

ModernGraham Valuation

Company Name:

Hormel Foods Corp

Company Ticker HRL

Date of Analysis

8/24/2016



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	\$20,261,470,094	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.78	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	135.55%	Pass
6. Moderate PEmg Ratio	PEmg < 20	29.96	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	4.77	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	1.78	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.28	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

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.29
MG Growth Estimate	8.98%
MG Value	\$34.15
MG Value based on 3% Growth	\$18.71
MG Value based on 0% Growth	\$10.97
Market Implied Growth Rate	10.73%

MG Opinion

Current Price	\$38.66
% of Intrinsic Value	113.22%
Opinion	Overvalued
MG Grade	B-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$0.03
Graham Number	\$17.33
PEmg	29.96
Current Ratio	1.78
PB Ratio	4.77
Current Dividend	\$0.56
Dividend Yield	1.45%
Number of Consecutive Years of Dividend Growth	20

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[Google Finance](#) [MSN Money](#)
[Yahoo Finance](#) [Seeking Alpha](#)
[GuruFocus](#) [SEC Filings](#)

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$1.61	Next Fiscal Year Estimate	\$1.29
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	Balance Sheet Information 7/1/2016	
Oct1998	\$0.23	Total Current Assets	\$2,010,105,000
Oct1997	\$0.18	Total Current Liabilities	\$1,128,727,000
Oct1996	\$0.13	Long-Term Debt	\$250,000,000
		Total Assets	\$6,388,297,000
		Intangible Assets	\$2,737,207,000
		Total Liabilities	\$1,994,350,000
		Shares Outstanding (Diluted Average)	542,163,000





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 Corp Stock Valuation – February 2016 \\$HRL](#)
- [Hormel Foods Corporation Analysis – September 2015 Update \\$HRL](#)
- [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](#)

Other ModernGraham posts about related companies

- [J.M. Smucker Co Valuation – August 2016 \\$SJM](#)
- [General Mills Inc Valuation – August 2016 \\$GIS](#)
- [Archer Daniels Midland Co – August 2016 \\$ADM](#)
- [Coca-Cola Co Valuation – July 2016 \\$KO](#)
- [Monster Beverage Corp Valuation – July 2016 \\$MNST](#)
- [Campbell Soup Company Valuation – July 2016 \\$CPB](#)
- [Kellogg Company Valuation – July 2016 \\$K](#)
- [Hershey Co Valuation – July 2016 \\$HSY](#)
- [PepsiCo Inc Valuation – July 2016 \\$PEP](#)
- [Mead Johnson Nutrition Valuation – June 2016 \\$MJN](#)