Building on Tradition

Jim Snee
Group Vice President, Hormel Foods Corporation
President, Hormel Foods International Corporation
Hormel Foods International
Delivering Accelerated Growth

Revenues

Compounded Annual Growth Rate = 11%

Growth Rate = 13%
Hormel Foods International
Delivering Accelerated Growth

Segment Profit
Compounded Annual Growth Rate = 17%

Segment Profit
Growth Rate = 29%
Hormel Foods International
Sources of Accelerated Growth

**SPAM® brand**

**Pork**

**SKIPPY® brand**

**China**
SPAM® Brand

volume

Korea

Philippines

Japan

China

New Markets

Growth Markets

Nurture Legacy

Time

Canada

Mexico

Micronesia

UK

Australia

Okinawa
Localize Products + Deliver Value + Gain Distribution + Understand Customers and Consumers

Accelerated Growth
Pork Exports

- Localize Products
- Deliver Value
- Gain Distribution
- Understand Customers and Consumers

Accelerated Growth
2012 Global SKIPPY® Net Sales

- Canada: $21M
- US Exports: $48M
- China: $29M
- China Exports: $18M
- Total: $95M
## SKIPPY® Analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Global distribution</td>
<td>• Entry in new markets</td>
</tr>
<tr>
<td>• 60 countries</td>
<td>• Synergies with existing distributors</td>
</tr>
<tr>
<td>• New distribution reach</td>
<td>• Marketing the brand vs. trading</td>
</tr>
<tr>
<td>• Brand Image-youthful energetic, approachable</td>
<td>• Foodservice Channel</td>
</tr>
<tr>
<td>• Healthy, convenient, versatile protein</td>
<td>• Line extensions beyond 12oz sizes</td>
</tr>
<tr>
<td>• Growing category</td>
<td>• 40% of export sales</td>
</tr>
<tr>
<td></td>
<td>• Innovations-chocolate &amp; natural</td>
</tr>
</tbody>
</table>
SKIPPY® Strategies

- Consumer
- Existing Markets
- New Markets
- Distribution
Distribution

- Innovations
  - Naturals New
  - Naturals

(1) 40% of Export Sales

(2) Line Extensions

(3) Distribution

- Base
- Flavors
- Reduced Fat
## Existing Markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Nut Based Spreads</th>
<th>Category Size</th>
<th>2012</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td></td>
<td></td>
<td>$114</td>
<td>$160</td>
</tr>
<tr>
<td></td>
<td>Category Size</td>
<td></td>
<td>2012</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>$ Millions</td>
<td></td>
<td>$114</td>
<td>$160</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td>$201</td>
<td>$252</td>
</tr>
<tr>
<td></td>
<td>Category Size</td>
<td></td>
<td>2012</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>$ Millions</td>
<td></td>
<td>$201</td>
<td>$252</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td>$60</td>
<td>$61</td>
</tr>
<tr>
<td></td>
<td>Category Size</td>
<td></td>
<td>2012</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>$ Millions</td>
<td></td>
<td>$60</td>
<td>$61</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td>$105</td>
<td>$171</td>
</tr>
<tr>
<td></td>
<td>Category Size</td>
<td></td>
<td>2012</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>$ Millions</td>
<td></td>
<td>$105</td>
<td>$171</td>
</tr>
</tbody>
</table>

Source: Euromonitor
Our mission is to be the engine for HFIC’s accelerated growth target by focusing the Hormel China resources and business model against a foodservice & retail portfolio with strong operating margins.

- Foodservice Expansion with Key Account Customers
- Foodservice Geographic Expansion with Distributors
- Focus refrigerated retail to Beijing/Shanghai & Expand Ambient
Foodservice In China

**HFC China Revenue Growth**

<table>
<thead>
<tr>
<th></th>
<th>Key Accounts</th>
<th>Distributors</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2011</td>
<td>74%</td>
<td>28%</td>
</tr>
<tr>
<td>FY 2012</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>FY 2013P</td>
<td>39%</td>
<td>29%</td>
</tr>
<tr>
<td>CAGR</td>
<td>49%</td>
<td>31%</td>
</tr>
</tbody>
</table>

**Spending Growth**

Average Growth: 20%

"China remains the biggest growth opportunity in the restaurant industry in the 21st century."

Sam Su, Former President of Yum! Restaurants China

Source: The NPD Group / CREST
The *Hormel®* Brand is Only Getting Stronger

Beijing

Brand Awareness

Shanghai

Brand Awareness
How SKIPPY® Impacts China

2013 Estimated Revenue

- Retail
- Foodservice

2014 Estimated Revenue

- SKIPPY®
- Retail
- Foodservice
How *SKIPPY®* Impacts China - Foodservice

<table>
<thead>
<tr>
<th></th>
<th>SKIPPY®</th>
<th>SPAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 provinces</td>
<td>20 provinces</td>
<td></td>
</tr>
<tr>
<td>156 cities</td>
<td>32 cities</td>
<td></td>
</tr>
<tr>
<td>320 distributors</td>
<td>107 distributors</td>
<td></td>
</tr>
<tr>
<td>76,000 end users</td>
<td>10,000 end users</td>
<td></td>
</tr>
</tbody>
</table>
How *SKIPPY®* Impacts China – Retail

<table>
<thead>
<tr>
<th></th>
<th>SKIPPY®</th>
<th>Hormel</th>
<th>SPAM®</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 provinces</td>
<td>19 provinces</td>
<td></td>
<td></td>
</tr>
<tr>
<td>134 cities</td>
<td>34 cities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>128 distributors</td>
<td>51 distributors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>38,000 points of distribution (30,000 by distributor)</td>
<td>3,500 points of distribution (1,200 by distributor)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Strategic Implications for China

Distribution
Depth &
Breadth

Foodservice
SKIPPY® + Foodservice Frozen =

Retail
SPAM® + Retail SKIPPY® =

Ambient Scale
Strategic Implications

Chinese Style Balanced Model for Growth

- Foodservice
- Foodservice QSR
- Frozen / Chilled
- Western Style
- Retail
- Foodservice Distributors
- Ambient
- Chinese Style
Hormel Foods International
Delivering Accelerated Growth

Revenues

Segment Profit

Compounded Annual Growth Rate = 11%

Compounded Annual Growth Rate = 17%
谢谢
(Thank you)