of Transform and Modernize go well beyond the three years and well beyond 2026.

The target for 2025 is a range of $100 million to $150 million, and we will be at the high end of that. So, we talked about on the third quarter call that for the third quarter alone, we executed 90 projects and captured value, which really generated what we expected for the quarter.

So, overall, the initiative is on track and delivering for us beyond savings, right? Really, it's around building capabilities for the company in terms of investing in our talent, building out our infrastructure and overall generating growth for the business, for the long-term.

In all the different areas we talked about, right, going back to our focus areas is around, how do we procure? How do we buy, right, more effectively in terms of managing our cost base and how we procure? How do we make our products in a more efficient manner through our plans, through the supply chain? And how do we move or how do we plan? So, it's really an end-to-end value capture for us, and that's really still going well, and we expect that to continue here.

And when you talk about what areas have we not yet perhaps unlocked the value that we're looking for, I would say, when we think about the main pillar, which is how do we get the right yield and have more efficiency through our plants, that's still an area where we're at the beginning stages. We have this Hormel production system that we've talked about that really allows us to standardize how a work gets done in our plants and ensuring that as we go from plant to plant, we start up the plants exactly the same way.

And everyone is doing the work in the same manner to drive, yield and optimize. And what that has allowed us to do is focus that in plants where we need to get more capacity and we have been able to repatriate some of our manufacturing from outside where it's more costly, bring that back in-house to then manage our costs, and we'll continue to do that across the supply chain. And so, that's to come in terms of the full value from a manufacturing standpoint, and then how do we optimize our footprint.

We've talked about the fact that we have built and acquired many different businesses over time, and certainly, we are not optimal in terms of our manufacturing footprint. So, that's also to come. So, all-in-all, right, value still to be captured. We've captured a lot, we'll continue to do that beyond 2026. But we're really, really happy about where we are in the value that the Transform and Modernize is driving for us now and into the long-term.

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

Q

And then, just to clarify, what Jeff mentioned about the SG&A expense that would be on top of Transform and Modernize like the years beyond, as you look to optimize that as well.

Jeffrey M. Ettinger
Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

I mean, yes, we're looking at it as a separate initiative, and it's also a little bit more time focused. I mean, there's a complexity to modernizing your company...

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

A

Yeah.

Jeffrey M. Ettinger
Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

...that requires that some of the projects there go months or even a year or two. Whereas in this case, we think what's fair to our team, what's fair to the marketplace is to get on it right now and really study it hard in the next 90 days and be clear by the time of our Q4 conference call that this is what we've decided to do.

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

Q

Perfect.

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

A

Yeah. And I'll just want to just double click and just remind folks, I mean, we talk about Transform and Modernize and I know the people's head go a lot to oh, you're right, it's all about cost savings, but it really isn't.

And I can't say that enough because we've spent a ton of money just investing in the underlying infrastructure of our business, investing in our people. And it also allows us to invest in our brands when we think about what it opens up for us to be able to innovate and just drive value into our brand and our portfolio.

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

Q

Okay. Got it. Brings me now to capital allocation and investments. I mean, obviously, I think you're looking from a higher end of the initial CapEx guidance, but clearly, you have the dividends and we know they're very much your focus.

Along the lines of like CapEx after dividend – CapEx and dividends like buybacks as an opportunity or maybe M&A, where do you see the best opportunities from a capital allocation point of view because you've done M&A in the past, so where should we think about any extra cash to potentially go?

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

A

So, I think, first, to think about us from the standpoint of being very disciplined, and I'm very proud that we are disciplined around our capital allocation strategy. And it continues to be the waterfall model that we look at to say, what's required, right, our number one on our list is our increased dividend, which we're very proud of.

We've just paid our 388th consecutive quarterly dividend, which continues to put us in the Aristocrats arena. And so, that continues to be a focus for us, in addition to ensuring that we maintain our plan. So, whatever CapEx we need to deploy to do that, that's in that first bucket and then the next bucket is strategic.

So, it's all around M&A and acquisition and so that's in there. We continue to look at as we think about what's best fit for our portfolio in terms of our strategic intention. A couple of the areas we've talked about as part of our six strategic objectives; one is around being a leader in foodservice. So, to the extent, there's something in that space and it's compelling enough that would be of interest.

The other area is around our snacking and entertaining portfolio and expanding that as much as we can. So, that's another area as well. And snacking in the way that John has described it, not the mindless snacking, but snacking that really fits in our protein-centric portfolio as we're focused. And then, the other area is really continuing to expand our global footprint.

So, I'd say those are the areas that I would see, that would be of compelling interest to us to the extent that the price is right, because that has to also make sense for us. And the other area you've mentioned, share buyback is not necessarily a lever that we have given our 46% ownership of the Hormel Foundation. So, it's really hard to really drive value for our shareholders with share buyback and which is why we're really focused on ensuring that we increase and pay our dividends.

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

Q

Okay. Final question. Last couple of minutes, just like more of like a long-term outlook. I mean, obviously, you talked about M&A International focus. If we bring this all together, maybe with 2016, maybe not, right, a good example from a growth perspective, medium-term, like the growth algorithm you've targeted, Jeff, you mentioned it early on.

So, what do you need to execute on over the next couple of months to really get the ship going into the right direction to deliver on that growth algorithm? Low-single digit, mid-single digit, top bottom line growth as we think forward?

Jeffrey M. Ettinger
Interim Chief Executive Officer & Director, Hormel Foods Corp.

A

I mean, I see a lot of positive factors heading into 2026. Again, with the caveat that this is an early read and it is not formal guidance at this point. We have sales momentum. I talked about all three units growing sales.

We have pricing that has already in place, that has already been communicated to the customer and that will be rolling through, if not all of it, as John mentioned, we did have to take a second look and we're making some assessments there.

As we head into the new year, the business units are able to assess their plan in terms of marketing and promotion and work on promoting brands that deliver stronger bottom line to enhance our mix opportunity. Jacinth mentioned the continued momentum of T&M, and so we expect to see more benefits in that area. We've talked about manufacturing changes and we've announced some this year, but they take some time to filter through.

So, for example, we announced the closure of the Columbus San Francisco plant back in the second quarter. We're just finishing moving some of those lines into the new locations now. So, the benefit of that and the Atlanta plant, partial plant closure with the bacon line, those will show up during 2026.

Then, there's the SG&A initiative that we're focused on that we expect to have ready may not all hit the moment first quarter starts, but we definitely expect as we head into calendar 2026 that those should be benefits as well. So, I mean, I guess, to us, I mean, this is an investor conference. We recognize that HRL, the company stock is on sale right now. We've driven top line, we think we can continue to drive top line, and we think we have a lot of reasons in place why the bottom line should start to follow.

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

I would say that's a wrap. Well, Jeff, Jacinth, John, thank you very much and good luck with the rest of the meetings. And thank you very much. There won't be a breakout session, but you all have the opportunity to meet them, well, in group meetings or one-on-one meetings. Thank you very much.

Jeffrey M. Ettinger
Interim Chief Executive Officer & Director, Hormel Foods Corp.

Thank you.

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

Thank you. Thanks, Ben.