

TysonFoodsInc

**February 21, 2017
09:15 AM EST**

Unidentified Participant: If we could make our way back to our seats, we're ready for our next presentation from Tyson Foods. And maybe before we introduce, I just want to thank Tyson for providing us with I guess the red carpet treatment out there and the snacks they are providing this week. Tyson Foods has experienced a remarkable turnaround, producing four consecutive years of record earnings. The acquisition of Hillshire Brands Company in 2014 propelled the Company forward in its transition from a protein producer to one of the world's largest food companies, with leading brands that include Tyson, Jimmy Dean, and Hillshire Farms.

Representing Tyson Foods today is Tom Hayes, a consumer products veteran with nearly 30 years of experience. Tom leads a 114,000-person team -- members globally as President and CEO. Prior to assuming his current role on December 31, Tom led all operations and commercial functions as President of the Company. He previously held positions as Chief Commercial Officer, overseeing all North American sales as well as President of Food Service. He came to Tyson Foods with Hillshire acquisition, where he held the position of Chief Supply Chain Officer, responsible for operations including procurement, manufacturing, food safety, quality, engineering, and logistics.

And with that, Tom, I'll turn it over to you.

Tom Hayes: All right. Very good. Thank you very much, Brian, and what could be better than salami for breakfast? Hopefully everybody enjoyed that. Just real quickly, we are going to make some forward-looking statements today. I think you'd be surprised if we didn't. And so refer to if.tyson.com for details, but we are going to make some forward-looking statements.

We're excited to be at CAGNY. I'm excited to be at CAGNY. The team is excited to be here. We have lots of team members from our offices as well as probably some of our plants listening in. The reason why they are listening in is they're very excited about our new -- next stage of growth that we're going to talk about in detail.

As Brian said, I've been the CEO for about seven weeks now, and I am humbled to lead this great American brand. My passion for food started when I was a teenager in Merrimack, New Hampshire. I started as a dishwasher at a restaurant down the road from my house, about 15 years old. And I didn't realize I had this connection with Tyson -- New Hampshire was a strong connection. The first set of birds that were brought to Arkansas to create the broiler chicken were the red -- New Hampshire Reds. And so it's been a nice thing for me to learn and understand I'm not the first bird to show up in Arkansas from New Hampshire. Really, I'm excited to be here, and we're going to get into what this agenda looks like.

Professionally, as Brian said, I've been in the food business for a while, but -- in a lot of different functions. But what I have learned is it takes a team to get stuff done. We've got a team talking to you today, available on stage, as well as Sally is going to go through our growth agenda. But we are strong today. The point is that we're going to make emphatically is we are going to be leaving for tomorrow. Not just strong tomorrow. We're taking a leadership position for tomorrow. We're building a modern growth portfolio that's second to none in the business, and we're going to lead with sustainability. It's really important for us to sustain the enterprise beyond today, but into tomorrow; and, as well, have a positive impact on the world.

Tyson Foods is leading for tomorrow. Yes, to the tomorrow of our Company, but also the tomorrow the industry and the tomorrow of the world. We find it's our responsibility. We find it exciting, and we have a lot of passion about growing. Growth is the theme of our presentation. Growth was the theme last year. You're going to continue to hear us talk about how we want to grow the business in the future. Let's start, though, talking about the strength of the Company and talking about our financials.

We have had consistent EPS delivery over the last five years. And you'll see our CAGR -- if we hit the range that we talk about, between \$4.90 and \$5.05 -- we'll be over 20% CAGR. We had an amazing first quarter. We had a record-setting first quarter as a company. Q2 is always a difficult quarter for us, but that's okay. We are finding it is a very difficult quarter, but that's the way it goes in our business. We find Q1 is typically good, given the seasonality, and Q2 is a little bit more tough. We are remaining firm in our guidance for the full year.

Got strong cash flows -- \$2.7 billion in 2016. The reason why that's important is we need to get a lot of cash so we can grow the business, and that's what we're intending to do. If you think about the acquisition of Hillshire Brands, we rapidly delevered. And we've talked a lot about this with you in the past, but we're standing here today in a really strong position. We exited 2016 at 1.7 times net debt to EBITDA. And after the first quarter, we were a comfortable 1.5 times.

In thinking about our shareholder returns, Tyson Foods has been unmatched. Over the last three years, our total shareholder return has eclipsed all of our competitors and peers, something we're very proud of, and something we know is just getting started. Beyond our past performance, you got to look at the team. We have a lot of sweat that's been delivered in this business, a lot of passion. And we had team members every day, 114,000 of them, that are focused on making a better result for the Company and for the world.

We have a unique position. We are in the middle of a great opportunity. We have a fantastic space that we play in. It's a fresh world. People want fresh foods. Protein is what's on people's mind. They desire it, they crave it, and we have a great opportunity. We have differentiating capabilities. They are second to none as it relates to consumer products. You're going to hear a lot about that today. And I will ask you afterwards in some of our discussions, what did you think?

And we have the firepower. We have a fantastic balance sheet. As you can see, we're a cash flow generating engine, and we can put that to work against those opportunities. Another example of our strength is just recently, this past week, we were acknowledged by Fortune as the most admired company in our space. We are really excited about that, too. And again, we know we're just getting started.

We stand ready to shape the future. There's a lot of work that's been done and we are just getting started. We have, as a team, over the last six months, taken a look at the why we exist. In the past, we've talked a lot about what we do. We make great food. We make a difference. We want to talk about why. What's the compelling reason to be a part of the Tyson Foods family, to be an

investor in the Tyson Foods stock? And it starts with our purpose, something that's near and dear to our hearts. We want to be a purpose-driven company. We will be a purpose-driven company. And we're excited about what that means about our future. I want to share a video that outlines this in more detail to start the day.

(video playing)

Unidentified Participant: At Tyson Foods, we're on a journey, a journey that is grounded in heritage and humility, while embracing ambition and growth. We're transforming into a different kind of food company with unparalleled capability that spans agriculture to dining culture and while the value of our company has grown substantially in the past two years, we are just getting started.

We are disciplined and focused operators. We manage capital thoughtfully and courageously. We are dynamic entrepreneurs, innovators, and brand builders. These are the central elements of who we are and what we do, but alone they do not explain Tyson Foods. We're a food company. We're a family and we're taking a big step forward. The entrepreneurial spirit that fueled our founder fuels us. We feel and embrace our responsibility to create a better future. To do so, we must acknowledge that the world is changing -- the people, the customers, markets, and technology of tomorrow will not be the same as they are today. As our world grows, challenges are becoming more complex and opportunities are taking form.

The basics of life like good food and enough resources are not given. They must be preserved, reimagined, and created simply and ambitiously at a meaningful scale. The world is changing and so are we, not simply reacting to change but embracing it so we can thrive within it. It is time for us to think differently about the role Tyson Foods plays in our world, to inspire our next chapter and guide our team. We have to find a new purpose for our company, a purpose that unifies how we do more than our part to ensure the world thrives but also constantly pursuing growth to ensure Tyson Foods thrives.

At Tyson Foods, we make real accessible and inspiring foods. We do it sustainably, creatively, and transparently at a scale that matters because Tyson Foods exists to raise the world's expectations for how much good food can do.

(end video)

Tom Hayes: So as you see, this mark may be unfamiliar to you. This is a new corporate identity that we're rolling out today, different than the product brands. Sally is going to talk about the emphasis, the investment that we're putting behind the product brand. This is the Company mark. It reaches back to our heritage that we're very proud of, and it looks forward, the direction that we're always going. It is, at its heart, it's a weathervane, the mark.

And the weathervane is the farmer's compass, but it's also the compass for our innovation. Winds can't be seen, winds of consumer change. We need some tools. We need great capabilities. And we are focused on making sure we're going in the right direction, and this is the new mark for Tyson Foods. In order to live out our passion for the business, we have to have a new strategy. We have a great strategy. We're building on the one that we had. And what we're going to be doing is sharpening that strategic intent. And we are going to sustainably feed the world with the best, growing portfolio of protein-packed brands that the world has to offer.

We're going to do this in a way that capitalizes on the twin engines of growth, what we're calling the twin engines. The first is maximizing this portfolio. We could be adding to the portfolio, but maximizing the portfolio that we have of those great brands. The second is making sure we're delivering sustainable food at scale. We're going to drive this with exceptional capabilities, and

we're going to continue to create fuel for growth through a financial fitness model. What's that mean? Our financial fitness model is something we talk about over -- if you go to the next slide -- is based on three things. Number one is we are going to continue to reduce waste. This is not just a CI effort that is at the plants, a continuous improvement effort at the plants, but the entire operation. At our operations, we'll be rolling out the Tyson production system that gets to a better, granular level of where the opportunity exists to take cost out so we can reinvest in the future of the Company.

We're going to allocate capital, both human and financial capital, to growing the business specifically. We have a lot of opportunity to refocus to growth. Even though we are in growth mode and been doing great in terms of growth, we have an opportunity to refocus.

And then finally, we're going to transform the business. We've started down this path already, to become more digital. It's a better experience for our consumers, our customers. And we are going to be taking cost out while we are giving that better experience through a digital transformation. We're going to generate superior financial returns. We believe we should be growing the business at 3% per year on the value-added side. That's the value-added retail and food service business, separate from the commodity business; value-added retail and food service should be growing at 3% per year.

We believe that high-single-digit EPS growth year-over-year is a place for us to live. We like that, and that where we plan to stay. And we're going to continue to deliver shared value through our approach to sustainability. Share repurchases and dividends, of course, giving back to our shareholders; we will continue that. So you see this chart is upside down. Sometimes we talk about TSR first. We're talking about TSR as an outcome, and that's what it will be if we do our jobs right.

Our value creation model is driven by growth, specifically growing where we want to grow. Superior total Company returns will be on the back of having a focused portfolio, branded and value-added through retail and food service. We'll talk about the organization in a second. We have restructured the organization to focus on those two channels specifically. And we have some fantastic leaders, Sally and Andy, that are going to lead this.

The commodity business is a commodity business. It's going to go through cycles, but it is a massive cash generator. We're going to leverage that cash generator to fuel growth in the branded and value-added business. This is the team. The team is in place. They're going to be very focused on delivering against this branded and value-added proposition. And what I'd tell you is I couldn't be more proud. It is a mix of talent that has been acquired by the Company and talent that has been at Tyson for a while.

And I would say that they are unmatched in terms of their ability to lead in the food space. They have been acquired, some of them, and so let's talk about M&A. What we are focused on in M&A is focusing the business towards growth based on three primary levers. It's very simple. Making sure that we have new brands that enter the portfolio, that we continue to apply our model of growth against. Delivering new capabilities that we don't have today, acquiring those capabilities in the business. As well as if there are redundant capabilities with new brands, taking the synergies that would come out of that.

And then finally, getting into new geographies, of course. Whether it's in our home markets, getting into underdeveloped areas, or if it's other geographies where we can get locally relevant brands, we'll be focused on that as well. A simple model. If we hit the bull's-eye in the middle, all three, clearly that's a space where we want to be, understanding it has to make economic sense. We are in a strong position. We are -- have delivered strong financials. We're going to continue

to deliver strong financials. We are in the unique position between opportunity, capabilities, and the firepower to deliver against it. We have a clear purpose as a company. We have chosen the strategy, and we have chosen the team to lead. We couldn't be better positioned.

Before I turn it over to Sally, I want to just talk about the modern growth portfolio that she is leading as the retail leader. Sally led our growth organization, and now she has recently been assigned to leading the retail business. I couldn't be more proud of the progress she made under growth. And I think you're going to be truly excited what she's going to tell you about our business going forward. Sally?

Sally Grimes: Thank you. Well, thanks, Tom. I am thrilled to be here and on the team that is ready to lead for tomorrow. And it was just a year ago here at CAGNY when I explained why Tyson Foods is a different kind of food company. We're a company that breaks the known conventions of the food industry.

We're a company that believes that producing the best fresh food makes you a better branded company, and that optimizing cost is to enable growth. And that even when we sell to a business, satisfying the consumer is always the starting point. Today I want to share the progress that we've been making building this different kind of food company, one with a modern growth portfolio. We have a portfolio that plays in an advantaged space. We compete with differentiated capabilities. We go to market with multiple business models.

And, importantly, we connect to a broad array of consumers through a portfolio of meaningful brands. And most important, we're delivering leading growth. This is the type of portfolio that we invest in when we invest in our retail business. This portfolio does generate superior financial returns, and when it grows, it makes our whole Company more profitable. Now, a lot of a company's ability to grow is driven by the space in which it plays. Complete effectively in a well-positioned, growing space, and you are simply more likely to grow.

And this brings us to protein. Our portfolio delivers protein. And when you look at the stats, protein is the place to play, and that's not changing. You have all heard this, or you're probably doing it yourself. Over half of us are trying to get more protein into our diet. And protein has now risen to top of all desired health attributes, surpassing all others, even those we've seen at the top for years. This is a powerful tailwind propelling us forward.

Now, this insatiable demand for protein has created the large and growing spaces in which our consumer portfolio competes. Now, let's start with packaged protein at retail. Think high-protein CPG categories, like dairy, and nuts, and packaged meats. This is nearly a \$100 billion space that has added over \$5 billion in retail sales growth in just the last few years. And the epicenter of our branded portfolio -- packaged foods, that includes meat -- is growing at 70% faster rate -- at a 70% faster rate than the total. 70%, it's huge.

We also see huge potential for further growth and margin expansion in the next frontier for brands, fresh foods. For example, fresh meat at retail alone is over \$46 billion in sales, and it's well aligned with where the consumer is going. But today it is largely unbranded and there's surprisingly little innovation or marketing. As a result, it functions as a commodity, with inflationary and deflationary swings. What an opportunity to take our highly effective consumer value creation model and apply it to this large under-marketed category that offers what people are seeking: protein-packed fresh foods.

We have changed how we look at our entire retail fresh protein portfolio. We view it as a consumer business, where branding and innovation will drive revenue and growth. We think the idea of CFG, or consumer fresh goods, is a tremendous opportunity. But it's one thing to

recognize the growth potential. It's another to realize it. And that's where our capabilities make the difference. Because where else in one Company can you find both a network of 11,000 local family farmers and the nation's largest refrigerated distribution network?

Where can you find the culinary creativity of one of the industry's largest teams of trained chefs, and a disciplined and analytical and rigorous innovation process? And where else can you find extensive patents and trade secrets, along with a rapid prototyping process we call Idea Harvest? And, finally, where else can you find a strategic pricing and trade analytics practice combined with a joint growth planning approach to customer partnership?

These unique capabilities have led to the incredible momentum that we're generating and the impact that it's having on the marketplace. Our share position and growth in what we call our core nine retail categories leads the industry. And importantly, we have plenty of room to grow. Take a look at this chart. Take a look at the gap between each of the bars. That's the penetration upside in each of our core categories.

And at the same time, we are category creators. The growth of the collective businesses that we have recently created from our new online meal kit, Tyson Tastemakers, to Hillshire Snacking, to Nudges natural pet treats, is up over 50% since 2014. We have a model that works and is repeatable. It's also a model that's best showcased through our brands.

Take a look at this video. It demonstrates one of our repeat -- our repeatable model, by telling the story of one of our \$1 billion brands, Jimmy Dean.

(video playing)

Jimmy Dean: I'm Jimmy Dean and I'm sitting on the side of the mountain in Gatlinburg, Tennessee and I got up at 4:30 to be out there. We wanted to set a commercial and it was supposed to be cold where your breath would frost and everything. It ain't cold and the breath won't frost but this commercial cost a ton of money. So the least you can do is go out and buy some Jimmy Dean sausage. Lord knows, we tried.

Unidentified Participant: In 1969, Jimmy Dean decided that the people deserved a better brand of breakfast sausage. His risk and entrepreneurial spirit combined with a product that exceeded consumer's quality expectations made Jimmy Dean sausage a hit. At the brand name's 50th birthday, Jimmy Dean has surpassed \$1 billion in annual sales, making it the undisputed number one brand of both refrigerated breakfast sausage and frozen protein breakfast.

And while other legacy food brands have succumbed to the challenges of old age, Jimmy Dean continues to perform like a brand in its prime. The drivers of Jimmy Dean's consistent growth trajectory reflect a winning approach that is being applied across the Tyson portfolio. High quality products, distinctive enduring brand (inaudible), salient consumer and cultural insights, and an entrepreneurial spirit fuel innovation and a focus on growth.

While Jimmy Dean's advertising strategy has evolved over the years, we've remained committed to featuring our signature product experience, message of positivity, (inaudible) oriented equities, and shine on (inaudible). As a result, our returns on media spend are some of the best in the food business, (inaudible) us to invest in innovation and brand building advertising to drive margin growth. The portfolio now serves a range of need (inaudible) from indulgent to family friendly and better for you by remaining faithful to a century experience that is uniquely Jimmy Dean.

Jimmy Dean (unintelligible) bowls, and pancakes, and sausage have all surpassed the \$100 million mark at retail. New delights for (unintelligible) stuffed hash browns have contributed 60% to the

volume growth of Jimmy Dean frozen during the last two quarters. The investments in communication and innovation have made Jimmy Dean a freezer case powerhouse. Retailers have increased our shelving allocations, making innovation highly incremental and competitive encroachment difficult.

The results of this virtuous cycle of investment and innovation are sustained household penetration increases and share growth, debunking the myth that brands can't drive in the freezer section. The best practices inherent in Jimmy Dean's approach to business building are evident across the Tyson Foods brand portfolio. Whether it's Tyson chicken moving to a master brand marketing approach, Hillshire Farms extending into adult snacking and investing in efficient digital advertising tactics, or (unintelligible) effectively extending its new categories. The lesson we've learned from Jimmy Dean's success has contributed to a Tyson Foods model that is fueling growth across our portfolio.

Jimmy Dean is evidence of superior brand management capabilities and a focus on growth, which can and will deliver sustained superior returns. It's a shining example for all of us at Tyson Foods.

(video ends)

Sally Grimes: So it's this repeatable model that has shaped a growth profile for Tyson that is unique among large branded food companies. Over the last 13 weeks, Tyson Foods is up 6.3%. Our core nine brands are up 6.6%, while total food and beverage is up 0.5%. We are proud of this growth and we're equally as proud of how we are driving this growth. Our portfolio is growing through both penetration, getting new users into our brands as well as buy rate, getting those that use our brands to buy us even more.

I'm also proud to report that our model and the growth that it produces is being recognized. IRI and BCG recently shared their analysis of growth performance across consumer goods. Tyson Foods was named as the number-one large food and beverage growth performer, and number three overall among all large companies.

Now let's talk about how we're not only going to continue, but how we're going to accelerate this momentum. And let me start by just acknowledging that compelling innovation in food means something very different today than it did in the past. Gone is the one-dimensional approach to identifying one consumer need and innovating against it.

At Tyson, we focus on multidimensional innovation, creating food that is fresh and less processed, in flexible forms to fit seamlessly into consumers' lives, and is functional. It serves a specific physical or emotional purpose. Now, this certainly varies across brands and categories, but consumers are pretty much demanding this across the board, so I want to go a little deeper on these.

First, let's talk about fresh. From 2012 to 2016, 74% of supermarket revenue growth occurred in fresh perimeter foods. At the same time, 57% of consumers say that they are actively searching for less processed food. This is great news for Tyson and for our brands, because we know fresh food; we know the perimeter. In fact, the perimeter is our center.

Next, the snackification of food and the need for flexible forms. Now, we used to talk about snacking as almost a separate eating occasion, but occasions are blending together. And the distinctions between breakfast, lunch, dinner and snacks -- they're disappearing. So we focus on consumers' demand for flexible food in flexible forms to meet their flexible lifestyles. Now, I'm sure that many of you can relate to the fact that long gone are three square meals a day. In fact, only 8% of adults did not snack in the last 24 hours.

Finally, functional food. Food that serves a specific physical or emotional purpose. We are in a great spot here given that our portfolio is packed with protein. And importantly, not all protein is created equal, with animal sources of protein the most complete and nutritionally dense. Take a look at this visual at the bottom, where the mountain of peanuts is. It illustrates just how many servings of non-meat protein are equal to the complete amino acids in 5 ounces of lean chicken.

Our focus, this approach -- it's working. And here are just a few success stories from last year's launches, proof of our innovation capability. First, Jimmy Dean frittatas. They are driving new consumers to the brand and the category. In fact, 65% of the tryers this low carb, high protein egg goodness were new to the brand. Another is Jimmy Dean hash browns, so the deliciously crispy approach to handheld breakfast. 20% of the volume is coming from new buyers to frozen breakfast. And finally, Hillshire Snacking continues to exceed expectations. Over 30% of the growth in the category is being driven by this elevated take on mini meals.

We've had incredible innovation momentum at Tyson. The percent of sales from new products launched over the previous three years in our retail business has gone from 12% in fiscal 2014 to 14% in fiscal 2016. That's best in class. And annual net revenue from innovation grew over 20%. Now, let me tell you why we know this momentum will not only continue, but accelerate, by giving you a peek into our new product pipeline. I'll highlight three areas that we believe will have significant impact and create value.

The first is consumer fresh goods. The second is our fresh take on breakfast. And finally, keeping our retail core nine categories relevant and fresh for consumers. To begin, we are continuing the momentum on the Tyson Tastemakers platform. We launched this just last fall through e-commerce. No one else has the capability to unite protein expertise, world-class culinary capabilities, and brand building to revolutionize the fresh meals category. This curated line of dinner experiences has had really strong results. We sold out during our launch period, and we're seeing an average online rating of four stars with really high repeat rates.

We'll refresh the menu every season and we're launching our spring menu next month, with items like carne asada street tacos, Thai lemongrass pork belly, and piri-iri chicken. They are delicious. And based on the successful e-commerce launch of the brand, we are now extending the platform into retail as a way to continue accelerating growth within the growing perimeter. We're going to start in May with a limited launch, including items like citrus rum glazed chicken, cracked peppercorn flat iron steak, and soy ginger pork chops.

Now, moving on to another fresh lunch: fresh ground poultry. It's a large and growing category, yet nearly 86% of it is ground turkey, even though consumers prefer chicken for its versatility and taste benefits. Today, Tyson doesn't play in this space. But when you take our capabilities in fresh, our trade secrets around extending shelf life naturally, and poultry's leading brand, Tyson, you can make chicken tacos. This is proof that innovation does not to be that complicated. We'll be entering this category with the launch of Tyson ground chicken in June. It's lean; it's all natural, with no antibiotics ever. And our culinary team is creating all kinds of inspiring recipes to share with consumers, from chicken meatballs to chicken sliders.

Finally, the concept of CFG is translating well in China, where we know food safety and trust presents a unique opportunity. As we've been transforming our China business, we've gone deep into understanding local needs. And this is just one example of the initiatives that are driving the business turnaround. We've launched a transparency program on all of our packaging in store. So the consumer simply scans the code with their smartphone and sees the farm that the chicken came from, how far it traveled, and even a picture of the farmer who raised the chicken. The results

have been phenomenal. Sales of our fresh tray pack chicken in China have grown 60% since last year.

Okay, now let's talk about our fresh take on breakfast. Like ground poultry, here is another category ready to be reimagined. Refrigerated meals is a large and growing category, yet although morning eating represents a third of all occasions, breakfast share of refrigerated meals is only 0.3% because it's been under-innovated. Until now. Introducing Jimmy Dean Simple Scrambles. Jimmy Dean has a history of creating new categories and we're disrupting again. Featuring two real, liquid eggs, a pouch of Jimmy Dean meat and cheese, it contains over 20 grams of protein. It's low-carb, and in a microwavable to-go cup. It's like a Sunday morning taste with Tuesday effort. Importantly, our research indicates that over half of sales will be incremental to the category. This much-anticipated launch starts in May with a very cool marketing campaign.

Now I want to move on to a few more of our Jimmy Dean launches. This is how we're keeping the frozen breakfast category fresh and relevant by innovating around modern trends. In July, we'll bring real, hearty ingredients into chef-inspired recipes to launch breakfast burritos and bowls with bold and mouthwatering flavors, like this Ranchero steak and eggs bowl. Now, consumers told us that they could see eating this beyond breakfast, as we capitalize on the trend of all-day breakfast as we capitalize on the trend of all-day breakfast eating for incremental occasions for the Jimmy Dean brand.

And next, to capitalize on one of the fastest-growing dayparts in quick-serve restaurants, morning snacking, we're launching portable pouches packed with protein and Jimmy Dean flavor. Jimmy Dean pancakes and sausage bites provide a quick bite or a mini meal and 10 grams of protein. And then we're going to take this pouching capability into mini nuggets, mini corndogs, and more. And one more launch for Jimmy Dean. It's a line of egg white omelets with real natural ingredients, like bacon and spinach and caramelized onion, and ready in two minutes. This is a substantial breakfast that provides 14 grams of protein and only 180 calories.

Okay, so I mentioned earlier that our core nine retail categories are outpacing the industry. We're going to ensure that continues by keeping them fresh and relevant with consumers. Our Hillshire Snacking small plates have been a highly successful launch with sales surpassing expectations, and repeat rates over 45%. We're going to keep the momentum going. We're launching two new lines. Premium meat offerings like prosciutto, and a pairing blend with wine-infused dried meat perfectly paired with natural cheeses, launching next month. And then we're going to follow up in July with Hillshire Farm smoked meats, a new line of mouthwatering, expertly slow-smoked meats that you can make in minutes, not hours. This is a line of premium cuts of meat, like brisket and drumsticks and chicken breasts that are marinated, then slow smoked, for a flavorful and tender dish with nothing artificial.

Another core nine innovation is to drive growth in the hot dog category: Ball Park prime beef franks. It will be the only 100% USDA prime beef hotdog available in the market, and this one launches next month. We have a full pipeline at Tyson, and I have just shared a sampling of what's to come. But I want to end with some big news. To meet growing demand, in June of this year, the entire Tyson brand at retail will be chicken raised with no antibiotics ever. No preservatives, no added hormones, no steroids. This means that Tyson will sell more, will feed more people with no antibiotics ever chicken than any other company in the world. This is a big change, with an impact that only Tyson could deliver.

You have just seen a suite of retail offerings that demonstrate how we're delivering fresh, flexible, and functional innovation. And keep in mind, we've taken the same approach to our food service innovation and have a pipeline of operator- and patron-focused innovation as well. So now, I want to move on to another critical component of our modern growth portfolio: fresh, modern

stories; marketing that builds affinity for our brands and inspires meaningful behavior change for consumers. We'll begin with the Tyson consumer brands. Last year we told you about the journey that we were on to build the Tyson consumer master brand and create a unifying thread for its portfolio of products. And we've been pretty busy since then, so take a look.

(video playing)

Unidentified Participant: Keep it real, keep it Tyson is a big master brand idea rooted in our heritage and driven by our commitment to quality. The more we embrace and express this idea, the harder it works to drive brand affinity and growth. Prior to 2015, the marketing for Tyson branded chicken hadn't been organized around a central idea. As a result, people knew and respected our products but couldn't relate to our brand. Making Tyson stand for something more than the sum of its parts with an opportunity to unlock significant growth.

The theme keep it real, keep it healthy was inspired by the brand's origins. John Tyson's authentic American success story and enduring reputation for quality resonates with today's consumers who are trying to put good food on the table while aspiring to meet the shifting and often unrealistic expectations of contemporary food culture.

Keep it real, keep it Tyson is more than a tagline for advertising. It's an ethos that drives everything we do. It has inspired product innovation, like new premium offerings with bolder flavors. It's driving more innovation efforts as we go natural for established product lines. And because the keep it real idea is integral to the entire consumer experience, we're creating communications that halo across the whole portfolio.

Keep it real, Keep it Tyson is the abiding theme of our new website and it's allowed us to consolidate the brand's social media activities. Since sales responded well during the launch of the campaign, we leaned in and increased spending during the peak season period of August to September and it's working. Digital advertising efficiencies are all above normal. We're attracting new users to the brand and realizing the expected halo benefits of a master brand approach.

Most importantly of all, in a category that had been in decline, Tyson has grown both volume and share, delivering incremental sales worth over \$100 million annually but that's just the beginning. We're launching exciting new products that further embrace the keep it real philosophy and we're already seeing strong early results. We're going no antibiotics ever across our entire portfolio and will support the change with media investment. And we're creating a digital content series to demystify how we raise chicken and create our products.

With Keep it Real, Keep it Tyson, the brand is beginning to reap the benefits of a more strategic approach to consumer marketing and the best is yet to come.

(video ends)

Sally Grimes: So going a little deeper into some of our other marketing, Hillshire Snacking demonstrated that new brands can be successfully launched in nontraditional ways. The team came up with a creative approach to generating word-of-mouth. We like to call it the world's fanciest vending machine. It was an immersive, in-market sampling activation that reached millions of consumers through digital video. Be sure to check out our vending machine in the lobby for a protein-packed pick-me-up that's a little fancy.

Moving on to Aidells. After several years of successfully driving trial solely through sampling programs in store, Aidells is now in 12 markets with a cutting edge new digital campaign. The campaign introduces consumers to a new breed of eater, the Aidell-etarian, and highlights Aidells'

very unique combination of ingredients like pineapple and bacon or spicy mango and jalapeno. But importantly, these modern marketing campaigns are focused against profitably growing our business. Through a disciplined approach, the return on media investment has increased 41% since 2014 and driven growth. Tyson's modern growth portfolio is the net result of advantaged spaces, differentiated capabilities, multiple models, and connecting to the consumer with meaningful brands. Our portfolio of protein-packed brands will drive growth for our Company.

I now want to turn it back over to Tom to share our vision for sustainability. And I think it will be clear how these fit together as our twin engines of growth. Thanks.

Tom Hayes: Nice job, Sally. Okay, sustainability. Oftentimes when we talk to investors, I think there could be a reaction, wow, that's going to cost something, I don't want to pay for it. Well, how is this going to work out? It is an absolute imperative. We have to make sure we are doing right by the world as well as our investors. We are stewards, and we take that responsibility seriously.

We realize that there is a huge social responsibility: food is going to be a continued crisis. There's going to be about 9 billion people on Planet Earth by 2050. We have to feed them. We have to make sure the environmental impact is light. There are limited resources, and we have to do our role to make sure that the resources are well protected. And we have to, finally, make sure that this makes business sense, which it does. And we'll talk about that here briefly.

We are going to be taking a full system approach. There are lots to like to come at companies like Tyson Foods with a singular focus. We're taking a holistic approach to sustainability. Healthier food, healthier animals, healthier environment, and a healthier workplace. When we do all these things together and do it well, it's going to mean a healthier bottom line for the Company.

The system level approach is something that we are very, very happy with. It's something that is - - we've already talked to a lot of our customers about, and it's something that we can get behind. Rather than taking an agenda from somebody else, we want to establish the agenda and talk about where we want to go specifically.

One of the areas that we're starting with is that most important. We've been doing a lot of work in the past on our chicken business and we are becoming more sustainable in chicken. We have a poultry farm of the future that we are going to be rolling out that is thoughtfully, over time -- elements of it. And I would say to think about it as a concept car. It's a concept poultry farm where it's closed loop; where from the hatchery to the farm to the plant, there's no human interaction. There's no stressful human interaction. And it has things like, on the roofs of the barn, that collects rainwater so we can use that for the crops.

And it's something that we have been at work at. It's not a concept in terms of not being real; it's a real model. And we're going to be thinking about how we can take this out into the future and out to our growers. We have seen some tremendous results from this. We have seen that this approach uses a 60% less land. It's a vertical farming approach that we're taking. It has a tremendous animal welfare impact. We have already low levels of Salmonella and Campylobacter. It reduces those even further. It reduces greenhouse gas emissions and improves the overall worker experience. So needless to say, we're extremely excited about it.

Beyond that, we're making some other commitments as it relates to sustainability. We are converting our entire supply, everything that we make, to no antibiotics ever. Sally talked about our launch of the retail brand. That's going system-wide. We will reduce workplace injuries and illnesses by 15% every year. Our third-party audits of animal welfare and our handling, humane handling, is going to be stepped up. And then we're going to be working with partners to come up

with the right science-based environmental goals. And we are very excited about this holistic approach.

These will not be -- make -- doing things and doing things right for sustainability and making money are not mutually exclusive ideas. We believe the cost structure -- we have demonstrated the cost structure can come down over time. So as we make the right investments for the future, they'll pay for themselves in the present.

The last thing I want to mention is Tyson New Ventures. We have created this company to invest in new technologies, new products that are also advancing sustainability. Tyson New Ventures has made our first investment, a 5% stake in Beyond Meat. It's a fantastic company that is focused on alternative protein and making it very good tasting. And I would say that if you haven't had a chance to try it, it's an excellent product. The reason why we're doing this is they align with our sustainability objectives. There providing brand-new foods to the market. And they're doing it in a way that is interesting and creative, and something we want to be a part of.

We have a bright future as Tyson Foods. As you can see, we're pretty excited about it, and we are bound to make things better. We're going to have our stumbles and we're going to have our issues, but that's okay. We reserve the right to get better every day, and our team is squarely focused on it. We have strong financials. We occupy a strong position, right in the middle of opportunity, capability, and firepower. We are purpose-driven, we have a clear strategy, and we have an extremely talented and focused team.

Hopefully you saw it today. Tyson is strong, has been strong, and we are leading for tomorrow. We're very excited. We really appreciate the time that everybody has spent with us here today. And we're going to open it up for questions for the next seven minutes or so.

Unidentified Participant: Thank you, Tom. We've got a few questions right up here. Why don't we go with Ken Goldman first?

Ken Goldman: Thank you. Tom, you laid out I think a helpful case for sustainability in terms of how it's good for the workers, how it's good for the farmers and the animals. I think there may be a, in my opinion, a little bit of a missing link there is how it's good for the bottom line. So, I'm just hoping you can walk us through that a little bit more, tell us why you think it's so critical. And really if there's any kind of time we'll need to see the investment maybe impair growth a little bit -- and I know you've talked about this in the past -- and when we get the payback on that. If you could outline that for us a little bit, that might be helpful.

Tom Hayes: Yes, sure. The first thing I'll say is we're not going to sneak attack you. We're not going to have these investments that don't produce any real benefits, so that's the first thing I'll say. The other is, as I showed the chart of the leaders, there was an empty box. That's our Chief Sustainability Officer. That role will also own continuous improvement. The idea is we will continuously improve the enterprise and we will have sustainability benefits. The two are not unlinked. They are inextricably linked. And so as we're investing we're going to be paying for that investment through getting a better cost structure.

What I would say is we're going to be very transparent. We realize that's a critical part of our business model going forward. Of course, if you have any questions, ask them. But we are going to be focused on investing, but do it in a way that we can show you, here are the benefits, and you go on the journey with us.

Unidentified Participant: Akshay?

Akshay Jagdale: The Company has pretty much transformed itself over the years, much more of a branded company. And the shareholder returns are impressive, but the stock still trades at 13 times forward on a P/E basis. The market clearly is not yet giving you credit for this branded transformation. So can you talk a little bit about maybe what percentage of your portfolio do you consider, from an earnings perspective, truly branded and defensible today? And maybe are there anything -- is there anything strategic that you can do? Maybe segment disclosure or branded versus nonbranded, that will help the market better understand this branded transformation?

Tom Hayes: Yes. We're a bit of a hybrid company, and that is something that we embrace. We have certainly a commodity business that provides fuel for growth for the branded side. Roughly 50-50, I guess I'd call it. And the way that we're going to make believers is by delivering numbers against the innovation that Sally walked through. I think that's the way we'll get the multiple up is by generating sales, getting the margins up, continuing to run the model. And then we've got a long-term focus. I think investors will come along with us once that happens.

Unidentified Participant: Let's go with Farha right here. And then we'll take David after that.

Farha Aslam: Tom, you highlighted your benefits of scale. But as you progress to becoming a more branded company, do you feel like you have to self-source all of the protein you produce? Or longer term, can you continue to focus more on your brand, and perhaps decrease how much is self-sourced over time?

Tom Hayes: I would say that we are an equal opportunity sourcer. We have a great internal partner with the commodity side, our fresh meats business, that provides lots of raw material for the branded and value-added side. To the extent that we have to have outside relationships, we will. So we feel like we're in a good position. We've got a great procurement strategy. And I never feel like we're at risk of not having the right supply to fulfill the branded side.

Unidentified Audience Member: Thanks. Congratulations on that shift to antibiotic-free on chicken, or the upcoming shift.

Tom Hayes: Thank you.

Unidentified Audience Member: It seems earlier than a lot of even the food service customers are making that move. Could you talk about how much of an incremental investment that is for Tyson, how much it costs? And you can see, survey-wise that it's important to consumers, but how much do you anticipate that possibly helping your business?

Tom Hayes: Absolutely. I'm going to ask Noel White to answer that one. He is our Chief Operations Officer, and ran the poultry business for the last four years. And just talk about NE and our journey.

Noel White: Sure, I'll be glad to. It's a process that we've been working on actually for quite some time. We declared a year ago that we would eliminate the use of human-use antibiotics by this fall. And we are ahead of schedule in doing that and we'll be completely free of antibiotics in the Tyson branded by then. So I would say it's been a process. It's been a learning process over the last couple of years. And there's not one singular thing that contributes to allowing us to do this; it's a multitude of actions that we take to allow us to move antibiotic-free.

I would tell you at one point in time there was fairly significant costs that's been involved. But that has come down over the course of time to the point that we think that we can be very competitive in that space in the next 12 months.

Unidentified Participant: Let's go back to Ken Zaslow right there.

Ken Zaslow: Can you talk about how confident you are about hitting your high-single-digit growth rate in 2018? Or better yet, what are the obstacles, if any, that would prevent you from hitting your 2018 -- hitting your high-single-digit growth in 2018 and 2019?

Tom Hayes: Hard for me to tell about 2018 and 2019. We haven't given guidance that far out. A lot could happen. We feel really confident about the high-single-digit EPS growth rate over time is the right place for us to be. Without knowing what's going to happen in 2018 and 2019, Ken, what I'd say is we have a very focused model on driving the right volume growth. And then we feel like if we do that, and we do our jobs well, the results should follow.

Unidentified Participant: Let's take a last one here from Rob Moskow.

Rob Moskow: Thanks. No, just a follow-up. You mentioned eliminating human antibiotics. Some of your competitors still use animal antibiotics, and I think for good reason, to keep animals healthy. So if you are removing those antibiotics, what's the implication for growing out? Is there a higher mortality rate, and are just willing to accept that? And then the follow-up is, is the year where there are higher investment happening in chicken? Because I noticed your chicken margin guidance kind of tweaked a little bit lower. Is there higher investment going on this year and before that?

Tom Hayes: I'll let Sally address the investment portion.

Sally Grimes: Rob, what was the first part of the question?

Rob Moskow: (Inaudible - microphone inaccessible)

Tom Hayes: Right. No, the use has come down. If birds do get sick, obviously, we do treat them, but it's actually very small numbers that we do treat. If birds do get sick, we will treat them, which is the reason that you haven't heard us say that everything will be 100% antibiotic free. All the Tyson branded product will be. But we will continue down the path of moving towards total antibiotic-free over the course of the next 12 months or so. But if birds do get sick, we will treat them.

Sally Grimes: And we have absolutely stepped up our investment in the Tyson chicken portfolio. The starting point was determining what this brand stood for, and then having some compelling innovation and news to share. And that's exactly what we've done. And I have to tell you, we are so focused on ensuring that our return on investment continues to grow. So the good news is that it is highly efficient investment that is generating a return.

Tom Hayes: Okay. Thank you for joining us this morning. And we will be breaking out to the breakout room right next door, if you'd like to join us. Thank you.