

# ModernGraham Valuation

Company Name:

Hormel Foods Corp

Company Ticker

HRL

Date of Analysis

2/15/2016



## 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	\$21,825,781,029	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.70	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	124.94%	Pass
6. Moderate PEmg Ratio	PEmg < 20	33.72	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	5.61	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	1.70	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.29	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	\$1.23
MG Growth Estimate	7.87%
<b>MG Value</b>	<b>\$29.82</b>
MG Value based on 3% Growth	\$17.84
MG Value based on 0% Growth	\$10.46
Market Implied Growth Rate	12.61%

### MG Opinion

Current Price	\$41.49
% of Intrinsic Value	139.16%
<b>Opinion</b>	<b>Overvalued</b>
<b>MG Grade</b>	<b>C+</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$0.15
Graham Number	\$15.42
PEmg	33.72
Current Ratio	1.70
PB Ratio	5.61
Dividend Yield	1.21%
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	\$1.43	Next Fiscal Year Estimate	\$1.23
Oct2015	\$1.27	Oct2015	\$1.10
Oct2014	\$1.12	Oct2014	\$0.98
Oct2013	\$0.98	Oct2013	\$0.89
Oct2012	\$0.93	Oct2012	\$0.81
Oct2011	\$0.87	Oct2011	\$0.72
Oct2010	\$0.73	Oct2010	\$0.62
Oct2009	\$0.63	Oct2009	\$0.56
Oct2008	\$0.52	Oct2008	\$0.51
Oct2007	\$0.54	Oct2007	\$0.49
Oct2006	\$0.51	Oct2006	\$0.44
Oct2005	\$0.46	Oct2005	\$0.40
Oct2004	\$0.42	Oct2004	\$0.36
Oct2003	\$0.33	Oct2003	\$0.32
Oct2002	\$0.34	Oct2002	\$0.31
Oct2001	\$0.33	Oct2001	\$0.29
Oct2000	\$0.30	Oct2000	\$0.25
Oct1999	\$0.28	<div>Balance Sheet InformationOct2015</div>	
Oct1998	\$0.23	Total Current Assets	\$2,063,032,000
Oct1997	\$0.18	Total Current Liabilities	\$1,214,025,000
Oct1996	\$0.13	Long-Term Debt	\$250,000,000
		Total Assets	\$6,139,831,000
		Intangible Assets	\$2,526,703,000
		Total Liabilities	\$2,141,633,000
		Shares Outstanding (Diluted Average)	541,002,000





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

[Hormel Foods Corporation Analysis – September 2015 Update \\$HRL](#)  
[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](#)

Other  
ModernGraham  
posts about related  
companies

[J.M. Smucker Co Valuation – February 2016 \\$SJM](#)  
[Archer-Daniels Midland Co Valuation – February 2016 \\$ADM](#)  
[Keurig Green Mountain Inc Valuation – January 2016 Update \\$GMCR](#)  
[Monster Beverage Corp Valuation – January 2016 Update \\$MNST](#)  
[Monster Beverage Corp Valuation – January 2016 Update \\$MNST](#)  
[Mead Johnson Nutrition Co Valuation – November 2015 Update \\$MJN](#)  
[Archer Daniels Midland Valuation – November 2015 Update \\$ADM](#)  
[The Best Companies of the Food Processing Industry – October 2015](#)  
[J.M. Smucker Company Valuation – October 2015 Update \\$SJM](#)  
[Keurig Green Mountain Inc. Valuation – October 2015 Update \\$GMCR](#)