

Hormel Foods Reports Second Quarter Results

AUSTIN, Minn.--(BUSINESS WIRE)--Hormel Foods Corporation (NYSE:HRL) today reported its performance for the fiscal 2007 second quarter.

HIGHLIGHTS

Second Quarter

Diluted EPS of \$.49, up 2 percent from \$.48 per share in 2006 Dollar sales of \$1.50 billion increased 10 percent from 2006 (up 8 percent excluding acquisitions) Volume up 5 percent compared to last year (up 4 percent excluding acquisitions) Grocery Products operating profit up 28 percent; volume up 5 percent (up 3 percent excluding acquisitions); dollar sales up 11 percent (up 8 percent excluding acquisitions) Refrigerated Foods operating profit up 23 percent; volume up 5 percent (up 4 percent excluding acquisitions); dollar sales up 11 percent (up 9 percent excluding acquisitions) Jennie-O Turkey Store operating profit down 48 percent; volume up 4 percent; dollar sales up 6 percent Specialty Foods operating profit up 33 percent; volume up 2 percent (up 1 percent excluding acquisitions); dollar sales up 8 percent (up 7 percent excluding acquisitions) All Other operating profit up 16 percent; volume up 23 percent; dollar sales up 21 percent

The company reported fiscal 2007 second quarter net earnings of \$68.0 million, up 1 percent from earnings of \$67.3 million a year earlier. Diluted earnings per share for the quarter were \$.49 this year compared to \$.48 per share last year and sales totaled \$1.50 billion, up from \$1.37 billion in fiscal 2006.

For the six months ended April 29, 2007, net earnings were \$143.3 million, or \$1.03 per diluted share (up 5 percent), compared to \$136.6 million a year ago, or \$.98 per diluted share. Sales totaled \$3.01 billion, up 8 percent, from \$2.78 billion in the same period last year.

COMMENTARY

We delivered excellent top line results across all five of our business segments and double-digit increases in operating profit performance in four out of the five segments, said Jeffrey M. Ettinger, chairman of the board, president and chief executive officer. Our microwaveable meals, led by HORMEL COMPLEATS microwaveable trays, continued their exceptional growth trend and we also enjoyed strong sales results from other key products such as HORMEL chili, HORMEL NATURAL CHOICE deli sandwich meats, and HORMEL party trays, Ettinger said. The only disappointment in the quarter was that Jennie-O Turkey Store was not able to pass on higher grain costs through pricing as quickly or as thoroughly as we had hoped, Ettinger stated.

Overall, our balanced model helped to stabilize earnings for the company even when one of our segments experienced a difficult operating environment, Ettinger concluded.

SEGMENT OPERATING HIGHLIGHTS SECOND QUARTER

Grocery Products (15% of Net Sales, 33% of Total Operating Profit)

The Grocery Products segment reported an 11 percent increase in net sales and 28 percent increase in operating profit compared to last year. The microwave tray line of products, which has been re-positioned as HORMEL COMPLEATS, continued to deliver exceptional growth. Retailers continue to expand their shelf-space for these convenient meal solutions, as they are a perfect fit for today's consumers. HORMEL and STAGG chili were also key contributors to the segment's growth. The repositioning of STAGG back to a regional brand has proven to be a good move. This has provided more focused marketing programs within STAGG's core region. HORMEL chili reported double-digit sales growth through more effective trade and marketing programs. The VALLEY FRESH line of canned chicken products also was an important contributor. A price increase was announced during the second quarter that took effect April 30 for certain products within the Grocery Products segment.

Refrigerated Foods (53% of Net Sales, 37% of Total Operating Profit)

The Refrigerated Foods segment reported an 11 percent increase in sales and a 23 percent increase in operating profit for the quarter. Strong pork packer margins (the spread between live hog costs and meat values) was a benefit to the quarter. Also, Foodservice and Farmer John were two key contributors. Foodservice products posting strong results include ALWAYS TENDER premium pork, AUSTIN BLUES BBQ products and HORMEL Applewood smoked bacon. Farmer John reported strong results from foodservice sliced meats and precooked bacon. The Meat Products business unit delivered solid top line growth behind products including HORMEL sliced pepperoni, DILUSSO DELI COMPANY products, ALWAYS TENDER flavored meats and HORMEL party trays. The new NATURAL CHOICE items launched last quarter continue to gain distribution.

Jennie-O Turkey Store (18% of Net Sales, 12% of Total Operating Profit)

Operating profit for the Jennie-O Turkey Store segment was down 48 percent, even though sales were up 6 percent. Higher grain costs were the key reason for the short-fall. While price increases were implemented in the quarter, they were not enough to off-set the higher grain costs. Additional price increases will be implemented in the second half of the year. In the second quarter, sales of value-added products grew 9 percent with growth in all channels: retail, food service and deli. Products reporting the strongest growth include JENNIE-O TURKEY STORE Oven Ready whole turkey and breasts, turkey burgers and rotisserie turkey items.

Specialty Foods (11% of Net Sales, 14% of Total Operating Profit)

The Specialty Foods segment had another strong quarter with operating profits up 33 percent compared to the second quarter last year. Each of the three business units, including Hormel Specialty Products, Diamond Crystal Brands, and Century Foods International, once again delivered solid top and bottom line growth. A favorable product mix shift was a key driver during the quarter including increased sales of specialty ingredients and nutritional products. Continued improvement in capacity utilization across the segment also contributed to the higher profits.

All Other (3% of Net Sales, 4% of Total Operating Profit)

The All Other segment, which includes the International business unit, also had an excellent second quarter with operating profits up 16 percent. Strong export sales were again a key driver this quarter, with continued growth in STAGG chili, fresh pork, and foodservice products. Worldwide demand for the SPAM family of products also contributed to the results of the segment. The segment recorded increased net sales and tonnage in our China operations for the quarter though profitability was lower than last year due to higher commodity input costs.

Effective Tax Rate

The effective tax rate was higher than our expected rate of 35.5 percent due to a \$1.6 million (\$.01 per share) charge for discrete events related to prior period audits.

OUTLOOK

We are pleased with the strong performance and momentum of the majority of our business segments. Jennie-O Turkey Store will continue to face the challenge of recovering significantly higher input costs through pricing. Because the full extent and timing as to the implementation of their price increases remains unclear, we are modestly lowering our fiscal 2007 guidance from \$2.15 - \$2.25 to \$2.12 - \$2.22. Our guidance range for the third quarter of 2007 is \$0.42 - \$0.48 per share, Ettinger concluded.

DIVIDENDS

Effective May 15, 2007, the company paid its 315th consecutive quarterly dividend. The annual rate is \$.60 per share.

CONFERENCE CALL

A conference call will be Webcast at 9:30 a.m. CT on Thursday, May 24, 2007. Access is available at

If you do not have Internet access and want to listen to an audio replay, call 800-642-1687 in the United States and 706-645-9291 internationally and enter conference call ID 9308966. The Webcast replay will be available at 11:30 a.m. CT, May 24, and archived for one year. The audio replay will be available beginning at 10:30 a.m. CT on Thursday, May 24, 2007, through 11:00 p.m. CT on June 24, 2007.

ABOUT HORMEL FOODS CORPORATION

Hormel Foods Corporation, based in Austin, Minn., is a multinational manufacturer and marketer of consumer-branded food and meat products, many of which are among the best known and trusted in the food industry. The company leverages its extensive expertise, innovation and high competencies in pork and turkey processing and marketing to bring quality, value-added brands to the global marketplace. For each of the past eight years, Hormel Foods has been named one of The Best Big Companies in America by Forbes magazine. The company enjoys a strong reputation among consumers, retail grocers, foodservice and industrial customers for products highly regarded for quality, taste, nutrition, convenience and value.

For more information, visit

About the Author

From home.businesswire.com:

Nutrition and health articles from Prevention magazine include diet and nutrition information on a variety.

An established journal for over 40 years, Nutrition Today publishes articles by leading nutritionists and scientists who endorse scientifically.

Magazine articles on dieting, the effects of diet on health, nutrition, and healthy.

Housepet Magazine is a free online resource promoting responsible dog ownership. Here you will find articles on canine.

Epinions has the best comparison shopping information on School Nutrition Professional Magazine. Compare prices from across the web and read reviews.

Nutrition information from Prevention magazine includes nutrition articles and guides for complete fitness.

Buy Prevention magazine at Magazine City. Prevention is a health magazine covering nutrition, food prep, fitness.

A magazine specifically for registered dietitians and other nutrition.

Source: <http://www.productsherbal.com>