

# ModernGraham Valuation

Company Name:

Hormel Foods Corp

Company Ticker HRL

Date of Analysis

9/21/2015



## Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$16,090,958,976	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.61	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	112.38%	Pass
6. Moderate PEmg Ratio	PEmg < 20	28.00	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	4.21	Fail

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.61	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.33	Pass
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$2.19
MG Growth Estimate	7.87%
<b>MG Value</b>	<b>\$52.97</b>
MG Value based on 3% Growth	\$31.69
MG Value based on 0% Growth	\$18.58
Market Implied Growth Rate	9.75%

### MG Opinion

Current Price	\$61.20
% of Intrinsic Value	115.53%
<b>Opinion</b>	<b>Overvalued</b>

## Stage 3: Information for Further Research

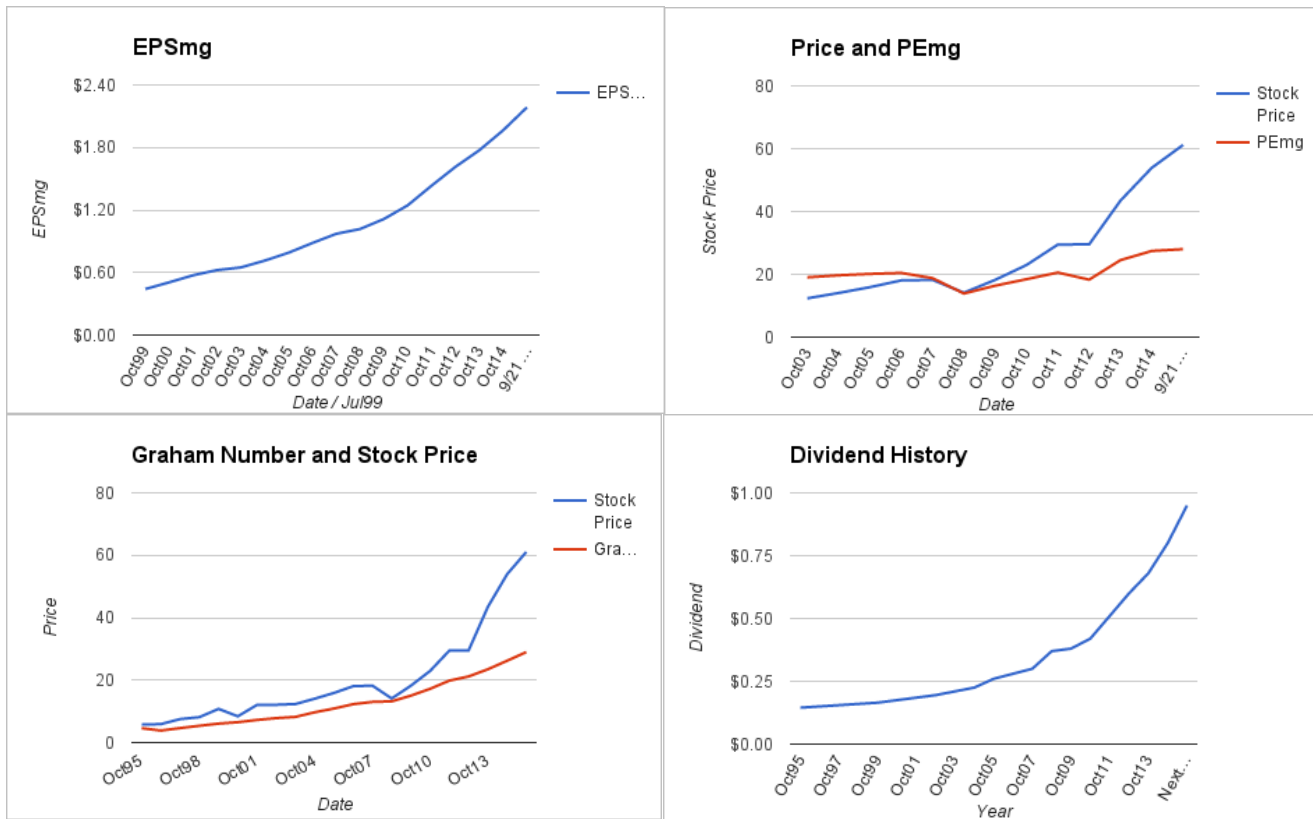
Net Current Asset Value (NCAV)	-\$0.57
Graham Number	\$28.99
PEmg	28.00
Current Ratio	1.61
PB Ratio	4.21
Dividend Yield	1.55%
Number of Consecutive Years of Dividend Growth	20

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.51	Next Fiscal Year Estimate	\$2.19
Oct14	\$2.23	Oct14	\$1.96
Oct13	\$1.95	Oct13	\$1.77
Oct12	\$1.86	Oct12	\$1.61
Oct11	\$1.74	Oct11	\$1.43
Oct10	\$1.46	Oct10	\$1.25
Oct09	\$1.27	Oct09	\$1.11
Oct08	\$1.04	Oct08	\$1.02
Oct07	\$1.09	Oct07	\$0.97
Oct06	\$1.03	Oct06	\$0.88
Oct05	\$0.91	Oct05	\$0.79
Oct04	\$0.83	Oct04	\$0.71
Oct03	\$0.67	Oct03	\$0.65
Oct02	\$0.68	Oct02	\$0.62
Oct01	\$0.65	Oct01	\$0.57
Oct00	\$0.60	Oct00	\$0.51
Oct99	\$0.56	Oct99	\$0.44
Oct98	\$0.46	<b>Balance Sheet Information Jul15</b>	
Oct97	\$0.36	Total Current Assets	\$2,003,776,000
Oct96	\$0.26	Total Current Liabilities	\$1,245,107,000
Oct95	\$0.40	Long-Term Debt	\$250,000,000
		Total Assets	\$6,091,081,000
		Intangible Assets	\$2,527,874,000
		Total Liabilities	\$2,158,295,000
		Shares Outstanding (Diluted Average)	270,602,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

## Recommended Reading:

**Other ModernGraham posts about the company**

- [The 10 Best Stocks For Value Investors This Week – 6/20/15](#)
- [Hormel Foods Corporation Analysis – June 2015 Update \\$HRL](#)
- [The Best Companies of the Food Processing Industry – June 2015](#)
- [18 Companies in the Spotlight This Week – 3/15/15](#)
- [Hormel Foods Corporation Quarterly Valuation – March 2015 \\$HRL](#)

**Other ModernGraham posts about related companies**

- [Dr Pepper Snapple Group Inc Analysis – September 2015 Update \\$DPS](#)
- [Sysco Corporation Analysis – September 2015 Update \\$SY](#)
- [Coca-Cola Enterprises Inc. Analysis – September 2015 Update \\$CCE](#)
- [Mead Johnson Nutrition Analysis – August 2015 Update \\$MJN](#)
- [McCormick & Company Inc. Analysis – August 2015 Update \\$MKC](#)
- [ConAgra Foods Inc. Analysis – August 2015 Update \\$CAG](#)
- [Archer Daniels Midland Company Analysis – 2015 Update \\$ADM](#)
- [J.M. Smucker Company Analysis – July 2015 Update \\$SJM](#)
- [Keurig Green Mountain Inc. Analysis – Initial Coverage \\$GMCR](#)
- [Monster Beverage Analysis – July 2015 Update \\$MNST](#)