Corrected Transcript

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Hormel Foods Corp. (HRL)

Q3 2015 Earnings Call

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Mario Contreras
Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Hormel Foods Third Quarter 2015 Earnings Conference Call. All participants are in a listen-only mode. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Jana Haynes, Director of Investor Relations. Please go ahead.

Jana L. Haynes
Director-Investor Relations

Thank you. Good morning. Welcome to the Hormel Foods conference call for the third quarter of fiscal 2015. We released our results this morning before the market opened around 6:00 AM, Eastern Time. If you did not receive a copy of the release, you can find it on our website at hormelfoods.com under the Investors section.

On our call today is Jeff Ettinger, Chairman of the Board, President and Chief Executive Officer; and Jody Feragen, Executive Vice President and Chief Financial Officer. Jeff will provide a review of the operating results for the quarter, and then Jody will provide detailed financial results. The line will be opened for questions following Jody's remarks.

As a courtesy to the other analysts, please limit yourself to one question with one follow-up. If you have additional queries, you are welcome to get back in the queue. An audio replay of this call will be available beginning at 11:00 AM Central Time today, August 19, 2015. The dial-in number is 888-203-1112 and the access code is 1732023. The audio replay will be posted on our website and archived for one year.

Before we get started with the results of the quarter, I need to reference the Safe Harbor statement. Some of the comments made today will be forward-looking and are made under the Private Securities Litigation Reform Act of

1995. Actual results may differ materially from those expressed in or implied by the statements we will be making. Among the factors that may affect the operating results of the company are fluctuations in the cost and availability of raw materials and outbreaks of disease among livestock and poultry flocks. Please refer to pages 34 through 40 in the company's Form 10-Q for the quarter ended April 26, 2015 for more details. It can be accessed on our website.

Also, please note the company uses non-GAAP results to provide investors additional information to facilitate the comparison of past and present operations. Discussion of non-GAAP information is detailed in our press release located on our corporate website.

Now, I'll turn the call over to Jeff.

Jeffrey M. Ettinger

Chairman, President & Chief Executive Officer

Thank you, Jana, and good morning, everyone. Earlier today, we announced record third quarter non-GAAP earnings of $0.56 per share, up 10% over last year with four of our five segments registering gains this quarter. We generated sales of $2.2 billion, a decrease of 4% versus last year on a 3% volume increase. Sales were lower due to turkey supply shortages in our Jennie-O Turkey Store segment and price deflation in the pork markets, primarily impacting sales within our Refrigerated Foods and International segments.

To illustrate the dramatic change in pork markets, the average USDA pork cutoff price in July of 2014 was $133 compared to $83 in July of 2015, almost a 40% decrease. While across the company our team is generally focused on our goal of 5% top line growth, in this particular market scenario, volume growth may be the more appropriate metric by which to gauge results.

I will now take you through each segment. Refrigerated Foods finalized the purchase of Applegate near the end of the third quarter on July 13, 2015. I am pleased to welcome the Applegate team to Hormel Foods. Refrigerated Foods grew operating profit 9% inclusive of incurring $8.6 million in transaction cost related to the acquisition of Applegate. Results were driven by lower pork input cost and strong performance by our value-added retail and food-service businesses.

Refrigerated Foods sales were down 11% this quarter despite a 2% volume increase. As I mentioned earlier, lower sales were primarily due to pricing decreases on items such as bacon, driven by the declining pork market values. We enjoyed strong sales growth of many of our value-added items during the quarter, including retail sales of Hormel pepperoni, and Hormel Gatherings party trays, and foodservice sales of Hormel Natural Choice deli meats and Hormel Fire Braised meats.

Grocery Products delivered an excellent segment profit increase of 57% on an 8% sales increase. Segment results were driven by favorable raw material cost, and increased sales of SKIPPY peanut butter, HORMEL chili, and WHOLLY GUACAMOLE refrigerated dips. WHOLLY GUACAMOLE minis in a single-serve container have been a key driver to the brand's growth this past year. They squarely meet consumer's desires for portable, better-for-use snacking options. Grocery Products continues to build brand equity and drive sales with marketing support for key items.

Jennie-O Turkey Store segment profit decreased 45% and sales decreased 12%. Results were impacted by high pathogen avian influenza, as flocks lost earlier this year created large volume shortfalls in operations and sales. We have now repopulated approximately two-thirds of the farms' previously impacted and we expect to complete the repopulation process during the fourth quarter.

While we have been able to purchase some turkey meat from other suppliers to partially offset flock losses, Jennie-O Turkey Store continues to estimate approximately 15% lower sales in the fourth quarter versus last year, similar to the sales impact in the third quarter. Our team continues to work closely with government agencies and other organizations as they study this virus and work to control future outbreaks.

Our Specialty Foods segment reported a robust operating profit increase of 79%. Improvements to the cost structure in the CytoSport and Century Foods operations, along with stronger performance in our Specialty Products business benefited results this quarter. Specialty Foods segment sales increased 31%, largely driven by the recently acquired CytoSport business.

The CytoSport team has achieved additional distribution of MUSCLE MILK protein nutrition products with big gains coming from one of our more recent product introductions, MUSCLE MILK PRO SERIES. Innovation is a top priority for our CytoSport business, and we look forward to the launch of some great new items currently in the pipeline for our MUSCLE MILK brand.

International & Other segment profit increased 3%, while sales declined 6%. Higher royalties on sales of our SPAM family of products, strong performance by our China businesses, and increased sales of SKIPPY peanut butter drove the profit gains. However, sales and margins were hampered by significantly lower pork exports due to soft demand in key markets in East Asia.

Looking ahead to the fourth quarter, we expect Refrigerated Foods to benefit from value-added sales increases and lower input costs. We look for Grocery Products to deliver another quarter of strong segment profit growth, with favorable raw material cost and volume growth in key categories. Jennie-O Turkey Store will continue to be significantly challenged due to the impacts of avian influenza on our turkey supply chain. However, we do anticipate modest margin improvement as compared to third quarter results.

Specialty Foods should finish the year well based on the fast-paced growth and improved cost structure of our recently acquired MUSCLE MILK protein nutrition products. And we expect our International segment to continue to face headwinds in the pork export markets over the near term, partially offset with anticipated gains from our China businesses.

Given the strong results through three quarters, along with our positive outlook for Refrigerated Foods, Grocery Products and Specialty Foods as we close the year, and better visibility of the impact of avian influenza on Jennie-O Turkey Store in the near term, we are raising our fiscal 2015 non-GAAP earnings guidance range from $2.50 to $2.60 per share, up to $2.57 to $2.63 per share.

I am proud of our experienced team as we have demonstrated our ability to navigate an unprecedented raw material supply challenge and still be on track to deliver another double-digit increase in earnings in fiscal 2015.

At this time, I will turn the call over to Jody Feragen to discuss the financial information relating to the third quarter.

Jody H. Feragen

Chief Financial Officer, Executive Vice President & Director

Thank you, Jeff. Good morning, everyone. Earnings for the third quarter of fiscal 2015 totaled $146.9 million or $0.54 per share, compared to $138 million or $0.51 per share a year ago. Excluding the impact of Applegate-related transaction cost of $8.6 million, non-GAAP earnings were $0.56 per share.

Consistent with our guidance, given on the announcement of the deal, we expect the Applegate acquisition to be net neutral to fiscal 2015 earnings. The bulk of deal-related expenses have been booked in the third quarter. The non-GAAP adjusted earnings guidance Jeff provided of $2.57 to $2.63 per share for fiscal 2015 assumes this neutral impact on a full year basis for the Applegate acquisition.

Dollar sales for the third quarter totaled $2.19 billion compared to $2.28 billion last year, a 4% decrease. Sales, excluding the incremental impact of CytoSport, Applegate, and MegaMex products that were not included in last year's results, were down 10%. Lower pork prices, lower turkey supply, and the dissolution of the Precept Foods joint venture were the primary drivers of sales declines compared to last year.

Volume for the third quarter was 1.21 billion pounds, increasing 3% from the same period last year. Tonnage was down 2%, excluding the incremental impact of CytoSport, Applegate, and MegaMex products not included in last year's results.

Selling, general and administrative expenses in the third quarter were 8.4% of sales, up from 6.7% last year. Selling, general and administrative expenses were higher compared to last year due to increased advertising expense, the Applegate deal cost, and employee-related expenses. For the full year, we expect selling, general and administrative expenses to be approximately 8% of sales.

Advertising expenses for the quarter were $34 million compared to $21 million last year. The increase was due mostly to advertising expense at CytoSport for the Muscle Milk brand which was acquired last August, as well as increased Hormel Brands support in the Refrigerated Foods and Grocery Products segment compared to last year.

Equity and earnings of affiliates was $6.4 million in the third quarter versus $3.5 million last year. The increase is largely the result of prior-year incentive expenses related to the Fresherized Foods business not repeated this year, as well as savings associated with the exit from the international joint venture businesses announced in the first quarter of this year.

Interest expense for the quarter was $3.1 million, unchanged from last year. Our effective tax rate in the third quarter was 35.6% versus 34.7% in fiscal 2014. For fiscal 2015, we expect the effective tax rate to be between 34.5% and 35%. The basic weighted average number of shares outstanding for the third quarter was 264.3 million. The diluted weighted average number of shares outstanding for the third quarter was 270.6 million.

Depreciation and amortization for the quarter was $33.3 million versus $33.5 million last year. We expect depreciation and amortization to be approximately $130 million in fiscal 2015. Total long-term debt at the end of the quarter was $250 million, unchanged from last year. The Applegate acquisition was funded in July with cash and $350 million of short-term debt. Capital expenditures for the quarter totaled $41.8 million, up from $34.8 million last year. For fiscal 2015, we expect capital expenditures to be approximately $155 million to $165 million.

At this time, I will turn the call over to the operator for the question-and-answer portion of the call. Levi?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We'll take our first question from Farha Aslam with Stephens.

Farha Aslam
Stephens, Inc. Q

Hi. Good morning.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer A

Hi, Farha.

Farha Aslam
Stephens, Inc. Q

Congratulations on a good quarter.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer A

Thank you.

Farha Aslam
Stephens, Inc. Q

I have questions regarding two of your smaller businesses. The first one's on Specialty. How has the restructuring of the supply chain benefited you? And how sustainable do you anticipate those Specialty margins to be? They were pretty strong this current quarter.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer A

When we announced the Muscle Milk deal, we mentioned how one of the benefits we saw was that we did have familiarity and experience within the segment with our Century Foods operation. They're a manufacturer on the powdered side of that business. We have taken the opportunity to combine the previous manufacturing capabilities in Benicia with the Sparta, Wisconsin-based Century operation. And you're seeing some of the benefit of that already being reflected in the Q3 results.

Another key area of gains has just been the general management of the business in terms of organizing the sales and marketing structures and so forth and then a lot of top line benefit. I mean, the business is growing very nicely. We've been able to gain distribution in the food, drug, and mass channel. We've been able to rejuvenate the portfolio in the Specialty channel. We continue to enjoy an excellent relationship with Pepsi in terms of distribution into the convenience channel and also parts of the food, drug and mass.

The Muscle Milk franchise, on a Nielsen basis, the ready-to-drink items grew in the high single-digit levels and the powdered items grew double-digit. And so that's all contributing to very solid results, and I do believe this new level of performance for Specialty Foods should be repeatable in Q4.

Farha Aslam
Stephens, Inc.
Q

That's helpful. And then on International, you were quite positive about your Chinese business. With all that's going on in China, could you just share with us your reasons for being positive, especially given the more constrained pork supplies in China, and then your outlook for that division as it relates to exports of U.S. pork?

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer
A

Okay. I mean, we're really happy with the performance of the China group. I mean, you look back even four years ago, that business was not making money, or maybe barely making money. And this year, it's going to be a solidly double-digit returning entity. We provide niche products in that market, particularly to the foodservice channel. Obviously, SKIPPY would be another retail-based item. And so to us, at least so far the macro level things going on with their currency and their stock market and so forth, we really have not seen any detrimental impact to our sales capabilities or our margins on that business.

In terms of exports, it was a more challenging quarter for International. We've had some port issues. Obviously, there was the U.S. port issues earlier in the year, that was less of an effect in Q3. We continue to have Philippine-based port issues, though, that did impact Q3 results. We've seen a little bit of a turndown in demand in some of the key Asian markets, particularly Korea and China that we sell some of our products to. So that was a more challenging area.

I mean, typically, for the last four years, you've seen International deliver top line and bottom line double-digit growth, and we clearly haven't done that the last couple of quarters. So we need to turn that around. But notwithstanding that, I mean, China is growing double-digits, SKIPPY is growing double-digits. So we're very high on what International should be able to achieve overall.

Farha Aslam
Stephens, Inc.
Q

Great. Thank you for the added color.

Operator: We'll take our next question from Robert Moskow with Credit Suisse.

Robert Moskow
Credit Suisse Securities (USA) LLC (Broker)
Q

Hi. Thanks for the question. I guess, a couple questions. One is that I definitely understand the declining export environment into China. And, I guess, my concern had been that it might lead to excess supplies domestically. And certainly you're already seeing the price of cuts of pork falling quite a bit. Jeff, is there any concern that the declining values could lead to more, I guess, price competition for bacon and for cold cuts, and then threaten the spreads that you're getting on the value-added side, and then perhaps even the packing spreads as well?

Jody H. Feragen
Chief Financial Officer, Executive Vice President & Director
A

So Jeff's pointing at me, Rob.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer
A

She's our resident expert.

Jody H. Feragen
Chief Financial Officer, Executive Vice President & Director
A

Yes. I do agree. Hog supplies are up and prices are low, which have been a benefit to our value-added franchises, and we do have some items that are considered more supply chain such as bacon and ham that will move with pricing, but we've been able to maintain a nice margin profile. And then we have a lot of our portfolio that just doesn't move quite as rapidly with changes in market conditions such as the items Jeff called out being pepperoni and the party tray business. We're fully expecting hog supplies to continue to increase for the balance of the year.

Exports will remain a wild card, if you will. I think the USDA is calling for them to be up over 4% for the year when they're down 4% through June. So we'll see if that happens or not. Pork operating margins have been lower than last year. We saw extremely high results last year in our third quarter. We're expecting them to be, say, neutral to our results for the fourth quarter. So that's kind of my take on the pork markets. Hopefully I answered all your questions.

Robert Moskow
Credit Suisse Securities (USA) LLC (Broker)
Q

Yeah. I mean, to the degree that it's possible. I guess as you look at fiscal 2016, is it fair to say that you could still have a very, very strong year in Refrigerated just because of the value-added pricing powers there or is it kind of a year where you're like, well, maybe it's kind of more of a normalized year? Because your margins are well above your normalized levels and that was just my thinking about 2016.

Jody H. Feragen
Chief Financial Officer, Executive Vice President & Director
A

So, right now we are just in the beginning of putting together our assumptions and market conditions for our 2016 planning process. So, I really can't even comment on what we're thinking at this point in time. We do continue to believe that our value-added franchises should continue to grow as well as provide nice margin results. So, we'll give you an update on 2016 on our next call.

Robert Moskow
Credit Suisse Securities (USA) LLC (Broker)
Q

Okay. I'll get back in the queue. Thanks.

Operator: We'll go to our next question from Diane Geissler with CLSA.

Diane R. Geissler
CLSA Americas LLC
Q

Good morning.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer
A

Hi, Diane.

Diane R. Geissler
CLSA Americas LLC
Q

So, I wanted to ask about Applegate, which I appreciate you've owned for about 30 days. But you did give some commentary on your expectations for fiscal 2015 I think net neutral to EPS this year. As you make your way through the transition process of bringing that on to your books, et cetera, is there anything that you've seen would makes you more excited or less excited?

And then, Jody, I wanted to ask on the debt that you took on for that. I think you said short-term, so I think there's a bit contingent of us on the Street that's looking for you guys to really kind of lever up your balance sheet. But to me, it sounds like you've taken on some short-term debt to fund that and you probably will pay that off with cash flow in the next 12 months. Is that how we should be thinking about that? I'm just trying to model your interest heading into 2016.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

Yeah. I'll take the first part. We're still very excited about Applegate. As you point out, I mean, it's been a month, counting today, and if you really look at the quarterly results, I mean, you're talking barely even a couple of weeks of results. However, if you just look at the general business trends, they're still rocking along at double-digit growth rates and we're very excited about the ability of that franchise to connect with consumers.

A lot of activity has been going on in terms of getting the teams to meet each other and seeing if there are opportunities to take advantage of each other's capabilities. But we're still very high on what Applegate should be able to deliver for us in Q4 and beyond.

Jody H. Feragen
Chief Financial Officer, Executive Vice President & Director

A

So, as far as the debt, you are correct. We are expecting to have any outstanding amounts repaid in 2016, I would say mid-year, which leaves us with a very good balance sheet capable of taking on other opportunities and we continue to look for strategic investments, whether it's internally or externally through acquisitions.

Diane R. Geissler
CLSA Americas LLC

Q

Okay. Great. And then, just a quick question on JOTS and AI. I mean, you're repopulating. It sounds like you'd be fully repopulated by the end of the fourth quarter. Is there less risk during this upcoming migration? Because the wild birds are going from the northern tier to the southern tier or do you – are you at all concerned that there's going to be sort of another kind of flurry of AI activity that would put those newly repopulated birds at risk for contagion again. I'm just trying to – sounds like you're filling up the barns and there's a little bit of risk associated with that. I mean, what are you feeling about that?

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

I think your last line just summed it up very well. We are filling up the barns but there clearly is at least a little bit of risk associated with that. We've heard a similar theory as to perhaps birds go south faster than they come north and they may not linger as long in the areas, and so that might be a positive factor. But I mean, at this point, it's just such a wild card. I mean, this was an unprecedented incident already. We're trying to learn from it, the government's trying to learn from it. It could hit other parts of the country, it could hit another time of the year, it could go away, it could come back in a smaller manner.

And so, we're trying to be ready for any contingency. And the best I can tell you right now is we haven't had a system outbreak since early June and that frankly even if something did hit this fall, it won't affect 2015 results. Because I mean, you just wouldn't see the loss of bird flow that quickly. But by the time we're talking again in November, we should have a much better sense of whether something seems to be occurring on a fall basis this year or not and what potential impact that might have. Even if nothing occurs, however, and as we indicated the last call, I mean with the 22-week lifespan and with egg shortages and so forth, I mean, we're expecting volume struggles even in the first half of next year until we cycle through this.

Diane R. Geissler
CLSA Americas LLC

Q

Okay. All right. Thank you for the additional color.

Operator: We'll go to our next question from Adam Samuelson with Goldman Sachs.

Jason M. Fraprie
Goldman Sachs & Co.

Q

Good morning. This is Jason filling in for Adam.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

Hi, Jason.

Jason M. Fraprie
Goldman Sachs & Co.

Q

So, Grocery volumes were flat year-over-year in 3Q after falling 3% to 5% for the prior four quarters? Do you think this is reflective of easy comps or some of the efforts that you've made to stabilize volumes in that segment?

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

Well, we'd like to think the latter, but I mean, I would acknowledge there's some element of the former going on. The Grocery results continue to be – I mean, you really have to kind of read them carefully in the sense that one of the things we pull out is the Fresherized sales. But when you pull out sort of both years' worth of Fresherized sales, I mean, you're neglecting the fact that that's one of our fastest growing franchises. That's a double-digit gainer when you look at it on a apples-to-apples basis. So, we're excited about that.

We had double-digit gains from HORMEL chili this quarter. We had gains from Dinty Moore and Mary Kitchen hash. So it's all – a number of items doing quite well. SPAM was down slightly after last quarter being up 10%, so that franchise overall, I'm really quite content with where they're headed. So overall – and then SKIPPY had a good quarter which we're happy to see. Overall, I think that the trend for Grocery is positive. I'm happy to see the changes that have been made.

Jason M. Fraprie
Goldman Sachs & Co.

Q

All right. Thank you very much.

Operator: We'll go to our next question from Ken Zaslow with BMO Capital Markets.

Patrick Chen
BMO Capital Markets (United States)

Q

Hi. This is Patrick filling in for Ken.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

Hi, Patrick.

Patrick Chen
BMO Capital Markets (United States)

Q

You kind of touched on this earlier. Can you discuss or give a little bit more color on the pricing environment across some of your key categories, especially with the input prices declining? I guess is promotional and pricing activity picking up or which category you should see limited pricing?

Jody H. Feragen
Chief Financial Officer, Executive Vice President & Director

A

Sure. Obviously those items that are more supply-chain related, bacon and ham, would have it as well as any fresh items, our flavored fresh items, and small amount of commodity will move with the marketplace. We do have a large foodservice business. Some of those contracts have levers that react to marketplaces. But, I think the team has done a really nice job of looking at really stressing and selling the innovative items that we have in the marketplace and those have a tendency to not be as volatile to commodity price movements.

Patrick Chen
BMO Capital Markets (United States)

Q

Great. And just a quick follow-up. I guess, we were expecting your deli customers to switch from high-priced turkey breasts to hams. That hasn't really played out. Do you expect that to happen sometime soon over the next couple of months, next year? What are your thoughts on that? Thank you.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

Well, I mean, it's not just a matter of the price. I mean, realistically, we have seen within both the Hormel deli group and the Jennie-O deli group, we've not been able to fill orders on a complete basis. We've been on an allocation to customers, an allocation internally. And so, clearly, we've made the effort to try to convert some of those sales into ham-based items, and we've seen some of that go on. But, overall, it's not just the price that's constraining our ability to service the deli with turkey right now.

Patrick Chen
BMO Capital Markets (United States)

Q

Great. Thank you. I'll pass it along.

Operator: We'll go to our next question from Mario Contreras with Deutsche Bank.

Mario Contreras
Deutsche Bank Securities, Inc.

Q

Hi. Good morning.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

Hi, Mario.

Mario Contreras
Deutsche Bank Securities, Inc.

Q

I just wanted to ask, first, in the Jennie-O Turkey segment, can you confirm how much, I guess, of the volume loss, how much of that was loss of your supply versus external purchases that sort of helped bridge the gap? And then I guess in addition to that, as far as the EBIT headwinds, how much of that was volume deleveraged versus, again, the higher cost of these external purchases?

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

Well, on the first question, I mean, I can give you – it's not exactly an apples-to-apples, but it'll give you directionally what we're talking about. I mean, the bird loss, if you will, ended the system near 20%. And then when you netted it out and there's some price differential here, I mean, it was a 12% sales drop. So, we were able to buy in some meat, mostly on the dark meat side during the quarter in order to try to mitigate that effect. And we're looking at similar levels for Q4 realistically.

In terms of the EBITDA drop, I mean, I really don't have a way of quantifying exactly what's what. I mean, there were some costs in the live production system that were reimbursed by the government. There were some costs that weren't. When you're that short in volume in your plants, that creates all sorts of overhead issues. When you literally don't have products to sell, I mean, you're losing that margin and that volume. So there were all those factors combined that moved us down from the kind of run rate Jennie-O had been operating at to what we thought we would hit and what we did hit this quarter.

Mario Contreras
Deutsche Bank Securities, Inc.

Q

Okay. I see. And then one follow-up, moving to the Refrigerated Foods segment. There has been some consolidation in the pork industry, a couple of your key competitors, looks like there's a pending consolidation going on there. Is there any impact on your strategy? I mean, how does – does that change the way that you fit into the industry? What are your thoughts on that?

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

I don't think it really does. I mean, our philosophy when it comes to pork is we do want to control our own destiny and we have for years, so even years ago when Oscar Mayer and Sara Lee chose to get out of being vertical in hog processing and rely on others for their meat supply, we made the decision to stick with it. And frankly, as the industry consolidates, to me that decision is even more firm that we need to be able to control our own destiny. That being said, we've never tried to be one of the big players when it comes to pork slaughter. And so, we're still four, five, six, somewhere in that range, and I would expect us to stay there.

Mario Contreras
Deutsche Bank Securities, Inc.

Q

Okay. Thank you very much.

Operator: We'll go to another question from Robert Moskow with Credit Suisse.

Robert Moskow
Credit Suisse Securities (USA) LLC (Broker)

Q

Wow. Look how fast this call goes without Akshay around.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

He'll be back next quarter. I'm sure he's listening to it. Hi, Akshay.

Robert Moskow
Credit Suisse Securities (USA) LLC (Broker)

Q

Sure he is. But, SKIPPY, just one point of question here. In the Nielsen data it did not show really much growth at all in SKIPPY, and you had said it had a really good quarter. So is there something that we're not seeing there, maybe some alternative products that are doing well on test or channels that are not being measured?

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

A

I probably should let Jana follow up with you rather than speculate on that. I just know in terms of our shipment data domestically, it was a solid quarter both for volume and net sales. Outside of the U.S. it was a double-digit gain, but that wouldn't be – being reflected in the data you're looking at. But why don't I let her give you some added color as to the match-up of Nielsen versus the shipments.

Robert Moskow
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Great. Thanks.

Operator: [Operator Instructions] It would seem at this time, we have no further questions.

Jeffrey M. Ettinger
Chairman, President & Chief Executive Officer

Hey, I'd like to just make a little concluding statement. 2015 is shaping up to be an excellent year in terms of earnings growth for the company. Based on the increased non-GAAP earnings guidance range of $2.57 to $2.63 per share, we would expect to deliver a 15% to 18% earnings increase over our record performance in fiscal 2014. Our balanced business model has again allowed us to limit volatility in a challenging supply situation, while our experienced team has demonstrated their ability to navigate changing market conditions and continue to drive growth.

Thank you, all, for joining us today.

Operator: That concludes today's conference. We appreciate your participation.