EQUITY RESEARCH · INITIATION OF COVERAGE · PACKAGED FOOD

General Mills, Inc. (NYSE: GIS)

The yield is 6.8% and the multiple is 11.5 times the EPS guide. But the debt is $13.6 billion, and the price needs an operating margin of 16.9%. The guide is 14.3%.

RATING	PRICE (11/20/26)	FAIR VALUE	IMPLIED RETURN	MARGIN NEEDED
SELL	$35.74	$27	-24.5%	16.9%

READ THIS FIRST · A SELL MEANS THAT OUR VALUE IS MORE THAN 15% BELOW THE PRICE. It is not a claim that the stock will fall soon, and it is not a view on the dividend. The yield is high because the profit fell. The price needs the margin to come back almost to its fiscal 2025 level.

DISCLAIMER · This is not investment advice. It is not a recommendation to buy or sell any security. 2 Comma Investor (@2commainvestor) is not a registered investment adviser or broker-dealer. This report is opinion, for education only.

The author holds no position in GIS and has no plans to start one. A fair value is an opinion, not a prediction. Equities can lose value, and you can lose all of the money that you invest. The full disclosures are on the final page.

We start coverage of General Mills with a **SELL** and a fair value of $27. That is 24.5% below the close of $35.74 on Friday, November 20, 2026. We rate a stock SELL when our fair value is more than 15% below the price.

The stock looks cheap. It trades at 11.5 times the midpoint of the adjusted EPS guide for fiscal 2027, and the dividend yield is 6.8%. A low multiple is not a cheap stock when the profit falls and the debt is large.

The market value is $19.1 billion, but the debt is $13.6 billion. After the cash and the joint ventures, the price puts $31.6 billion on the operating business. That is 16.8 times the cash before interest that our first model year gives.

For that price, the adjusted operating margin must go back to 16.9% by year 4. It was 17.2% in fiscal 2025 and 15.3% in fiscal 2026. The guide for fiscal 2027 gives about 14.3%.

In our base case, the margin stays at the level of the guide, and sales growth goes from -0.5% to +2.5% by year 10. That gives $27.47 a share, which we round to $27.

SNAPSHOT	
Market value	$19.1B
Shares out (September 16)	534.7M
Debt, August 30	$13.6B
Operating business, at the price	$31.6B
Net sales, FY26	$18.4B
Organic sales, FY27 guide	-1.5% to +0.5%
Adjusted margin, FY25	17.2%
Adjusted margin, FY27 guide	14.3%
Margin the price needs	16.9%
Adjusted EPS, FY27 guide	$3.00 to $3.20
Price to EPS guide	11.5x
Dividend yield	6.83%
Dividends, share of FCF guide	82%
Net debt to EBITDA	4.3x
Value to cash before interest	16.8x
Outside items, per share	-$23.44
Hurdle the price needs	8.1%

SECTION ONE

What the first quarter showed

General Mills reported on September 23, 2026, for the quarter to August 30. Net sales fell 2.8%, mostly because it sold its U.S. yogurt business. Organic net sales were flat. Adjusted operating profit fell 11%.

The first quarter of fiscal 2027 (to August 30, 2026) against a year earlier, in $ millions.

Line	Q1 FY26	Q1 FY27	Change
Net sales	4,517.5	4,389.5	-2.8%
Gross margin	33.9%	33.9%	
Adjusted operating profit	**711.2**	**634.0**	**-10.9%**
Adjusted operating margin	15.7%	14.4%	
Interest, net	132.8	142.2	
Adjusted diluted EPS	**$0.86**	**$0.75**	**-12.8%**
Operating cash flow	397.0	297.8	
Dividends paid	330.9	330.5	
Share repurchases	500.0	0.0	

Segments in the first quarter of fiscal 2027, in $ millions.

Segment	Net sales	Organic change	Operating profit	Change
North America Retail	**2,451.8**	**-3%**	**478.6**	**-15%**
North America Pet	612.8	Flat	99.5	-12%
North America Foodservice	523.1	+4%	79.4	+12%
International	794.3	+4%	75.2	+14%

North America Retail is more than half of the sales. Its organic sales fell 3% and its operating profit fell 15%. Foodservice and International grew. North America Pet was flat in sales, and its profit fell 12%.

The stock closed at $41.55 on August 28. It closed at $33.64 on September 25, two days after the report. That is a fall of 19%.

On September 30, General Mills said that Dana McNabb, its Chief Operating Officer, becomes CEO on January 1, 2027. Her stated first priority is to return the company to profitable growth.

SECTION TWO

The margin is the question

Three years of margin and EPS, in $ millions. Fiscal 2027 is the midpoint of the guide.

Item	FY25	FY26	FY27 guide
Net sales	19,487	18,425	17,595
Adjusted operating profit	3,353	2,812	2,516
Adjusted operating margin	**17.2%**	**15.3%**	**14.3%**
Adjusted diluted EPS	$4.21	$3.55	$3.10
Dividends per share		$2.44	$2.44

The adjusted operating margin fell about two points in fiscal 2026 and falls about one more point in the fiscal 2027 guide. The guide for adjusted EPS is $3.00 to $3.20. The low end is 29% below the $4.21 of fiscal 2025.

Part of the fall is temporary. Fiscal 2026 had 53 weeks, and General Mills sold businesses. The company says that these items and currency cut about 9 points from operating profit in fiscal 2027.

Part of the fall is a choice. General Mills spends more on its brands to get its volume back. It expects at least $0.75 billion of savings in fiscal 2027 and input cost inflation of 4% to 5%. The savings pay for the inflation and the investment, so the margin does not grow.

In fiscal 2026, General Mills recorded $1.8 billion of impairments. $1.5 billion was goodwill in North America Pet. The company said that higher discount rates were the main cause.

SECTION THREE

The dividend and the debt

The dividend against the fiscal 2027 guide, in $ millions.

Item	$ millions
Adjusted after-tax earnings (EPS midpoint x diluted shares)	1,667
Free cash flow at 95% conversion	1,584
Dividends at $0.61 a quarter	1,305
Left after the dividend	**279**
Dividends as a share of free cash flow	82%

The dividend is $0.61 a quarter. At the midpoint of the guide, it uses 79% of adjusted EPS and 82% of free cash flow. About $279 million is left for debt and buybacks.

General Mills bought back no stock in the first quarter, against $500 million a year earlier. In fiscal 2026, free cash flow was 85% of adjusted after-tax earnings. The guide for fiscal 2027 is 95%.

Debt is $13.6 billion, and $1.05 billion of it is due in the next 12 months. Net debt is 4.3 times the operating profit guide plus depreciation. Interest at the first-quarter rate is about $0.57 billion a year, or 23% of the operating profit guide.

We do not say that the dividend is at risk this year. We say that it leaves little cash for growth, and that its yield is high because the price fell.

SECTION FOUR

What the price assumes

We value the operating business with a ten-year cash flow model and a 9% hurdle. Cash before interest is adjusted operating profit, after the 21.1% adjusted tax rate of fiscal 2026, at the 95% conversion of the guide.

Then we ask what one input must be for the model to give $35.74. We change one input at a time and keep the rest of the base case.

What the price needs, against the record. Each line changes one input in our base case.

Input	The price needs	For comparison
Adjusted operating margin, from year 4	16.9%	17.2% in FY25; 15.3% in FY26; 14.3% in the FY27 guide
Sales growth, years 2 to 10, each year	3.1%	-0.5% organic in the FY27 guide; -2% in FY26
Hurdle rate	8.1%	9%, our choice for every report

A margin of 16.9% is close to the 17.2% of fiscal 2025. That is possible, but it needs the savings to stay in the profit while volume recovers. The current guide shows the opposite.

Growth of 3.1% a year is above anything in the recent record. A hurdle of 8.1% is possible for a stable food company. We use 9% for every report, so that each call is on the same scale.

SECTION FIVE

Our base case

Year 1 uses the guide. It is the last three quarters of the fiscal 2027 guide, plus one more quarter. That quarter has the margin of the first quarter of fiscal 2027.

Our base case, in $ millions. Year 1 is the twelve months to August 2027. Its growth is against fiscal 2026 sales.

Year	Growth	Net sales	Margin	Cash before interest
Year 1	-4.6%	17,574	14.3%	1,884
Year 2	-0.5%	17,486	14.3%	1,874
Year 3	-0.1%	17,464	14.3%	1,872
Year 4	+0.3%	17,507	14.3%	1,877
Year 5	+0.6%	17,617	14.3%	1,888
Year 10	+2.5%	19,212	14.3%	2,059

From year 2, sales growth starts at -0.5%, the midpoint of the organic guide. It moves in steps to +2.5% by year 10. The margin stays at 14.3%. The value after year 10 is 55% of the total.

If the margin goes back to the 15.3% of fiscal 2026 by year 4, the value is $30.47. That is 14.7% below the price, which is a HOLD, close to the line.

SECTION SIX

The balance sheet outside the business

The balance sheet outside the operating business, August 30, 2026, in $ millions.

Item	$ millions
Cash and cash equivalents	433.1
Joint ventures, at their fiscal 2026 cash distributions	650.0
Less long-term debt, with the part due in 12 months	(13,414.0)
Less notes payable	(201.6)
Total	**(12,532.5)**
Per share	**-$23.44**

We deduct the debt at its book value. Its fair value is $12.8 billion, which is $0.66 billion lower. At fair value, our value is $28.70 a share.

We count the joint ventures at $39 million a year of cash distributions. We leave out pension income and the proceeds from the sale of the Brazil business. General Mills did not give those proceeds in dollars.

SECTION SEVEN

Valuation

Three cases at a 9% hurdle and 3% growth after year 10.

Case	Inputs	Sales, year 10	Cash, year 10	Value	Return
Bull	Growth +0.5% to +3.0%; margin 17.2% by year 4	$20.5 billion	$2.65 billion	$39.79	+11.3%
Base	**Growth -0.5% to +2.5%; margin 14.3% by year 4**	**$19.2 billion**	**$2.06 billion**	**$27.47**	**-23.2%**
Bear	Growth -2.0% to +1.5%; margin 12.3% by year 4	$17.2 billion	$1.58 billion	$17.65	-50.6%

The bull case returns the margin to 17.2% by year 4, with faster growth. It gives $39.79, which is +11.3%. The bear case lowers the margin by two points. It gives $17.65, which is -50.6%.

Value per share in our base case, by hurdle and growth after year 10.

Hurdle	2.0% growth	2.5%	3.0%
7.0%	$41.68	$46.34	$52.16
7.5%	$35.82	$39.47	$43.93
8.0%	$30.93	$33.85	$37.35
8.5%	$26.79	$29.16	$31.96
9.0%	**$23.24**	**$25.19**	**$27.47**
9.5%	$20.17	$21.79	$23.66
10.0%	$17.48	$18.84	$20.39

The hurdle is a large input. At 9%, each growth rate after year 10 gives a value more than 15% below the price. At 8.5% or less, the value with 3% growth is within 15% of the price.

Value per share by the margin from year 4 and by sales growth in year 2. Growth moves in steps to 2.5% by year 10.

Margin	-2.0% growth	-0.5%	+0.5%	+1.5%
12.3%	$18.85	$21.20	$22.84	$24.53
14.3% (FY27 guide)	**$24.74**	**$27.47**	**$29.36**	**$31.33**
15.3% (FY26)	$27.57	$30.47	$32.49	$34.58
17.2% (FY25)	$33.30	$36.56	$38.84	$41.19

The value is above the price only with the fiscal 2025 margin of 17.2% and growth that starts at -0.5% or more.

SECTION EIGHT

Why this is a SELL

Our central value is 24.5% below the price. The bull case is 11% above it, and the bear case is 51% below. The risk is larger than the reward.

The price already assumes a recovery that the company does not guide to. The dividend pays 6.8% a year. The gap between the price and our value is equal to about 3.6 years of dividends.

Two inputs can change this call: the margin and the hurdle. We show both in the grids, so that you can use your own figures.

SECTION NINE

Risks, and what would change our mind

The savings work. If the margin returns toward 17% while volume grows, the price is fair. Watch the margin in North America Retail.

A new CEO. Dana McNabb starts on January 1, 2027. A new plan can change costs, the portfolio or the dividend.

Lower rates. Investors value stable food companies at lower hurdles when bond yields fall. At an 8% hurdle, our base case is $37.35.

The second quarter. General Mills reports in December 2026. A higher margin than the guide would raise our base case.

Upgrade to HOLD if the price falls below about $31.76. At that price, our fair value is 15% below the price. We also upgrade if the margin goes back above 15.3% with organic growth.

SECTION TEN

Related research

Reports that bear on this one. Every call on this site is dated, public and scored the same way.

A low multiple is not a cheap stock, the note that explains the main idea of this report.

McDonald's, another consumer company with a large dividend and large debt. We rated it HOLD.

Nike, a consumer brand that cut prices to get its volume back. We rated it HOLD.

The field guide defines reverse DCF and free cash flow. The full list of calls is on the scoreboard.

APPENDIX

Methodology, sources and disclosures

Methodology

A model script computes every figure in this report. It checks that the first-quarter lines add to operating profit and to earnings before tax. It checks that the segments add to net sales.

It checks the fiscal 2026 free cash flow and its conversion against the figures that General Mills reports. It also checks that the market value agrees with public figures.

The model uses a 9% hurdle and 3% growth after year 10. Cash flows are before interest, because we deduct the debt. We apply the free cash flow conversion of the guide to that cash.

The share count is 534.7 million, from the cover of the Form 10-Q. Fiscal 2027 sales are fiscal 2026 sales, less 0.5% organic and about 4% for the sold businesses, currency and the 53rd week.

The first quarter of fiscal 2027 includes the Brazil business, which General Mills sold on September 2. Our first quarter of fiscal 2028 also includes it. We do not know its size, and the effect is small.

The rating is the same at $34.48, the close of November 19. It is also the same at $35.72 and $35.76, the other figures that we found for November 20.

The reference price

The $35.74 reference price is the close of GIS on Friday, November 20, 2026, the last market day before publication. Six sources state $35.74: chartexchange.com, statmuse.com, tradingeconomics.com, stocktwits.com, tradingview.com and companiesmarketcap.com.

We did not use pages that were not current, or pages that showed a price after the close.

Sources

First quarter fiscal 2027 earnings release, September 23, 2026. Source for the statements, the segments, the adjusted figures and the outlook.

Form 10-Q for the quarter ended August 30, 2026, for the share count, the debt and its fair value, commercial paper and the Brazil sale.

Fourth quarter fiscal 2026 earnings release, July 1, 2026, for fiscal 2025 and 2026, the impairments, the dividend and the fiscal 2027 outlook.

CEO release, September 30, 2026, for the new CEO and her quote.

ChartExchange, price history, for the closes of November 19 and 20.

Investing.com, price history, for the close of August 28.

Google Finance, GIS quote, for the close of September 25.

tradingeconomics.com, GIS quote, for the close of November 20.

How we score this call

This call is dated and public. It joins the scoreboard as an open position at $35.74. We will score it against the S&P 500 on November 21, 2027, under the same rules as every other call.

Nature of this publication

The author holds no position in GIS and has no plans to start one within 72 hours of publication. This report is opinion for education. It is not investment advice.

2 Comma Investor is not a registered investment adviser or broker-dealer. If a correction is necessary, we will publish it on this page with a date.

A fair value is an opinion about a range of results, not a prediction, and it can be wrong. Past results do not tell you future results. Do your own research, and ask a qualified professional before you make a financial decision.

2 Comma Investor · twocommainvestor.com · @2commainvestor · contact@twocommainvestor.com

Initiated November 21, 2026 at $35.74. Rating SELL. Fair value $27. Score date November 21, 2027.