Hormel Foods Corporation (HRL)

Updated September 15th, 2025, by Josh Arnold

Key Metrics

Current Price:	$25	**5 Year CAGR Estimate:**	11.8%	**Market Cap:**	$14 B
Fair Value Price:	$30	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	10/14/25
% Fair Value:	82%	**5 Year Valuation Multiple Estimate:**	4.0%	**Dividend Payment Date:**	11/15/25
Dividend Yield:	4.6%	**5 Year Price Target**	$37	**Years Of Dividend Growth:**	59
Dividend Risk Score:	B	**Sector:**	Consumer Staples	**Rating:**	Buy

Overview & Current Events

Hormel Foods was founded in 1891 in Minnesota. Since that time, the company has grown into a $14 billion market capitalization juggernaut in the food products industry with about $12 billion in annual revenue. Hormel has kept its core competency as a processor of meat products for well over a hundred years but has also grown into other business lines through acquisitions. The company sells its products in 80 countries worldwide, and its brands include Skippy, SPAM, Applegate, Justin's, and more than 30 others. In addition, Hormel is a member of the Dividend Kings, having increased its dividend for 59 consecutive years.

Hormel posted third quarter earnings on August 28th, 2025, and results were very weak, including disappointing guidance for the fourth quarter. Shares were crushed in the wake of the earnings report, and shares are now at a decade-low.

Adjusted earnings-per-share came to 35 cents, which was six cents light of estimates. Revenue was up 4.5% year-over-year to $3.03 billion, beating estimates by $50 million.

Organic net sales were up 6% year-over-year on volume gains of 4%, with price and mix comprising the other 2%. The company also noted its cost savings program is working and helping save about $125 million annually.

Gross profit was flat year-on-year, with inflationary headwinds offset by top line gains. The company noted 400 basis points of raw material cost inflation, a massive headwind to margins.

Cash flow from operations were $157 million, while capex was $72 million, and dividends paid were $159 million.

Guidance for Q4 was for net sales of ~$3.2 billion, about $50 million light of consensus. Earnings are expected at ~39 cents, light of consensus by about a dime. We've reduced our estimate of earnings-per-share to $1.45 on weak earnings and guidance.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.32	$1.64	$1.57	$1.86	$1.74	$1.66	$1.73	$1.82	$1.61	$1.58	***$1.45***	***$1.76***
DPS	$0.50	$0.58	$0.68	$0.75	$0.84	$0.93	$0.98	$1.04	$1.10	$1.13	***$1.16***	***$1.41***
Shares[1]	527	528	528	529	544	548	542	546	547	549	***550***	***555***

Hormel's growth was once better than it is now, as we've seen a handful of years in the recent past where earnings were lower year-over-year. Relatively consistent results have come from a steady stream of acquisitions and a bit of organic growth. This has afforded Hormel the ability to consistently raise its dividend as well.

We are forecasting forward earnings growth of 4% annually as Hormel has been building its margin profile recently. We see sales growth as the primary driver of earnings-per-share expansion moving forward as recent results continue to show that margins and volumes can be unpredictable for this business. Hormel will likely continue to buy growth because its legacy businesses are not currently producing it outside of an extraordinary circumstance early in 2020.

[1] Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Hormel Foods Corporation (HRL)

Updated September 15th, 2025, by Josh Arnold

Margins remain in focus, particularly with the weak sales result of Q3 and guidance for Q4. With top line growth now deteriorating and margins coming under fire, we are cautious on Hormel's future.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.6	23.4	21.8	19.3	24.2	28.4	26.9	25.0	20.2	19.0	***17.2***	***21.0***
Avg. Yld.	1.8%	1.5%	2.0%	2.1%	2.0%	2.0%	2.1%	2.3%	3.4%	3.6%	***4.6%***	***3.8%***

Hormel's price-to-earnings ratio has been volatile in the last decade, sinking as low as 13 in 2009 before rebounding to 23.4 in 2016. It sits at 17.2 now and we believe it could move higher over time towards our fair value estimate of 21 times earnings. That works out to a meaningful tailwind to total returns over the next five years as the stock is under fair value. We are forecasting a lower yield five years from now as the stock's valuation could move up.

Hormel boosted its dividend once more at the beginning of fiscal 2025, marking its 59th consecutive year of dividend increases.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	35%	33%	41%	40%	48%	56%	57%	57%	68%	72%	***80%***	***80%***

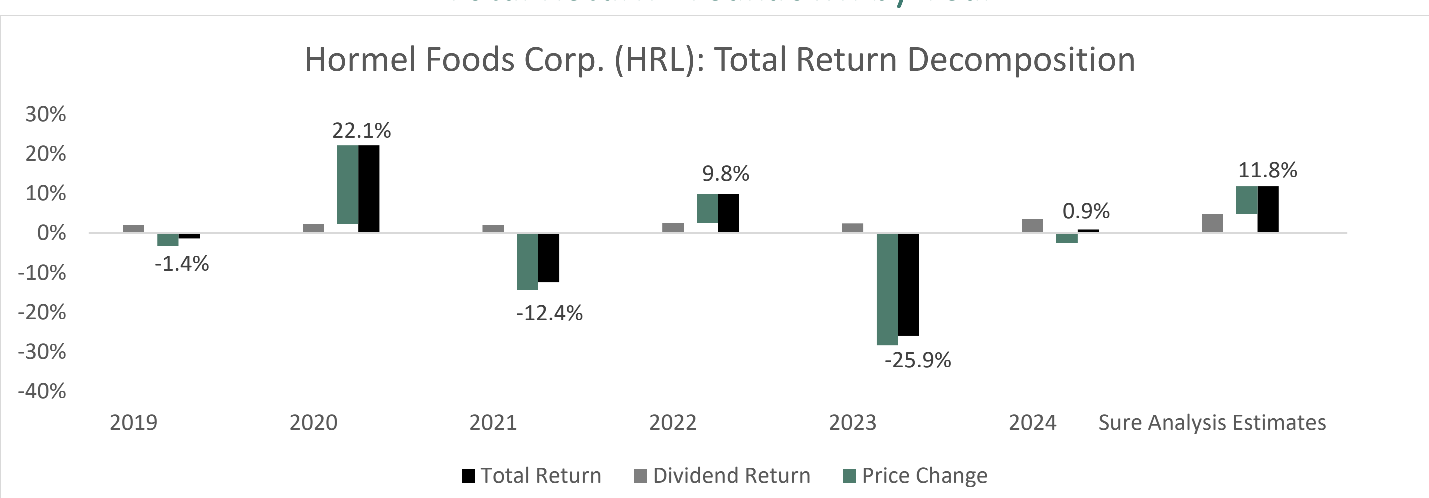
Hormel's payout ratio is 80% of earnings, and we expect it could drift lower over time as earnings outpace dividend growth. Management is certainly committed to the dividend, but it wants to acquire growth as well, which uses cash.

Hormel's main competitive advantage is its ~40 products that are either #1 or #2 in their category. Hormel has brands that are proven, and that leadership position is difficult for competitors to supplant. In addition, Hormel has a global network of distributors that few food companies can rival. Hormel's earnings-per-share actually grew during the Great Recession while most of the world was in rather dire straits, a testament to the company's defensive nature.

Final Thoughts & Recommendation

Hormel looks undervalued today in our view. The company is in a tough spot as it tries to grow without sacrificing margins given supply chain and input cost inflation pressures, as well as lower selling prices and production disruptions, and the new potential disruption of tariffs. With the valuation under fair value, but growth weakening, we forecast 11.8% total annual returns for Hormel. This could accrue from 4% growth, with the 4.6% yield and 4% valuation tailwind. Given this, and the company's exemplary dividend history, we reiterate the stock at a buy rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Hormel Foods Corporation (HRL)

Updated September 15th, 2025, by Josh Arnold

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	9264	9523	9168	9546	9497	9,608	11,386	12,459	12,110	11,921
Gross Profit	1809	2158	1997	1979	1885	1,826	1,928	2,165	2,000	2,022
Gross Margin	19.5%	22.7%	21.8%	20.7%	19.8%	19.0%	16.9%	17.4%	16.5%	17.0%
SG&A Exp.	744	872	759	841	728	761	853	879	942	1,005
D&A Exp.	133	132	131	162	165	206	228	263	253	258
Operating Profit	1065	1286	1237	1138	1157	1,065	1,075	1,285	1,058	1,017
Operating Margin	11.5%	13.5%	13.5%	11.9%	12.2%	11.1%	9.4%	10.3%	8.7%	8.5%
Net Profit	686	890	847	1012	979	908	909	1,000	794	805
Net Margin	7.4%	9.3%	9.2%	10.6%	10.3%	9.5%	8.0%	8.0%	6.6%	6.8%
Free Cash Flow	848	784	813	852	629	761	770	856	778	1,010
Income Tax	370	427	432	169	231	206	217	278	221	231

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	6140	6370	6976	8142	8109	9,908	12,696	13,307	13,449	13,435
Cash & Equivalents	347	415	444	459	673	1,714	614	982	737	742
Accounts Receivable	606	591	618	600	574	702	896	868	817	818
Inventories	993	986	921	964	1042	1,073	1,369	1,716	1,680	1,576
Goodwill & Int. Ass.	2527	2738	3147	3921	3516	3,689	6,751	6,729	6,686	6,656
Total Liabilities	2138	1919	2036	2537	2183	3,478	5,718	5,767	5,710	5,431
Accounts Payable	495	482	553	619	590	645	793	817	771	736
Long-Term Debt	435	250	250	625	250	1,304	3,324	3,299	3,309	2,859
Shareholder's Equity	3998	4448	4936	5601	5921	6,426	6,973	7,535	7,735	7,993
LTD/E Ratio	0.11	0.06	0.05	0.11	0.04	0.20	0.48	0.44	0.43	0.36

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	11.8%	14.2%	12.7%	13.4%	12.0%	10.1%	8.0%	7.7%	5.9%	6.0%
Return on Equity	18.0%	21.1%	18.0%	19.2%	17.0%	14.7%	13.6%	13.8%	10.4%	10.2%
ROIC	16.5%	19.5%	17.1%	17.7%	15.8%	13.1%	10.1%	9.5%	7.3%	7.3%
Shares Out.	527	528	528	529	544	548	542	550	549	549
Revenue/Share	17.12	17.56	17.00	17.55	17.42	17.58	20.79	22.67	22.06	21.72
FCF/Share	1.57	1.45	1.51	1.57	1.15	1.39	1.41	1.56	1.42	1.84

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.