

ModernGraham Valuation

Company Name:

Hormel Foods Corp

Company Ticker HRL

Date of Analysis

6/11/2018



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	\$19,386,243,980	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
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	125.26%	Pass
5. Earnings Growth	PEmg < 20	22.92	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	3.76	Fail
7. Moderate Price to Assets			

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	0.89	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 Score		Pass

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.60
MG Growth Estimate	9.35%
MG Value	\$43.45
MG Value based on 3% Growth	\$23.16
MG Value based on 0% Growth	\$13.58
Market Implied Growth Rate	7.21%

MG Opinion

Current Price	\$36.61
% of Intrinsic Value	84.27%
Opinion	Fairly Valued
MG Grade	B

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$1.27
Graham Number	\$19.56
PEmg	22.92
Current Ratio	1.61
PB Ratio	3.76
Current Dividend	\$0.68
Dividend Yield	1.86%
Number of Consecutive Years of Dividend Growth	20

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
Oct2017	\$1.82	Oct2017	\$1.60
Oct2016	\$1.57	Oct2016	\$1.43
Oct2015	\$1.64	Oct2015	\$1.30
Oct2014	\$1.27	Oct2014	\$1.10
Oct2013	\$1.12	Oct2013	\$0.98
Oct2012	\$0.98	Oct2012	\$0.89
Oct2011	\$0.93	Oct2011	\$0.81
Oct2010	\$0.87	Oct2010	\$0.72
Oct2009	\$0.73	Oct2009	\$0.62
Oct2008	\$0.63	Oct2008	\$0.56
Oct2007	\$0.52	Oct2007	\$0.51
Oct2006	\$0.54	Oct2006	\$0.49
Oct2005	\$0.51	Oct2005	\$0.44
Oct2004	\$0.46	Oct2004	\$0.40
Oct2003	\$0.42	Oct2003	\$0.36
Oct2002	\$0.33	Oct2002	\$0.32
Oct2001	\$0.34	Oct2002	\$0.31
Oct2000	\$0.33	Balance Sheet Information	
Oct1999	\$0.30	4/1/2018	
Oct1998	\$0.28	Total Current Assets	\$1,850,780,000
	\$0.23	Total Current Liabilities	\$1,148,461,000
		Long-Term Debt	\$624,763,000
		Total Assets	\$7,829,749,000
		Intangible Assets	\$3,983,252,000
		Total Liabilities	\$2,538,116,000
		Shares Outstanding (Diluted Average)	542,811,000





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.

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[General Mills Inc Valuation – May 2018 \\$GIS](#)
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[Monster Beverage Corp Valuation – April 2018 \\$MNST](#)
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