

Hormel Foods Corp.

Volume and margin led 1Q beat; raising PO and estimates

Reiterate Rating: UNDERPERFORM | PO: 32.00 USD | Price: 30.83 USD

Raising estimates post 1Q beat

Yesterday, Hormel Foods (HRL) reported 1Q24 adj. EPS of \$0.41 above BofAe and the Street estimate of \$0.34, driven by higher sales and margins. Below the line, tax was a headwind. HRL's financial outlook for the year remains unchanged. Overall, results this quarter were solid and HRL remains confident longer term about the potential savings derived from its transformation and modernization efforts as well as the value captured from incremental investments in the business. All in, we raise our FY24-26 adj. EPS estimates to \$1.64, \$1.70 and \$1.95, respectively, from \$1.57, \$1.65 and \$1.90.

1Q takeaways: beat driven by higher sales and margins

Sales of \$2.99bn came in above our \$2.89bn estimate, with the beat driven higher sales across all segments. Volumes came in better in all segments, while pricing was in line on a total company basis. In Retail, demand was strong in value-added meats, global flavors, emerging brands and bacon. In our view, Retail likely benefitted from January's cold weather. Foodservice saw a benefit from non-commercial channels. Gross margin (GM) of 17% was 77 bps above our estimate. Adj. pre-tax profit of \$296mm came in \$54mm above our \$242mm estimate. Retail profits declined, driven by lower commodity turkey pricing while International profits benefited from its Indonesia/Philippines investments. The 23.4% tax rate offset the beat by ~\$0.02/sh.

2Q and FY24 modeling considerations

For FY24, HRL now expects a ~\$0.15 headwind from turkey (prior ~\$0.10). A small portion of this headwind was captured in 1Q. HRL expects most turkey and whole bird pressure in 2Q. On foodservice, we don't expect 1Q's volume magnitude to continue as 2Q started slower with some customers ending 1Q with high inventory. HRL expects 2Q GM to be flat YoY (16.5%) and segment profit growth across all segments in 2H24. 2Q adj. EPS is expected to be down YoY followed by earnings growth in 2H24.

Reiterate Underperform and raise PO to \$32

We reiterate our Underperform rating & raise our PO to \$32 from \$31 still based on 18x our 2025 EPS_e. We believe this multiple is warranted given that HRL has diversified into more of a global branded foods company over the years. However, HRL's large exposure to pork as an input cost could limit multiple expansion in the near term.

Estimates (Oct) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.82	1.61	1.64	1.70	1.95
GAAP EPS	1.82	1.45	1.64	1.70	1.95
EPS Change (YoY)	5.8%	-11.5%	1.9%	3.7%	14.7%
Consensus EPS (Bloomberg)			1.55	1.65	1.84
DPS	1.04	1.10	1.13	1.22	1.22
Valuation (Oct)					
P/E	16.9x	19.1x	18.8x	18.1x	15.8x
GAAP P/E	16.9x	21.3x	18.8x	18.1x	15.8x
Dividend Yield	3.4%	3.6%	3.7%	4.0%	4.0%
EV / EBITDA*	12.2x	13.1x	13.3x	12.3x	11.1x
Free Cash Flow Yield*	5.1%	4.6%	3.6%	5.2%	5.8%

* For full definitions of *IQmethod*SM measures, see page 6.

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29 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	31.00	32.00
2024E Rev (m)	12,164.1	12,337.4
2025E Rev (m)	12,450.4	12,627.3
2026E Rev (m)	12,767.5	12,948.0
2024E EPS	1.57	1.64
2025E EPS	1.65	1.70
2026E EPS	1.90	1.95

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Stock Data

Price	30.83 USD
Price Objective	32.00 USD
Date Established	29-Feb-2024
Investment Opinion	A-3-7
52-Week Range	28.51 USD - 44.88 USD
Mrkt Val (mn) / Shares Out (mn)	16,892 USD / 547.9
Free Float	52.3%
Average Daily Value (mn)	102.45 USD
BofA Ticker / Exchange	HRL / NYS
Bloomberg / Reuters	HRL US / HRL.N
ROE (2024E)	11.3%
Net Dbt to Eqty (Oct-2023A)	33.2%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Hormel Foods Corp.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	8.9%	7.8%	7.6%	7.9%	8.8%
Return on Equity	13.8%	11.6%	11.3%	11.3%	12.4%
Operating Margin	10.5%	9.8%	9.7%	10.1%	11.2%
Free Cash Flow	856	778	611	871	986

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	1.2x	1.0x	1.3x	1.2x
Asset Replacement Ratio	1.1x	0.9x	1.1x	1.1x	1.1x
Tax Rate	21.7%	21.7%	21.9%	22.0%	22.0%
Net Debt-to-Equity Ratio	30.7%	33.2%	31.7%	28.2%	23.2%
Interest Cover	21.0x	16.1x	12.9x	10.7x	12.1x

Income Statement Data (Oct)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	12,459	12,110	12,337	12,627	12,948
% Change	9.4%	-2.8%	1.9%	2.4%	2.5%
Gross Profit	2,165	2,001	2,039	2,172	2,369
% Change	11.5%	-7.6%	1.9%	6.6%	9.1%
EBITDA	1,575	1,471	1,448	1,561	1,735
% Change	13.2%	-6.6%	-1.5%	7.8%	11.2%
Net Interest & Other Income	(35)	(59)	(49)	(88)	(88)
Net Income (Adjusted)	1,000	883	897	930	1,066
% Change	5.9%	-11.7%	1.6%	3.7%	14.6%

Free Cash Flow Data (Oct)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,000	794	897	930	1,066
Depreciation & Amortization	263	285	250	280	280
Change in Working Capital	(372)	(125)	(199)	(15)	(35)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	244	94	(57)	(24)	(25)
Capital Expenditure	(279)	(270)	(280)	(300)	(300)
Free Cash Flow	856	778	611	871	986
% Change	11.2%	-9.2%	-21.4%	42.5%	13.2%
Share / Issue Repurchase	80	0	19	0	0
Cost of Dividends Paid	(558)	(593)	(615)	(668)	(668)
Change in Debt	(9)	(7)	(2)	0	0

Balance Sheet Data (Oct)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	982	737	753	956	1,273
Trade Receivables	868	817	845	865	887
Other Current Assets	1,787	1,743	1,852	1,879	1,901
Property, Plant & Equipment	2,141	2,166	2,245	2,265	2,285
Other Non-Current Assets	7,529	7,986	8,003	8,030	8,079
Total Assets	13,307	13,449	13,698	13,995	14,425
Short-Term Debt	9	951	954	954	954
Other Current Liabilities	1,464	1,361	1,268	1,279	1,287
Long-Term Debt	3,291	2,359	2,357	2,357	2,357
Other Non-Current Liabilities	1,003	1,039	1,046	1,046	1,046
Total Liabilities	5,767	5,710	5,626	5,636	5,645
Total Equity	7,540	7,739	8,073	8,358	8,780
Total Equity & Liabilities	13,307	13,449	13,698	13,995	14,425

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Food Processors

Company Description

HRL is a leading producer of meat and other branded food products in the United States and internationally with a focus on pork and pork related products, turkey, simple meals, nut butters and Mexican foods via its MegaMex JV. HRL differentiates itself from the other protein processors in our coverage as it is largely focused on the manufacturing and distribution of branded, value-added consumer products as opposed to a commodity fresh meats business.

Investment Rationale

We rate HRL shares at Underperform. Over the near-term, we believe HRL could struggle to grow earnings organically as pork costs remain elevated as the company's single largest input challenging consumer affordability and margins while turkey remains volatile. Higher interest expense in FY24 are also risks to EPS growth which given current valuation leaves little upside for shares, in our view.

Stock Data

Average Daily Volume 3,322,972

Quarterly Earnings Estimates

	2023	2024
Q1	0.40A	0.41A
Q2	0.40A	0.37E
Q3	0.40A	0.40E
Q4	0.42A	0.46E

Exhibit 1: 2Q gross margin and operating profit outlook by segment

See below for GM and OP cadence by segment

	Gross Margin	Operating Profit
Retail	decline YoY	lower YoY
Foodservice	decline YoY	higher YoY
International	increase YoY	significantly higher YoY

Source: HRL, BofA Global Research

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Variance table

Exhibit 2: 1Q24 variance table

Adj. Eps of \$0.41 came in above BofAe of \$0.34

Variance	1Q24A	1Q24E	A vs. E	Per Share	1Q23	% Chg	Source of EPS Upside
Sales	\$2,996.9	\$2,891.1	\$105.8	\$0.15	\$2,971.0	0.9%	Sales \$0.15
Cost of Goods Sold	\$2,486.6	\$2,421.0	\$65.6	(\$0.09)	\$2,475.0	0.5%	Gross Profit \$0.06
Gross Profit	\$510.3	\$470.1	\$40.2	\$0.06	\$495.9	2.9%	SG&A (\$0.01)
Gross Margin	17.0%	16.3%	77bps		16.7%	34bps	Equity Income \$0.01
SG&A	\$231.7	\$225.5	\$6.2	(\$0.01)	\$222.1	4.3%	Operating Profit \$0.06
Equity in earnings of affiliates	\$16.1	\$9.0	\$7.1	\$0.01	\$15.6	3.4%	Interest Expense \$0.02
Operating Income	\$294.8	\$253.6	\$41.2	\$0.06	\$289.5	1.8%	Interest Income \$0.00
Operating Margin	9.8%	8.8%	106bps		9.7%	9bps	Tax Rate (\$0.02)
Adjusted EBITDA	\$359.0	\$316.1	\$42.9		\$360.4	-0.4%	NCI (\$0.00)
Adjusted EBITDA Margin	12.0%	10.9%	104bps		12.1%	-15bps	Share count \$0.00
Interest & investment income (expense)	\$19.4	\$7.0	\$12.4	\$0.02	\$10.1	92.5%	Above the Line \$0.06
Interest expense	\$18.3	\$18.3	(\$0.0)	\$0.00	\$18.3	-0.1%	Below the Line (\$0.00)
Pre-Tax Income	\$295.9	\$242.2	\$53.6	\$0.08	\$281.2	5.2%	Total \$0.05
Income Tax Expense	\$69.2	\$53.3	\$15.9	(\$0.02)	\$63.6	8.9%	
Tax Rate	23.4%	22.0%	140bps		22.6%	80bps	
NCI	(\$0.1)	\$0.0	(\$0.1)	(\$0.00)	(\$0.1)	94.2%	
Net Income attributable to HRL	\$226.8	\$188.9	\$37.8	\$0.05	\$217.7	4.2%	
Adjusted diluted EPS	\$0.41	\$0.34	\$0.07		\$0.40	4.6%	
Shares outstanding	547.9	548.2	-0.3	\$0.00	550.0	-0.4%	
By Segment:							
Sales:							
Retail	\$1,911.3	\$1,870.7	\$40.6		\$1,957.8	-2.4%	
Foodservice	\$913.1	\$861.1	\$51.9		\$834.8	9.4%	
International	\$172.6	\$159.3	\$13.3		\$178.4	-3.3%	
Total Sales	\$2,996.9	\$2,891.1	\$105.8		\$2,971.0	0.9%	
Pre-tax income:							
Retail	\$149.5	\$119.3	\$30.2		\$154.7	-3.3%	
Foodservice	\$150.2	\$141.2	\$8.9		\$136.4	10.1%	
International	\$20.0	\$12.7	\$7.3		\$19.9	0.6%	
Corporate Expense	(\$23.7)	(\$31.0)	\$7.3		(\$29.8)	-20.3%	
Total Pre-tax income	\$295.9	\$242.2	\$53.6		\$281.2	5.2%	

Source: HRL, BofA Global Research estimates

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Income statement

Exhibit 3: HRL summary income statement

We estimate FY24 adj. EPS of \$1.64

	Oct-22	Jan-23	Apr-23	Jul-23	Oct-23	Oct-23	Jan-24	Apr-24	Jul-24	Oct-24	Oct-24	Oct-25	Oct-26
Oct Year End	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Net Sales	\$12,458.8	\$2,971.0	\$2,977.6	\$2,963.3	\$3,198.1	\$12,110.0	\$2,996.9	\$2,958.7	\$3,061.1	\$3,320.6	\$12,337.4	\$12,627.3	\$12,948.0
Cost of Goods Sold	10,294.1	2,475.0	2,486.2	2,465.3	2,682.7	10,109.2	2,486.6	2,470.5	2,562.1	2,779.4	10,298.6	10,454.9	10,579.0
Gross Profit	\$2,164.7	\$495.9	\$491.4	\$498.0	\$515.369	\$2,000.8	\$510.3	\$488.2	\$499.0	\$541.3	\$2,038.7	\$2,172.4	\$2,369.1
Selling General & Administrative	879.3	222.1	212.5	221.1	209.8	865.4	231.7	226.3	212.7	215.8	886.6	939.4	963.2
Equity in earnings of affiliates	27.2	15.6	16.9	9.8	7.5	49.7	16.1	10.0	10.0	10.0	46.1	47.7	49.4
Operating income (adjusted)	\$1,312.6	\$289.5	\$295.8	\$286.8	\$313.075	\$1,185.1	\$294.8	\$271.8	\$296.2	\$335.4	\$1,198.2	\$1,280.8	\$1,455.2
Interest & invest. income (expense)	28.0	10.1	1.4	9.2	(5.9)	14.8	19.4	8.0	8.0	8.0	43.4	32.0	32.0
Interest expense	62.5	18.3	18.3	18.4	18.4	73.4	18.3	18.4	26.2	30.1	92.9	120.2	120.2
Earnings before income taxes	\$1,278.1	\$281.2	\$278.8	\$277.6	\$288.8	\$1,126.5	\$295.9	\$261.5	\$278.1	\$313.4	\$1,148.8	\$1,192.6	\$1,367.0
Income tax expense	277.9	63.6	61.6	60.2	59.1	244.6	69.2	60.1	59.8	62.7	251.8	262.4	300.7
Adjusted net income	\$1,000.2	\$217.7	\$217.2	\$217.4	\$229.7	\$881.9	\$226.6	\$201.4	\$218.3	\$250.7	\$897.0	\$930.2	\$1,066.3
Less: Net income to NCI	0.2	(0.1)	(0.0)	(0.1)	(0.5)	(0.7)	(0.1)	-	-	-	(0.1)	-	-
Net income attributable to HRL	\$1,000.0	\$217.7	\$217.2	\$217.5	\$230.2	\$882.6	\$226.8	\$201.4	\$218.3	\$250.7	\$897.1	\$930.2	\$1,066.3
Non-recurring items	-	-	-	(54.8)	(34.2)	(89.0)	-	-	-	-	-	-	-
GAAP net income	\$1,000.0	\$217.7	\$217.2	\$162.7	\$195.9	\$793.6	\$226.8	\$201.4	\$218.3	\$250.7	\$897.1	\$930.2	\$1,066.3
GAAP EPS	\$1.82	\$0.40	\$0.40	\$0.30	\$0.36	\$1.45	\$0.41	\$0.37	\$0.40	\$0.46	\$1.64	\$1.70	\$1.95
Adjusted EPS	\$1.82	\$0.40	\$0.40	\$0.40	\$0.42	\$1.61	\$0.41	\$0.37	\$0.40	\$0.46	\$1.64	\$1.70	\$1.95
Weighted avg diluted shares	549.6	550.0	549.0	548.6	548.2	549.0	547.9	547.9	547.9	547.9	547.9	547.9	547.9
Dividends Per share	\$1.04	\$0.28	\$0.28	\$0.28	\$0.28	\$1.10	\$0.28	\$0.28	\$0.28	\$0.28	\$1.13	\$1.22	\$1.22
YoY growth Dividend	6%	6%	6%	6%	6%	6%	3%	3%	3%	3%	3%	8%	0%
												71.9%	
EBITDA calculation													
Adjusted Operating Profit	\$1,312.6	\$289.5	\$295.8	\$286.8	\$313.1	\$1,185.1	\$294.8	\$271.8	\$296.2	\$335.4	\$1,198.2	\$1,280.8	\$1,455.2
(-) non-controlling interest	0.2	(0.1)	(0.0)	(0.1)	(0.5)	(0.7)	(0.1)	-	-	-	(0.1)	-	-
Adjusted EBIT	\$1,312.4	\$289.5	\$295.8	\$286.9	\$313.5	\$1,185.7	\$294.9	\$271.8	\$296.2	\$335.4	\$1,198.4	\$1,280.8	\$1,455.2
(+) Depreciation & Amortization	262.8	70.9	70.8	74.8	68.9	285.3	64.1	62.0	62.0	62.0	250.1	280.0	280.0
Adjusted EBITDA	\$1,575.1	\$360.4	\$366.6	\$361.6	\$382.4	\$1,471.0	\$359.0	\$333.8	\$358.2	\$397.4	\$1,448.4	\$1,560.8	\$1,735.2
Margin Analysis		-0.6%	-0.19%	0.30%	-0.69%		0.9%	-0.53%	-0.20%	0.00%			
Gross Margin	17.4%	16.7%	16.5%	16.8%	16.1%	16.5%	17.0%	16.5%	16.3%	16.3%	16.5%	17.2%	18.3%
Total SG&A % Sales (includes ads)	7.1%	7.5%	7.1%	7.5%	6.6%	7.1%	7.7%	7.7%	7.0%	6.5%	7.2%	7.4%	7.4%
Advertising % of Sales	1.3%	1.6%	1.2%	1.5%	1.1%	1.3%	1.5%						
Operating Margin	10.5%	9.7%	9.9%	9.7%	9.8%	9.8%	9.8%	9.2%	9.7%	10.1%	9.7%	10.1%	11.2%
Adjusted EBIT margin	10.5%	9.7%	9.9%	9.7%	9.8%	9.8%	9.8%	9.2%	9.7%	10.1%	9.7%	10.1%	11.2%
Adjusted EBITDA margin	12.6%	12.1%	12.3%	12.2%	12.0%	12.1%	12.0%	11.3%	11.7%	12.0%	11.7%	12.4%	13.4%
Pre-tax Margin	10.3%	9.5%	9.4%	9.4%	9.0%	9.3%	9.9%	8.8%	9.1%	9.4%	9.3%	9.4%	10.6%
Net Margin (continuing ops)	8.0%	7.3%	7.3%	7.3%	7.2%	7.3%	7.6%	6.8%	7.1%	7.5%	7.3%	7.4%	8.2%
Tax rate	21.7%	22.6%	22.1%	21.7%	20.5%	21.7%	23.4%	23.0%	21.5%	20.0%	21.9%	22.0%	22.0%
YoY % Change													
Sales	9.4%	-2.4%	-3.8%	-2.3%	-2.6%	-2.8%	0.9%	-0.6%	3.3%	3.8%	1.9%	2.4%	2.5%
Gross Profit	11.5%	-7.9%	-11.2%	-1.6%	-9.0%	-7.6%	2.9%	-0.7%	0.2%	5.0%	1.9%	6.6%	9.1%
Operating Profit	12.9%	-9.5%	-11.6%	-1.5%	-14.7%	-9.7%	1.8%	-8.1%	3.3%	7.1%	1.1%	6.9%	13.6%
Pre-tax Profit	9.6%	-9.0%	-13.4%	-4.2%	-19.2%	-11.9%	5.2%	-6.2%	0.2%	8.5%	2.0%	3.8%	14.6%
Net Income (continuing ops)	5.9%	-9.2%	-17.0%	-0.7%	-18.0%	-11.8%	4.1%	-7.3%	0.4%	9.1%	1.7%	3.7%	14.6%
Adjusted EPS	5.6%	-9.5%	-16.8%	-0.4%	-17.5%	-11.6%	4.6%	-7.1%	0.5%	9.0%	1.8%	3.7%	14.6%

Source: HRL, BofA Global Research estimates

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Price objective basis & risk

Hormel Foods Corp. (HRL)

Our \$32 PO for HRL shares is based on a CY2025E P/E multiple of roughly 18x. We believe these multiples are warranted given that HRL has diversified into more of a global branded foods company over the years. However, HRL's large exposure to pork as an input cost could limit multiple expansion in the near term, in our view.

Upside risks to our price objective are: 1) lower than expected input cost inflation and possible deflation in pork, 2) continued strength in Turkey margins given HPAI, 3) bolt-on/large scale M&A not currently factored into our model, 4) upside from the Planters acquisition, 5) improvement in the company's international markets 6) better than expected results in the company's MegaMex JV from lower avocado prices.

Downside risks to our price objective are: 1) greater than expected input cost inflation in pork, 2) a reversion in Turkey profits once HPAI subsides 3) continued weakness in Planters business, 4) deterioration in the company's international markets 5) higher interest rates/refi risk.

Analyst Certification

I, Peter T. Galbo, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
NEUTRAL				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Hershey Company	HSY	HSY US	Bryan D. Spillane
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane



US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA

UNDERPERFORM

	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	WEED CN	Lisa K. Lewandowski
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
	Kimberly-Clark	KMB	KMB US	Anna Lizzul
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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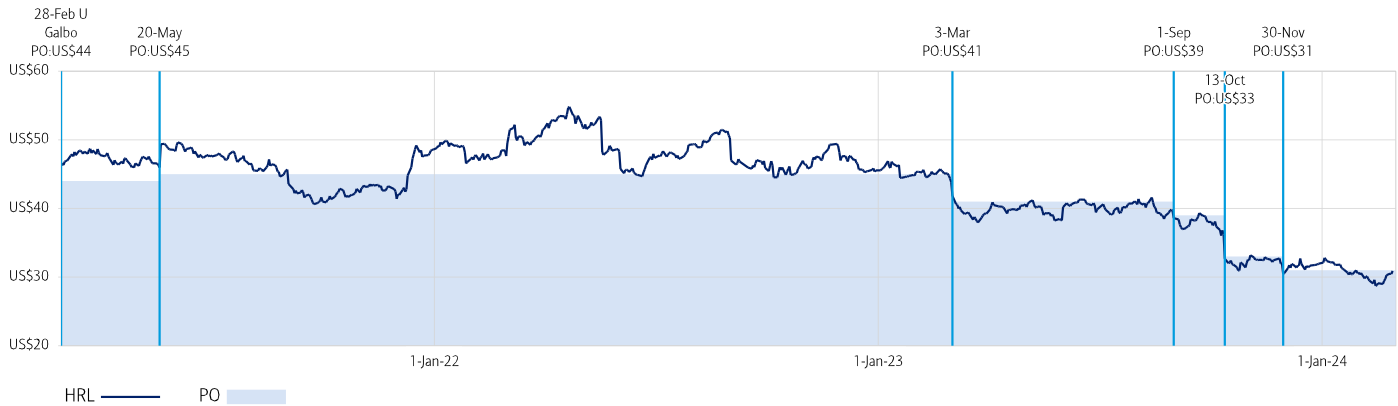
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Hormel Foods (HRL) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Food Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	33	49.25%	Buy	16	48.48%
Hold	17	25.37%	Hold	10	58.82%
Sell	17	25.37%	Sell	8	47.06%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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