

Initiated 2026-10-26 · Price \$14.71 (as of 2026-10-26 intraday, stockanalysis) · Mkt cap \$7.0bn · Consumer staples / packaged foods · Model: verified

Rating: Hold — Conviction: Low

Conagra is a shrinking, 4x-levered branded food company. The new CEO has halved the dividend, guided EBITDA down again and is reinvesting in advertising. At \$14.71 the market already prices roughly the guided FY2027 trough: the stock trades at about 10x guided EPS and near the model's Base value. Leverage makes the equity a thin stub, though. If volumes keep falling it loses most of its value, and if margins stabilize it is worth a good deal more. Without evidence that volume losses are ending, the call is Hold, not a value Buy.

Conviction tests (3a-v-c): T1 fail (Hold → Sell at +1pp: Base midpoint -24.6%; +19.8% at -1pp, a Buy reading) · T2 fail (Gordon DCF alone +11.0% reads Hold; exit DCF -22.2% reads Sell) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Conagra sells branded frozen, refrigerated and shelf-stable food in the US, Canada and Mexico, mostly through grocery and mass retail. FY2026 (53 weeks to 2026-05-31) sales were \$11.28bn: Refrigerated & Frozen \$4.64bn (Birds Eye, Marie Callender's, Healthy Choice, Banquet), Grocery & Snacks \$4.61bn (Slim Jim, Duncan Hines, Reddi-wip, Angie's), Foodservice \$1.12bn and International \$0.91bn. It also owns 44% of Ardent Mills, a flour miller that contributed \$141mm of equity earnings in FY2026. Walmart is ~29% of sales, and the top 10 customers are ~60%. Three variables drive earnings: volume (-2.1% in Q1 FY2027), the gap between COGS inflation and price/mix, and A&P reinvestment. Operating profit fell from \$1.59bn in FY2022 to -\$1.63bn in FY2026, after \$2.95bn of impairments, mostly \$2.38bn of Refrigerated & Frozen goodwill.

Competition

Conagra's frozen and shelf-stable categories compete with General Mills, Kraft Heinz, Campbell's, J.M. Smucker and Nestlé (Stouffer's/Lean Cuisine, not US-listed), and above all with store brands. Circana puts private label at about 24% of US food and beverage units. In the six months to 2026-06-14, store-brand units rose 0.2% while national brands fell 0.5% (PLMA/Circana via trade press). Pressure shows up first in volume: Grocery & Snacks volume fell 5.4% in Q1 FY2027 even with +3.4% price/mix. It then reaches price, as Refrigerated & Frozen price/mix fell 1.5%. Circana also projects that GLP-1-using households will account for 35% of food and beverage units by 2030, up from ~23% now, a slow headwind for indulgent frozen and snacks. The peer group trades at 11.0–12.9x forward earnings and 8.2–9.2x EV/EBITDA (stockanalysis). Conagra's 10.3x forward multiple sits below all four peers.

Bull case

1. **Margin restoration** — the new CEO's program (productivity, SKU cuts, complexity reduction) recovers about a third of the margin lost since FY2024. Q1 adjusted operating margin of 11.5% already beat the 10.0–10.5% full-year guide. Plays out if COGS inflation eases and the Q1 tariff refunds and productivity gains persist. *Model: ebitda_margin*
2. **Volume stabilizes** — 15% higher A&P and frozen innovation turn organic sales positive by FY2028. Foodservice (+3.3% organic in Q1) and the frozen-vegetable, chili and frozen-breakfast share gains broaden. Plays out if private label gains stay as measured as Circana's +0.2–0.5pt 2026 outlook. *Model: rev_growth*
3. **Deleveraging re-rates the stub** — the dividend cut frees ~\$335mm a year. Paying down debt takes net leverage from ~4.0x toward 3x by FY2031 (model Base path 4.2x → 3.1x). The EV multiple then moves toward the peer top (~9x), and more of the EV accrues to equity. Plays out if FCF conversion stays >90% as guided. *Model: exit_ev_ebitda*

Bear case

1. **Structural volume erosion** — private label, GLP-1 adoption and retailer power (Walmart 29%) keep volumes falling 2–3% a year. That is the FY2022–26 pattern, when sales fell from \$12.3bn to \$11.3bn. Plays out if Q2–Q4 volumes stay at or below Q1's –2.1%. *Model: rev_growth*
2. **Margin compression continues** — COGS inflation (protein, packaging, freight; Brent ~\$113) and A&P reinvestment outrun pricing, as in FY2023. Reinvestment buys no volume. This-basis margin has fallen from 20.7% (FY2022) to 16.5% (FY2026) and ~14.8% guided. Plays out if the adjusted operating margin guide is cut. *Model: ebitda_margin*
3. **Leverage and refinancing** — \$7.76bn of debt against a 4.5x net-leverage covenant (3.99x now). \$1.0bn of 1.375% notes due Nov 2027 and \$1.68bn due in FY2029 refinance at ~5.4%+. Small EV declines therefore wipe out large shares of equity value. Plays out if EBITDA falls ~10% before debt is repaid. *Model: wacc, exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (no leases; EBITDA incl. Ardent Mills equity earnings)	7.8x FY2026; 8.0x TTM	n/a (unverified)	lease-inclusive, stockanalysis: GIS 9.2x · KHC 8.3x · CPB 8.2x · SJM 9.2x (CAG 8.7x same basis)	EDGAR XBRL; stockanalysis 2026-10-26
P/E forward (stockanalysis consensus)	10.3x (10.1x on guide mid \$1.45)	n/a (unverified)	GIS 11.0x · KHC 12.5x · CPB 12.2x · SJM 12.9x	stockanalysis 2026-10-26; Q1 FY2027 8-K
FCF yield (TTM, stockanalysis)	12.4%	n/a (unverified)	GIS 8.4% · KHC 13.0% · CPB 11.0% · SJM 11.4%	stockanalysis 2026-10-26
Dividend yield (\$0.175/qtr after the cut)	4.75%	was \$0.35/qtr through FY2026	GIS 7.2% · KHC 6.5% · CPB 4.8% · SJM 3.4%	Q1 FY2027 10-Q; stockanalysis 2026-10-26

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$1.69 · Base \$13.88 · Bull \$24.54 per share, i.e. implied returns of –88.5% / –5.6% / +66.8% vs \$14.71. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits just above Base, so the market pays for roughly the guided trough plus a little stabilization. The distribution is lopsided because of leverage: debt is 52% of EV. The two methods disagree. Base Gordon is \$16.33 and exit is \$11.44, and Gordon is 43% higher. At a 6.9% WACC and 1% terminal growth, Gordon capitalizes terminal FCF at roughly 17x. That is a re-rating embedded in the Gordon method, while the 7.5x Base exit is a 3.5% de-rating from today's 7.8x. Tail sensitivity, run because the bear case is a slow decline rather than a break: revenue –6%/–4%/–3.5%/–3%/–3%, EBITDA margin falling to 11.5%, 5.5x exit, 8.4% WACC, –0.5% terminal growth → \$0.00 (–100%, floored). Base EPS for FY2027 is \$1.35 against the \$1.40–1.50 guide (see model note).

Balance sheet: net leverage 3.85x FY2026 EBITDA (model basis; 3.99x on the company's TTM adjusted EBITDA of \$1,851mm). The Base path runs from 4.2x in Y1 to 3.1x in Y5. EBITDA/interest is 4.9x. Liquidity is \$372mm of cash plus an undrawn \$2.0bn revolver to June

2030, with no commercial paper outstanding at 2026-08-30. Covenants are net debt/EBITDA $\leq 4.5\times$ and EBITDA/interest $\geq 3.0\times$. Nearest material maturities: \$762.5mm of Oct-2026 notes (matured 2026-10-01; \$500mm of 5.4% 2031 notes were issued in July), then \$1.0bn of 1.375% notes due Nov 2027 and \$1.68bn due Oct/Nov 2028. Ratings: investment grade per the 10-Q; agency letters n/a (unverified).

Model note: built and verified (LibreOffice recalculation matched all 3,207 formula cells). Unverified inputs: none. Assumptions without basis: none. Scenario consistency CHECKs: none. Beta is a judgment: measured 5Y beta is about 0, so the CAPM uses 0.80 (est.), and the base WACC adds a stated +0.5pp leverage premium over the 6.43% CAPM WACC. Base FY2027 EPS of \$1.35 is 6.9% below the \$1.45 guide midpoint because of definitions. Model EBITDA keeps GAAP restructuring, legal and transition charges (~\$30mm in Q1) and excludes pension income (~\$25mm guided). FY0 cash and debt are at 2026-08-30, so NWC levels are offset by \$224mm of Q1 model-basis FCF.

RELATIVE VALUE VS PEERS

Metric	CAG	GIS	KHC	CPB	SJM	Peer median	vs median
P/E (TTM)	n/a	n/a	n/a	15.8x	60.8x	38.3x	
P/E (forward)	10.2x	11.0x	12.4x	12.2x	12.9x	12.3x	-17%
PEG	n/a	n/a	n/a	n/a	2.0x	n/a	
EV/EBITDA (TTM)	8.7x	9.2x	8.3x	8.2x	9.2x	8.8x	-0%
EV/Sales (TTM)	1.3x	1.7x	1.8x	1.4x	2.3x	1.8x	-28%
P/B	1.1x	2.5x	0.8x	1.6x	2.4x	2.0x	-45%
FCF yield (TTM)	12.4%	8.4%	13.0%	11.0%	11.4%	11.2%	+1.2pp
Dividend yield	4.8%	7.2%	6.5%	4.8%	3.4%	5.6%	-0.9pp

P/E (TTM)



P/E (forward)



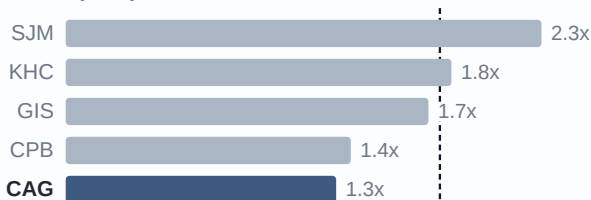
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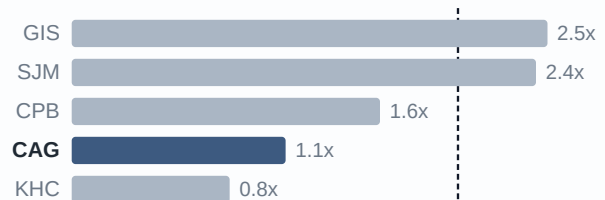
EV/EBITDA (TTM)



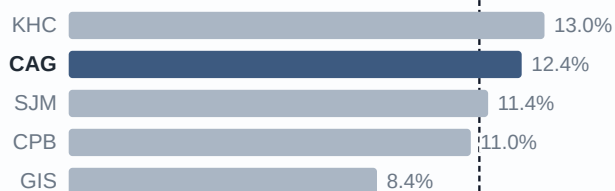
EV/Sales (TTM)



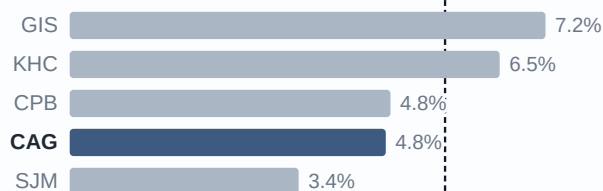
P/B



FCF yield (TTM)



Dividend yield



As of 2026-10-26. One source and one definition for every company: TTM multiples, forward P/E on stockanalysis consensus, EV/EBITDA and EV/Sales on stockanalysis EV and TTM EBITDA. Not the model's own EV basis. Quotes are intraday 2026-10-26, 10:00-10:07 ET, with the market open. Dashed line = peer median. Source: stockanalysis.com /stocks/<ticker>/statistics/, fetched 2026-10-26.

Notes. CAG, GIS and KHC show n/a on the source (TTM GAAP losses from goodwill and brand impairments); SJM's 60.8x is depressed by impairments too. stockanalysis shows no PEG for CAG, GIS, KHC or CPB; SJM's 2.05 is the source's figure. Not computed here. CAG's 4.75% reflects the dividend halved to \$0.175 per quarter in 2026.

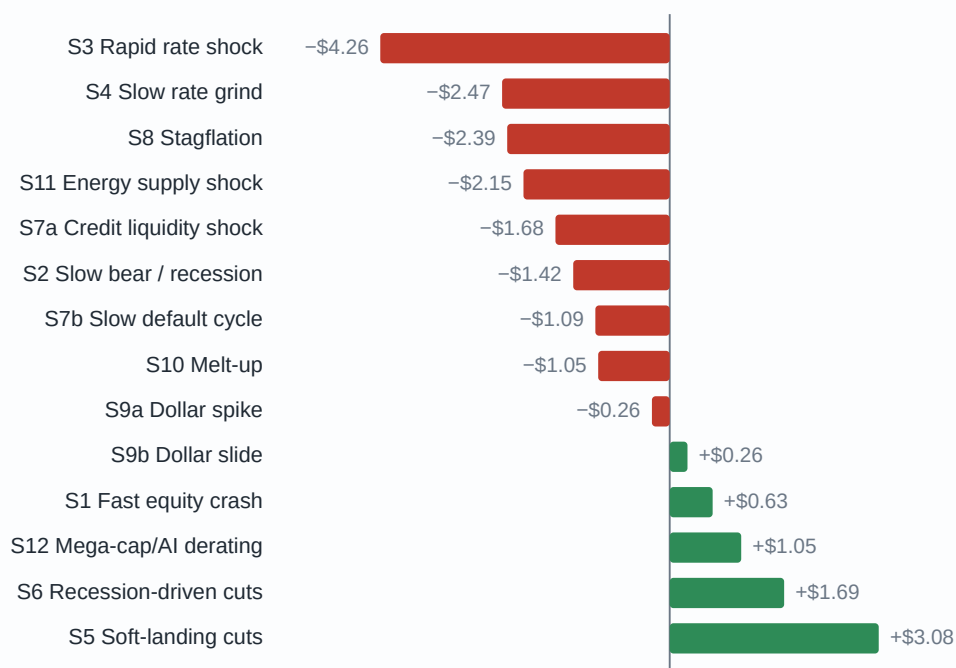
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	+	Near-zero-beta staple holds up as a defensive; no operating channel over weeks	Low	+\$0.63
S2 Slow bear / recession	-	Staple demand holds, but shoppers trade down to private label and promotion rises; frozen meals partly substitute for restaurants. Far milder than Base – Bear (\$12.19) on purpose: two years, not a permanent volume decline	Med	-\$1.42
S3 Rapid rate shock	-	Bond-proxy, 4x-levered equity; higher discount rate and refinancing cost on \$2.7bn due FY2027–29	High	-\$4.26
S4 Slow rate grind	-	Same channel, slower; maturities roll at higher coupons	Med	-\$2.47
S5 Soft-landing cuts	+	Lower rates re-rate yield-sensitive levered staples; cheaper refinancing	High	+\$3.08
S6 Recession-driven cuts	+	Rate relief outweighs modest trade-down in a defensive category	Med	+\$1.69
S7a Credit liquidity shock	-	Low-BBB issuer at ~4x de-rates with credit; no maturity inside the shock window	Med	-\$1.68
S7b Slow default cycle	-	Wider spreads raise refinancing cost; weaker lower-income consumer	Low	-\$1.09
S8 Stagflation	-	COGS outruns pricing as in FY2023 while rates stay high	Med	-\$2.39
S9a Dollar spike	-	International (~8% of sales, Canada/Mexico) translates lower	Low	-\$0.26
S9b Dollar slide	+	Mirror of S9a	Low	+\$0.26
S10 Melt-up	-	Rotation out of defensives	Low	-\$1.05
S11 Energy supply shock	-	Fuel, freight, packaging and crop-input costs; lower-income shoppers squeezed	Med	-\$2.15
S12 Mega-cap/AI derating	+	Rotation into defensives without recession	Low	+\$1.05

Currently active/on watch per the playbook: S3 partially active; S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: organic volume turns flat or positive for two consecutive quarters while adjusted operating margin holds $\geq 10.5\%$, or net leverage falls below 3.5x with the guide intact. **Downgrades if:** the FY2027 guide is cut (organic below -3% or adjusted operating margin below 10%), net leverage rises above 4.2x, toward the 4.5x covenant, or there is another Refrigerated & Frozen goodwill impairment (its \$4.7bn of goodwill had $\leq 10\%$ headroom at FY2026).

Watch items

- **W1:** FY2027 guide — organic -3% to -1% , adjusted operating margin $10.0\text{--}10.5\%$, adjusted EPS $\$1.40\text{--}\$1.50$ reaffirmed or raised — Q2 FY2027 8-K — ~early Jan 2027 — *Model: rev_growth, ebitda_margin*
- **W2:** Organic volume — Q2 volume better than Q1's -2.1% (Grocery & Snacks -5.4%) — Q2 FY2027 8-K — ~early Jan 2027 — *Model: rev_growth*
- **W3:** Net leverage — $\leq 4.0x$ at Q2 and on track for $\sim 4.0x$ at FY-end (covenant 4.5x) — Q2 FY2027 8-K — ~early Jan 2027 — *Model: none*
- **W4:** Refrigerated & Frozen adjusted operating profit — Q1 -13.0% y/y; stabilization vs a further decline and impairment — Q2 FY2027 10-Q — ~early Jan 2027 — *Model: ebitda_margin*

Sources

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.