

## HORMEL FOODS ANNOUNCES RECORD FIRST QUARTER RESULTS

*Company lowers guidance due to unfavorable market conditions in the turkey industry.*

**AUSTIN, Minn.** (February 23, 2017) – Hormel Foods Corporation (NYSE: HRL) today reported results for the first quarter of fiscal year 2017. All comparisons are to the first quarter of fiscal year 2016. Results reflect the divestiture of the Diamond Crystal Brands business, the divestiture of the Farmer John business, and the acquisition of Justin's, LLC. The impact of these transactions are excluded in the presentation of the non-GAAP adjusted measures below.

### SUMMARY

#### **First Quarter**

- Record diluted earnings per share of \$0.44, up 2 percent from 2016 EPS of \$0.43
- Net earnings of \$235 million, flat compared to 2016 net earnings of \$235 million
- Sales of \$2.3 billion, down 1 percent; Non-GAAP<sup>1</sup> adjusted sales<sup>2</sup> increased 3 percent
- Volume down 2 percent; Non-GAAP<sup>1</sup> adjusted volume<sup>2</sup> up 5 percent
- Refrigerated Foods operating profit up 4 percent; volume down 3 percent; Non-GAAP<sup>1</sup> adjusted volume<sup>2</sup> flat; sales down 3 percent; Non-GAAP<sup>1</sup> adjusted sales<sup>2</sup> down 1 percent
- International & Other operating profit up 5 percent; volume down 1 percent; sales down 2 percent
- Grocery Products operating profit up 1 percent; volume up 4 percent; Non-GAAP<sup>1</sup> adjusted volume<sup>2</sup> up 2 percent; sales up 7 percent; Non-GAAP<sup>1</sup> adjusted sales<sup>2</sup> up 3 percent
- Specialty Foods operating profit flat; volume down 30 percent; Non-GAAP<sup>1</sup> adjusted volume<sup>2</sup> up 12 percent; sales down 19 percent; Non-GAAP<sup>1</sup> adjusted sales<sup>2</sup> up 10 percent
- Jennie-O Turkey Store operating profit down 25 percent; volume up 22 percent; sales up 13 percent

### COMMENTARY

"I'm proud of our team's ability to drive earnings growth for the 15<sup>th</sup> consecutive quarter," said Jim Snee, president and chief executive officer. "Our adjusted sales and volume performance for the quarter was solid with sales up 3 percent and volume up 5 percent."

"Earnings at Jennie-O Turkey Store declined compared to last year as turkey commodity prices were lower than we expected. However, demand for **JENNIE-O®** branded products continues to be strong," Snee said. "Refrigerated Foods was able to grow earnings four percent on excellent value-added sales growth despite the divestiture of the Farmer John business. Our International segment also delivered earnings growth fueled by strong pork exports."

## **SEGMENT OPERATING HIGHLIGHTS – FIRST QUARTER**

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

Grocery Products sales increased 7 percent on the addition of JUSTIN'S® specialty nut butters along with strong sales of WHOLLY GUACAMOLE® dips, SKIPPY® peanut butter products, and HERDEZ® salsa. Non-GAAP<sup>1</sup> adjusted sales<sup>2</sup> increased 3 percent. Segment profit was up 1 percent. Grocery Products increased advertising to support key brands such as WHOLLY GUACAMOLE® dips and HERDEZ® salsa.

### **Refrigerated Foods (49% of Net Sales, 48% of Total Segment Operating Profit)**

Refrigerated Foods segment profit increased 4 percent driven by solid value-added product growth in our foodservice and retail channels. Sales declined 3 percent, primarily related to the divestiture of the Farmer John business in January 2017. Non-GAAP<sup>1</sup> adjusted sales<sup>2</sup> decreased 1 percent. Foodservice products such as HORMEL® pepperoni and HORMEL® BACON 1™ fully cooked bacon, and retail products such as HORMEL GATHERINGS® party trays and HORMEL® NATURAL CHOICE® meats had excellent sales growth this quarter.

### **Jennie-O Turkey Store (19% of Net Sales, 19% of Total Segment Operating Profit)**

Jennie-O Turkey Store sales increased 13 percent and volume increased 22 percent while segment profit decreased 25 percent. Despite volume and sales increases of value-added products, segment profit declined primarily due to lower turkey commodity prices and increased operating expenses. Pricing pressure from competing proteins in the foodservice, deli and retail channels also affected the quarterly results.

### **Specialty Foods (8% of Net Sales, 8% of Total Segment Operating Profit)**

Specialty Foods segment profit was flat and sales declined 19 percent, primarily due to the divestiture of Diamond Crystal Brands in May 2016. Non-GAAP<sup>1</sup> adjusted sales<sup>2</sup> increased 10 percent.

### **International & Other (6% of Net Sales, 7% of Total Segment Operating Profit)**

International segment profit increased 5 percent while sales decreased 2 percent. Strong fresh pork exports offset declines in branded exports. High pork raw material costs continued to impact the profitability of our China meat business.

## **OUTLOOK**

“We are tempering our full year outlook for the Jennie-O Turkey Store segment given the shortfalls in the first quarter and the expected continuation of pricing pressure due to low commodity turkey prices. Improvements in our other segments are expected to offset some of the earnings headwinds from Jennie-O Turkey Store,” Snee said.

The Company is lowering its fiscal 2017 guidance to \$1.65 to \$1.71 per share due to challenging market conditions in the turkey industry. “The balanced model we have intentionally built in our business will allow us to overcome the challenges at Jennie-O Turkey Store. I remain confident in our team’s ability to deliver sales and earnings growth by supporting our brands, innovating, and making strategic investments,” Snee said.

## DIVIDENDS

Effective February 15, 2016, the company paid its 354<sup>th</sup> consecutive quarterly dividend at the annual rate of \$0.68.

## <sup>1</sup> 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 company believes these non-GAAP adjusted financial measurements provide useful information to investors because they are the measurements used to evaluate performance on a comparable year-over-year basis. 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.

## <sup>2</sup> ADJUSTED FINANCIAL MEASURES

Adjusted net sales and volume excludes the impact from the Justin's, LLC acquisition in May 2016, and the divestitures of the Diamond Crystal Brands business in May 2016, and the Farmer John business in January 2017. The tables below show the calculations to reconcile from the non-GAAP adjusted measures to the GAAP measures in first quarter of fiscal 2016 and the first quarter of fiscal 2017.

### Net Sales

(in thousands)	2017				2016				Non-GAAP % Change
	2017 Net Sales	Justin's Acquisition	Farmer John Divestiture	Non-GAAP Net Sales	2016 Net Sales	DCB Divestiture	Farmer John Divestiture	Non-GAAP Net Sales	
Grocery Products	\$417,745	(\$13,335)		\$404,410	\$392,218			\$392,218	3.1%
Refrigerated Foods	1,123,039		(\$100,231)	1,022,808	1,162,121		(\$132,901)	1,029,220	(0.6%)
Jennie-O Turkey Store	420,989			420,989	372,066			372,066	13.1%
Specialty Foods	192,629			192,629	237,779	(\$62,917)		174,862	10.2%
International & Other	125,825			125,825	128,488			128,488	(2.1%)
<b>Total Net Sales</b>	<b>\$2,280,227</b>	<b>(\$13,335)</b>	<b>(\$100,231)</b>	<b>\$2,166,661</b>	<b>\$2,292,672</b>	<b>(\$62,917)</b>	<b>(\$132,901)</b>	<b>\$2,096,854</b>	<b>3.3%</b>

### Tonnage (lbs.)

(in thousands)	2017				2016				Non-GAAP % Change
	2017 Tonnage	Justin's Acquisition	Farmer John Divestiture	Non-GAAP Tonnage	2016 Tonnage	DCB Divestiture	Farmer John Divestiture	Non-GAAP Tonnage	
Grocery Products	225,963	(2,296)		223,667	218,265			218,265	2.5%
Refrigerated Foods	614,425		(80,454)	533,971	635,652		(100,774)	534,878	(0.2%)
Jennie-O Turkey Store	216,643			216,643	178,275			178,275	21.5%
Specialty Foods	112,829			112,829	161,445	(61,034)		100,411	12.4%
International & Other	75,049			75,049	75,518			75,518	(0.6%)
<b>Total Tonnage</b>	<b>1,244,909</b>	<b>(2,296)</b>	<b>(80,454)</b>	<b>1,162,159</b>	<b>1,269,155</b>	<b>(61,034)</b>	<b>(100,774)</b>	<b>1,107,347</b>	<b>4.9%</b>

## **CONFERENCE CALL**

A conference call will be webcast at 8:00 a.m. CT on Thursday, February 23, 2017. Access is available at [www.hormelfoods.com](http://www.hormelfoods.com). The call will also be available via telephone by dialing 888-468-2440 and providing the access code 5626388. An audio replay is available by going to <https://jsp.premiereglobal.com/webrsvp> and entering the access code 5626388. The webcast replay will be available at 11:00 a.m. CT, Thursday, February 23, 2017, and will remain on the website for one year.

### **About Hormel Foods – Inspired People. Inspired Food.™**

Hormel Foods Corporation, based in Austin, Minn., is a global branded food company with over \$9 billion in annual revenues across 75 countries worldwide. Its brands include SKIPPY®, SPAM®, Hormel® Natural Choice®, Applegate®, Justin's®, Wholly Guacamole®, Hormel® Black Label® and more than 30 other beloved brands. The company is a member of the S&P 500 Index and the S&P 500 Dividend Aristocrats, was named one of “The 100 Best Corporate Citizens” by Corporate Responsibility Magazine for the eighth year in a row, and has received numerous other awards and accolades for its corporate responsibility and community service efforts. In 2016, the company celebrated its 125th anniversary and announced its new vision for the future - Inspired People. Inspired Food.™ - focusing on its legacy of innovation. For more information, visit [www.hormelfoods.com](http://www.hormelfoods.com) and <http://2015csr.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 which appear on pages 31 - 35 in the company's annual stockholders' report for the year ended October 30, 2016, which can be accessed at [www.hormelfoods.com](http://www.hormelfoods.com) under “Investors-SEC Filings.”

*Statements Follow*

**HORMEL FOODS CORPORATION**  
**SEGMENT DATA**  
(Unaudited) (In thousands)

**FIRST QUARTER – 13 WEEKS ENDED**

<b><u>NET SALES</u></b>	<b><u>January 29, 2017</u></b>	<b><u>January 24, 2016</u></b>	<b><u>% Change</u></b>
Grocery Products	\$ 417,745	\$ 392,218	6.5
Refrigerated Foods	1,123,039	1,162,121	(3.4)
Jennie-O Turkey Store	420,989	372,066	13.1
Specialty Foods	192,629	237,779	(19.0)
International & Other	<u>125,825</u>	<u>128,488</u>	<u>(2.1)</u>
<b>Total</b>	<b><u>\$ 2,280,227</u></b>	<b><u>\$ 2,292,672</u></b>	<b><u>(0.5)</u></b>
<b><u>OPERATING PROFIT</u></b>			
Grocery Products	\$ 65,627	\$ 65,273	0.5
Refrigerated Foods	173,808	166,908	4.1
Jennie-O Turkey Store	68,180	91,303	(25.3)
Specialty Foods	26,749	26,793	(0.2)
International & Other	<u>25,463</u>	<u>24,287</u>	<u>4.8</u>
<b>Total segment operating profit</b>	<b><u>359,827</u></b>	<b><u>374,564</u></b>	<b><u>(3.9)</u></b>
Net interest and investment expense (income)	577	5,370	(89.3)
General corporate expense	4,621	15,132	(69.5)
Less: Noncontrolling interest	<u>156</u>	<u>106</u>	<u>47.2</u>
<b>Earnings before income taxes</b>	<b><u>\$ 354,785</u></b>	<b><u>\$ 354,168</u></b>	<b><u>0.2</u></b>

**HORMEL FOODS CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited) (In thousands, except per share amounts)

	<b>Thirteen Weeks Ended</b>	
	<b>January 29, 2017</b>	<b>January 24, 2016</b>
Net sales	\$ 2,280,227	\$ 2,292,672
Cost of products sold	<u>1,727,947</u>	<u>1,734,661</u>
<b>GROSS PROFIT</b>	<b>552,280</b>	<b>558,011</b>
Selling, general and administrative	210,217	209,948
Equity in earnings of affiliates	<u>13,299</u>	<u>11,475</u>
<b>OPERATING INCOME</b>	<b>355,362</b>	<b>359,538</b>
Other income & expenses:		
Interest & investment income (expense)	2,449	(1,963)
Interest expense	<u>(3,026)</u>	<u>(3,407)</u>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>354,785</b>	<b>354,168</b>
Provision for income taxes (effective tax rate)	119,482 <u>33.68%</u>	119,001 <u>33.60%</u>
<b>NET EARNINGS</b>	<b>235,303</b>	<b>235,167</b>
Less: Net earnings attributable to noncontrolling interest	<u>156</u>	<u>106</u>
<b>NET EARNINGS ATTRIBUTABLE TO HORMEL FOODS CORPORATION</b>	<b><u>\$ 235,147</u></b>	<b><u>\$ 235,061</u></b>
<b>NET EARNINGS PER SHARE</b>		
Basic	<u><u>\$ 0.44</u></u>	<u><u>\$ 0.44</u></u>
Diluted	<u><u>\$ 0.44</u></u>	<u><u>\$ 0.43</u></u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>		
Basic	528,585	528,862
Diluted	540,064	542,737
<b>DIVIDENDS DECLARED PER SHARE</b>	<u><u>\$ 0.170</u></u>	<u><u>\$ 0.145</u></u>

**HORMEL FOODS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited) (In thousands)

	<u>January 29, 2017</u>	<u>October 30, 2016</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 609,821	\$ 415,143
Accounts receivable	530,851	591,310
Inventories	958,130	985,683
Income taxes receivable	-	18,282
Prepaid expenses	15,356	13,775
Other current assets	<u>5,428</u>	<u>5,719</u>
<b>TOTAL CURRENT ASSETS</b>	<b>2,119,586</b>	<b>2,029,912</b>
<b>DEFERRED INCOME TAXES</b>	<b>-</b>	<b>6,223</b>
<b>INTANGIBLES</b>	<b>2,709,468</b>	<b>2,737,755</b>
<b>OTHER ASSETS</b>	<b>502,069</b>	<b>490,728</b>
<b>PROPERTY, PLANT &amp; EQUIPMENT, NET</b>	<b><u>1,035,275</u></b>	<b><u>1,105,449</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,366,398</u></b>	<b><u>\$ 6,370,067</u></b>
<b><u>LIABILITIES AND SHAREHOLDERS' INVESTMENT</u></b>		
<b>CURRENT LIABILITIES</b>	<b>\$ 919,762</b>	<b>\$ 1,053,196</b>
<b>LONG-TERM DEBT – LESS CURRENT MATURITIES</b>	<b>250,000</b>	<b>250,000</b>
<b>DEFERRED INCOME TAXES</b>	<b>6,236</b>	<b>-</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>615,103</b>	<b>615,465</b>
<b>SHAREHOLDERS' INVESTMENT</b>	<b><u>4,575,297</u></b>	<b><u>4,451,406</u></b>
<b>TOTAL LIAB. &amp; SHAREHOLDERS' INVESTMENT</b>	<b><u>\$ 6,366,398</u></b>	<b><u>\$ 6,370,067</u></b>

**HORMEL FOODS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited) (In thousands)

	<b>Thirteen Weeks Ended</b>	
	<b>January 29, 2017</b>	<b>January 24, 2016</b>
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 235,303	\$ 235,167
Depreciation and amortization of intangibles	31,319	31,804
(Increase) decrease in working capital	(76,887)	30,795
Other	(12,116)	(19,075)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>177,619</b>	<b>278,691</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of business	135,944	-
Net purchases of property/equipment	(33,969)	(32,069)
Decrease in investments, equity in affiliates, and other assets	3,596	11,088
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>105,571</b>	<b>(20,981)</b>
<b>FINANCING ACTIVITIES</b>		
Net payments on short-term debt	-	(185,000)
Dividends paid on common stock	(76,629)	(66,137)
Share repurchase	(30,588)	-
Other	25,028	23,663
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(82,189)</b>	<b>(227,474)</b>
Effect of exchange rate changes on cash	(6,323)	(2,260)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>194,678</b>	<b>27,976</b>
Cash and cash equivalents at beginning of year	415,143	347,239
<b>CASH AND CASH EQUIVALENTS AT END OF QUARTER</b>	<b>\$ 609,821</b>	<b>\$ 375,215</b>