

News Release

Hormel Foods Reports Third Quarter Earnings and Raises Full Year Earnings Guidance

AUSTIN, Minn.--(BUSINESS WIRE)--Aug. 19, 2015-- Hormel Foods Corporation (NYSE: HRL) today reported record performance for the fiscal year 2015 third quarter. All comparisons are to the third quarter of fiscal 2014.

SUMMARY

- Record diluted EPS of \$0.54; non-GAAP¹ diluted EPS of \$0.56 excluding Applegate Farms, LLC (“Applegate”) transaction costs of \$8.6 million or \$0.02 per share.
- 2015 non-GAAP¹ adjusted earnings guidance range increased to \$2.57 to \$2.63 per share², includes neutral full year impact of Applegate acquisition.
- Record volume sales, up 3 percent; dollar sales of \$2.2 billion, down 4 percent.
- Refrigerated Foods segment operating profit up 9 percent (including Applegate transaction costs of \$8.6 million); volume up 2 percent; dollar sales down 11 percent.
- Jennie-O Turkey Store segment operating profit down 45 percent; volume down 16 percent; dollar sales down 12 percent. Decreases reflect the substantial impact of the avian influenza outbreak earlier this year.
- Grocery Products segment operating profit up 57 percent; volume up 10 percent; dollar sales up 8 percent. Excluding incremental net sales of MegaMex Foods products, volume and dollar sales flat.
- Specialty Foods segment operating profit up 79 percent; volume up 26 percent; dollar sales up 31 percent. Excluding incremental sales of CytoSport Holdings, Inc. (“CytoSport”) products, volume up 1 percent and dollar sales down 7 percent.
- International & Other segment operating profit up 3 percent; volume down 4 percent; dollar sales down 6 percent.

On a GAAP basis, the company reported fiscal 2015 third quarter net earnings of \$146.9 million, up 6 percent from net earnings of \$138.0 million a year earlier. Diluted earnings per share for the quarter were \$0.54 this year compared to \$0.51 per share last year.

Excluding Applegate transaction costs, the company reported fiscal 2015 third quarter non-GAAP¹ net earnings of \$152.5, up 11 percent from net earnings of \$138.0 million a year earlier. Non-GAAP¹ diluted earnings per share for the quarter were \$0.56, up 10 percent compared to \$0.51 per share last year.

Sales for the quarter were \$2.2 billion, down 4 percent from the same period in fiscal 2014.

COMMENTARY

“Our balanced business model prevailed once again this quarter, as we were able to overcome the significant challenge of avian influenza in our Jennie-O Turkey Store segment to deliver record earnings and volume sales,” said Jeffrey M. Ettinger, chairman of the board, president and chief executive officer. “Grocery Products drove earnings growth with favorable input costs and increased sales of **HORMEL**® chili and **SKIPPY**® peanut butter. Specialty Foods also delivered excellent results, as the team continues to increase sales of **MUSCLE MILK**® protein nutrition products, and improve the cost structure and synergies between our CytoSport and Century Foods businesses. Revenues were down for the quarter, impacted by lower pricing due to declining pork markets affecting our Refrigerated Foods and International segments, and the loss of sales related to avian influenza in the Jennie-O Turkey Store segment.

“I am pleased to welcome the Applegate team to Hormel Foods now that we finalized the acquisition in mid-July,” commented Ettinger. “Together we will expand our offerings in the high-growth natural and organic meat category, allowing us to reach even more consumers with the **APPLEGATE**® brand.”

SEGMENT OPERATING HIGHLIGHTS – THIRD QUARTER

Refrigerated Foods (48% of Net Sales, 41% of Total Segment Operating Profit)

Segment profit for Refrigerated Foods increased 9 percent, including transaction costs associated with the Applegate acquisition completed on July 13, 2015. Dollar sales were down 11 percent this quarter on 2 percent higher volume, reflecting lower pricing compared to last year's record high pork markets. Sales growth of value-added items were led by retail sales of **HORMEL®** pepperoni and **HORMEL® GATHERINGSTM** party trays and foodservice sales of **HORMEL®NATURAL CHOICE®** deli meats and **HORMEL® FIRE BRAISED™** meats.

Jennie-O Turkey Store (15% of Net Sales, 15% of Total Segment Operating Profit)

Jennie-O Turkey Store segment profits declined 45 percent and sales were down 12 percent reflecting the substantial impact of the avian influenza outbreak earlier this year, as previously lost flocks created considerable volume shortfalls in plant operations and sales.

Grocery Products (18% of Net Sales, 23% of Total Segment Operating Profit)

Grocery Products segment profit increased 57 percent, benefiting from lower input costs. Sales grew 8 percent, including the additional net sales of MegaMex Foods products not reflected in the prior year. Increased sales of **HORMEL®** chili and **SKIPPY®** peanut butter, along with **WHOLLY GUACAMOLE®** dips in our MegaMex Foods joint venture, contributed to the gains.

Specialty Foods (13% of Net Sales, 13% of Total Segment Operating Profit)

Specialty Foods delivered a 79 percent increase in segment profits, with a sales increase of 31 percent. Results were primarily driven by the addition of **MUSCLE MILK®** protein nutrition products and synergies captured within the CytoSport and Century Foods supply chain.

International & Other (6% of Net Sales, 8% of Total Segment Operating Profit)

International & Other segment profit increased 3 percent, driven by higher royalties and strong performance by our China businesses. Sales were down 6 percent. Increased sales of **SKIPPY®** peanut butter did not fully offset the declines in pork exports which were hampered by soft demand in several key markets.

OUTLOOK

"Looking forward to the fourth quarter, we expect a strong finish to the year from our Specialty Foods segment with the fast-paced growth and improved cost structure of our **MUSCLE MILK®** protein nutrition products," remarked Ettinger. "While Jennie-O Turkey Store will continue to show year-over-year declines due to the impact of avian influenza, we are pleased with our team's ability to navigate this difficult challenge. Our International segment will face headwinds in the pork export markets over the near term. We look for Refrigerated Foods and Grocery Products to continue to drive earnings increases with input cost tailwinds and growth in key value-added products."

"We are raising our 2015 non-GAAP¹ earnings guidance range to \$2.57 to \$2.63 per share², up from our previously stated non-GAAP¹ guidance range of \$2.50 to \$2.60 per share. The updated guidance represents a 15 to 18 percent earnings increase over a record performance in fiscal 2014," stated Ettinger.

DIVIDENDS

Effective August 17, 2015, the company paid its 348th consecutive quarterly dividend at the annual rate of \$1.00.

CONFERENCE CALL

A conference call will be webcast at 8:00 a.m. CT on Wednesday, August 19, 2015. Access is available at www.hormelfoods.com. The call will also be available via telephone by dialing 888-417-8465 and providing the access code 1732023. An audio replay is available by calling 888-203-1112 and entering access code 1732023. The audio replay will be available beginning at 11:00 a.m. CT on Wednesday, August 19, 2015, through 11:00 a.m. CT on Wednesday, September 2, 2015. The webcast replay will be available at 11:00 a.m. CT, Wednesday, August 19, 2015, and will remain on our website for one year.

1 COMPARISON OF U.S. GAAP TO NON-GAAP FINANCIAL MEASUREMENTS

The non-GAAP adjusted financial measurements are presented to provide investors additional information to facilitate the comparison of past and present operations. The non-GAAP adjusted financial measurements are used for internal purposes to evaluate the results of operations and to measure a component of certain employee incentive plans in fiscal year 2015. Non-GAAP measurements are not intended to be a substitute for U.S. GAAP measurements in analyzing financial performance. These non-GAAP measurements are not in accordance with generally accepted accounting principles and may be different from non-GAAP measures used by other companies.

2 ADJUSTED EARNINGS PER SHARE GUIDANCE

Full year fiscal 2015 non-GAAP adjusted diluted net earnings per share excludes first quarter fiscal 2015 nonrecurring charges of \$0.05 relating to the closure of the Stockton, California, manufacturing facility and the exit from international joint venture businesses. There is no adjustment on a full year basis for the Applegate acquisition. Subtracting the excluded nonrecurring charges relating to the closure of the Stockton, California, manufacturing facility and the exit from international joint venture businesses from the non-GAAP adjusted diluted earnings per share guidance range of \$2.57 to \$2.63 per share results in a U.S. GAAP diluted earnings per share guidance range for fiscal year 2015 of \$2.52 to \$2.58 per share. Adjusted diluted earnings per share provides shareholders a more clear view of comparable results.

About Hormel Foods

Hormel Foods Corporation, based in Austin, Minn., is a multinational manufacturer and marketer of consumer-branded food and meat products, many of which are among the best known and trusted in the food industry. The company leverages its extensive expertise, innovation and high competencies in pork and turkey processing and marketing to bring branded, value-added products to the global marketplace. The company is a member of the Standard & Poor's (S&P) 500 Index, S&P 500 Dividend Aristocrats for 2014, was named the 2013 Sustainable Supply Chain of the Year by Refrigerated & Frozen Foods magazine, and was again named one of "The 100 Best Corporate Citizens" by Corporate Responsibility Magazine for the seventh year in a row. Hormel Foods was also recognized as a 2015 Military Friendly Employer by G.I. Jobs magazine, on the 2015 Best for Vets Employers List by Military Times, and was named one of the 2015 40 Best Companies for Leaders by Chief Executive magazine. The company enjoys a strong reputation among consumers, retail grocers, foodservice and industrial customers for products highly regarded for quality, taste, nutrition, convenience and value. For more information, visit <http://www.hormelfoods.com>.

FORWARD-LOOKING STATEMENTS

This news release contains forward-looking information based on management's current views and assumptions. Actual events may differ materially. Please refer to the cautionary statement regarding Forward-Looking Statements and Risk Factors on pages 34 - 40 in the company's Form 10-Q for the fiscal quarter ended April 26, 2015, which includes information about the risk of outbreaks of disease among livestock and poultry flocks to the company's revenues and operating margins. The company's Form 10-Q can be accessed at www.hormelfoods.com under "Investors-SEC Filings."

Statements Follow

Segment Data

Fiscal 2015 Third Quarter Segment Operating Results (dollars in thousands)

THIRD QUARTER – 13 WEEKS ENDED

| NET SALES | July 26, 2015 | July 27, 2014 | % Change |
|--------------------|---------------|---------------|----------|
| Grocery Products | \$ 388,094 | \$ 359,549 | 7.9 |
| Refrigerated Foods | 1,056,125 | 1,192,624 | (11.4) |

| | | | |
|-----------------------|---------------------|---------------------|---------------|
| Jennie-O Turkey Store | 336,533 | 382,647 | (12.1) |
| Specialty Foods | 282,774 | 216,406 | 30.7 |
| International & Other | 125,061 | 133,721 | (6.5) |
| Total | \$ 2,188,587 | \$ 2,284,947 | (4.2) |

OPERATING PROFIT

| | | | |
|--|-------------------|-------------------|------------|
| Grocery Products | \$ 53,108 | \$ 33,781 | 57.2 |
| Refrigerated Foods | 97,692 | 90,028 | 8.5 |
| Jennie-O Turkey Store | 35,374 | 64,756 | (45.4) |
| Specialty Foods | 31,190 | 17,378 | 79.5 |
| International & Other | 19,251 | 18,696 | 3.0 |
| Total segment operating profit | 236,615 | 224,639 | 5.3 |
| Net interest and investment expense (income) | 2,941 | 1,522 | 93.2 |
| General corporate expense | 5,473 | 11,174 | (51.0) |
| Noncontrolling interest | 18 | 1,039 | (98.3) |
| Earnings before income taxes | \$ 228,219 | \$ 212,982 | 7.2 |

YEAR TO DATE – 39 WEEKS ENDED

| NET SALES | July 26, 2015 | July 27, 2014 | % Change |
|-----------------------|----------------------|----------------------|-----------------|
| Grocery Products | \$ 1,195,110 | \$ 1,153,099 | 3.6 |
| Refrigerated Foods | 3,222,851 | 3,432,289 | (6.1) |
| Jennie-O Turkey Store | 1,215,464 | 1,162,472 | 4.6 |
| Specialty Foods | 833,472 | 629,561 | 32.4 |
| International & Other | 396,108 | 395,064 | 0.3 |
| Total | \$ 6,863,005 | \$ 6,772,485 | 1.3 |

OPERATING PROFIT

| | | | |
|--|-------------------|-------------------|-------------|
| Grocery Products | \$ 149,810 | \$ 145,013 | 3.3 |
| Refrigerated Foods | 313,681 | 250,724 | 25.1 |
| Jennie-O Turkey Store | 202,990 | 177,109 | 14.6 |
| Specialty Foods | 70,910 | 57,767 | 22.8 |
| International & Other | 55,018 | 62,116 | (11.4) |
| Total segment operating profit | 792,409 | 692,729 | 14.4 |
| Net interest and investment expense (income) | 6,836 | 6,842 | (0.01) |
| General corporate expense | 18,550 | 27,242 | (31.9) |
| Noncontrolling interest | 964 | 2,765 | (65.1) |
| Earnings before income taxes | \$ 767,987 | \$ 661,410 | 16.1 |

HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited) (In thousands, except per share amounts)

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|--|----------------------|------------------|-------------------------|------------------|
| | July 26, 2015 | July 27, 2014 | July 26, 2015 | July 27, 2014 |
| Net sales | \$2,188,587 | \$2,284,947 | \$6,863,005 | \$6,772,485 |
| Cost of products sold | 1,779,197 | 1,920,948 | 5,549,454 | 5,631,086 |
| GROSS PROFIT | 409,390 | 363,999 | 1,313,551 | 1,141,399 |
| Selling, general and administrative | 184,627 | 153,035 | 554,659 | 485,009 |
| Equity in earnings of affiliates | 6,396 | 3,540 | 15,930 | 11,862 |
| OPERATING INCOME | 231,159 | 214,504 | 774,822 | 668,252 |
| Other income & expenses: | | | | |
| Interest & investment income (expense) | 189 | 1,603 | 2,455 | 2,470 |
| Interest expense | (3,129) | (3,125) | (9,290) | (9,312) |
| EARNINGS BEFORE INCOME TAXES | 228,219 | 212,982 | 767,987 | 661,410 |
| Provision for income taxes | 81,263 | 73,968 | 268,166 | 227,232 |
| (effective tax rate) | 35.61 % | 34.73 % | 34.92 % | 34.36 % |
| NET EARNINGS | 146,956 | 139,014 | 499,821 | 434,178 |
| Less: net earnings attributable to noncontrolling interest | 18 | 1,039 | 964 | 2,765 |
| NET EARNINGS ATTRIBUTABLE TO HORMEL FOODS CORPORATION | \$146,938 | \$137,975 | \$498,857 | \$431,413 |
| NET EARNINGS PER SHARE | | | | |
| Basic | \$0.56 | \$0.52 | \$1.89 | \$1.63 |
| Diluted | \$0.54 | \$0.51 | \$1.85 | \$1.60 |
| WEIGHTED AVG. SHARES OUTSTANDING | | | | |
| Basic | 264,258 | 263,983 | 263,987 | 263,887 |
| Diluted | 270,602 | 270,400 | 270,369 | 270,345 |
| DIVIDENDS DECLARED PER SHARE | \$0.25 | \$0.20 | \$0.75 | \$0.60 |

Thirty-Nine Weeks Ended
July 26, 2015 July 27, 2014

OPERATING ACTIVITIES

| | | |
|--|----------------|----------------|
| Net earnings | \$ 499,821 | \$ 434,178 |
| Depreciation and amortization of intangibles | 99,027 | 97,134 |
| Decrease (increase) in working capital | 66,769 | (138,370) |
| Other | 24,628 | 1,424 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 690,245 | 394,366 |

INVESTING ACTIVITIES

| | | |
|---|-------------------|-------------------|
| Acquisitions of businesses/intangibles | (768,339) | (41,876) |
| Net purchases of property/equipment | (81,778) | (103,259) |
| Decrease in investments, equity in affiliates, and other assets | 3,424 | 905 |
| NET CASH USED IN INVESTING ACTIVITIES | (846,693) | (144,230) |

FINANCING ACTIVITIES

| | | |
|--|-------------------|-------------------|
| Proceeds from short-term debt | 350,000 | - |
| Dividends paid on common stock | (184,761) | (150,360) |
| Share repurchase | - | (28,068) |
| Other | 8,693 | 26,310 |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 173,932 | (152,118) |
| Effect of exchange rate changes on cash | (2,489) | (1,055) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 14,995 | 96,963 |
| Cash and cash equivalents at beginning of year | 334,174 | 434,014 |
| CASH AND CASH EQUIVALENTS AT END OF QUARTER | \$ 349,169 | \$ 530,977 |

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