

# Conagra Brands Inc. [CAG] – Consumer Staples - MC: \$9.234B

Information as of September 11, 2025



## Company Profile

**Overview:** Conagra Brands (“Conagra”) is a major North American branded food company headquartered in Chicago, Illinois. Founded in 1919 as Nebraska Consolidated Mills and rebranded to Conagra Brands in 2016 following a series of mergers and spin-offs, the company focuses on developing, marketing, and selling a diverse portfolio of frozen, refrigerated, shelf-stable, and snack food products. Its iconic brands include Healthy Choice, Marie Callender’s, Birds Eye, Banquet, Slim Jim, Hunt’s, Orville Redenbacher’s, Reddi-wip, and Chef Boyardee, among others. Conagra operates through four primary business segments: Grocery & Snacks, Refrigerated & Frozen, International, and Foodservice. The company primarily distributes its products through U.S. retail channels (accounting for approximately 82% of revenue), with additional exposure to international markets and foodservice operators like restaurants and institutions. The company employs about 18,500 people and emphasizes innovation in healthier, convenient foods while streamlining its portfolio through divestitures, such as the recent sale of the Chef Boyardee brand in mid-2025 to focus on higher-growth areas like snacks and frozen meals and to deleverage the Company.

**Investment Thesis:** Conagra represents a compelling defensive staple in consumer goods, poised for recovery amid stabilizing volumes and strategic portfolio refinement. CAG’s FY25 results underscored portfolio strength, with domestic retail volume turning positive (+0.8% in Q3) after prior declines, driven by innovation in high-margin snacks and frozen categories (82% of revenue). Market share gains outpaced peers like Kraft Heinz and General Mills, reflecting robust brands (e.g., Slim Jim, Birds Eye) and consumer loyalty in affordable indulgence. Recent divestitures of Chef Boyardee (\$600M proceeds) and seafood lines (\$55M) streamline focus on core growth areas, freeing capital for debt reduction (net debt \$8.9B) and R&D, echoing value-unlocking separations like AT&T’s breakup or Keurig Dr Pepper’s split. The August 2025 “Future of Snacking 2025” report highlights trends in bold flavors and better-for-you options, positioning CAG to capture the \$149B U.S. snacking market’s 39% away-from-home growth by 2027. Proactive phase-out of artificial colors by 2027 mitigates regulatory risks, aligning with health trends. As for valuation, the Company is trading at 11x FY26 EPS (\$2.05-\$2.15 guidance), CAG is undervalued versus peers (16x avg), with Wall Street analysts’ consensus targets at \$21-22 implying 7.2% upside. Productivity savings (\$400M+ in FY25) and international expansion (2% growth) support margin expansion to 18-20%, while FY26 organic sales (-1% to +1%) reflect conservative guidance amid inflation. For risk, tariffs pose a \$200M+ headwind, but CAG’s U.S.-centric supply chain and hedging strategies limit exposure. Broader macro softness is offset by defensive staples demand and a 51% cash dividend payout ratio sustaining dividends. Overall, Conagra offers asymmetric upside in a volatile market, blending stability, innovation, and capital returns.

**Key Personnel:** CEO/President: Sean Connolly, EVP/CFO: David Marberger, EVP/GC: Coleen Batcheler, EVP/CSCO: Jonathan Harris, EVP/CTO: Shawn O’Grady

### **Recent Events:**

07/10/2025: 4Q2025 earnings (double beat on revenue and EPS, raised low end of full-year revenue guidance)

06/30/2025: Divestiture of Van de Kamp’s ® and Mrs. Paul’s ® to High Liner Foods (Sold for \$55M in cash, proceeds for debt paydown, Centerview likely advised)

06/03/2025: Divestiture of Chef Boyardee ® to PE-backed Hometown Food Company (Sold for \$600M in cash, proceeds for debt paydown, Centerview advised)

## Financial Performance

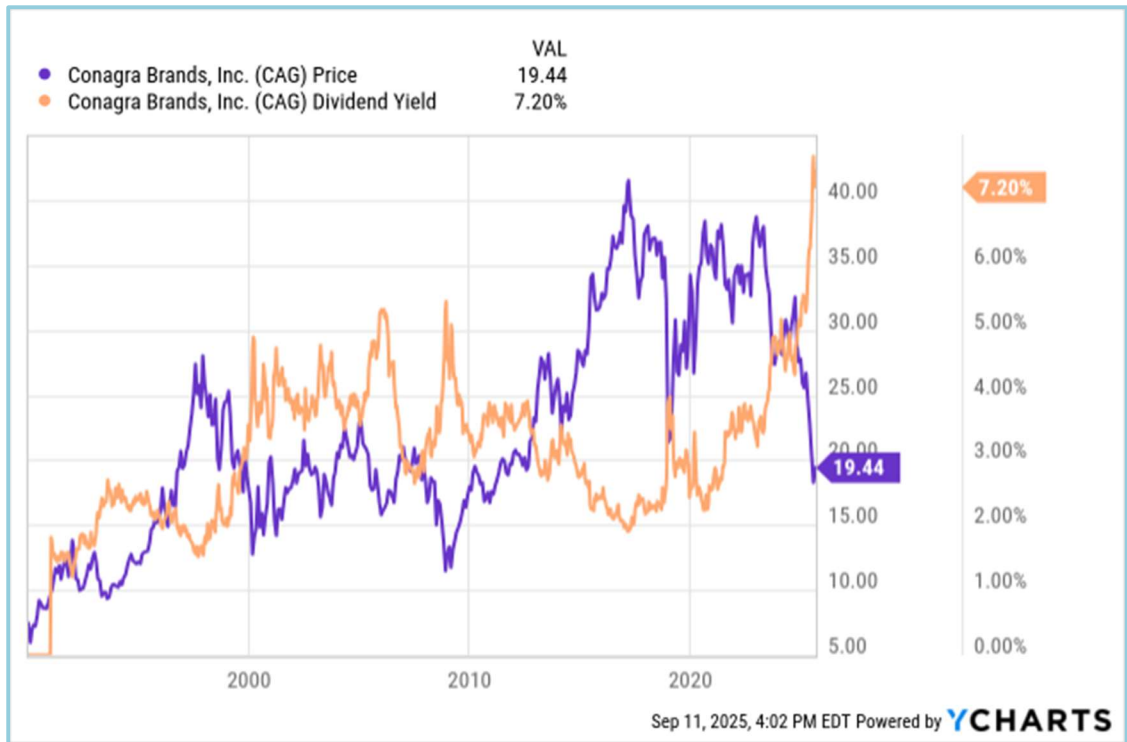
**Annualized Performance Metrics:** 1Y: -37.29%, 3Y: -13.28%, 5Y: -7.68%

**Key Financials (TTM):** Rev.: \$11.61B (-3.6% YoY), Net Income: \$1.15B (69.3% YoY), EPS: \$2.39 (70.0% YoY)

**Valuation:** P/E Ratio (Fwd): 11.01 vs. Industry Avg: 16.16

Companies	Conagra	Hormel	Kraft Heinz	General Mills
P/E Ratio (1yr)	11.0	17.7	10.3	13.8
P/E Ratio (2yr)	10.20	16.3	10.0	13.3
PEG Ratio (5yr)	12.19	3.06	1.02	11.48
Dividend Yield	7.19%	4.53%	6.02%	4.76%

**Dividends:** Yield: 7.21%, Cash Dividend Payout Ratio: 51.37%



**Price Chart (1Y Daily; D-SMA 50, D-SMA 200, W-SMA 200):**



## **Investment Outlook**

### **Key Growth Drivers:**

Evolving consumer preferences towards premium snacks and frozen meals high in protein and flavor.  
 Diversification away from US retail into international (CN and MX) and foodservice / commercial channels.  
 Divestitures of Chef Boyardee®, Van de Kamp's®, and Mrs. Paul's® will increase efficiency and reinvestment

**Key Risks:**

*Macroeconomic:* Conagra has been experiencing cost inflation for a while now, which is affecting its profitability. As a result of the lower sales volumes, inflation and unfavorable operating leverage, adjusted gross profit declined 10.7% to \$717 million in the fiscal fourth quarter, and the adjusted gross margin contracted 184 bps to 25.8%. Looking ahead to fiscal 2026, the outlook remains challenging. Conagra expects total inflation of approximately 7%, including 4% core inflation and 3% from new tariffs. While Conagra has laid out its fiscal 2026 guidance with a tone of long-term strategic confidence, the underlying figures point to a materially weaker near-term financial outlook. The company expects organic net sales growth between negative 1% and positive 1%, signaling continued pressure on both volume and pricing. Even more concerning, adjusted earnings per share are projected to fall sharply to a range of \$1.70 to \$1.85, down from \$2.30 in fiscal 2025. At the same time, adjusted operating margin is forecasted to contract further to just 11-11.5%, down from 14.1% in fiscal 2025, a clear indication of deepening cost challenges and limited pricing leverage. Management has acknowledged that elevated inflation and macroeconomic uncertainty are expected to persist into fiscal 2026. In their 4Q25 earnings call, management emphasized FY26 as an investment year to support volume momentum, reinforce the supply chain, and maintain market share growth; even at the cost of profitability.

*Strategic Operations:* Consumer preferences are constantly evolving, and Conagra actively evaluates opportunities to reshape the portfolio for sustained growth and margin expansion. This includes investments in innovation and brand modernization, as well as mergers and acquisitions (M&A) or value-accretive divestitures. Over the past decade, Conagra has made significant strides in transforming its portfolio and has recently resumed active reshaping through a strategic combination of acquisitions and divestitures of low growth businesses. In the first quarter of fiscal 2025, Conagra acquired FATTY Smoked Meat Sticks, enhancing its leading position in the high-growth, high-margin meat stick category. FATTY business is now fully integrated and performing extremely well, with strong resonance among retail customers. In terms of divestitures, Conagra sold the majority stake in Agro Tech Foods Limited in August 2024. On June 3, 2025, the company completed the divestiture of Chef Boyardee and its fish brands, unlocking \$600 million in proceeds, which will be strategically reinvested in debt reduction and core operational enhancements during fiscal 2026. In addition, Conagra has launched a multiyear initiative to reengineer its operations by leveraging technology and AI, a forward-looking effort expected to enhance productivity, drive structural cost savings and improve long-term agility. In regard to portfolio exposure to artificial colors, the company's exposure is transitioning from moderate (colors in ~10-15% of portfolio) to minimal by 2027. Looking ahead, Conagra will continue to explore opportunities to reshape its portfolio for faster growth and stronger margins. We will be closely watching Conagra's progress as it continues its strategic operations and looking for any signs of missed execution or excessive risk taking in M&A.

**Analyst Consensus:** Price Target: \$21.07 (7.2% upside), Ratings: 0 Buy, 13 Hold, 1 Sell

**Collar Capital Valuation:**

Ticker	CAG
Date	9/11/2025
Current Price	\$19.38
<b>Target Price</b>	<b>\$44.41</b>
<b>Implied Return</b>	<b>129.15%</b>
<b>Target Price Range</b>	<b>\$39.97 - \$48.85</b>
<b>Implied Return Range</b>	<b>106% - 152%</b>
<b>Probability Score</b>	<b>74%</b>