



Hormel Foods Corporation (HRL)

Updated March 17th, 2026, by Josh Arnold

Key Metrics

Current Price:	\$23	5 Year CAGR Estimate:	14.8%	Market Cap:	\$12.5 B
Fair Value Price:	\$28	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	04/12/26 ¹
% Fair Value:	82%	5 Year Valuation Multiple Estimate:	4.1%	Dividend Payment Date:	05/17/26
Dividend Yield:	5.1%	5 Year Price Target	\$39	Years Of Dividend Growth:	60
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 \$12.5 billion market capitalization juggernaut in the food products industry with about \$12.3 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 60 consecutive years.

Hormel posted first quarter earnings on February 26th, 2026, and results were mixed. The company posted slightly higher revenue at +1.3% year-over-year, totaling \$3.03 billion. That missed expectations by \$30 million. Adjusted earnings-per-share came to 34 cents, which was two cents better than estimates.

Management noted gross profit was weak enough to offset top line growth as higher input costs and logistics expenses were worse than expected. Adjusted SG&A was comparable to the year-ago period as a percentage of revenue, as higher employee and legal expenses were offset by reductions in marketing and advertising.

Adjusted operating income was \$247 million, while adjusted operating margin was 8.2% of revenue for the quarter. Cash flow from operations was \$349 million, rising about \$26 million year-over-year.

Management noted they're selling the whole-bird turkey business, but will retain Jennie-O, a move that is expected to reduce revenue by about \$50 million annually.

We see \$1.48 in adjusted earnings-per-share for this year, and note the dividend is now up to \$1.17 annually.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$1.64	\$1.57	\$1.86	\$1.74	\$1.66	\$1.73	\$1.82	\$1.61	\$1.58	\$1.37	\$1.48	\$2.08
DPS	\$0.58	\$0.68	\$0.75	\$0.84	\$0.93	\$0.98	\$1.04	\$1.10	\$1.13	\$1.16	\$1.17	\$1.36
Shares²	528	528	529	544	548	542	546	547	549	550	551	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 7% annually as Hormel has been building its margin profile recently, but earnings are also at what should be a trough level to start from after years of weakness. 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. Margins remain in focus,

¹ Estimated date

² Share count in millions

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particularly after a rough 2025. With top line growth deteriorating and margins coming under fire, we are cautious on Hormel's future. Management seems more bullish for 2026, but Q1 showed uninspiring results.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	23.4	21.8	19.3	24.2	28.4	26.9	25.0	20.2	19.0	15.8	15.5	19.0
Avg. Yld.	1.5%	2.0%	2.1%	2.0%	2.0%	2.1%	2.3%	3.4%	3.6%	5.4%	5.1%	3.4%

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 16.3 now and we believe it could move higher over time towards our fair value estimate of 19 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 2026, marking its 60th consecutive year of dividend increases.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	35%	43%	40%	48%	56%	57%	57%	68%	72%	84%	79%	65%

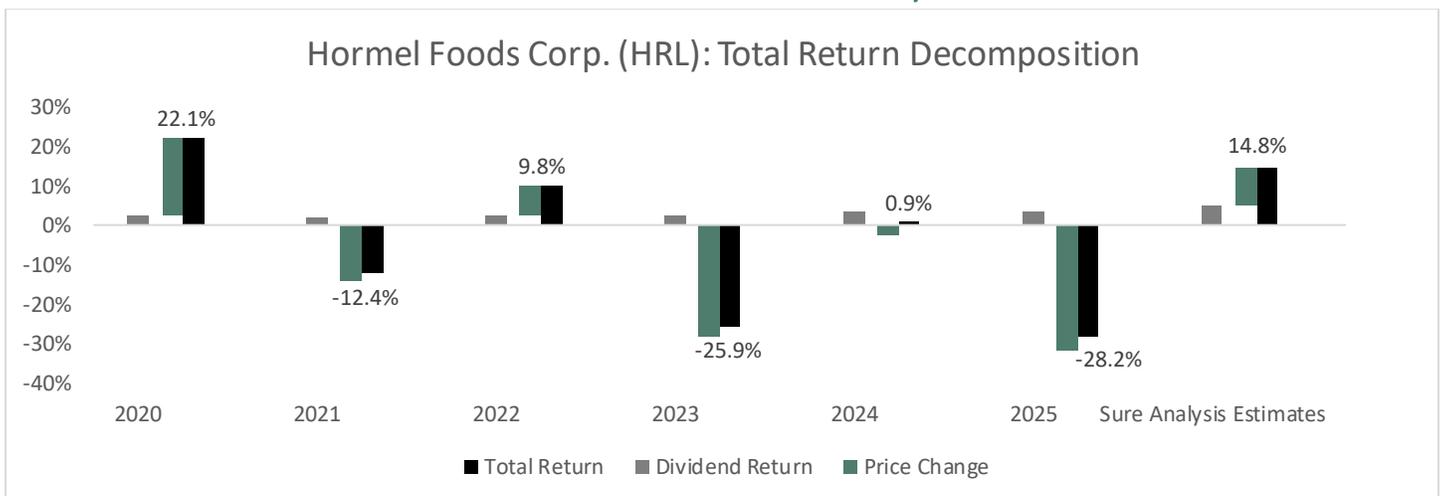
Hormel's payout ratio is 79% of earnings, and we expect it could drift lower over time as earnings outpace dividend growth. Management is certainly committed to the dividend, but it wants to acquire growth as well, which uses cash.

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 quite 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 disruption from tariffs. With the valuation under fair value, but growth weakening, we forecast 14.8% total annual returns for Hormel. This could accrue from 7% growth, with the 5.1% yield and 4.1% valuation tailwind. Given this, and the company's exemplary dividend history, we reiterate the stock at a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	9523	9168	9546	9497	9,608	11,386	12,459	12,110	11,921	12,106
Gross Profit	2158	1997	1979	1885	1,826	1,928	2,165	2,000	2,022	1,871
Gross Margin	22.7%	21.8%	20.7%	19.8%	19.0%	16.9%	17.4%	16.5%	17.0%	15.5%
SG&A Exp.	872	759	841	728	761	853	879	942	1,005	997
D&A Exp.	132	131	162	165	206	228	263	253	258	264
Operating Profit	1286	1237	1138	1157	1,065	1,075	1,285	1,058	1,017	875
Operating Margin	13.5%	13.5%	11.9%	12.2%	11.1%	9.4%	10.3%	8.7%	8.5%	7.2%
Net Profit	890	847	1012	979	908	909	1,000	794	805	478
Net Margin	9.3%	9.2%	10.6%	10.3%	9.5%	8.0%	8.0%	6.6%	6.8%	3.9%
Free Cash Flow	784	813	852	629	761	770	856	778	1,010	534
Income Tax	427	432	169	231	206	217	278	221	231	186

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	6370	6976	8142	8109	9,908	12,696	13,307	13,449	13,435	13,393
Cash & Equivalents	415	444	459	673	1,714	614	982	737	742	704
Accounts Receivable	591	618	600	574	702	896	868	817	818	785
Inventories	986	921	964	1042	1,073	1,369	1,716	1,680	1,576	1,747
Goodwill & Int. Ass.	2738	3147	3921	3516	3,689	6,751	6,729	6,686	6,656	6,571
Total Liabilities	1919	2036	2537	2183	3,478	5,718	5,767	5,710	5,431	5,477
Accounts Payable	482	553	619	590	645	793	817	771	736	732
Long-Term Debt	250	250	625	250	1,304	3,324	3,299	3,309	2,859	2,991
Shareholder's Equity	4448	4936	5601	5921	6,426	6,973	7,535	7,735	7,993	7,901
LTD/E Ratio	0.06	0.05	0.11	0.04	0.20	0.48	0.44	0.43	0.36	0.38

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	14.2%	12.7%	13.4%	12.0%	10.1%	8.0%	7.7%	5.9%	6.0%	3.6%
Return on Equity	21.1%	18.0%	19.2%	17.0%	14.7%	13.6%	13.8%	10.4%	10.2%	6.0%
ROIC	19.5%	17.1%	17.7%	15.8%	13.1%	10.1%	9.5%	7.3%	7.3%	4.4%
Shares Out.	528	528	529	544	548	542	550	549	549	550
Revenue/Share	17.56	17.00	17.55	17.42	17.58	20.79	22.67	22.06	21.72	21.99
FCF/Share	1.45	1.51	1.57	1.15	1.39	1.41	1.56	1.42	1.84	0.97

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

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