

Hilton Food Group: Temporary operational and inflation impact to reverse¹

Company:	Hilton Food Group (HFG LN)	Market Cap:	£450m (505p)
Industry:	Food Processing	Net debt:	£135m*
Country:	UK, Europe, APAC	Revenue:	£4,180m*
Entry Date:	25 th November 2025	Adj. operating profit:	£100m*
Dividend:	£30m (8.8%)	Adj. free cash flow:	£43m*
Entry:	£440m (495p)	Target:	£600m or 675p (+36%)

*own estimates partly based on company's guidance

Why Hilton Food Group?

- Attractive growth opportunities in Middle East and North America to come online from H2 2026 and early 2027
- Operational/regulatory headwinds from their smoked salmon business, Foppen, should reverse in 2026
- Low demand for white fish due to high inflation could reverse due to substituting cod and haddock with hake and basa, as well as from an end of the Ukraine war and a drop in Russia sanctions (Russia supplied as much as 40% of white fish to the UK before 35% tariff and sanctions²)
- Lowest enterprise value compared to revenue in history

Risks

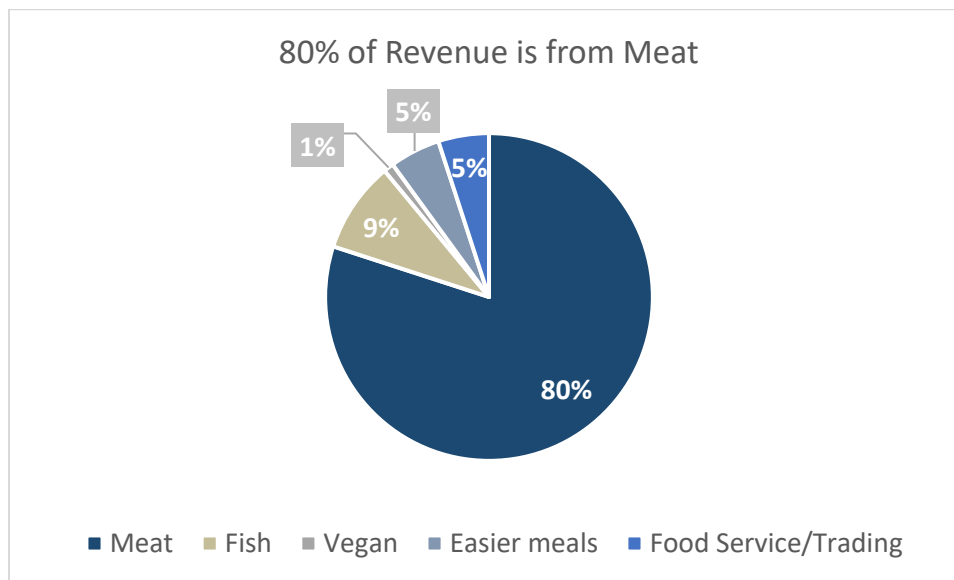
- High reliance on single supermarket chains, such as Tesco and Albert Heijn
- Inflationary pressures in fish and beef remain, which can put pressure on volumes
- CEO stepped down recently after a short 2-year stint

¹ all assumptions and observations are based on internal modelling and data analysis

² <https://www.msn.com/en-ph/news/other/fish-and-chip-prices-to-rocket-in-the-uk-in-further-cost-of-living-squeeze-after-cod-shortage/ar-AA1PvGF7>

About Hilton Food Group

Hilton Food Group is a meat, fish and vegetarian food processing company with over 24 production facilities in the UK & Ireland, Europe, Australia and New Zealand³. The company generates around £4bn revenue with 80% coming from red meat, 10% seafood and the remainder from vegetarian, food-on-the-go & food services⁴. Its main customers are supermarket and pub chains, such as Tesco, Mitchell & Butlers, Albert Heijn, Woolworths and Coop⁵. The firm currently has two growth projects in the pipelines, one with Walmart in Canada and one with NADEC in Saudi Arabia, which are set to come online in early 2027 and H2 2026 respectively⁶. With the sale of Fairfax Meadow for £54m⁷, Hilton Food Group now sources its meat and fish entirely from third parties and focuses only on the processing and packaging of the food and the relationships with the supermarkets and pub chains. The current valuation of less than £450m market cap and £135m net debt is the lowest compared to revenue and adjusted profit before tax in history.



Source: <https://www.hiltonfoods.com/media/yiyhrdyx/hf-interims-2025-plc-final.pdf>

³ <https://www.hiltonfoods.com/media/fs0p1gam/2024-annual-report.pdf> p. 2, 3

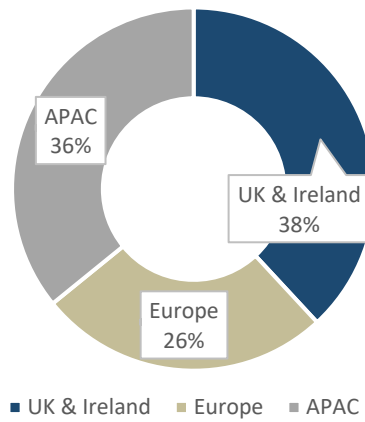
⁴ <https://www.hiltonfoods.com/media/ey5bu2u1/fy-2024-results-presentation.pdf> p. 5 & 7

⁵ <https://www.hiltonfoods.com/media/ey5bu2u1/fy-2024-results-presentation.pdf> p. 5

⁶ <https://www.hiltonfoods.com/media/yiyhrdyx/hf-interims-2025-plc-final.pdf> p. 18, 19

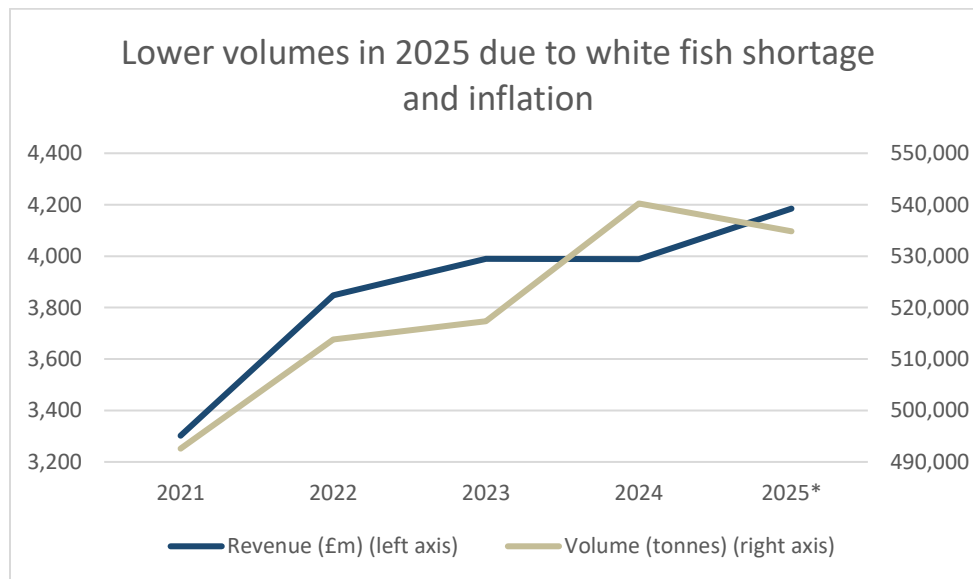
⁷ <https://www.londonstockexchange.com/news-article/HFG/sale-of-fairfax-meadow-europe-limited/17252312>

Revenue is fairly split by around 1/3 across regions

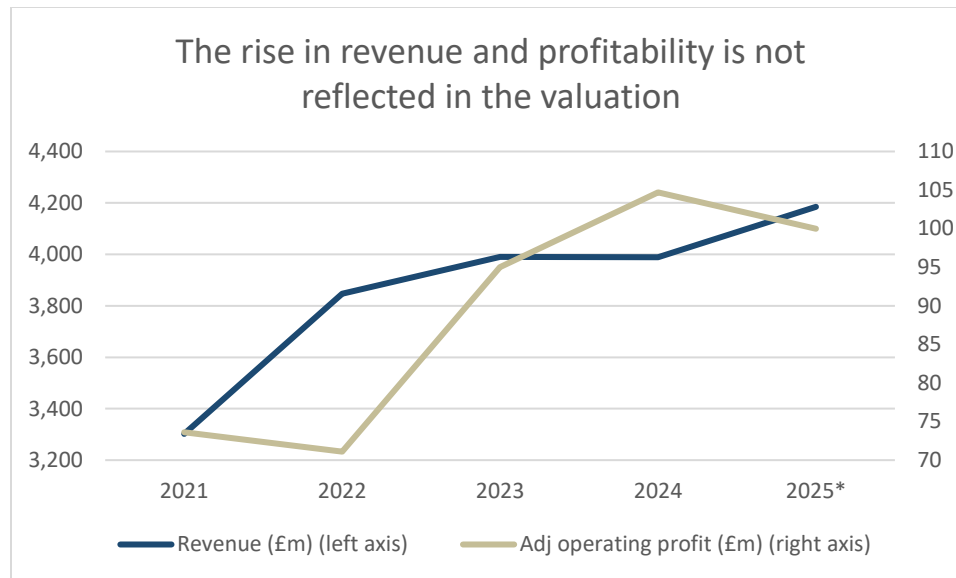


Source: <https://www.hiltonfoods.com/media/yiyhrdyx/hf-interims-2025-plc-final.pdf>

Lower volumes in 2025 due to white fish shortage and inflation



Source: <https://www.hiltonfoods.com/investors/investor-results-reports-presentations/> annual reports 2021-2025, *= estimate



Source: <https://www.hiltonfoods.com/investors/investor-results-reports-presentations/> annual reports 2021-2025, *= estimate

The UK Beef Market

Hilton Food Group is a low, but stable margin business, with adj. operating profit margins of around 3.5%⁸. The business is therefore driven by volume, rather than price. In recent months, prices for UK retail beef have climbed by around 18.8% on average, leading to a reduction in volume of primary beef by -11.4%⁹. However, despite the decline in volume, the total amount spent is generally up year-on-year, as per chart below. In the latest 11th November trading update, Hilton Food Group reiterated solid volumes across red meat despite the ongoing inflation and lower underlying demand¹⁰. This means that the company outperforms the broader market, but also means that there is no turnaround in volumes around the corner. Hilton Food Group also sources its meat from international markets to offset the price pressures¹¹.

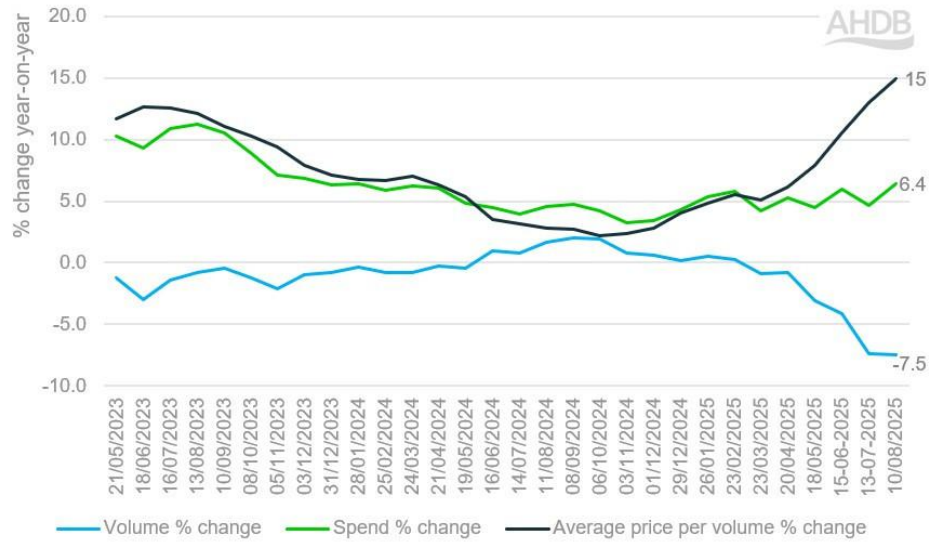
⁸ <https://www.hiltonfoods.com/media/fs0p1gam/2024-annual-report.pdf> p. 10/11

⁹ <https://ahdb.org.uk/news/consumer-insight-red-meat-retail-performance-2-november-2025>

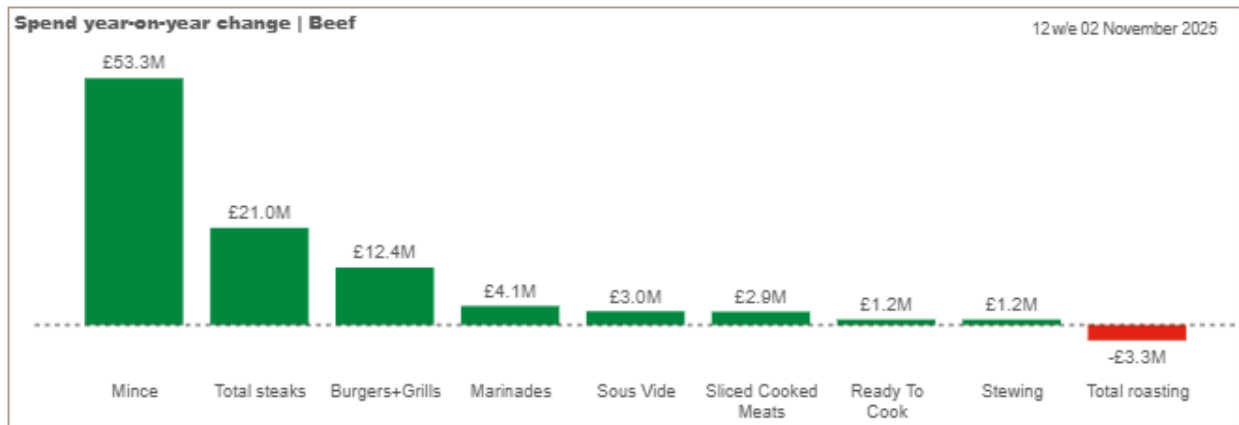
¹⁰ https://polaris.brighterir.com/public/hilton_food_group_plc/news/rns/story/xpkvemr

¹¹ <https://www.hiltonfoods.com/media/yiyhrdyx/hf-interims-2025-plc-final.pdf> slide 22

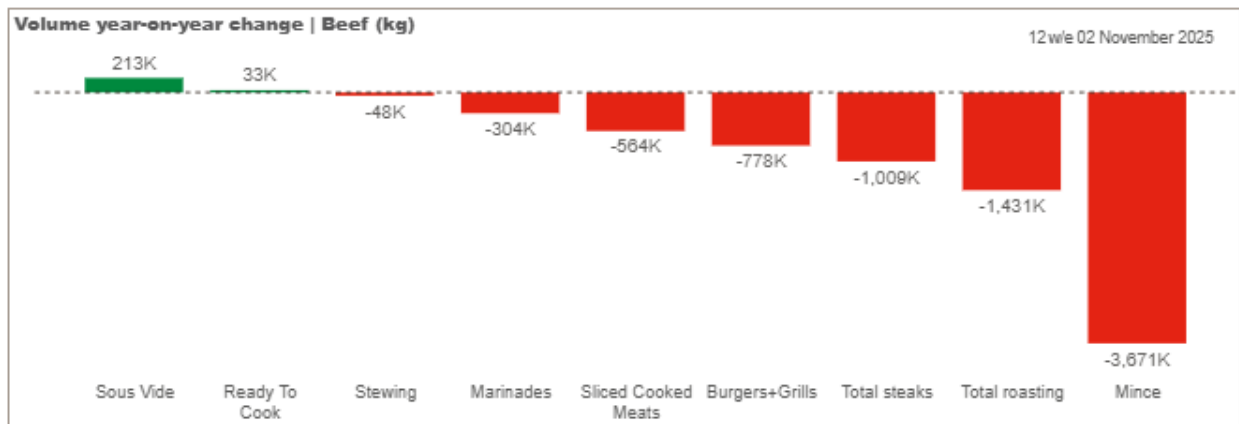
UK Beef Retail Annual Price and Volume changes



Source: <https://ahdb.org.uk/news/consumer-insight-beef-retail-demand-continues-to-suffer-as-inflation-soars>



Source: Worldpanel by Numerator UK



Source: Worldpanel by Numerator UK

Source: <https://ahdb.org.uk/beef/consumer-insight-gb-household-beef-purchases>

The UK Fish Market

UK fish prices have soared by +30% over the last five years¹², and this year prices started climbing again after the EU signed off on its 17th Russia sanctions package targeting Russian whitefish companies¹³. With as much as 40% of white fish imports (mainly cod) in the UK coming from Russia before the Ukraine invasion, the combination of sanctions and a 35% tariff caused prices to spike¹⁴. Similar to 2022, the Hilton Food Group share price plunged¹⁵, as consumers changed their consumption behaviour, impacting volumes negatively¹⁶. Cod is the most expensive white fish species, grows to around 50-80cm in length, weighs around 3-5kg and is native to the Atlantic¹⁷, with heavy overfishing in the 1970s/80s leading to a 99% population decline by 1997¹⁸. The International Council for Exploration of the Sea (ICES) recommended Zero Cod Catch in the North Sea in September 2025 for 2026, potentially worsening the cod shortage¹⁹. However, cod can be replaced with haddock, which is native to the North Atlantic, 30-70cm long and supply is considered healthy²⁰. To alleviate the white fish inflation, Hilton Food Group is now looking at introducing Basa and Hake to UK consumers, which is 50% and 15-20% cheaper than cod and haddock respectively²¹. Basa is a freshwater catfish native to Southeast Asia and to North America & Australia, 2-9kg heavy and up to 120cm long, with healthy supply²². Hake is found in the Atlantic and Pacific Ocean, weighs 0.5-3.6kg and grows up to 1m long, with overfishing prevalent, especially in Argentine waters and high depletion rates in Europe²³. If the UK consumer accepts these substitutes, it could mean a recovery in the white fish business.

¹² <https://www.thisismoney.co.uk/money/markets/article-15060665/Soaring-prices-Britons-fish-cost-fillet-soars-says-Hilton.html>

¹³ <https://fishfocus.co.uk/eu-imposes-sanctions-on-major-russian-whitefish-companies/>,
<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czol/mm23>

¹⁴ <https://thefishingdaily.com/uk-fishing-industry-news-news/uk-retailers-and-processors-face-scrutiny-over-russian-linked-whitefish-imports/>

¹⁵ <https://www.google.com/finance/quote/HFG:LON?window=5Y>

¹⁶ https://polaris.brighterir.com/public/hilton_food_group_plc/news/rns/story/xpkvemr

¹⁷ <https://www.fishfarmfeeder.com/en/fish/atlantic-cod/>

¹⁸ https://en.wikipedia.org/wiki/Collapse_of_the_Atlantic_northwest_cod_fishery

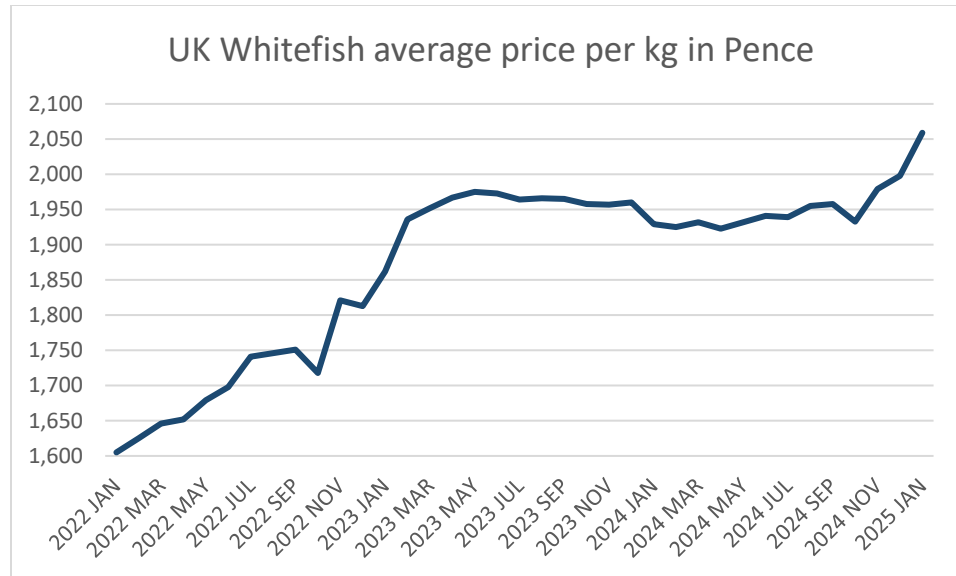
¹⁹ <https://anglingtrust.net/2025/09/25/cod-crisis-ices-recommends-zero-catch-in-the-north-sea/>

²⁰ <https://www.fisheries.noaa.gov/species/haddock>, <https://en.wikipedia.org/wiki/Haddock>

²¹ <https://stream.brrmedia.co.uk/broadcast/686f9389c36b2d0013a0a6cf/68f0ef8586c04700134e1e00> min. 32:30

²² <https://www.fishfarmfeeder.com/en/fish/basa>, [https://en.wikipedia.org/wiki/Basa_\(fish\)](https://en.wikipedia.org/wiki/Basa_(fish))

²³ <https://en.wikipedia.org/wiki/Hake>



Source: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czol/mm23>

Foppen, Restructuring & Russia

On top of the troubles in white fish demand, the company faced operational and regulatory issues in their Foppen smoked salmon business. Shipments to the US faced recalls due to potential Listeria contamination in 2024²⁴, and the government shutdown delayed a resumption of its Greek facility²⁵, which ultimately impacted volumes. In H1 25 this cost the company £2m, and H2 is having a further negative impact on earnings. However, the update on 11th November downgraded pre-tax profit guidance to £72-75m vs. £76.6-81m before (-6.5%), whilst the share price tanked by over -20%. The CEO has flagged a restructuring that would lead to shareholder return, which is due to be announced at the full year update on 29th January 2026 during the HY 25 webcast²⁶. On 25th November 2025, the CEO then stepped down, which the market reacted positively to²⁷. Although the restructuring and shareholder returns are now less certain, I can imagine that a sale/restructuring of the white fish business might have been in the cards. However, there could be another trigger that rerates the value of the business, if peace in the Ukraine

²⁴ <https://www.seafoodsource.com/news/food-safety-health/foppen-recalls-one-lot-of-toast-slices-from-kroger-stores>

²⁵ https://polaris.brighterir.com/public/hilton_food_group_plc/news/rns/story/xpkvemr

²⁶ <https://stream.brrmedia.co.uk/broadcast/686f9389c36b2d0013a0a6cf/68f0ef8586c04700134e1e00>

²⁷ https://polaris.brighterir.com/public/hilton_food_group_plc/news/rns/story/xpkk23r

could be achieved²⁸, and sanctions on Russian cod could be dropped as a result of that. This could lead to a general decline in costs and inflation, boosting demand and volumes.

Hilton Food share price is down over 50% in 5 years and over 40% in over 3 months



Source: <https://www.google.com/finance/quote/HFG:LON?window=5Y>

Finally... the Growth Plan

The underlying numbers of Hilton Food Group look surprisingly robust, as operating cash flow is expected to be just above £100m – similar to prior years. However, due to higher core capex since 2023 (which also includes growth at their existing facilities), the core free cash flow has declined from mid £70m to mid £40m. The Walmart Canada partnership has cost the business £6m in 2024, £40m in 2025 and will likely cost another £20-25m in 2026 as initial £60m guidance²⁹ was upgraded due to inflation³⁰. The facility will come online in 2027. In addition, the company is growing in Saudi Arabia through a joint venture with NADEC, which is costing only £6.5m³¹ and will come online in H2 2026, with first profits emerging in 2027. With this heavy capex phase being lower in 2026 and over in 2027, the financials gradually improve, whilst

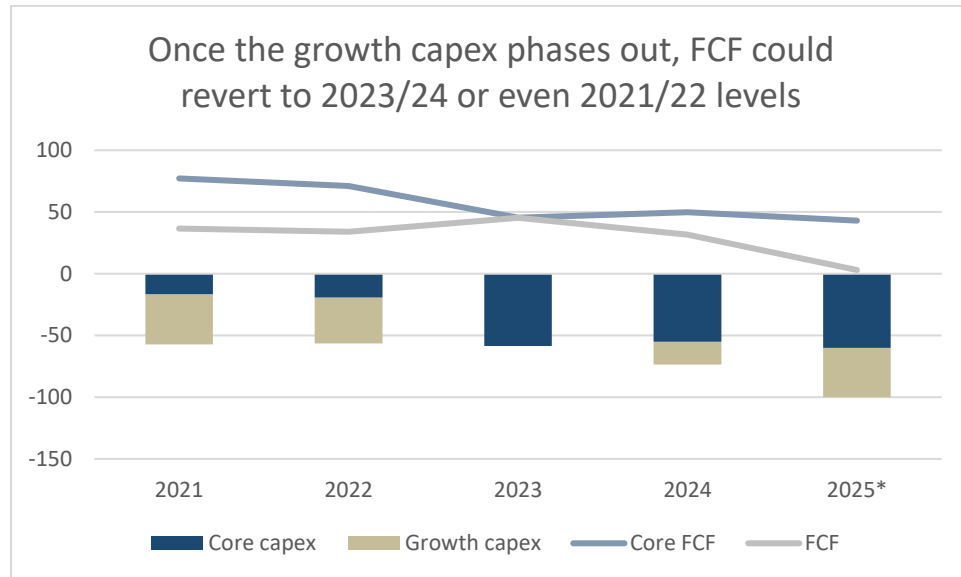
²⁸ <https://www.cnbc.com/2025/11/27/putin-moscow-ready-for-serious-talks-on-ukraine-peace-plan.html>

²⁹ <https://www.hiltonfoods.com/media/ey5bu2u1/fy-2024-results-presentation.pdf> slide 12

³⁰ <https://www.hiltonfoods.com/media/yiyhrdyx/hf-interims-2025-plc-final.pdf> slide 13

³¹ https://www.hiltonfoods.com/media/qh1ihrrs/hiltonfoods_ar2024_webready.pdf p. 180

creating growth – none of that is currently reflected in the share price. This makes the company appear cheaply valued and offers attractive entry points below £450m market cap, in my opinion.



Source: <https://www.hiltonfoods.com/investors/investor-results-reports-presentations/> 2021-24 annual reports, HY 2025 report, own estimates with company guidance for FY 2025

Entering Canada and the Middle East could lead to further growth in the years to come

	Walmart partnership Canada	Nadec JV Saudi Arabia	For comparison UK
Population (m)	41	36	69
Meat consumption (kg per person)	91	58.5	84.1
Capex (£m)	106	6.5	
Live date	2027	H2 2026	

Source: <https://www.hiltonfoods.com/media/ey5bu2u1/fy-2024-results-presentation.pdf> slide 12, https://www.hiltonfoods.com/media/qh1ihrrs/hiltonfoods_ar2024_webready.pdf p. 180, <https://worldpopulationreview.com/country-rankings/meat-consumption-by-country>, Google for population size



For professional clients

Growth capex is set to slow down in 2026

Year	Growth Capex (£m)
2024	6
2025	40
2026*	25

*estimated, increased by
£5m of initial guidance

Source: <https://www.hiltonfoods.com/media/zrzbo40k/interim-results-presentation-2024-web-copy.pdf>,
<https://www.hiltonfoods.com/media/gi4p1hjn/hilton-food-group-plc-hy-2025-final.pdf> p. 6



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