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Tyson Foods, Inc. (TSN)

Consumer Analysts Group of New York Investor Conference

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MANAGEMENT DISCUSSION SECTION

Unverified Participant

Everyone did take their seats. That's fantastic. Okay. So before I introduce the management team of Tyson Foods, I want to thank them for sponsoring dinner tonight and for returning to CAGNY first time since 2008. Thank you very much for coming.

So Tyson Foods is a company where my 15 years of covering the volatility in the protein cycles and all the fear that came with it did not help me very much at all on calling the stock because this is a \$40 billion company that is making all the right moves. It has expanded its value-added portfolio through the acquisition of Hillshire brands. It's transformed its Chicken division into a more dependable, higher margin business by restructuring its contracts and improving its value-added mix. And as we saw from Tyson's most recent quarter, this strategy has helped the company deliver record margins even in an environment where protein prices are falling.

CEO, Donnie Smith along with his management team and his board deserve enormous credit for creating this new business model. And here to tell you more is Donnie. Great.

Donald J. Smith
President, Chief Executive Officer & Director

Thanks, [ph] Rob (01:22). It is great to be back with you this afternoon. So before I get started, just a few brief introductions. So on the stage with me I have Andy Callahan, who is the President of our Retail Packaged Business. Then Sally Grimes is the President of our International Business and our Chief Global Growth Officer, and of course, Jon Kathol, our VP of Investor Relations.

Now, over here, in the warm-up circle, or in the on-deck circle, you might say, is Tom Hayes, who is our Chief Commercial Officer and the President of our Foodservice business; Donnie King, our President of the North

American Operations and then Dennis Leatherby, our CFO. They will be with us in the Q&A, in the breakout session after this.

So obviously, the person who built this slide, gets paid by the work, and let me give you a resort-friendly context for this slide. Now that the sun's out, starting to peak out a little bit, what this slide is saying is, today, we're going to be swimming deep into the pool, there's no lifeguard on duty, so swim at your own risk. Okay. All right.

It's good to be back at CAGNY. It's been since eight years, since we've been here. And it's great for us to be able to reintroduce many of you to Tyson Foods. We're a different company. We're different. We're different from what we were, and we're different from everyone else. In the last several years, we've transitioned from being a protein producer, to being a food company with a portfolio of important brands. We have some great brands, including \$3 billion brands, Tyson, Jimmy Dean and Hillshire Farm. We're one of the largest food companies in the world with \$40 billion in sales last year. And we operate in four primary segments: Prepared Foods, Chicken, Beef and Pork.

Let's start with Prepared Foods. So with the Hillshire acquisition, we've grown our Prepared Foods segment about 19% of the total portfolio. But importantly, Prepared Foods represented last year about 28% of our adjusted operating income. So not only did we double the size of the segment, but it produces great results. And if you combine Prepared Foods with our Chicken segment, our Chicken segment being about 85% value added. Last year, 88% of our operating income came from those two segments. So it's no wonder that we're focusing on those two segments to grow our business, value-added poultry and Prepared Foods. Little bit later just after I get through here in a second, Andy and Sally are going to come up and talk to you about how we're going to grow that business.

So on the right hand side of the chart, you'll see that about 50% of our sales are at retail, about 33% foodservice and the balance is international. With our broad diverse portfolio, we have maybe a unique ability to intersect with consumers more often than certainly most protein companies, because we intersect with them wherever they are, all day long, all week long. And that gives us a, I think unique advantage to be able to grow our business.

One of the things that comes with transitioning from being primarily a protein producer to being a value-added food company is certainly higher, more stable earnings. And over the last four years, the compounded annual growth rate of our earnings per share is up about 18%.

If you look at our sales, I mentioned a little bit earlier that we're about a \$40 billion company, last year in 2015. This year, our sales will be about \$37 billion, primarily from the deflationary environment of the raw materials and the divestiture of some non-core businesses. But if you look at the right hand side of that chart, you can clearly see the impact of Hillshire as you look at our EBITDA. And as we look forward, I think you'll hear through the day that we have the ability to continue on this growth trajectory.

While on the subject of growth in Hillshire, let me pause for a second to say that the integration continues to go very, very well. Certainly, with the synergy capture last year, we captured \$322 million in synergies. This year, we're on pace to be over \$500 million in synergies. And next year, we intend for the synergy capture to grow to over \$700 million; which provides tremendous fuel for growth, as we invest in innovation and brand building, and you'll hear a little bit more about that from Andy and Sally.

So last year was a record year. We generated \$2.6 billion in operating cash flows, which we used to get our net debt to EBITDA back to about two times indecently. Next month, we'll pay off our 2016 notes, and our net debt to EBITDA will be down about 1.7 times. And for us, having a strong balance sheet is very important. It's a key priority as we move forward. We think that the optionality that we get from great cash flows, great liquidity and a great balance sheet, sets us up very well to be able to continue the growth story.

Let me take a second and talk real briefly about our uses or priorities for cash. First, we'll continue to grow and invest in our growing domestic business. We'll invest in operational efficiencies. We'll invest in capital projects that have a great return. And we'll continue to invest in innovation and brand building. We also have plenty of capacity for acquisitions, if they meet our strategic objectives.

And then finally, we're returning cash to shareholders through dividends and stock repurchases. As a matter of fact, so far in the last seven months, we bought back about \$750 million of our stock, or about 16.2 million shares and the board just authorized an additional 50 million shares for that buyback program. So we'll continue to do that.

The last chart I want to show you before Andy comes up, is something else that's different about Tyson Foods. Our stock performance over the last five years or six years versus the S&P 500 and our peers, I think is a great way to illustrate the fact that we are different. We're a growth company. We're build for growth. We've got advantaged brands and advantaged categories supported by an advantaged supply chain with advantaged capabilities in not only demand generation, but innovation and ability to grow.

So Andy, why don't you come up and talk about those advantaged brands in those advantaged categories, and how we're going to grow. Okay?

Andy Callahan

President - Retail Packaged Brands

All right. Excellent. Thanks, Donnie. It is an exciting time to be at Tyson Foods as Donnie mentioned, and we're just getting started. We have a different portfolio and a different business model. And our goal is we're actively activating that to grow. So I have about a little less than 15 minutes before Sally comes up, but there's three really key takeaways from what I'm going to talk about.

One is, we are positioned to grow. We're in the protein business, and from all measures protein is on-trends with consumer's desire and it's a way they are behaving. Secondly, we have the assets to grow. We have leading brands across multiple dayparts as Donnie mentioned. And we have a lot of scale within those categories and opportunities to expand. And then lastly, we're acting to grow. We are focusing where we have differentiated positions, and we're investing behind them, both in equity and as well as innovation.

So let's start with protein. As I said, we're in the protein business, and consumer demand for protein is up, 54% of consumers are deliberately increasing the amount of protein that they get in their diets. And more than two-thirds say, it's important for them to have protein as part of a good diet, and 78% that say it's critical for a healthy diet. So anyway you look at it, consumers have – it's well in their consciousness to get protein. And meat is the most authentic and natural source of protein, still today. 8.5 million households have increased the amount of protein that comes into the home over the past year, and this is translating into shopping behavior as well.

If you look at protein categories within the store that are high or medium levels of protein, they're growing at 100 basis points higher than total food. So protein is a growth platform. And Tyson uniquely plays across all meat segments; Beef, Pork, Chicken as well as our branded Prepared Foods business, which can be leveraged across all of those protein types. One out of every five pounds of meat consumed in the United States over the past year was a Tyson product.

Within Beef, at our normalized margin range, we have a strong ROIC, which translates into generating cash for the rest of the portfolio. Our Pork business, we're one of the leading processors of pork, and it uniquely connects

to our overdeveloped Prepared business and branded business within Retail. Chicken specifically, we have a world-class vertically integrated Chicken business. And Chicken is going to outpace other meat protein types as far as growth globally for the foreseeable future. And our margins are the best in the industry and expanding. And then finally, our Prepared business. It is almost completely branded with leading brands across all dayparts.

So let's look a little bit deeper into the Chicken business and the Prepared business. On the Chicken side, as Donnie mentioned, the combined business of both of these are 46% of our sales and 85% of our profits. But more important, it is also 2 times the margin of the rest of our portfolio, and over the past several years, it's grown at 200 basis points versus the rest of the portfolio. So we're growing where we're advantaged and where we make money.

If you double click even within that, within those two segments, our mix is also improving. In the Chicken segment, it is only 15% commodity business, so 85% of the sales are a value-added sale that either consumers find differentiated, or our customers find value-added because we're adding something to the product that they require and that develops stable sales.

Within the Prepared business, our Core 9 brands within our retail sales are over two-thirds of our sales. But more importantly, the majority of our profits. So with this chart representing the previous ones is, we are growing where we want to grow, and where we want to grow is where we have long-term growth potential and long-term margin potential.

Let's look at the Core 9 specifically. Our Core 9, as I mentioned, represent within our Retail Packaged Brands business, about two-thirds of our sales, but the majority of our profit. What's important about these brands when you look at the long-term margin and growth potential, when you invest in them today, you get a good ROI, but over the long-term, you create better shareholder value.

But that's not it. We also complement that portfolio with a portfolio of emerging brands. That although not as large as our existing portfolio collectively make up \$225 million in total sales, but growing greater than 50% over the last two years. And we expect this portfolio over the next two years to be greater than \$0.05 billion of sales and continue to grow. But it's not sufficient enough just to have a portfolio that's advantaged. We also have to have a differentiated business model, and we're acting, we're investing to grow.

Let's look at a couple of examples. There's a lot of manufacturers that are pulling back some of the cost related to investing in our customers. Over the last year, we have increased our category captaincy with some of the largest customers by over 40, we now have over a 100 category captaincies. That in and of itself isn't important, but what happens is our customers disproportionately come to Tyson with the insights to grow the category. It allows us – those insights allow us to understand what distribution do we need? Where do we need it? Where could we most profitably grow. Over the last year, our distribution has grown 200 basis points higher than the categories in total. And distribution, as most of you know, translates into more full revenue sales and you don't need to promote this much.

Secondly, we are investing in our brands. Having the leading brands and just staying static with them, and not investing with them, keeping them fresh and keeping them relevant is liquidating your brands versus continuing to build them, keep them fresh and monetize them over time. And we're committed to continue to invest in them, and we invest in them in a way that is relevant to today's consumers. So I'm going to show you a quick reel that shows some examples of the way we're contemporarily engaging with our consumers and creating customer advocates.

[Video Presentation] (16:30-18:35)

But we do with a long-term focus on building equity to create a platform with our brands to be able continue to grow. And that platform become stronger when consumers become advocates for our brand. Consumer advocates within your brands equals profitable growth. And overwhelmingly, category consumers when asked brands to recommend, recommend our brands versus the next leading brand within the category.

Now, why is that important? It gets monetized several ways. Our portfolio, if you look at our Core 9, our portfolio on average commands an 11% price premium versus the next leading brand. And that premium has grown since 2012, 200 basis points. Consumers are overwhelmingly more willing to purchase our brands at full value. Now, we do promote, and obviously we keep them fresh to grow, but it's an underlying health of our businesses day-to-day that that represents.

Additionally, our brands successfully extend into new categories. We don't look at managing our brands just – and many of you have heard me say this before, just as looking at a brand in a product category. Our brands are relationships with consumers. Sally is going to talk about capabilities, and she is going to talk a lot about the insights more that make extending into adjacency successful. But looking at a relationship and a role that a brand plays in consumers' life and our house of brands that we have give us multiple areas with good insights to strong equities to grow.

And we're proven it successful with Hillshire Farm moving into the snacking category, extremely successful. And Ball Park, which is not a hot dog brand, it's a guy brand. It's a contemporary guy brand moving into Jerky at the Flame Grilled Patties highly successfully. Now, we're not perfect here. We had failures. But when we do have failures, if it's not getting the consumer right, we'll be over exuberant with customers, we retrench, we learn, we apply those learnings, and it increases our success rate as we go forward.

And then finally, our brand strength enables us to more profitably and to more successfully grow into other channels. And we're doing this within the C-Store channel and in the broader foodservice channel. Here is one example up on the screen where our Jimmy Dean breakfast sandwiches are growing at greater than 7% year-on-year for several years and consumers overwhelmingly prefer them within that channel built on the equity and the investment that we make on retail.

We just launched Tyson Chicken Sandwich in a new form as well and our customers, as well as our team are highly excited about that. And some of the Tyson brands that we have within that channel. Our Boneless Wings are growing at 28.5% versus last year versus the category of 5.8%. And our Chicken Tenders are growing at 14.2% versus fairly above 2% within the channel. So our ability to be able to take strong equities and move them into price premiums, other categories, or other channels, creates great opportunities when we have a house of brands. So we invest in those brands for a short-term with a short-term discipline around ROI, but a long-term focus of creating an equitable platform and a relationship with consumers to grow.

Now, Sally is going to bring us back with a lot more – a little bit more on this, but let me summarize by the three takeaways. We are uniquely positioned to grow and create value over time. We're in categories that consumers are increasingly demanding with protein. We have a portfolio that is well-positioned to grow within those protein segments, and we're driving mix within them. So we're growing where we want to grow, and we are acting that way. We have a portfolio of brands and investing in those brands to drive profitable growth, and that equals value creation over time.

So, with that being said, we're just getting started. Sally is now going to talk about those capabilities of tomorrow as we move into the future. And I've known Sally for over 20 years, and she is one of the most talented marketers in the industry. So, Sally?

Sally Grimes

President - International & Chief Global Growth Officer

Thanks Andy.

Andy Callahan

President - Retail Packaged Brands

You're welcome, Sally.

Sally Grimes

President - International & Chief Global Growth Officer

All right. Well, I am excited to be here. I am excited to be here to talk about the aggressive focus on growth at Tyson Foods. Now, Donnie and Andy have been talking about Tyson as different, and we are different at Tyson, because we break a lot of those known conventions among food companies.

At Tyson, we believe that producing the best fresh food makes you a better branded company. And that we also believe that an optimized supply chain enables growth, and we believe that even when you sell to a business that satisfying the consumer is always the best starting point. So we are different today, and we will be different tomorrow as well, because we will continue to follow the changing consumer.

So let's get it started by taking a few minutes to take a look at some of the ways that we see trends and market shifts and global forces of change shaping and reshaping Tyson Foods.

[Video Presentation] (24:25-28:05)

Simply said, we have supply expertise at scale. And when we connect that to a deep understanding of customers and consumers, our capabilities along the value chain position us for growth today and tomorrow.

Now, today we are fueling that advantaged model that Andy just talked about. There is continuous innovation against our Core 9 categories. We're taking our brands into adjacencies, and we're building a pretty enviable protein snacking portfolio in two of the fastest growing categories in snacking.

Now, as we work on tomorrow, our external focus is shaping a pipeline that positions us to lead in the future, in new geographies, in growth channels and with an expansive opportunity that we've identified for the Tyson brand.

So first on the supply side. Now, Tyson is very unique among branded food companies because we're as close to the farm as we are to the plate. We have a vast agricultural network and through it we can advance subjects that are top of mind with the consumer. We're focused on making progress on topics ranging from animal welfare to agricultural innovation. And of course, no food will earn the trust of consumers if it's not safe and high quality. And we know the food safety chain, we know quality and we know them at scale. We also have the ability to reach consumers in one of the country's or with one of the country's largest temperature-controlled network. And as innovators, we need these capabilities. These upstream supply capabilities will allow us to better capitalize on new growth opportunities.

Now, on the demand side, the Tyson recipe is pretty simple. It's three ingredients, generating deep and real insight, applying that insight in new and remarkable ways, and executing with excellence at the speed of the markets. So from our proprietary demand mapping to our custom innovation process and system, to our state-of-the-art research and development centers, we have a team and we have the tools that are among the best in the

industry. And all of this has led to the incredible innovation momentum we are generating, and the impact that it's having on the marketplace. We have been able to consistently increase our new product vitality and deliver innovation numbers that put us among the top of branded food companies.

And again, we are just getting started. Since Tyson and Hillshire came together, we have expanded our new product pipeline from about a year-and-a-half to a full three-and-a-half years out. So this means that we can increase our pace of innovation because we have a broader pipeline of options. Now, we feel great about these results, but it's the ideas and the initiatives behind them that are where the inspiration really lies. Now, our starting point is the house of brands that you heard Andy talk about. It serves as a pretty inspiring playground for innovation, but within this best opportunity, we are incredibly disciplined and incredibly focused. Now, we are focused on the areas that will have the greatest impact and create the most value for Tyson Foods.

Now, the first is innovating within our Core 9 category, where we have leading brands and pricing power. Now, over the next year, we will have 12 major launches supporting our Core 9 categories. Next, is extending our iconic brands into adjacencies. Now, as Andy described, our investment in our brand filled equity, which in turn allows us to extend them into new categories and build new businesses, and we're doing just that. And the third focus is snacking. Now, I know everyone is talking about snacking, and rightfully so total snacking continues to grow, but when you go beyond that, protein snacks are growing nearly twice as fast as total snacking, and we are building a highly differentiated portfolio in two of the fastest growing categories, dry meat snacks and snack combos.

Now, with this focus as the backdrop, I'd like to share some proof of our innovation capability. Now, I'll start with Hillshire Farm. When we launched Hillshire Farm natural lunchmeat last year, we knew it tasted delicious, but we didn't realize that 40% of its consumers would be new to the lunchmeat category. And the key to this innovation success came from the magic of our research and development expertise. We were able to deliver an all natural lunchmeat that required no sacrifice in taste. Here's another, as you saw from Andy, we also launched Hillshire Snacking last year, a great example of our ability to uncover consumer insights and innovate behind them. Now, Hillshire Snacking elevates the experience. It's more reminiscent of a restaurant charcuterie tray than say a lunch combo, but this line is off to a rocket start. Dollar velocities that continue to grow and continue to exceed our competition almost two times the leading competitive brands in this space.

And then for Ball Park Jerky, it was our unique manufacturing ability to produce, to deliver a flame-grilled tender jerky texture. And when we combine that with the guy-food equity of Ball Park, that's what driven this launch a success. And we believe we're only scratching the surface, with what we can do with this brand. Ball Park Jerky is the largest brand launch in dollar sales in the category in the last five years.

Okay. Now, on to some of our new upcoming launches. Jimmy Dean Bacon is one of our first big synergy projects. And I can still remember, the innovation meeting two years ago with Hillshire. When we talked about how great a Jimmy Dean Bacon would be, but we didn't pursue it because we didn't have the capability for competitive advantage. Until now, the marriage of a Tyson capability and a Hillshire brand, and we're seeing the results, 40% of Jimmy Dean Bacon consumers are new to the category.

Another opportunity for our Jimmy Dean brand is to capitalize on one of the fastest growing dayparts and restaurants, morning snacking and brunch. Now Jimmy Dean Stuffed Hash Browns is launching this year. It's a microwavable crispy hash brown filled with warm melted cheese goodness, and Jimmy Dean Sausage or Bacon. It brings a unique convenient handheld option for a morning snack or a meal on-the-go. Now, we applied that same insight around morning snacking options to our Jimmy Dean delights line, which focuses on lighter offerings and came up with frittatas. Frittatas are light and fluffy baked eggs mixed with veggies and meat and cheese, and consumers are thrilled to get two low carb frittatas for under 300 calories for a warmest filling snack for on-the-go breakfast.

Now, moving on, we've taken a fresh look at some of our flagship Tyson products. We know consumers want real, natural ingredients and healthier breadings. So we've launched a new Tyson Naturals line that includes gluten-free options, whole grains and no antibiotics ever. And then we removed the bread altogether. Grilled chicken nuggets are gaining popularity right now in quick-serve restaurants. So we're launching an offering in retail to deliver a healthier twist on a family favorite, with 50% fewer calories, and again no antibiotics ever. And given how successful our Hillshire Snaking launch has been, we're going to keep the momentum going.

This new line delivers even more protein with nuts along with meat and cheese, but we're doing it with some adventurous combinations, picking up on some key culinary themes like rustic harvest, hickory-smoked chicken, cranberry white cheddar cheese, cider spiced nuts and multi-grain chips. It's delicious. And speaking of momentum, we will continue to expand ballpark with new on-trend food forms including bold flavored meatballs and individually portioned pulled pork. They all go from freezer to table in three minutes, making them as convenient as they are delicious.

So we are an inspired group of innovators. We are focused in executing against the right plan. We have tremendous innovation momentum. We're prepared and we're positioned to win, but it doesn't stop there. There is no doubt we are effective and we are successful operators today. But we are also future focused innovators with a plan for tomorrow. Now, as we look to tomorrow, it is the ambition to become the global innovative leader of food experiences that unites us at Tyson Foods. Together, we aspire to sell more branded protein-centric food than any other company in the world. And we know the world is changing. And we believe we're positioned better than anyone to capitalize on 21st century opportunity, emerging economies and the rise of the global middle class, population increases and the resulting resource scarcity and consumer value shift.

Now, by using foresight and insight, we will expand our business to growth markets, growth channels and growth brands. Now, I'll start with the commitment that we are making to growth markets. Now, the macros are clear. They are shaping the markets that are most relevant to Tyson Foods. 96% of the world's hearts, minds and stomachs are outside of the United States. And following suit, 90% of fresh poultry, and pork, and beef, and processed meat consumption is outside of the U.S. But it's not just about the numbers, it's about the people that are driving these shifts. Consumers and their consumption are moving from the developed to the developing world.

Millions are moving to the world's mega cities and joining the middle class, and new lifestyles will lead to new needs, and new needs will lead to new demand. So we have shifted our current commodity focus outside of the U.S. in order to realize our potential, and it starts with the consumer. We're moving from simply supplying customers to meeting consumer needs. And we're moving from a past focus of how do we take what we do here and make it work there, to there as our starting point. And finally, our future is not about offering commodities, it's about offering experiences. And I'm talking about proprietary Tyson experiences which are linked to value propositions that become indispensable to the people and the markets we serve.

So to inform our choices on where to play, we developed a proprietary model in-house to identify, understand and prioritize markets around the world. And as a result, in the coming years, we will focus on transforming our business in China and scaling our business in India, which is home to the fastest growth in disposable income per capita of any nation over the next 15 years. We have begun to shift our focus and our capabilities in China and India from commodities to consumer. It's a work in progress, and we look forward to sharing more with you in the months ahead.

Okay. Now, let's talk about growth channel. We are aligning Tyson Foods with where the growth is. In the next five years, the majority of retail growth will come from non-traditional channels. Non-store retail or e-commerce

is projected to grow five times faster globally than other channels. So we are innovating with the e-commerce shopper and retailer in mind. And we are making significant progress with key players in the food e-commerce space, from Alibaba to Amazon Fresh. And we will continue to partner with our very important U.S. retailers to test click and collect models as well.

Now, with regard to Amazon, we're excited to share that we'll be expanding our Amazon Fresh relationship to sell fresh protein products this year, as well as partnering with them to test exciting innovations in the future.

Okay. So from growth market to growth channels and now on to one of our most significant growth brand opportunities, the Tyson brand. With the capabilities of our combined company, there is a huge opportunity to unlock this brand's potential. We have uncovered a big new platform for the Tyson brand, it's one that we believe will inspire growth for years to come.

Now, the story starts with a humble and hardworking family that built Tyson Foods. Beginning with John W. Tyson who moved with his wife and one-year-old son in 1931 in search of opportunity during The Great Depression. Now, we will reclaim our origin story. We will strengthen the foundation of the brands and we will use it as a springboard to the future. We will inspire consumers to keep it real, to keep it Tyson.

Now, let's take a quick look at the ad that will kick-off our new campaign later this month.

[Video Presentation] (43:50-44:53)

[ph] Mind (44:54) with their values. We're building credibility and we will position Tyson as a simple real solution from nuggets to tenders to Any'tizers. And we'll reinforce that with Tyson, people don't need to give in to the pressures of the idealized food world. Tyson is a brand people trust, that people care about and will come back to time and again.

Now, given this new brand platform, we believe we are uniquely positioned to build the brand and the business. So we've created a concept that we internally point to as consumer fresh goods. So just as in the consumer packaged goods world, it starts with a consumer, that's where we started here.

Consumer demand is driving growth in fresh foods where we have core capabilities and a big business today. And we have an opportunity to margin up our portfolio by adding value to our poultry, pork, and beef businesses. So we have activated capabilities across our entire enterprise to create a platform that is branded, that is value added and fresh, and the potential here is huge.

We have an opportunity to create new value for one of food's largest categories. And with new value for the consumer comes new value for Tyson with pricing power, with higher margins and sustainable growth. So here is the big unveil. The potential I just described led us to a breakthrough innovation introducing TYSON TASTEMAKERS, it's a curated line of dinner experiences that can be made fresh at home. The goal is to empower the at-home chef to try something new, to be fearless, and most importantly to have some fun. So we'll do this by adding value to fresh proteins in the areas consumers told us that they wanted and needed the most help.

So we will teach them about new cuts of meat and share where the meat came from. We'll also pre-cut and we will trim the meat, we'll dry age it or we'll smoke it, we'll also pre-marinate it and do a lot of the prep work so all they have to do is cook it. And we'll inspire them to explore and cook with ingredients that maybe they've never used before.

Given our supply and demand capabilities, we are uniquely positioned to innovate in this space. Through the launch of TYSON TASTEMAKERS, we're combining the knowhow of our poultry, pork and beef business, the power of our food service culinary expertise and our CPG brand building capabilities.

So here is the line of chef inspired meal kits and premium proteins, and they range from a layered harissa chicken and chorizo, to an Irish stout beef stew. Now, we'll be piloting the launch of TYSON TASTEMAKERS in e-commerce this year.

So I'll conclude by reiterating that Tyson Foods is a different kind of food company, and it will keep changing with the changing consumer and the changing world. We'll create value with continuous innovation in our Core 9 categories, by extending our iconic brands into adjacencies, by taking more than our fair share of protein snacking. And we'll also create value with a commitment to two of the world's most compelling growth markets, China and India.

With leadership and growth channels and a fresh e-commerce and an expansive opportunity with the Tyson brand, it's all the results of our world class integrated capabilities in supply and demand, combined with our leading brands that position us for growth today and tomorrow. We are a different company with a different model, we're different today and we will continue to be different tomorrow.

And so with that, I will pass it back over to Donnie and thank you.

Donald J. Smith

President, Chief Executive Officer & Director

So we're different and different is good. I thank you seeing over the last 40 minutes, 50 minutes or so, great capabilities. Andy talked about advantaged brands and advantaged categories, but the real magic to creating value there for the shareholders is this wonderful team that finds the capabilities and finds the potential and the capabilities that come natural within Tyson Foods. And then finds a way to use those to find the consumer insights and then meet their consumer need in a very, very relevant way.

So when you think about those advantaged brands and those advantaged categories, with that advantaged capability, driven by an advantaged team, supported by an advantaged supply chain, you can see why Tyson has an advantage. Also, I have to think about the strong cash flow generation, and Dennis and his team have just structured a balance sheet that's a battleship. It gives us a lot of opportunities to build to grow our business in the future. So we hope we've demonstrated for you that we're different, and we hope that you've got some questions for us. I think, we've got a few minutes left. Jon, if you don't mind, can you replace me here? And then you can direct some Q&A. Thanks.

QUESTION AND ANSWER SECTION

Jon Kathol

Vice President-Investor Relations

Any questions? [ph] Ken (51:21).

A

Q

Hi, I thought I can sneak two in. The Core 9 brands, you talked about it a little bit today, are there any that are doing particularly better or worse than your expectations? And my other question is, you mentioned a bunch of times that we're in the protein business end quote. There are some sizeable brands that are available right now, that are not protein oriented, but more carb oriented. When you say you're in the protein business, does that really preclude – I could say, it preclude you from looking at assets that are very non-protein oriented?

Donald J. Smith

President, Chief Executive Officer & Director

So [ph] Ken (51:56), let me take the last part first, and then I'll pass it to Andy for the insight to Core 9 and what's meeting expectations and what might not be. So our strategic intent is all about being protein centric. I mean, I can't think of Tyson Foods in the future that's not protein centric, but today we already have some parts of our portfolio that aren't, what you might think pure protein, the tortilla business, pizza toppings. Both now, they are great carriers for protein and they certainly help facilitate the growth of a protein-centric business, but they're not necessarily just pure protein. I wouldn't think, moving forward into the future that Sally so eloquently described, I wouldn't think, just meat protein. We think, we have great capabilities to provide protein for consumers in the forms that they needed, and I think you will see our emphasis going forward broaden to a broader view of the consumer. We follow the consumer, and as the consumers – maybe definition or taste for protein changes, we want to be there to meet that need. Andy?

A

Andy Callahan

President - Retail Packaged Brands

Yeah. So building on the Core 9, take a step back for a second, when we look at three-year plan strategic plans, and then we execute one year plans, and we continually refresh those, so the Core 9 is really based on growth potential and margin potential across the whole portfolio. So it's not just how do I make money today, it's where when I invest, how do I create value and platforms for tomorrow, and that's why the Core 9 is important to us. So it gets a disproportionate amount of our innovation, our assets because it creates – it's a platform for greater value over time. Now, specifically to your question, are there some areas that we're doing particularly well or I think you said better than expectations, and some where are we. In total, our Core 9 are growing at a greater pace in the categories in which they compete. There are some areas that are just doing extremely well, our frozen protein breakfast platform is just growing at double-digits, been growing for a while, continues to grow.

A

Our Tyson retail branded business, we reset the manufacturing network about a year-and-a-half ago which is just going to set us up for a long runway of growth, and that continues to grow extremely well. We had some areas where we had slowed down growth, in my opinion it didn't break the fundamental potential of those businesses to grow, but you need to manage the price gaps. If the fundamentals of the business are correct then the growth platforms continue to grow. In some of our pork businesses, our price gap has got a little bit too wide, because we were – retailers were taking a little bit more profit in the short-term versus reflecting some of their price

reflection. Those are beginning to catch-up and we're starting to see volume grow across all of our categories. In the last four weeks ending January 24, our volume growth in our Core 9 was up 4%. So I feel good that a lot of that is behind us.

Jon Kathol
Vice President-Investor Relations

A

Akshay .

Akshay Jagdale
Jefferies LLC

Q

Akshay Jagdale, Jefferies. Thanks for the questions. I'll take two as well. It seems like there is a two sets of companies that have presented so far, packaged food companies is somewhat on the defensive, protein companies, I would say, more on the offensive. What happens if you have a weather event and grain prices spike, how will the algorithm change? And then one for Sally, I mean a lot to chew on here, no pun intended. But what does this – all these opportunities, what does it have the potential to alter the most, is it the top line growth profile or the margin profile of the company? Thanks.

Donald J. Smith
President, Chief Executive Officer & Director

A

Okay. So let me take – I'll take the first part first. So I think if you try to insulate your business from a recession, or you try to insulate your business from an inflationary environment, and the commodity raw materials, it all starts with having an advantaged supply chain. We spend a ton of time over the last five years or six years taking a lot of the cost out of that supply chain and creating a really strong cost structure, really, really efficient cost structure. When you couple that then with a really strong capital structure, you sort of get the best of the both worlds, because you can drive in or call it drive in a deflationary environment where you may be in recession or whatever. And then if raw material inflation starts you got a balance sheet that can help you span that.

So the other thing we've layered on top of that, is we've tried to – of course in Andy's business, in the brand, he can keep that level of EPS growing over time by managing the price gaps, and certainly continuing to invest in the brands. In the rest of the portfolio, we've got the ability through the way that we've structured the portfolio, thank to Chicken business, right? We've got a very balanced portfolio, and we've got multiple pricing strategies that are fairly reactive inside each of those different parts of the Chicken portfolio and that allows us to get up on top of the commodity inflation a lot faster than perhaps we were doing in 2010, 2011, and 2012. So I feel good about our ability to navigate that environment. Andy? Sally?

Sally Grimes
President - International & Chief Global Growth Officer

A

I'll take this Akshay, thanks. So when we innovate, we don't ask ourselves, is this innovation have the potential to drive top line growth or increase margin. The expectation for us as innovators is both. So for every innovation, for example with the Andy's portfolio, we have margin thresholds on every one of those categories, we're not going to introduce a new innovation unless we can maintain or increase margins. And then of course, there is the fresh potential, right? We have this big fresh business, and by adding value, we have a significant opportunity, not just grow top line, but to significantly increase the margins of our fresh business by adding value. So it's not an or, it's an and.

Jon Kathol
Vice President-Investor Relations

A

Let's take one last question from Farha.

Farha Aslam

Stephens, Inc.

Q

Sure. Donnie, when you think about your portfolio, could you think about how Beef is in, your innovation that you talked about spans all three proteins.

Donald J. Smith

President, Chief Executive Officer & Director

A

Right.

Farha Aslam

Stephens, Inc.

Q

And they you addressed international, touched on international. Would that would be a CapEx or M&A that will drive in. About what scale do you need in those markets to be successful? Thanks.

Donald J. Smith

President, Chief Executive Officer & Director

A

I'll let Sally address the international part. As far as Beef in the portfolio, Andy mentioned in his comments, if you're in the middle of the range of that 1.5% to 3% range, 2% to 2.25% whatever, you've got about a 20% ROIC in that business, it drives off a lot of cash, right? And I think, you saw on, in Sally's presentation the ability to value up those raw materials into frankly branded the CFG-type products, we think there is a great opportunity there for us, so we'll continue to focus on that. You want to talk about international a bit?

Sally Grimes

President - International & Chief Global Growth Officer

A

Yeah, absolutely. And as I said, we look forward to sharing more details with you in the coming months. We have a very clear strategy in place that is all about moving from commodities to consumer. If that scale involves an acquisition or organic growth, we're looking at all opportunities right now. So not ready to tell you exactly, but very clear strategy, and actually some very strong early results based on the innovation and the brand building that we're doing right now in China and India.

Donald J. Smith

President, Chief Executive Officer & Director

A

Super.

Unverified Participant

Okay. Please join me in thanking Tyson Foods. Great presentation. Appreciate it. They are available in the breakout room. And thanks, again.

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