

Company Name: Tyson Foods, Inc. (TSN)  
Event: Jefferies 2016 Consumer Conference  
Date: June 21, 2016

<<Akshay S. Jagdale, Analyst, Jefferies LLC>>

Good afternoon. For those of you who are just arriving and don't know me, I'm Akshay Jagdale. I'm the Food Analyst at Jefferies. Really excited to host Tyson Foods here at our Jefferies Consumer Conference in Nantucket. Tyson has really transformed itself from a commodity company in beef, pork, and chicken to really now well on its way to becoming a truly branded company over time.

So I'm really excited to introduce to you and here to talk today about Tyson are newly promoted President, Tom Hayes. So congratulations. And we have the Head of the Poultry business (Noel White) as well over here. And Julie (Kegley), who is part of the IR obviously made all of this happen, so we have to thank her.

So without further ado, I'm going to turn it over to Tom. Thanks.

<<Thomas P. Hayes, President>>

Very good. Thank you, Akshay. I appreciate it. And for those who standing in the back, there are seats upfront here. Oh, sorry. It's not exactly a sold-out crowd, but we are excited to be here to tell you our story. So, I'm going to start with just saying that we do have forward-looking statements in here obviously, so please note that, and we'll skip past there.

So, the agenda today, we're just going to talk for a few minutes, Noel and I. We want to talk about two things in particular. Number one is that we are different company. We're making a lot of changes in our business and focusing on becoming a more value-added protein-centric branded food company.

So we'll share just some details on that, and then more specifically get into the chicken business. We had a lot of one-on-ones today, and some of you were in those meetings, and you're absolutely curious about how we can sustain the margins, what is different about our business in the chicken segment. And Noel is going to go a little deeper on that and hopefully provide some clarity. And then of course we will have – we will take Q&A after an answer any questions that remain.

So, we've got to start with our brands. Tyson is a new company, a new company with a lot of powerful brands. Tyson, Jimmy Dean, Hillshire Farm are \$1 billion brands and we have other supporting role-playing brands, but those are the key ones we invest behind. Those equities are what we like to call MAP ready – marketing, advertising and promotion. We spend a lot of money on them increasingly to drive not only innovation but brand awareness.

And we are really excited about the portfolio we have. You think about Tyson Foods, we are one of the largest companies, food companies, in the world at \$40 billion, just over \$40 billion. That number will be declining a little bit as – in the fiscal 2015 – it will be about \$37 billion as input costs have come down. It's still one of the world's largest food companies.

We talk a lot about what we call the Core Nine, and so you might've heard that in previous calls. You will see a lot of that as we talk at conferences like this. The reason why we talk about these categories as you read and across the slide here, these are our categories within the retail branded portfolio that drive the overwhelming majority of our sales and our profit.

So naturally this is where we invest. These are healthy categories. These are categories where we have advantaged positions based on the number one or number two status of our brands where they play. And so the focus of that attention is real for us, because it continues to be a platform for us to build out with adjacencies where these brands can go. And we love businesses we are in. We like to be a protein, and we are aiming to do a lot more.

If you look at our sales, how it breaks down, the individual categories on the left-hand side with prepared foods, pork, beef and chicken. But importantly, on this slide, I wanted to call out the right-hand side. If you think about Tyson Foods as a company, and we are asked a lot, so what is so special about what you do? It starts with the consumer.

We have a lot of work that goes on to make sure we understand the consumer wherever they are, so where they eat, when they eat, how they eat, and certainly what they eat. But importantly for us, we are big players in retail, and we are big players in food service, so we have an opportunity to interact with the consumer, whether they are away from home or at home. And we leverage those insights to really power our brands.

On this slide, what I'd like to talk about is those specific things that are differentiated capabilities from our perspective and how we intend to leverage those going forward that position Tyson for growth as a new company. If you think about the differentiated capabilities, on the left-hand side, you have supply. Bringing Tyson Foods together with Hillshire brands, you are matching the best – from our opinion, the best in the class supply-chain capabilities. We have the best in class demand generation capabilities.

So the magic is meeting in the middle, making sure that we are taking advantage of what that means for both the consumer and the customer. For us, we think about that as it relates to our expertise. We have excellent expertise, and we are leveraging that across the entire portfolio. And then on the demand side, deep insights like I talked about on the previous slide, that turns into innovative food concepts.

So, we've talked pretty publicly about Tyson Tastemakers. That's a great example. That is product line based, that is based on the consumer's desire to be a food explorer. They

want a fantastic tasting food. They want it to be fresh. The periphery of the store at retail is a place to shop, and that is a great example of how we leverage the supply-chain expertise that we have in the collective enterprise now with the demand generation capability that came with the acquisition and is becoming just a cultural real leverage point for us.

So, for tomorrow, today we have innovation and so forth, but tomorrow what you're going to see is us committed to driving this engine even harder. So, globally, we have big aspirations as it relates to being not only an important food company in the U.S., but on a global basis. We want to play in new channels. So to the extent that we are going to win globally, we are also going to win where the consumer wants to make their purchase, whether that's eCommerce or in traditional retail or in food service locations. Our aim is to make sure we intersect with the consumer wherever they are.

And then we also want to, as I said, like with Tyson Tastemakers, want to take advantage of the massive expansion opportunities with the Tyson brand. For those of you that have followed us for a while, you understand that we have taken brands from a product positioning to a more consumer-centric emotional connection. So where Jimmy Dean was a breakfast sausage, it's really all about comfort food now.

And Tyson, where it was predominantly chicken, we are moving to a space where we like to say let's keep it real. It's real food for real people based on real values, and we are going to get really strong behind the marketing of the whole campaign, some of which you may have seen on TV already.

So, that is the preload here. So we'll talk more about this, but what I'd like you to take away is that we are going to continue to grow the Company. We have performed well as it relates to EPS, but the way in which we are going to drive growth for the Company going forward is on the back of a sustainable supply chain of scale, fantastic demand generation capabilities that leverage differentiated talent, differentiated tools that we use in order to bring those to life in combination.

21% CAGR on our EPS is pretty decent performance I'd say. We are intent to continue to deliver. Our guided for 2016 is between \$4.20 and \$4.30 for EPS. 2017 is going to be better than that. I'm going to invite Noel up now to talk about the poultry business to share specifically why we think poultry is going to play a central role in the growth of our Company. Mr. White?

<<Noel W. White, President, Poultry-Tyson Foods Inc.>>

Thank you very much. All right. All right. First of all, Tom, thank you very much for the introduction. Akshay, thank you very much for having us. And as he mentioned when he started the introduction that we are a different company, we are a different poultry company than what we were just a few years ago. Thinking back, I've been within the poultry sector for the last two and a half, almost three years now, I've spent some time in the fresh meat segment.

So just in the period of time that I've been there, there's been some significant change, and my predecessors had also made some pretty radical change over their tenure as well. If you go back just three to five years ago, despite that we have a very strong brand name in the market, and we have reputation for very high quality products, we were basically a commodity company.

And we knew that our challenge was that we had to move away from that and deal with circumstances when there is an oversupply in the marketplace, when corn prices do go up and we had to put a solve to that. So, there's a number of things that we've put in place over the last couple of years. First of all, we knew we had to get our cost structure right and that's where a lot of effort was focused.

We've invested a fair amount of money in our plants and facilities to make sure those structures are right. We've invested in what we call one piece flow, which means that the production processes are all in flow. We gain from an efficiency standpoint, yield standpoint, and more processes we put in place, the better that we've gotten. So there's about \$1 billion in costs that have come out of our system.

Secondly, we knew that we had to change our pricing structure, and we have a multitude of structures that are in place today, really dozens of different mechanisms. We have a number of them that are in fact grain-based. We have fixed prices that we will hedge those inputs, or – and lastly, we have a large portion of our product portfolio that is based off of a price list that enables us to more quickly reflect the input cost.

Thirdly, we've done a lot of work on our product mix. We've moved away from our commodity products. And those of us that met today, I think I've mentioned to most of you that we are just producing a fraction of the leg quarters that we were just a couple of years ago, and we are converting those into value-added further processed products.

Fourth, we have actively employed our buy versus grow strategy, which means that, in oversupply situations, when commodity prices are low, we will go into the market and buy raw materials from a number of our competitors, take those products and add value to those through some type of further processing or cooking process. Lastly, it remains critically important to us that we continue to deliver high-quality products and service our customers. And most importantly for us, it's about enabling our customers to profitably grow. And that's our mission, is to help our customers in that sense.

Talking a little bit about our channels, in the consumer retail channel, this represents, as Tom mentioned, a little over half of our sales. And this business acts like a typical CPG type company. You can see the host of products that we produce within this category. It ranges anywhere from tray pack type products to chicken nuggets strips, any-tizers, fully cooked products, and it also includes rotisserie type products you might see at a deli counter or a club store. Within this segment, the drivers are really driven by the brands, first of all, and then the convenience and the quality that we build into products. We do

have the number one brand in chicken and we also have a very significant share within the fully cooked chicken market.

Moving to the food service sector, as Tom described, that represents about a third of our sales. There's – within this specific category, most of these products are further processed in some form. Again, each customer is different, unique, but they do have some common traits. Our product quality, food safety is of paramount concern to these customers. We spend a significant amount of money and effort on the innovation part that they come to us as their go-to supplier to help them innovate. Ease of preparation is critical to them, which means that we have to do a lot of prep work within our plants.

And lastly, the customer service side is also very important just on the retail side. With food service value-added, this represents within – our distribution type business includes a lot of independent restaurants that we service through distributors. It's our schools business. We service a lot of colleges and universities. Again, the quality, the consistency is important to them. We do have the number one share in eight of the major categories in which we participate and we are growing in the segments as well.

So, that really wraps up my portion. First of all, I want to reemphasize the diversity of our product portfolio. We play across a broad horizon of products within our portfolio and that does, in fact, give us a sustainable advantage.

So, with that, Tommy, do you have any closing comments here?

<<Thomas P. Hayes, President>>

Maybe not. Are we done yet? Okay, yes. Thanks Noel. And I think now we'll go ahead and take any questions that may be facilitated by Akshay. But a differentiated business, going great places, really supply-chain, demand, generation coming together in a differentiated way, that's how we are going to continue to build. And we are thankful for your time. Akshay?

Q&A

<Q – Akshay S. Jagdale>: Do you want to start off?

<Q>: [Indiscernible] (0:16:30) national strategy you said you had an aspiration for going beyond. Can you put a little color or context with organic with acquired brands?

<A – Thomas P. Hayes>: Sure. So, today, we have a business in China that I think most of you know has not been profitable. And so we are continuing to build it out. We're doing a lot of brand work there. The team is making substantial progress, and we are really, really bullish about how that business is going to turn out after we get through all the good work that we have to do. And we have a small business in India. So that is not where we want to stay. We want to have a much bigger presence. And so as we build, we will certainly look at and do acquisitions that will put us in a position to play more

aggressively on a global basis. And you should look for us to – that’s already in our filter and that’s what we think about on an ongoing basis, but that’s predominantly the way that we are going.

<Q – Akshay S. Jagdale>: I just wanted to ask about chicken since we both play on chicken. So it applies to both of you, though, because you came from Hillshire, the branded side. That’s your background. I sometimes pitch the stock as, listen, if Tyson can do with chicken what Hormel did with turkey, this should be a great marriage, right. So really, for that to happen, you need to take all your branding capabilities and apply it to – or build on top of what they’ve already built. Is that really the dream, and can it be done, and are we still early stages? Or with a 9% to 11% margin profile now, some would say it’s already maybe a CPG business. But some question that. So I am I just dreaming if I say that, or is that really the vision here?

<A – Thomas P. Hayes>: I’ll just start and then asked Noel to share. What I would say is we are well along the path, so we are not just getting started as it relates to making the business much, much stronger. Hopefully, everybody has seen us demonstrate that. What I will say, just to repeat what I said in the opening remarks, the Tyson brand, we are scratching the surface there. So that is – we think there are tremendous expansive opportunities in poultry, beyond poultry, but specific to the chicken business, we feel like we have a lot of work to do, and we are really excited about the innovation that’s coming. And Noel, other thoughts?

<A – Noel W. White>: No. I don’t think it’s a dream, actually. In the meetings that I’ve had today, there’s about 85% of our products that are in some type of consumer poll basis that are priced in different ways through price lists and such. And there’s roughly 15% that would be what we would call a push basis. So that would still include some of the leg quarters that we still produce. It includes our rendered products, products like that. But it’s our full intent that, over the course of time, we will continue to scale those value-added products up, so a number that is 85% today we fully expect to be something greater than that in the future.

So, it’s not only perking the products and further preparing the products, but the way that we go to market as well. So you think about the retail trade as an example. Chicken has been merchandised in much the same way for literally 50 years, which is in some form of a tray. And what customers are asking for is for products to be differentiated, whether it’s thin slice or whether it’s marinated or whether it’s in a different packaging form. And there’s a lot of work that’s going on around that right now through the innovation pipeline. So two years from now or at some point in the future, we can see a change in the way that chicken is sold at the retail level.

<Q – Akshay S. Jagdale>: And to that point, there’s obviously a lot of M&A activity going on in the space, especially with 3G being involved. But I would sort of take a step back and say if the consumer can’t tell what’s changed, it’s probably not as transformative as people think, right? So for this to really work, consumers are going to

see the Tyson brand more and they are going to see products that likely don't exist today in retail five years from now. Correct?

<A – Noel W. White>: I think that's correct.

<Q – Akshay S. Jagdale>: And then just on M&A, the question previously asked was about geography. Clearly, you're interested in brands, ConAgra spinning off a frozen asset, frozen potatoes. You are big in frozen. A lot of investors would put you on the list of buying them. But can you just hash out a little bit the – no pun intended – the M&A? Sort of what's on your wish list? What do you want to do? And then what is the environment like?

<A – Thomas P. Hayes>: So, I'd say the frozen business in and of itself is not necessarily attractive on its own. So the assets that are going to be most attractive to us are ones that hit on each one of our filters and, as you can imagine, are built around our capabilities. So our branded business, that is growing, highly attractive to us. Protein-centric would be excellent. We like protein. Protein is a growing space, and we feel like we have demonstrated that we can win there. Being something that is – that does have an international profile, is low-profile, would be helpful. And then I would say, beyond that, it's just the capabilities that we have overall.

So whether or not they are supply-chain capabilities, we have a massive refrigerated and frozen network for sure. But then the capabilities we have with brand building, R&D, marketing excellence, they expand. If you come to the headquarters in Springdale, or if you're at our discovery center in Chicago, you see those firsthand that it's not just about as we have been talking about the products themselves, but where they can go in new forms in solving solutions, solving issues for consumers. So those are the big filters. I think it would be surprising for us to make an acquisition that was just hitting on one of them, but I think it's safe to say that branded is at the top of the list.

<Q – Akshay S. Jagdale>: Then just last one, chicken-centric here. Again, grain prices are up. There is a possibility that there is going to be even more oversupply than there would be. I think you have proven that, in an oversupply situation, you can make a ton of money and be way above what the market or the industry does. But really the question is what happens when grain prices go up? What you are trying to communicate is that a lot of that is passing through in one way or the other. So another way to think about it is that your customer is taking on the risk one way or the other. Why is that equitable for them when there's other players in the industry, I'm guessing, who don't have that structure? So that...

<A – Noel W. White>: Let me start out by saying that the pricing changes, they don't flow through all at once. There is a period of time that it takes place. It might be six months; it might be nine months. But over the course of time, whatever those changes are, have been put in place. And we have demonstrated that we can manage them.

Secondly, a lot of the products that we are in the market for, since we are such a high percentage of value-added products, that they go into some type of further manufacturing, which means we don't necessarily have to raise those chickens ourselves. We can buy those raw materials from those competitors when we are in an oversupply situation, take those products that we purchased, add value to those and sell them in the market.

So, in that case, you should fully expect us to employ our buy versus grow strategy. I think the core of your question is why would they buy from us versus competition if they are willing to sell for a lower price, and that gets back to our Tom's comments, that they do rely on us from an innovation standpoint. It's our mission to help them profitably grow their business. And if we are not able to do that for them, then they will find another supplier. But they do value the quality, the service, the innovation, and the value that we bring to them. I've seen that transform over a period of time, that there is a much stronger relationship that success in the fact of how we value each other as customer and supplier.

<Q – Akshay S. Jagdale>: So, to just take that to a more specific level, let's just say, in your non-CPG but let's say a food service business, you're selling call it nuggets. The price of grain stays where it is as of yesterday. Your cost of production is up \$0.02, \$0.03 a pound on the live basis, so you're going out and saying to your customer that translates into a 5% increase in the price of nuggets. There is a massive oversupply, there is some other further processor in that scenario potentially to sell them nuggets for maybe 5% or less. There's just a high level of uncertainty that you don't control, but you still feel comfortable in that environment that you can – or is it just that guy is not going to sell for a non-inequitable price?

<A – Noel W. White>: If you talk about a specific singular product, I agree with you, but we don't sell specific singular products. We sell programs to customers. And it's not that we are just selling a nugget. We are selling a comprehensive program that enables them to grow their business. So, if it's just a nugget, I would say there would probably be some pushback, but it's more than just selling a specific nugget.

<A – Thomas P. Hayes>: I was going to say the exact same thing. To build on Noel, it's not just about poultry. So, when we are talking to customers about what our economic relationship is going to be, it extends beyond only poultry. We have a massive business in other proteins and other non-proteins. We have a big tortilla business. We talked about food service, the chicken nugget. So, it's a comprehensive relationship that we have with the customer. And absolutely I would double down on what Noel says. It's not about the price of a chicken nugget. It's the value of the relationship.

<Q – Akshay S. Jagdale>: And that's also changed, right? You're having more sort of programmatic discussions than you did three to five years ago?

<A – Noel W. White>: I would certainly say so. Absolutely.

<<Akshay S. Jagdale, Analyst, Jefferies LLC>>

With that, I think we are out of time.

<<Noel W. White, President, Poultry-Tyson Foods Inc.>>

Thank you very much.

<<Thomas P. Hayes, President>>

Thank you very much.

<<Akshay S. Jagdale, Analyst, Jefferies LLC>>

Thanks for being here.