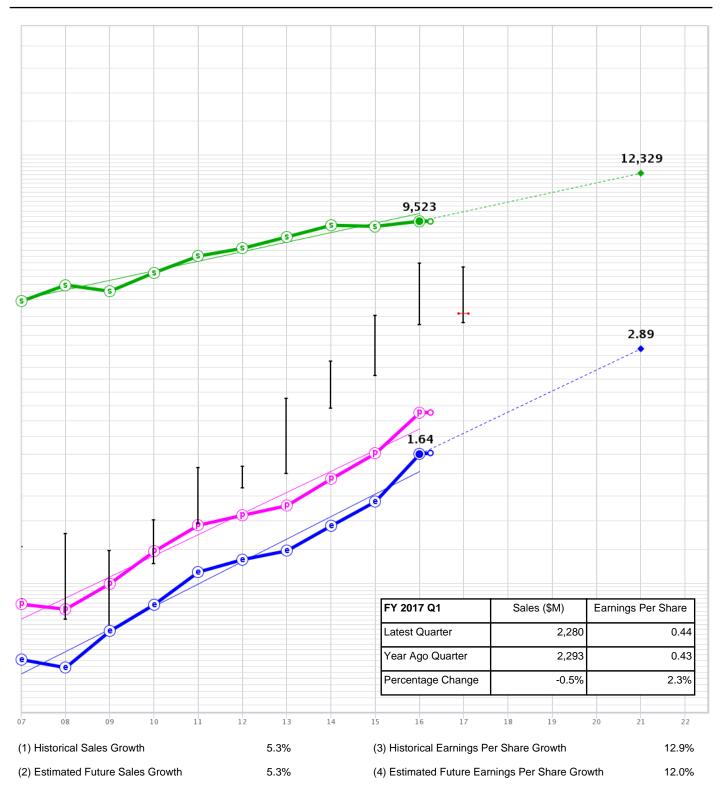


# Stock Selection Guide

Company Hormel Foods	Date 03/13/17						
Prepared by WRIGHT	Data taken from BI Stock Data						
Where traded NYS Industry Packaged Foods							
Capitalization Outstanding Amounts Reference							
Preferred (\$M)	0.0	% Insiders % Institution					
Common (M Shares)	540.1	0.9	78.7				
Debt (\$M) 250.0 % to Tot C	ap	5.2 % Pot I	Dil 2.2				

#### Symbol: HRL

#### VISUAL ANALYSIS of Sales, Earnings, and Price



# 2 EVALUATING Management

#### **Hormel Foods**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Last 5 Year Avg.
Pre-tax Profit on Sales	7.6%	6.8%	8.0%	8.6%	9.1%	9.2%	9.1%	9.9%	11.4%	13.8%	10.7%
% Earned on Equity	15.6%	14.0%	15.6%	16.9%	17.3%	17.4%	16.9%	16.5%	17.1%	19.7%	17.5%
% Debt To Capital	18.2%	18.3%	14.2%	12.7%	8.6%	8.1%	7.0%	6.5%	9.8%	5.3%	7.3%

### **3** PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends.It is building block for translating earnings into future stock prices.CLOSING PRICE34.94 (03/13/17)HIGH THIS YEAR44.73LOW THIS YEAR33.18

	А	В	С	D	E	F	G	н
Year	Pri	ice	Earnings	Price Earn	ings Ratio	Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2012	15.4	13.6	0.93	16.5	14.7	0.30	32.3	2.2
2013	22.1	14.7	0.98	22.7	15.1	0.34	34.9	2.3
2014	27.0	21.0	1.12	24.2	18.8	0.40	35.9	1.9
2015	34.5	25.0	1.27	27.2	19.7	0.50	39.4	2.0
2016	45.7	32.9	1.64	27.9	20.1	0.58	35.4	1.8
AVERAGE		21.5		23.7	17.7		35.5	
CURRENT/TTM			1.65			0.68	41.2	
AVERAGE PRICE EA	RNINGS RATIO	: 20.7	CURRENT PRICE EARNINGS RATIO: 21.2					

### **4** EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

P/E NEXT 5 YEA ow P/E ow Price of L t Market Low	17.7	X Estimate High Earnin X Estimate Low Earnin	0	e	2.89	) =	Forecas	ted High Price	\$ 59.8
ow P/E ow Price of L	17.7	X Estimate Low Earnin	(2)						
ow Price of L		X Estimate Low Earnin	(0)						
	aat E Vaara		gs/Shar	ngs/Share 1.		=	Forecas	sted Low Price	\$ 29.0
t Market I ow	asi 5 rears	21.5							
Construct Low	Price	25.0							
Dividend Will	Support	Indicated Dividend High Yield	=		0.58 2.31%		=	25.1	
						Select	ed Forecas	sted Low Price	\$ 29.0
-							_		
d High Price				29.0	=	30.8	Range.	25% of Rang	je 7.7
	,								
					-				
	Sell Zone	52.1	to		59.8				
Present Mar	ket Price of	34.94		is in the		Bl	JY	Zone	
NSIDE RATIO		IAL GAIN VS. RISK OR	LOSS)				-		
Price	59.8	Minus Present Price	3	4.94		24	.89		
Price	34.94	Minus Low Price	Minus Low Price 29.0			5.94		= 4.2	To 1
T (Note: Thi	is shows the	potential market price app	reciation	over the	e next five	e vears i	n simple int	erest terms.)	
Price	59.8					-			
Price	34.94	<b>—</b> = 1.7123	X 100	) =	171.2	3 -	100 =	71.2	% Appreciation
	ng 25%-50%- d High Price Present Mar NSIDE RATIO Price	ng 25%-50%-25% d High Price 59.8 Buy Zone Hold Zone Sell Zone Present Market Price of NSIDE RATIO (POTENTI Price 59.8 t Price 34.94 T (Note: This shows the Price 59.8	High Yield hg 25%-50%-25% d High Price 59.8 Minus Forecasted Low I Buy Zone 29.0 Hold Zone 36.7 Sell Zone 52.1 Present Market Price of 34.94 NSIDE RATIO (POTENTIAL GAIN VS. RISK OR Price 59.8 Minus Present Price t Price 34.94 Minus Low Price T (Note: This shows the potential market price app Price 59.8 1.7400	High Yield – High Yield – High Yield – High Price 59.8 Minus Forecasted Low Price Buy Zone 29.0 to Hold Zone 36.7 to Sell Zone 52.1 to Present Market Price of 34.94 i NSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS) Price 59.8 Minus Present Price 34 t Price 34.94 Minus Low Price 2 T (Note: This shows the potential market price appreciation Price 59.8 17400 V 100	High Yield – High Yield – Hi	High Yield – 2.31% High Yield – 2.31% hg 25%-50%-25% d High Price 59.8 Minus Forecasted Low Price 29.0 = Buy Zone 29.0 to 36.7 Hold Zone 36.7 to 52.1 Sell Zone 52.1 to 59.8 Present Market Price of 34.94 is in the NSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS) Price 59.8 Minus Present Price 34.94 t Price 34.94 Minus Low Price 29.0 = T (Note: This shows the potential market price appreciation over the next five Price 59.8 17400 V 400 17400	High Yield-2.31%SelectNote: This shows the potential market price29.0-2.31%SelectNeight StructureSelectNote: This shows the potential market price2.31%SelectSelectSelectBuy Zone29.0=29.0to36.7Hold Zone36.7to52.1SelectPresent Market Price of34.94is in theBUNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)Price59.824T(Note: This shows the potential market price appreciation over the next five years in Price59.81 24001 2400	High Yield= $2.31\%$ =Selected ForecasSelected ForecasSelected ForecasBuy Zone $29.0$ to $36.7$ Hold Zone $29.0$ to $36.7$ Hold Zone $36.7$ to $52.1$ Selected ForecasPresent Market Price of $34.94$ is in the <b>BUY</b> NSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)Price $34.94$ Minus Present Price $34.94$ $=$ $24.89$ Solution over the next five years in simple integrationPrice $59.8$ Minus Low Price $29.0$ $=$ $24.89$ Solution over the next five years in simple integrationPrice $59.8$ A Table on Vi 100 $471.00$	High Yield = $2.31\%$ = Selected Forecasted Low Price Selected Forecasted Low Price Selected Forecasted Low Price Selected Forecasted Low Price 29.0 = $30.8$ Range. 25% of Range Buy Zone 29.0 to $36.7$ Hold Zone $36.7$ to $52.1$ Sell Zone $52.1$ to $59.8$ Present Market Price of $34.94$ is in the <b>BUY</b> Zone <b>SIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)</b> Price $59.8$ Minus Present Price $34.94$ = $4.2$ T (Note: This shows the potential market price appreciation over the next five years in simple interest terms.) Price $59.8$ $17400$ $7400$

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Α	Indicated Annual Dividend	0.58					
	Closing Price 34.94		= 0.0195	= 1.9 % Current Yield			
B AV	ERAGE YIELD - USING FORI	ECAST HIGH P/E	AVERAGE YIELD - USING FORECAST AVERAGE P/E				
	=	$\frac{35.5\%}{20.70} = 1$	.7 %		<del>.5 %</del> 9.20 = 1.9 %		
с со	MPOUND ANNUAL RETURN	- USING FORECAS	COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E				
	Annualized Appreciation	11.4 %		Annualized Appreciation	9.7 %		
	Average Yield	1.7 %		Average Yield	1.9 %		
	Annualized Rate of Return	13.1 %		Annualized Rate of Return	11.5 %		