

SUPPLEMENTAL INFORMATION

# Third Quarter Fiscal 2023



THE **PLANTERS**® BRAND LAUNCHED A NEW LINEUP OF FLAVORED CASHEWS – ROSEMARY AND SEA SALT, CINNAMON BROWN SUGAR, AND DILL PICKLE

## ***Forward-Looking Statements***

This presentation contains “forward-looking” information within the meaning of the federal securities laws. The “forward-looking” information may include statements concerning the Company’s outlook for the future as well as other statements of beliefs, future plans, strategies, or anticipated events and similar expressions concerning matters that are not historical facts. Words or phrases such as “should result,” “believe,” “intend,” “plan,” “are expected to,” “targeted,” “will continue,” “will approximate,” “is anticipated,” “estimate,” “project,” or similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those anticipated or projected, which factors include, but are not limited to, risks related to the deterioration of economic conditions; the COVID-19 pandemic; risks associated with acquisitions and divestitures; potential disruption of operations including at co-manufacturers, suppliers, logistics providers, customers, or other third-party service providers; risk of loss of a material contract; the Company’s inability to protect information technology systems against, or effectively respond to, cyber attacks or security breaches; deterioration of labor relations, labor availability or increases to labor costs; general risks of the food industry, including food contamination; outbreaks of disease among livestock and poultry flocks; fluctuations in commodity prices and availability of raw materials and other inputs; fluctuations in market demand for the Company’s products; damage to the Company’s reputation or brand image; climate change, or legal, regulatory, or market measures to address climate change; risks of litigation; potential sanctions and compliance costs arising from government regulation; compliance with stringent environmental regulations and potential environmental litigation; and risks arising from the Company’s foreign operations. Please refer to the cautionary statements regarding “Risk Factors” and “Forward-Looking Statements” that appear in our most recent Annual Report on Form 10-K and Quarterly reports on Form 10-Q, which can be accessed at [www.hormelfoods.com](http://www.hormelfoods.com) in the “Investors” section, for additional information. In making these statements, the Company is not undertaking, and specifically declines to undertake, any obligation to address or update each or any factor in future filings or communications regarding the Company’s business or results and is not undertaking to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. Though the Company has attempted to list comprehensively these important cautionary risk factors, the Company wishes to caution investors and others that other factors may in the future prove to be important in affecting the Company’s business or results of operations. The Company cautions readers not to place undue reliance on forward-looking statements, which represent current views as of the date made.

## ***Non-GAAP Information***

This presentation contains certain non-GAAP financial measures, including adjusted diluted net earnings per share and adjusted operating margin. Non-GAAP measures are not intended to be a substitute for U.S. GAAP measures in analyzing financial performance. These non-GAAP measures are not in accordance with generally accepted accounting principles and may be different from non-GAAP measures used by other companies. Please see the discussion of non-GAAP financial measures and the reconciliation from the GAAP measures to the non-GAAP adjusted measures at the end of this presentation for more information.



# We Continue to be Recognized by Reputable Organizations

## *Delivering on commitments to our team members and culture*

### Ranked #14 on Best Companies to Sell For List



*"We're proud that our sales team continues to position Hormel Foods as a world-class leader in the industry. This award is a result of both our sales and our sales-strategy professionals, who continue to deliver growth and profitability for our stakeholders."*

PJ Connor  
Group VP, Retail Sales

### Named One of America's Best Companies to Work For



*"This recognition is a testament to our unwavering commitment to providing competitive pay, comprehensive benefits, fostering a collaborative culture, and prioritizing the overall well-being of our team members."*

Katie Larson  
Senior VP, Human Resources

### Recognized for Our Commitment to Innovation



*"The food industry is constantly evolving, and it is our commitment as a global branded food company to keep pace with that evolution by making insights-led innovation central to everything we do."*

Scott Aakre  
Group VP & CMO, Retail

### Honored as One of America's Greatest Workplaces



*"We've worked hard to create an uncommon culture for our 20,000 inspired team members. Our success stems from these remarkable team members, who foster a culture of respect, collaboration and dedication. This recognition is a testament to these efforts."*

Katie Larson  
Senior VP, Human Resources

# Putting Safety First

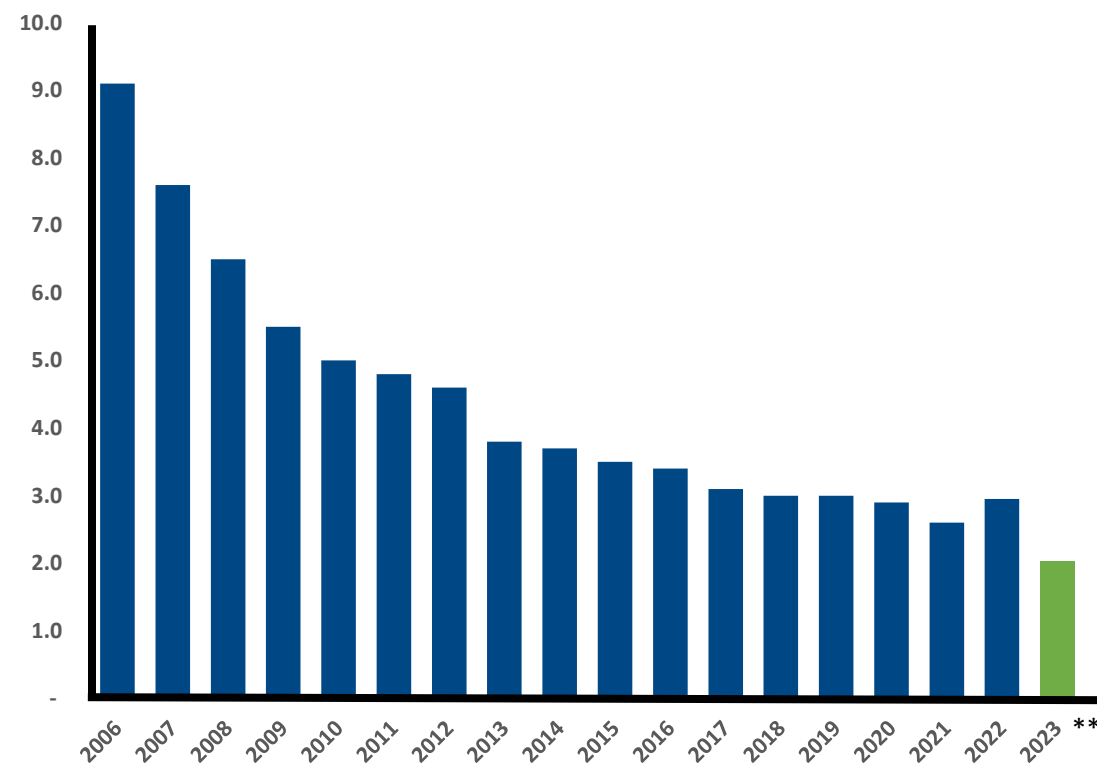
*Remaining on track for one of our safest years ever*



*"Thank you to all of our committed team members that uphold the Safety-First culture. Taking time to celebrate safety and thank everyone for their dedication is an important part of our safety success."*

Heath Garey  
Corporate Manager, Health and Safety

## Total Case Incident Rate for Hormel Foods \*



\*TCIR = (N X 200,000) / EH, where N=number of injuries or illnesses and EH=total hour work by all employees during the calendar year

\*\*2023 data thru fiscal period 9 ending 7/30/2023

# Introducing Innovation Across Our Portfolios

*Supporting growth in the Retail, Foodservice and International segments*



**Applegate Naturals™**  
Frittata Bites are the industry's first and only Certified Humane frozen egg bites



**SPAM®** maple flavored ushers in a unique addition to breakfast menus, outdoor barbeques and one-of-a-kind desserts



The maker of the **Corn Nuts®** brand announced the launch of its latest flavor, mango habanero



Co-branded Calbee **SPAM®** brand flavored potato chips in Japan offer savory and salty flavors, making for a delicious snack experience



In celebration of the fall, the **Planters®** brand introduced another new flavored cashew innovation, apple cider donut

# Making Progress on Our Six Strategic Priorities

## Protect & grow our core brands

- We grew sales in the marketplace for *Hormel*® chili, *Hormel*® *Natural Choice*® lunchmeat, *Jennie-O*® lean ground turkey, *Hormel*® *Square Table*™ entrees and the *SPAM*® family of products.<sup>1</sup>
- *Hormel*® *Black Label*® bacon is the fastest growing national brand in the category over the last year — with volume growth of 13% versus last year.<sup>2</sup>



## Amplify scale in snacking & entertaining

- Household penetration gains were seen within the snacking and entertaining portfolio, led by *Hormel*® *Gatherings*® party trays, *Planters*® snack nuts and *Hormel*® pepperoni.<sup>3</sup>
- The *Planters*® snack nuts business is benefiting from innovation, increased promotional support and the launch of a national ad campaign spotlighting new flavored cashews.



## Enhance growth of our ethnic & Food Forward portfolios

- Our *Applegate*® products outpaced category dollar sales growth during the quarter in the breaded chicken, breakfast sausage, bacon and hot dog categories.<sup>4</sup>
- The *Herdez*® brand outpaced category trends for dollar and volume sales in the salsa, taco sauce, hot sauce, refrigerated guacamole and refrigerated salsa categories.<sup>1</sup>



## Expand leadership in foodservice

- We delivered volume growth during the third quarter across our premium offerings, including bacon, pizza toppings, prepared proteins, breakfast sausage and *Fontanini*® Italian meats and sausages.<sup>5</sup>
- We launched several new items at the School Nutrition Association's Annual National Conference, including *Jennie-O*® branded turkey barbacoa, turkey pot roast and a turkey breakfast bar.



## Aggressively develop our global presence

- We launched *Skippy*® peanut butter into the German market, home to a 1.9 billion euro sweet spreads category.<sup>6</sup>
- We continued to support our global brands through innovation, co-branding and advertising, including *Skippy*® peanut butter ice cream in South Korea, new Calbee *SPAM*® brand flavored potato chips in Japan, and the Keep It Real TV campaign for the *SPAM*® brand in the United Kingdom.



## Continue to transform our company

- We announced an expansion of our free college tuition program for eligible team members in the U.S. to earn their degrees, or complete non-degree programs, for free.
- We delivered another quarter of e-commerce sales growth, led by the *Planters*®, *Jennie-O*® and *SPAM*® brands.<sup>7</sup>



Source Data:

<sup>1</sup>Circana Total US MULO, 13 weeks ended 7/16/2023; <sup>2</sup>Circana Scan Panel, Total US All Outlet, 52 weeks ended 7/16/2023; <sup>3</sup>Circana Scan Panel, Total US All Outlet, 13 weeks ended 7/16/2023;

<sup>4</sup>Nielsen, Total US xAOC, dollar sales for 12 weeks ended 7/29/2023, <sup>5</sup>Internal data, <sup>6</sup>Euromonitor – December 2021, Germany; <sup>7</sup>Retailer POS aggregated online sales - total Hormel, 12 weeks ended 07/30/2023

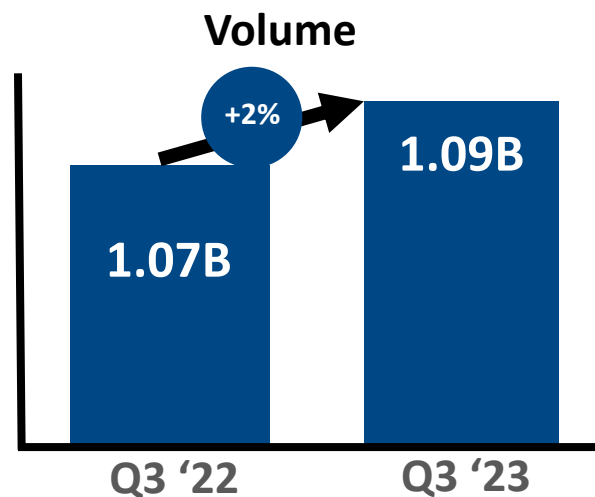
# Third Quarter Key Messages

- We delivered volume growth in each segment and made further progress on our key initiatives.
- Adjusted diluted net earnings per share<sup>1</sup> were in line with last year.
- We remain focused on driving volume and earnings growth as well as delivering on our commitments to improve our business.
- We revised our full year net sales, diluted net earnings per share and adjusted diluted net earnings per share<sup>1</sup> guidance ranges for fiscal 2023.

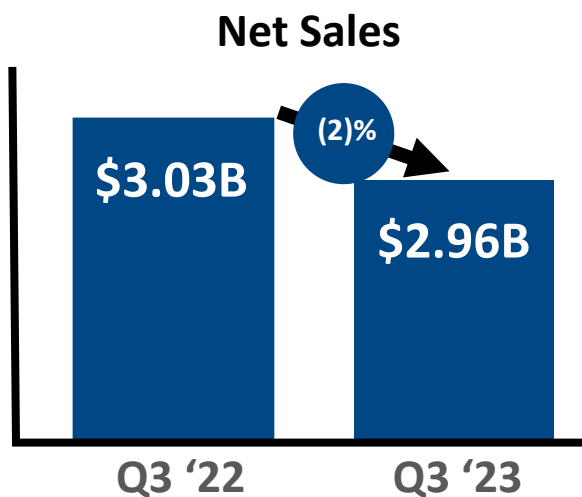
<sup>1</sup>Non-GAAP financial measure. See appendix to this presentation for more information, including GAAP to non-GAAP reconciliation

# Third Quarter Financial Metrics

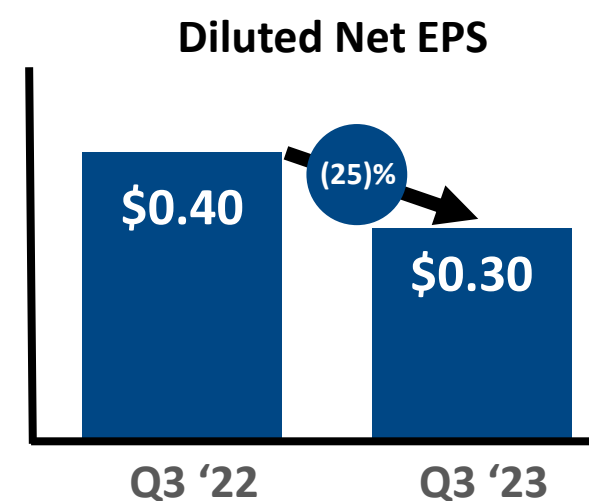
*Delivered volume growth in each segment, lower earnings from one-time impact*



- Volume growth for the quarter was broad based, driven by a recovery in turkey, strong demand for many of our foodservice items and growth from leading retail brands, including **SPAM®**, **Hormel® Black Label®**, **Planters®** and **Hormel®** pepperoni.



- Net sales decreased, as the benefit from higher volumes and pricing actions to mitigate inflationary pressures was more than offset by lower net pricing in certain categories, such as bacon, reflecting raw material commodity deflation and the difficult comparison from high levels of demand for **Skippy®** spreads last year.



- Diluted net earnings per share declined, primarily due to the impact of an adverse arbitration ruling totaling approximately \$70 million, or 10 cents per share.
- Adjusted diluted net earnings per share<sup>1</sup> of \$0.40, comparable to last year.

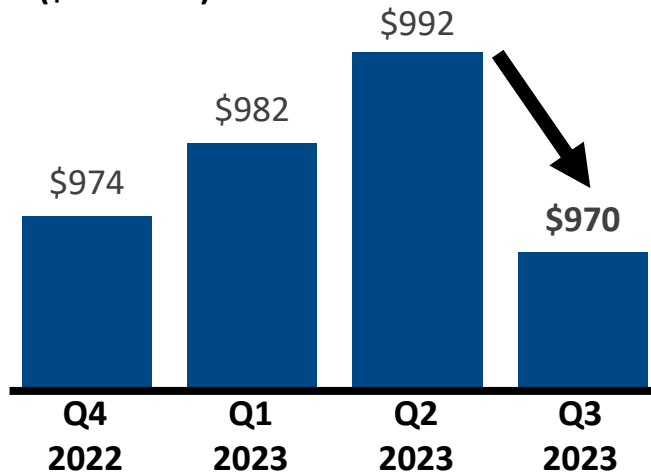
<sup>1</sup>Non-GAAP financial measure. See appendix to this presentation for more information, including GAAP to non-GAAP reconciliation

# We Made Progress Addressing Near-term Challenges

*Including inventory levels, margins and our snack nuts business*

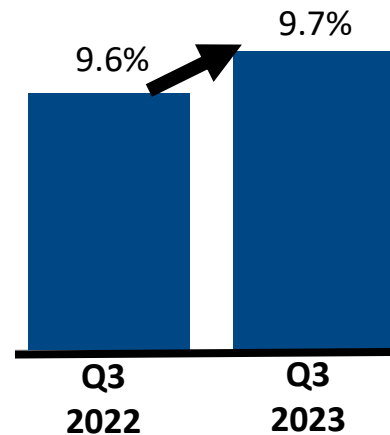
## Addressing Inventory Levels

### Finished Goods Inventory (\$ millions)



## Expanding Margins

### Adjusted Operating Margin<sup>1</sup>



Expecting Q-o-Q  
**Operating  
Margin  
Improvement**  
in Q4, 2023

## Improving the *Planters*<sup>®</sup> Snack Nuts Business

### Q3 Volume<sup>2</sup>



**+5%**

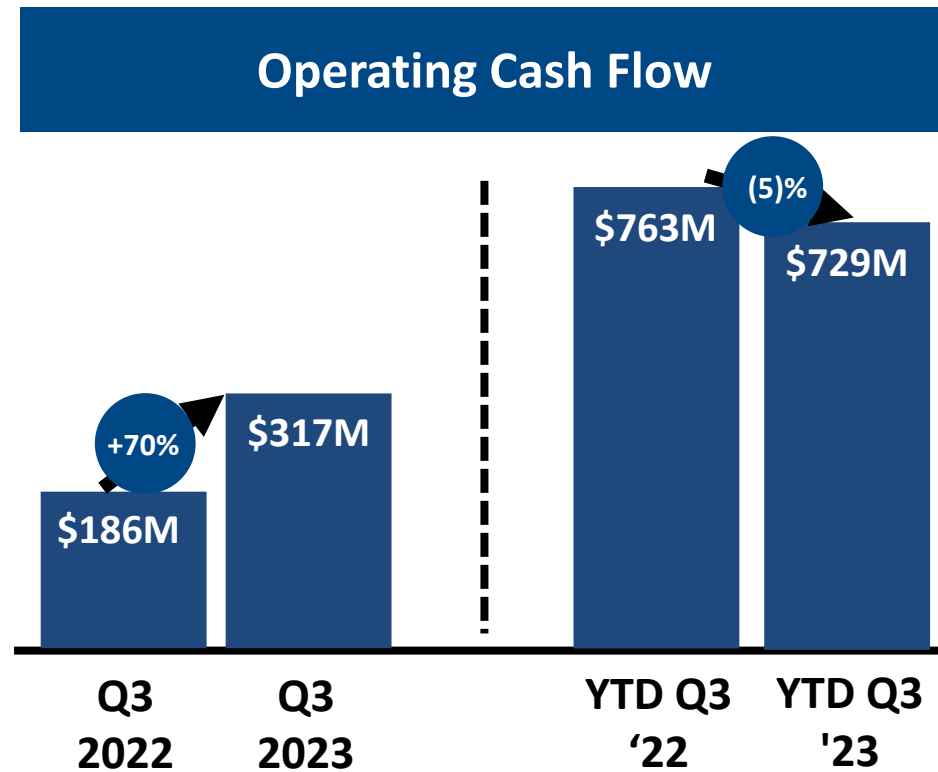
**+24%**

<sup>1</sup>Non-GAAP financial measure. See appendix to this presentation for more information, including GAAP to non-GAAP reconciliation

<sup>2</sup>Internal data

# Continuing to Generate Consistent Cash Flow

*Supporting our disciplined capital allocation strategy and commitments to stakeholders*



Cash & Mkt Sec.  
**\$687M**

Debt  
**\$3.3B**

Committed to Maintaining  
**Investment-Grade  
Rating**

# Retail

*Pricing, bacon volume and MegaMex benefits helped mitigate unfavorable mix*

## Segment Results

| Retail Segment | Q3<br>YoY Percent Change (%) |
|----------------|------------------------------|
| Volume         | +1                           |
| Net Sales      | (2)                          |
| Segment Profit | (7)                          |

## Segment Highlights

- Volume growth was driven by the value-added meats, bacon, snacking and entertaining, and emerging brands verticals.
- In addition to a recovery across the turkey portfolio, volume and net sales grew for many items, including our **SPAM**® family of products, **Hormel**® **Gatherings**® party trays, **Hormel**® pepperoni and **Applegate**® natural and organic meats.
- Net sales declined due to the difficult comparison from high levels of demand for **Skippy**® spreads last year and lower market-driven pricing on raw bacon items.
- Segment profit declined due to unfavorable mix and increased brand investments, partially offset by the benefit from pricing actions across the portfolio, improved bacon volumes and higher equity in earnings from MegaMex Foods.



# Foodservice

*Higher volumes and improved mix drove increased segment profit*

## Segment Results

| Foodservice Segment | Q3<br>YoY Percent Change (%) |
|---------------------|------------------------------|
| Volume              | +2                           |
| Net Sales           | (3)                          |
| Segment Profit      | +14                          |

## Segment Highlights

- Volume for the quarter increased, driven by growth in our affiliated businesses and strong demand in many branded categories, including pizza toppings, premium bacon and breakfast sausage, and premium prepared proteins.
- Brands such as **Cafe H®**, **Hormel® Fire Braised™**, **Fontanini®**, **Old Smokehouse®** and **Hormel® Bacon 1™** delivered volume gains compared to the prior year.
- Net sales declined, primarily due to lower net pricing in certain categories, such as bacon, reflecting raw material commodity deflation.
- Segment profit increased due to the contribution from higher volumes and improved mix.



# International

*Results impacted by lower commodity markets, softness in China*

## Segment Results

| International Segment | Q3<br>YoY Percent Change (%) |
|-----------------------|------------------------------|
| Volume                | +10                          |
| Net Sales             | (6)                          |
| Segment Profit        | (50)                         |

## Segment Highlights

- Net sales declined as a result of lower branded export sales and lower results in China.
- Foodservice sales in China improved sequentially throughout the third quarter, partially offsetting the difficult net sales comparison from sales to food-security programs last year.
- In addition to growth from the **Skippy**® and **Planters**® brands, strong volume growth was driven by low-margin commodity fresh pork and turkey exports.
- Segment profit declined significantly due to unfavorable pork and turkey commodity markets, continued softness in China and lower branded export demand.



# Third Quarter Additional Financial Disclosures

- Advertising spend was \$43 million, compared to \$37 million last year.
- The effective tax rate was 21.7%, compared to 24.5% for the previous year.
- Capital expenditures were \$78 million, compared to \$61 million last year.
- Depreciation and amortization expense was \$75 million, compared to \$65 million last year.
- We received an unexpected, unfavorable arbitration ruling involving an isolated commercial dispute with a third party.<sup>1</sup> The estimated pre-tax impact of \$70.0 million is reflected in operating expense and accrued liabilities.

<sup>1</sup>See 8-K dated 8/22/2023 for additional detail

# Fiscal 2023 Outlook

*Lowering expectations due to International segment weakness, heightened competition at retail*

## Fiscal 2023 Outlook

|                                         | Guidance        |
|-----------------------------------------|-----------------|
| Net Sales                               | (4)% to Flat    |
| Diluted Net EPS                         | \$1.51 - \$1.57 |
| Adjusted Diluted Net EPS <sup>(1)</sup> | \$1.61 - \$1.67 |
| Effective Tax Rate                      | 21.0% - 23.0%   |
| Depreciation and Amortization           | ~\$285 million  |
| Capital Expenditures                    | ~\$280 million  |

## Commentary

- We remain focused on driving volume and earnings growth, as well as delivering on our commitments to improve our business.
- The operating environment domestically and abroad continues to be dynamic, and we anticipate consumers and operators to remain highly intentional in their spending.
- We expect a strong finish to the year from our Foodservice segment, incremental savings from a series of projects aimed at reducing costs and complexity throughout our system, and further synergies from our implementation of GoFWD.
- We expect continued softness in our International segment and earnings pressure from heightened competition at retail.



<sup>1</sup>Non-GAAP financial measure. See appendix to this presentation for more information, including GAAP to non-GAAP reconciliation.



# Additional Information

**David Dahlstrom**

Director of Investor Relations

[dwdahlstrom@hormel.com](mailto:dwdahlstrom@hormel.com)



## NON-GAAP FINANCIAL MEASURES

The non-GAAP adjusted financial measures of adjusted operating income, adjusted operating margin, adjusted earnings before income taxes, and adjusted diluted net earnings per share are presented to provide investors with additional information to facilitate the comparison of past and present operations. Adjusted operating income, adjusted operating margin, adjusted earnings before income taxes and adjusted diluted net earnings per share exclude the impact of an adverse arbitration ruling. The tax impact was calculated using the effective tax rate for the quarter in which the expense was incurred.

The Company believes these non-GAAP financial measures provide useful information to investors because they are the measures used to evaluate performance on a comparable year-over-year basis. Non-GAAP measures are not intended to be a substitute for GAAP measures in analyzing financial performance. These non-GAAP measures are not in accordance with generally accepted accounting principles and may be different from non-GAAP measures used by other companies.

## HORMEL FOODS CORPORATION RECONCILIATION OF NON-GAAP MEASURES

In thousands, except per share amounts

Unaudited

|                                                                   | Quarter Ended     |                    |                   |                   |                   |
|-------------------------------------------------------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
|                                                                   | July 30, 2023     |                    |                   | July 31, 2022     |                   |
|                                                                   | GAAP              | Arbitration Ruling | Non-GAAP          | Reported GAAP     | Non-GAAP % Change |
| Net Sales                                                         | \$ 2,963,299      | \$ —               | \$ 2,963,299      | \$ 3,034,414      | (2.3)             |
| Cost of Products Sold                                             | 2,465,251         | —                  | 2,465,251         | 2,528,364         | (2.5)             |
| <b>Gross Profit</b>                                               | <b>498,048</b>    | <b>—</b>           | <b>498,048</b>    | <b>506,049</b>    | <b>(1.6)</b>      |
| Selling, General, and Administrative                              | 291,073           | (70,000)           | 221,073           | 222,147           | (0.5)             |
| Equity in Earnings of Affiliates                                  | 9,784             | —                  | 9,784             | 7,138             | 37.1              |
| <b>Operating Income</b>                                           | <b>216,759</b>    | <b>70,000</b>      | <b>286,759</b>    | <b>291,040</b>    | <b>(1.5)</b>      |
| Interest and Investment Income                                    | 9,239             | —                  | 9,239             | 14,411            | (35.9)            |
| Interest Expense                                                  | 18,372            | —                  | 18,372            | 15,615            | 17.7              |
| <b>Earnings Before Income Taxes</b>                               | <b>207,626</b>    | <b>70,000</b>      | <b>277,626</b>    | <b>289,836</b>    | <b>(4.2)</b>      |
| Provision for Income Taxes                                        | 45,055            | 15,190             | 60,245            | 71,010            | (15.2)            |
| <b>Net Earnings</b>                                               | <b>162,571</b>    | <b>54,810</b>      | <b>217,381</b>    | <b>218,826</b>    | <b>(0.7)</b>      |
| Less: Net Earnings (Loss) Attributable to Noncontrolling Interest | (108)             | —                  | (108)             | (89)              | (21.4)            |
| <b>Net Earnings Attributable to Hormel Foods Corporation</b>      | <b>\$ 162,679</b> | <b>\$ 54,810</b>   | <b>\$ 217,489</b> | <b>\$ 218,915</b> | <b>(0.7)</b>      |
| <b>Diluted Net Earnings Per Share</b>                             | <b>\$ 0.30</b>    | <b>\$ 0.10</b>     | <b>\$ 0.40</b>    | <b>\$ 0.40</b>    | <b>—</b>          |
| <b>Operating Margin (% of Net Sales)</b>                          | <b>7.3</b>        | <b>9.7</b>         | <b>9.6</b>        | <b>9.6</b>        | <b>—</b>          |

## NON-GAAP FINANCIAL MEASURES

The non-GAAP adjusted financial measures of adjusted operating income, adjusted operating margin, adjusted earnings before income taxes, and adjusted diluted net earnings per share are presented to provide investors with additional information to facilitate the comparison of past and present operations. Adjusted operating income, adjusted operating margin, adjusted earnings before income taxes and adjusted diluted net earnings per share exclude the impact of an adverse arbitration ruling. The tax impact was calculated using the effective tax rate for the quarter in which the expense was incurred.

The Company believes these non-GAAP financial measures provide useful information to investors because they are the measures used to evaluate performance on a comparable year-over-year basis. Non-GAAP measures are not intended to be a substitute for GAAP measures in analyzing financial performance. These non-GAAP measures are not in accordance with generally accepted accounting principles and may be different from non-GAAP measures used by other companies.

## HORMEL FOODS CORPORATION RECONCILIATION OF NON-GAAP MEASURES

In thousands, except per share amounts

Unaudited

|                                                                   | Nine Months Ended |                    |                   |                   |                   |
|-------------------------------------------------------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
|                                                                   | July 30, 2023     |                    |                   | July 31, 2022     |                   |
|                                                                   | GAAP              | Arbitration Ruling | Non-GAAP          | Reported GAAP     | Non-GAAP % Change |
| Net Sales                                                         | \$ 8,911,930      | \$ —               | \$ 8,911,930      | \$ 9,175,331      | (2.9)             |
| Cost of Products Sold                                             | 7,426,514         | —                  | 7,426,514         | 7,577,062         | (2.0)             |
| <b>Gross Profit</b>                                               | <b>1,485,417</b>  | <b>—</b>           | <b>1,485,417</b>  | <b>1,598,269</b>  | <b>(7.1)</b>      |
| Selling, General, and Administrative                              | 725,621           | (70,000)           | 655,621           | 672,777           | (2.6)             |
| Equity in Earnings of Affiliates                                  | 42,213            | —                  | 42,213            | 19,951            | 111.6             |
| <b>Operating Income</b>                                           | <b>802,009</b>    | <b>70,000</b>      | <b>872,009</b>    | <b>945,443</b>    | <b>(7.8)</b>      |
| Interest and Investment Income                                    | 20,700            | —                  | 20,700            | 20,078            | 3.1               |
| Interest Expense                                                  | 55,042            | —                  | 55,042            | 44,913            | 22.6              |
| <b>Earnings Before Income Taxes</b>                               | <b>767,666</b>    | <b>70,000</b>      | <b>837,666</b>    | <b>920,608</b>    | <b>(9.0)</b>      |
| Provision for Income Taxes                                        | 170,230           | 15,190             | 185,420           | 200,393           | (7.5)             |
| <b>Net Earnings</b>                                               | <b>597,437</b>    | <b>54,810</b>      | <b>652,247</b>    | <b>720,215</b>    | <b>(9.4)</b>      |
| Less: Net Earnings (Loss) Attributable to Noncontrolling Interest | (200)             | —                  | (200)             | 112               | (279.1)           |
| <b>Net Earnings Attributable to Hormel Foods Corporation</b>      | <b>\$ 597,637</b> | <b>\$ 54,810</b>   | <b>\$ 652,447</b> | <b>\$ 720,103</b> | <b>(9.4)</b>      |
| <b>Diluted Net Earnings Per Share</b>                             | <b>\$ 1.09</b>    | <b>\$ 0.10</b>     | <b>\$ 1.19</b>    | <b>\$ 1.31</b>    | <b>(9.2)</b>      |
| <b>Operating Margin (% of Net Sales)</b>                          | <b>9.0</b>        | <b>9.8</b>         | <b>10.3</b>       |                   |                   |