Jim Sheehan
Senior Vice President,
Chief Financial Officer

Hormel Foods Career History
Oct 2016: Senior Vice President and Chief Financial Officer
March 2016: Vice President and Chief Accounting Officer
2000: Vice President and Controller
1999: Treasurer, Hormel Foods Corporation
1998: President, Hormel Financial Services

39 Years with Hormel Foods

Favorite Hormel Foods Product
SKIPPY Creamy Peanut Butter
Hormel Foods
A Long-Term Growth Story

Jim Sheehan
Senior Vice President & Chief Financial Officer
Returning Cash to Shareholders

- 51 consecutive years of dividend increases
- $1.1B dividends paid 2012-2016
- 36% payout ratio
- $300 million share repurchases 2012-2016

S&P 500 Dividend Aristocrat

Internal Data
Leading Our Peers in 10-Year Total Shareholder Returns

Total shareholder returns including reinvestment of dividends 4/27/07 – 4/27/17 (Peer set as disclosed in 2016 Company Proxy Statement)

16% CAGR TOTAL SHAREHOLDER RETURN OVER THE LAST 10 YEARS
A Strategy That Delivers Strong Cash Flow

OUR BALANCED MODEL

A FOCUS ON MARGIN EXPANSION

INVESTMENTS IN GROWTH

$3.9B CASH FROM OPERATIONS

2012-2016

Internal Data
Our Balanced Model

Our Business is Resilient During Various Economic Conditions

- Protein
  - Pork and Turkey
  - Retail
- Packaged Foods
  - Beef, Nuts, Avocados, and Tomatoes
  - Foodservice
- Financially Conservative
- Innovative Culture

- Grocery Products
- Refrigerated Foods
- Jennie-O Turkey Store
- Specialty Foods
- International & Other
A Focus on Margin Expansion

**Operating Margins**

- **2011 Actual**: 9.3%
- **2016 Actual**: 13.9%
- **2020 Goal**: Top Quartile of Our Peer Group

**Top Quartile of Our Peer Group**

**Acquisitions**

- Innovation
- Product Mix
- Cost Containment

**Divestitures**

2011 – 2016 Internal Data
Transforming Our Margins

Combined Operating Margin

**ACQUISITIONS**
Mid-Teens

**DIVESTITURES**
Low Single Digits
$3 Billion Investment In Growth

**Acquisitions**

$2.2B

**Capex**

$800M

Internal Data 2012 – 2016
Factset data based on fiscal 2012-2016 data for Hormel Foods and time-relative data for peers listed in Company 2016 proxy statement.

Resulting in Consistently High ROIC

Investment Principles

- Rigorous Valuation Process
- Long-Term Weighted Average Cost of Capital
- Post Investment Analysis
Our Financial Strategy

- Strategic cost management
- Improving our cash cycle
- Optimizing our capital structure
Strategic Cost Management

• Allocate resources to support strategic initiatives and long-term goals
• Minimize expense in less mission-critical areas
• Enhance our culture of continuous improvement
A Focus on Cost Management
Corporate-Driven Projects

Research and Development

Supply Chain
Close California Facility
Move Production Equipment
Overhead Management
SKU Rationalization

Sales and Marketing
Promotion Strategy
Portfolio Management
Advertising Strategy
A Focus on Cost Management
Employee-Driven Projects

- Projects submitted by employees across the organization
- 1,000+ projects each year
Improving Our Cash Cycle

Cash Conversion Cycle

- Obtain industry-leading accounts payable terms
- Aggressively enforce selling terms
- Optimize inventory levels

Internal Data
Optimizing the Balance Sheet For Growth

$549 million in cash

Invest capital for growth

Maintain investment grade rating

Current ratings:
- Moody's: A1
- S&P: A

Internal data as of fiscal Q2 2017
Commitment to Returning Cash to Shareholders

Dividends

MAINTAIN DIVIDEND ARISTOCRAT MEMBERSHIP

CONTINUE SHARE REPURCHASES

Internal Data
Delivering Returns for our Shareholders

$100 invested on 4/27/07 in stock or index – including reinvestment of dividends
Key Takeaways

A Strong Financial Formula for Growth

1. Utilize capital to grow the business
2. Maintain a strong balance sheet
3. Strategic cost management
4. Maintain dividend growth
Hormel Foods
A Long-Term Growth Story

Jim Sheehan
Senior Vice President & Chief Financial Officer