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# Tyson Foods, Inc. (TSN)

Investor Day

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*Chairman, Tyson Foods, Inc.*

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*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

**Noelle O'Mara**

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**Steve Stouffer**

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**Justin Whitmore**

*Chief Sustainability Officer, Tyson Foods, Inc.*

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## MANAGEMENT DISCUSSION SECTION

### Unverified Participant

Ladies and gentlemen, please be aware that today's program will include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements reflect current views with respect to future events that may affect Tyson Foods' business performance. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our expectations and projections. I encourage you to read our filings with the Securities and Exchange Commission for a discussion of the risks that can affect our business.

Please note that references to earnings per share, operating income and operating margin in today's remarks will be on an adjusted basis unless otherwise noted. For reconciliations to our GAAP results, please refer to the Appendix in the slide presentation.

Please be aware that today's event is being recorded on Thursday, June 20, 2019 at the New York Stock Exchange and is being video webcast to a live audience. This webcast is the property of Tyson Foods, Incorporated. Any redistribution, retransmission or rebroadcast in any form without the express written consent of Tyson Foods is strictly prohibited. A replay of today's webcast will be available on our website at [ir.tyson.com](http://ir.tyson.com).

Ladies and gentlemen, please welcome the Chairman of Tyson Foods, Mr. John Tyson.

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### John H. Tyson

*Chairman, Tyson Foods, Inc.*

Well, good morning, everybody and once again thanks to our friends for joining us today. I can tell you I'm excited about Tyson Foods, the diversity of our products, business, people and our locations.

But before we get started, I want to make some introductions. There are several of my board members here today. And would you all stand up? Gaurdie Banister, Dean Banks, Kevin McNamara and Cheryl Miller, so thank you all for being here today and I appreciate it.

Another group of people that are here is actually the fourth generation of the Tyson family. I remember when I first got here and my dad first brought me to the floor, there was a ticker tape going on here. So I'd tell you we've been here for a while, but my son and my daughter, John Randal and Olivia, are here today. And would you all stand up and acknowledge the room? Appreciate it.

Next year, we'll mark the 85th anniversary of our company. My granddad, John William Tyson, started the business in 1935 because times were hard and he was looking for a better way to provide for his family. That better way involved solving problems, offering solutions, something that Tyson Foods continues to do today. That's our responsibility.

I do believe if granddad and dad were alive today, they would be proud of how the company has changed from the thousands of team members we employ, hundreds of plant communities we support and to the millions of people we feed around the world each year. They would be pleased that we operate by the same set of values

that they taught me. We will strive to do business with integrity and trust in all we do and live a culture of taking care of our people, customers and consumers.

Three generations of the Tyson family have been involved in the business, and as I noted the fourth generation is here today. The family will remain involved in long-term strategies, company culture, supporting our communities, customers and our people, while encouraging our board and management to lead our company today and into the future.

I and my family believes in a strong professional management and board and I'm proud of the backgrounds, experience and expertise we have today on our leadership team and on our board. I do believe this diversity of thought, experience makes us a better, stronger company to lead this great company into the future. I and my family will continue encouraging the company's leaders to seek to provide quality, safe, sustainable and affordable food products, while remaining focused on shareholder returns.

You'll hear today that our company is well prepared for more change and more growth. Our team will talk about the continued growth of our value-added products, our global expansion and how our unique business model sets us apart from our competitors. We'll share with you how we're supporting our team members, our plant communities. We'll cover innovation, new technology, our commitment once again to quality, safe, sustainable, affordable food production.

Perhaps most importantly, we're here to talk about how we remain focused on ways to continue increasing the value of our company through the people who have invested in our future, folks like you here in this room. You all are a big part of our continued success and we hope you come away from today's meeting with a greater appreciation and an understanding of our evolving business model and you understand our vision for the future.

Noel White and the great leadership team have decades of experience in the food business. They have my full confidence, they have the confidence of the family, they have the board's confidence that we are moving this company forward and in the right direction. I'm glad you all have taken some time out of your schedule to come, hear from this group of leaders. We've been around a long time, long enough to know that success comes from being focused on the present and prepared for the future. Even though we built on the past, we must go forward each and every day.

I'm excited. We're excited about what's ahead, our ability to continue creating value for our hardworking team members, our customers and our shareholders. Again, thank you for joining us today, those of you here in the room and those of you on the webcast.

At this time, I want to turn the presentation over to our President and CEO, Noel White, and the leadership team. Thank you all for being here today. Good luck, buddy.

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## Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

Thank you. Good morning. I'm Noel White, President and CEO of Tyson Foods. I'm happy to be here today and share the state of our business and some exciting initiatives. We have a full agenda that includes presentations from some of our talented leaders.

We have a strong executive team, supported by a deep bench of senior leaders and we continue to raise the caliber of our broader team by attracting and adding new team members as we grow globally. Today, you'll hear

about our strategy, how our diversity of our portfolio and scale are our strengths that innovation and value-added products are growth drivers and how Tyson is positioned for global growth.

We are now a company with operations in over 20 countries and products sold in over 110 countries and we're expanding into new markets to integrate capabilities and innovation worldwide. I hope you share my confidence that Tyson Foods is poised with the ability to respond to changing consumer needs and is prepared for a long-term sustainable growth.

We continue to execute our grow, deliver and sustain strategy, which is to sustainably feed the world with the fastest growing protein brands. That starts with our customers who are indispensable to us. We strive to partner with them to meet evolving consumer demand, because we believe that when our customers are successful, Tyson is successful.

We have a global advantage and here is why. Our competitive advantage is our diverse protein portfolio and our scale. We know the complete value chain associated with protein from consumer to customer. We have the largest cold-chain capability in the industry. We understand how consumers eat protein, where they eat it, and how they buy it. We have a global sourcing model that enables us to reach key markets and customers.

We are fueled by our high-performing team with roughly 140,000 team members who are at the heart of our business, and we are grounded by our core values, which establish the standards that we hold to our team members, our suppliers and our partners too. As a caring team, we make sure our team members have programs to support their needs, like our team member education program, and we work to support communities in need for our disaster and hunger relief programs.

We can execute our strategy because we have some of the most iconic brands in food that we continually innovate, renovate and grow. That includes \$3 billion brands and Tyson, Jimmy Dean and Hillshire. Tyson's house of brands continues to grow as market leaders, and we're blazing trails into emerging categories. Through these brands, we had \$40 billion in sales in 2018 and for 2019 we expect to reach \$43 billion. As you can see, our products are meeting consumer demands everywhere.

We have a solid track record with a five-year EPS growth of just over 22% and operating income growth of 19%. If you believe this five-year outlook is based on our acquisition of Hillshire, let me show you the 10-year growth of EPS. 10-year EPS CAGR grew to nearly 34%, NOI CAGR increases to 23%. Tyson Foods was recently named as having the highest annual EPS growth over the last 10 years by Fortune magazine.

Again, we established this track record in large part due to our unique diversified business model, our worldwide variety of capabilities and our expert teams that have deep understanding in the protein business. That allows us to be agile, innovative and adapt to constantly changing consumer and market demands. This leads me to our long-term goals, which remain the same. That's high-single-digit EPS growth and growing our value-added sales by 3% per year.

Throughout our 84-year history, you can see that Tyson Foods grew in the largest food company in the United States, primarily through acquisition. It's important to remember that there was a strategic focus behind each acquisition. Our emphasis on value-added products led us to acquisitions like Hillshire, AdvancePierre and Original Philly. But we also make acquisitions in response to consumer demands. Smart Chicken is an example that gave us a premium attribute.

We intend to continue to develop and use our existing asset base to create new opportunities. A great example of this is alternative protein, which you'll hear more about later. Our strategy is centered around increasing our emphasis on Prepared Foods, on International, value-added chicken and stabilizing the earnings of our Beef, Pork and Poultry businesses.

Many people think of our Prepared Foods business as the branded products that you'd buy at retail stores, but that's only part of the makeup of Prepared Foods. Half of the business is foodservice. We're the market share leader in seven categories, including pizza toppings, tortillas, sandwiches and burgers. With recent acquisitions, our International business now has a firm foothold and is beginning to flourish and we're seeing synergy capture as a result.

We also see tremendous benefit from our Fresh Meats business. It generates significant cash flow, it has a high ROIC, and is also a source of raw material for our Prepared Foods business, which will be beneficial as we prepare for African Swine Fever.

In Poultry, our value-added chicken business continues to grow and the Tyson brand is the leading brand across retail and foodservice. As we look ahead, Prepared Foods and value-added chicken are expected to be the most profitable and International is where we see opportunity for significant growth.

Product innovation is just one example of our innovation mindset. We're integrating technologies into our operations and using advanced analytics to understand performance. We're using app-based technology for grain purchasing directly from local farmers that has resulted in significant savings. We're expanding our use of computer vision and machine learning and robotic meat cutting technology. And we're close to completing the Tyson Manufacturing and Automation Center, which is a new facility in Northwest Arkansas that will be the hub for our robotics and automation development.

Now I'm going to pivot to a couple of external topics that could impact our business, firstly trade and secondly African Swine Fever. Because of our global network, we can now harness resources and capabilities around the world and we've gained access to local markets, providing significant opportunities for growth. Global access helps mitigate, but doesn't insulate our exposure to trade barriers.

We've been urging government officials to conclude negotiations and finalize trade agreements, particularly in Mexico and the Asian markets as soon as possible. As we move forward globally, we need the support from government. We need their support to break down trade barriers that limit the availability of our products and to help secure the future of ag and farming communities.

And finally, I want to address African Swine Fever. Rabobank estimates that China has lost as much as 35% of its pig herd. To put that into perspective, China's loss represents more than the entire U.S. hog population. That's more than 5% of the entire global protein supply. We believe that this event will underscore the power of Tyson Foods' diverse business model.

A worldwide decrease in pork supply could offer significant upside to our Poultry, Beef and Pork businesses. It could also increase the raw material cost for our Prepared Foods business. However, the timing is difficult to estimate. The positive impacts are likely going to start showing up in Q4 of our fiscal 2019 or in Q1 of 2020. We are proactively engaged in our efforts to work with farmers, with industry groups and government agencies to be prepared if ASF spreads to North America. We're leading conversations on ASF and we'll continue to closely monitor the situation. However, there is no better company that's better prepared than Tyson Foods to handle what lies ahead.

As I mentioned at the beginning, we're well-positioned for a long-term sustainable growth. We have a global platform of operations and channels. We have the strategic global and local customers. We have unparalleled resources and capabilities. We have in-country innovation and insights. And we have a diverse portfolio of protein and products. And we're positioned to unlock opportunities now and into the future.

And now, I'd like to introduce Noelle O'Mara, our Chief Marketing Officer, who'll talk to you about innovation in our Prepared Foods business.

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## Noelle O'Mara

*Chief Marketing Officer, Tyson Foods, Inc.*

Thank you, Noel.

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## Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

Thank you.

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## Noelle O'Mara

*Chief Marketing Officer, Tyson Foods, Inc.*

Appreciate it. Good morning, everybody.

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## Unverified Participant

Good morning.

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## Noelle O'Mara

*Chief Marketing Officer, Tyson Foods, Inc.*

Today, I'm excited to talk to you about Prepared Foods, a driver of margin expansion and earnings stability in the Tyson model, and how in my new role as Chief Marketing Officer, we're leveraging proven consumer value creation methods, world-class insight, innovation, branding and marketing expertise to grow globally across our enterprise.

Three things I'd like you to take away from this portion of the day. One, Prepared Foods has become a large, profitable growth engine. Two, an all-day protein portfolio is a clear growth advantage and we know protein. Three, innovation, branding, and marketing coupled with supply expertise drives growth perpetually.

The Prepared Foods' journey has been remarkable. In five years, we have transformed from a small processed meat supplier to a large omni-channel protein powerhouse. In 2014, Prepared Foods generated \$3.3 billion in sales at 3% margins. That was less than 10% of total company sales at dilutive margins. In 2015, the acquisition of Hillshire Brands bought leading brands and capabilities that changed the role of the segment and the profile of Tyson Foods overall. We have not looked back.

In 2018, Prepared Foods generated \$8.7 billion in sales at 11.3% margins. Now, Prepared Foods is over 20% of total company sales and accretive, 3% of company profits five years ago, 30% today. Beyond illustrating change over time, the 2018 contributions I mentioned reflect our model for ongoing growth and practice. In 2018,

Prepared Foods volume grew 4.1%, which is faster than total Tyson by 160 basis points and delivered AOI margins of 11.3%, which is 310 basis points higher than total Tyson.

Faster growth at higher margins improves Tyson profitability and stabilizes earnings. The model is based on two simple principles; grow demand and expand margins. Smart, sustained investment increases consumer demand and value-based consumer pricing power in the marketplace. The Tyson protein supply chain, which includes our Fresh Meats business, enables us to do this at best overall cost and provides the fuel for our investments. This is a powerful virtuous cycle of growth.

The model matters and where you play with that model matters. Compete effectively in a growing space and you're more likely to grow. We are leaders in protein. When you look at the stats, protein is the place to play. 60% of us are actively adding protein to our diets and seeking more protein throughout the day. Offering something people are actively adding to their diet presents a strong tailwind. Our portfolio offers protein throughout the day, and this is a clear growth advantage. Refrigerated and frozen protein is a large market, \$23.5 billion. That is growing faster than total food and beverage. We have a significant position across the entire market.

Jimmy Dean and Wright Brand in the morning; Tyson, Hillshire Farm and Ball Park through the day; and an emerging portfolio of fresh protein snacks have us positioned for sustained leadership in this on-trend growing space. Our advantage shows in our results. Tyson Foods' Core 9 brands of categories lead the industry. We're growing retail dollars more than any other top 10 food company and growing 100 basis points faster than total food and beverage.

If this chart were in volume, we'd be growing over 500 basis points faster than total food and beverage. This performance is not unique. Tyson Core 9 has outpaced total food and beverage volume growth over each of our last three fiscal years. Consistent growth over time is unique in this industry. It's also remarkable given the size of our business. Tyson Prepared Foods on the standalone basis would be in the top 15 largest consumer food companies.

The data indicates this growth can and should continue. Prepared Foods brands are number one share in eight of the core nine categories in which we compete. We are leaders with plenty of room to grow where we are. Take a look at the gap between each of the bars. That's the penetration upside in each of our core categories. A couple of examples illustrate the opportunity.

Over half of American households buy frozen value-added poultry. Tyson is the number one brand. We have roughly twice the penetration of the next leading brand and there are still a lot of category users that didn't choose us over the last year.

Another example, hot dogs. 70% of households bought hot dogs last year. Ball Park is the highest penetration brand in the category with 25% penetration. 50% of American households bought a hot dog last year, but did not buy Ball Park. It's a big number and a big opportunity. When we combine this upside potential in current categories with the opportunity to innovate in new consumer spaces, we feel great about our growth prospects.

Now that I've shared the Prepared Foods track record of growth and how the business is well positioned for the future, I'd like to broaden the discussion of how through my new Chief Marketing Officer role we extend consumer capabilities to the broader enterprise and realize our full potential for end-to-end value creation.

Our growth is fueled by three unmatched capabilities; innovation that grows categories to grow Tyson share, brands that are available, admired and ultimately chosen by consumers, and marketing that works efficiently to

reach many while resonating individually. Let's get more into each of these areas. Compelling innovation food today means something totally different than it did in the past. Gone is the one-dimensional approach to identifying a consumer need and following a straight line to innovate against it.

At Tyson, we focus on multi-dimensional innovation. That includes creating food that is fresh and less processed, in flexible forms to seamlessly fit into consumers' lives, and is functional, serving a specific physical or emotional purpose. It certainly varies across brands and categories, but consumers are demanding this across the board. So I'll go a little deeper on these.

We see tremendous opportunity in consumer fresh goods. We take highly effective consumer value creation methods and apply them to large, under-marketed, under-innovated categories to offer what people are seeking, protein packed fresh foods. Over two-thirds of people say fresh is important and we are meeting that demand with fresh innovation that can temporize our existing portfolio, while also creating new categories.

Hillshire Farm is the first national lunchmeat brand to upgrade our entire premium portfolio to no artificial preservatives, no artificial flavors and no added nitrates or nitrites. Our performance is significantly outpacing the lunchmeat category and this fall we'll build on our momentum with the launch of all-natural varieties that are thicker sliced, deli quality in the lunchmeat side.

The entire Tyson consumer brand is now chicken raised with no-antibiotics-ever, no preservatives, no added hormones or steroids. Tyson sells more no-antibiotics-ever chicken than any other company in the world. As a category leader, entering the \$1.2 billion uncooked segment of the sausage market is a natural fit for Hillshire Farm. Our new Italian sausage and bratwursts are 100% all-natural and truly fresh. They are never frozen. Our unmatched [ph] chilled (00:25:47) supply chain enables us to bring an important, but tricky to deliver consumer attribute to a big space.

And finally, 80% of Americans don't know what they're making for dinner at 4:00 PM, yet we want fresh homemade meals on the table. This tension creates an opportunity for fresh shortcuts. Tyson's new One-Pan Dish makes inspired recipes achievable through precut and seasoned protein, complimentary sauces and thoughtfully selected grains that are ready for you to cook. 3 steps and 15 minutes later you have made a fresh homemade meal. This work is just the beginning of what Tyson can create at the intersection of consumer insight and fresh protein capability.

Next, the need for more flexible food. We used to talk about snacking as a separate eating occasion, but the distinction between breakfast, lunch, dinner and snacks has blurred beyond recognition. I'm sure many of you can relate to the fact that gone are three meals a day. Only 5% of adults did not snack in the last 24 hours. Over the past decade, we've added 19 more between-meal occasions per capita. The reality of eating fluidly through the day demands flexible food that can be eaten instead of, in between or as a side to a meal.

Tyson Any'tizers chicken chips bring 11 grams of protein to craveable chip mainstays like BBQ, Ranch, Cheddar & Sour Cream. They are made with no-antibiotics-ever chicken and are ready from the microwave in just 60 seconds.

Jimmy Dean has a track record of category creation and we did it again with Simple Scrambles. This incredible cup gives you a quick on-the-go and homemade breakfast, a warm fresh morning moment with two real eggs, Jimmy Dean meat and real cheese is ready in seconds. It contains over 20 grams of protein and we filled a delicious flavor lineup like the new steak and cheddar and spicy sausage launching in July.

We created Hillshire Snacking to elevate refrigerated snacking with high-quality protein snacks made with premium meats and cheeses in bold interesting flavors. In just a few years, it has become \$115 million retail business, growing over 15% a year and delivering the strongest velocities in the category. People have enthusiastically embraced a more sophisticated snack combination and we continue to innovate with new Sopressata and chorizo varieties and a substantial Bistro [ph] bar (00:28:26) experience launching later this fall.

Finally, functional food. About two-thirds of people see functional benefits from food, and we start from a position of strength given our complete protein portfolio. Jimmy Dean Delights Eggwich is the breadless breakfast sandwich. Two baked frittata patties loaded with veggies replace the bread to make a savory, protein packed breakfast. This lower carb, high-protein morning fuel resonates with consumers. We've seen success out of the gate. We're bringing new consumers into the frozen protein breakfast category and we're leveraging our omni-channel capabilities to extend the distribution into food service where we'll be expanding the line this fall with Jimmy Dean Frittata Sandwiches and Frittata flats.

We continue our 80-plus year legacy of innovation on our flagship Tyson brand with a big portfolio launch in July, Tyson Air Fried chicken, perfectly crispy nuggets, filets and strips with 75% less fat than original fried chicken. 92% of consumers eat meat. We don't see that changing. We also know that 75% of consumers are open to diets that include meat and plant-based proteins. We know there is an incremental growth opportunity in meeting the needs of flexitarian consumers. We will fully leverage the end to end capabilities of Tyson Foods to offer a broad range of protein solutions and lead in traditional, plant-based and blended proteins. Aidells a blend defined by culinary innovation and artisanal quality is an exciting place to start. Aidells Whole Blends is a breakthrough line of sausage and meatballs with a thoughtful blend of chicken and plants, such as ancient grains and vibrant vegetables. This is only the beginning. Justin will share more with you about our newest friend Raised & Rooted, in case you missed the news last week this brand will offer products that are 100% plant-based as well as blends of plant and animal protein. I think you'll enjoy a taste of where we're headed when you have a chance to sample these Aidells and Raised & Rooted products in an upcoming break.

You'll see the suite of new consumer offerings that demonstrate how we are delivering fresh, flexible and functional innovation. As I mentioned earlier our omnichannel commercial capability enables us to maximize availability of our retail packaged products, as well as apply the same model to our food service focused innovation where we have an equally robust pipeline of operator and patron-focused innovation. I mentioned earlier that our Core 9 retail categories are outpacing the industry. As we continue to innovate and grow in spaces we are expanding our view of what our core is. What we previously referred to as Core 9 will now be core lines. We've added two of our fastest growing categories snacks and pet treats. With this edition core lines now represents two-thirds of our branded retail volume. In the latest 13 weeks, our core lines led volume performance among the top 10 CPG retail food manufacturers with growth of 4.8%. As our portfolio expands, so too will our core lines. This gives us flexibility to tell a complete growth story across the portfolio while maintaining visibility and transparency regarding consumption. Now, let's talk about how we go about brand building and marketing. Brands are at the heart of our consumer value creation model. Brands that last in the cultural landscape in matter and people's lives create business value. We build those brands, brands with both physical and mental availability leads to increased sales potential.

Our brands are quick to find and top of mind. Distribution for our total branded portfolio is about 95% of U.S. retail and Tyson-leading brands average unaided awareness is 1.4 times higher versus competition. Brands that are admired and more valuable to people than other choices create pricing and margin leverage. Consumers choose Tyson-leading brands as their favorite brand at a 1.6 times higher rate than our competition. Preference earns pricing power. Consumers are willing to pay more for our brands. Our core lines commit 5% higher base prices than the average for their categories. Preferred brands that people pay more for are powerful assets for Tyson.

Ultimately, we build brands that are chosen and stay relevant over time in the marketplace and are productive on the P&L. Our portfolio is in over 75% of all U.S. households and we have a strong position in the market with the number one or number two share in 15 retail categories.

We have a proven repeatable model to deliver continuous brand-led growth. It's rooted in the beautiful balance of creativity and discipline. Creativity focused on bold ideas rooted in strategy paired with discipline achieved through data and advanced analytics. The [indiscernible] (00:34:10) up in the three core elements of our flywheel. Brand foundations into solid strategies that create distinctive and valuable brands, which drives our development of big brand building ideas and integrated plans that grow penetration, and we constantly measure brand performance to understand, refine and accelerate the positive impact our actions have on our brands and businesses.

Our consumers are at the core of everything we do. We build connections with consumers that are memorable and distinctive by being authentic to our brand's purpose. Jimmy Dean brings the power of optimism to all occasions. Hillshire Snacking created curated combinations for a snack up of adventure, and at Tyson, we believe keeping it real makes things better.

Take a look at this video that showcases a brief snapshot of how our brands come to life.

[Video Presentation] (00:35:11-00:36:26)

In summary, the three things I'd like you to remember. Prepared Foods is a large profitable growth engine with a portfolio that is a clear growth advantage. And our innovation, branding and marketing capabilities coupled with our supply expertise drives growth for the enterprise now and well into the future. Thank you.

And now I'd like to introduce Steve Stouffer, Group President, Tyson Fresh Meats.

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## Steve Stouffer

*Group President, Fresh Meats, Tyson Foods, Inc.*

Thank you, Noelle. Good morning, everyone. I'm Steve Stouffer, Group President, Tyson Fresh Meats, that's the Beef and Pork segment of Tyson Foods. I appreciate the opportunity to be with you here today and want to speak to you on three key important points that differentiate our business driving more stable, less volatile margins and sustaining strong cash generation to support and fuel Tyson Foods growth for the future. First, we are the beef and pork experts. We are the leaders in the red meat industry. And I intend to explain to you why this is important in driving margin and why our customers reward us for bringing valued solutions to their business. Second, I intend to cover key trust-based relationships that we've built and nurtured and why they're significantly important in helping us strategically deliver financially sustainable results for our business. Third, I intend to discuss how Tyson Fresh Meats is well-positioned to enhance margin within the climate of accelerating global protein demand.

I thought I'd start with a little bit of history here, as these two graphs show historical gross margin performance in Tyson Fresh Meats business for Beef and Pork segments. And as you can see, both segments have traditionally indexed well above USDA benchmarks. They're strong cash generating businesses having high ROICs. And as we move forward, our strategic intent is to widen these spreads through a multitude of value-added initiatives, not just in the Fresh Meat space but also in our ancillary businesses such as hides and leather, variety meats and specialty products.

The key to our success will hinge upon our ability to differentiate ourselves from the commodity aspects of this business. We are the beef and pork experts. The sustainability and long-term development of our leadership team

and fresh meats brings decades of experience that fuels our longstanding commitment to service, quality, innovation and growth. This benefits Tyson internally as we partner and use this expertise to more efficiently supply and grow our diverse Prepared Foods businesses, in addition to helping drive our strategically important international business model as Donnie King will discuss later. Just as importantly, our external customers also recognize the value of our beef and pork expertise, knowing they can rely on us, trust our team to provide key solutions to drive their business success.

An illustration of providing customer solutions are these three Tyson Fresh Meats brands seen on the screen. These are three distinct brands solutions to help our customers meet their business needs. For example, Open Prairie Natural, that's Tyson's no antibiotic ever, origin traced pork and beef offering fulfilling the highest category of customer expectations today. The Open Prairie brand enjoys an 8% and 20% – 27% CAGR in volume for beef and pork respectively over the past three years. Then there's Chairman's Reserve, it's an upper two-thirds choice beef and a high quality graded pork offering that has shown 8% and 3% CAGR in the last three years.

Star Ranch Angus meanwhile is a quality choice beef Angus offering that has experienced an 11% three-year CAGR. All of these brands drive strong category volume, while providing different specific solutions to fit customer's needs across the multiple value point in applications for foodservice and retail. Beyond these Tyson brands, our scale and breadth allow us to simultaneously produce a multitude of other alternative margin accretive brands such as Certified Angus Beef and customer specific private label brands to satisfy customer needs, by successfully providing and growing a broad portfolio of brand solutions, we're able to differentiate Fresh Meat away from being a commodity centric business.

As Noel outlined earlier, consumer insight data analytics provide us guidance, as to what consumers are looking for. Tyson Fresh Meats uses this capability to tap into our marketing team's expertise to understand leading consumer trends in order to channel our business for delivering products to meet those. What we know is this. It's a great taste, function and convenience. Those are the keys. These product attributes allow customers and consumers to satisfy to their desire to prepare meals at home quickly and easily.

It begins with the high-quality livestock that we purchase. However, the expectation from our customers today domestic or international is the need to provide smaller, more convenient packages to fit consumers' fast paced lifestyles. As we get closer to the consumer plate, our Fresh Meat's products -- even more effective at delivering best-in-class service. Our customers recognize and are willing to financially reward us for providing them with these valuable solutions.

One of the key areas for doing [ph] small better (00:42:53) is portioning. We are a portioning company. This is where our case-ready and value-added businesses shine. Our case-ready business segment is predominantly retail, consumer ready packaged business. We convert large cuts of beef and pork into steaks, chops, roasts and ground beef, package them in retail ready trays, weigh, price, label and then ship them to retailers, ready to be sold through their grocers retail meat case. This solution provides a safe, high-quality and convenient way for retailers to maintain their offering of fresh, premium meat products. It also helps them effectively and efficiently solve their problem of trying to maintain a skilled labor force in managing the retail meat case. This chart is an illustration showing the volume growth of Tyson Fresh Meats as we have propelled it through our case-ready and value-added businesses since 2010. This segment has had a compound annual growth rate of 4.9% over this period.

Currently, we operate three case ready facilities and three further value-added facilities. To meet the still growing portioning demand, we recently announced investments in a new greenfield case-ready operation to be built in the Salt Lake City, Utah area. This facility is expected to be operational in 2021. We estimate there is roughly

60% of the retail business today that has yet to convert to some form of case-ready business model. As the industry continues to move in this direction and as we expect e-commerce and home delivery to gain more momentum, we fully expect to see our domestic case-ready and value-added portioning business to grow well beyond this latest announcement. It is also our expectation that we will see expansion of this business model into key export markets in a very similar way in the future.

So far I have talked specifically about what Tyson Fresh Meats is doing to grow our relationship with our customers. There's another key relationship that is extremely important and is that – that is the relationship to our livestock suppliers. Since our business is not significantly vertically integrated in our beef or our hog segments, Tyson Fresh Meats is a strong supporter of the independent livestock producers who time and time again proved to be the world's best, most efficient producer of high-quality grain-fed livestock.

What these farmers supply us is the cornerstone to the meat solutions that we provide our customers. Today, we purchase livestock from more than 5,600 hog and cattle farmers across the U.S., some who have been longstanding value manage relations partners for more than 30 years. Trust and mutual success are at the core of our relationships and are emphasized with our supplier's creed, shown here in the screen.

This creed is a signed commitment from our Tyson meats leadership team to our suppliers. Our customers today demand transparency, they want to see where their meat supply comes from. They want assurances they're getting beef and pork products from animals raised the way we promised. Tyson Fresh Meats works closely with our suppliers to jointly focus on improving animal welfare, farm sustainability and production efficiency, so that we can continue to provide safe, sustainably raised high-quality meat products at a relevant value to our customers, while meeting their specific business needs. Some of these collaborative efforts resulted in the development and implementation of third-party audited supplier programs such as Pork Quality Assurance Plus and Progressive Beef, just to name a few.

Trust but verify, is an important element of the value equation for many of our key customers. Through our supplier relationships, we bring our customers surety of supply and confidence of livestock that is raised the right way to meet the growing consumer demands of sustainability and humanely raised livestock. Geographically, Tyson is well positioned to efficiently operate both our beef and our pork plants. This map here is shows the 2017 USDA census of cattle distribution in the U.S. overlaid by our beef plant locations which are the red stars. Operating where livestock is located and limiting the distance traveled for delivering them are key components to running an efficient operation in our business. Since the rise in ethanol production in the Midwest, one phenomenon that we've seen and we continue to see is the expansion of cattle feeding in the center of the country. With our three plants Joslin, Illinois; Dakota City, Nebraska; Lexington, Nebraska located in the heart of the Midwest. Tyson Fresh Meat is very well positioned to benefit from this trend.

And as we move to the similar pork slide, you can see that our pork plants are also located in the Midwest, the heart of U.S. hog production. As the expectation is for a continuation of consistent growth in U.S. swine production, we will continue to be extremely well situated in the proximity of our supply base. And I've talked about strength of our relationships with our customers and our suppliers but there's one other key relationship that contributes to our success and that is our relationship with our team members. Noel mentioned earlier about our core values, culture matters and to us, safety is critically important as we want our team members always to operate with the safety-first mindset. Four years ago, we implemented the We Care program, which focuses on continuous improvement in safety and relational communications from top-down leadership throughout the organization. The results of the We Care program is not limited to the outstanding team member safety improvements that we had experienced, but also has resulted in record low turnover and that's led to other important operational improvements and why that's important is because now we're seeing better yields, we're

seeing higher operating efficiencies and these things help us drive better revenue results. When we consider that this was accomplished in spite of historically low U.S. labor supply, it's a considerable achievement, our entire team is extremely excited and proud of. It gives Tyson an important advantage in being an employer of choice in our industry.

The third point I want to talk to you about today is the global exports. Global export growth is a key part of our Tyson Food strategy and a key strategic focus for fresh meats as well. Global protein demand has steadily increased since 2005, for beef in particular. And as we can see in this beef export chart, there has been a consistent growth rate of U.S. beef exports. So that currently, U.S. beef exports equate to roughly 13% of the total U.S. beef production. This is a USDA reported data that provides estimates through 2020. And as you can see, it shows that beef exports trajectory is expected to continue. And we intend to continue to be a significant part of that export growth.

Moving to the USDA U.S. pork export data, it shows a similar strong trend with U.S. pork exports being roughly 25% of the total pork production today. There's a significant export spike estimated into 2020 most likely USDA anticipating increased demand due to China's African swine fever situation. Pork exports should remain strong and will continue to be an important growth component of our margins in the pork picture. For 40 years, Tyson Fresh Meats has been a major force in exporting beef and pork products. In 2018, we exported more than \$3.4 billion worth of products over 70 countries. As we look to build on synergies in Tyson's international footprint with Donnie King's international team, we are positioned with our beef and pork expertise to provide solutions for global protein growth. We look to maintain and grow relationships with our existing customers while forging ahead into new marketplaces. As global economies improve and the demand for U.S. grain-fed, pork and beef continues to grow.

This past year alone, we've increased our sales footprint in the Philippines, Central America and Middle East and we'll continue to look for other global opportunities where they manifest themselves. Earlier Noel mentioned the African swine fever situation and while export markets have always been very important contributor to the profitability for Tyson Fresh Meats and Tyson as a whole, it is worth repeating that the impact on global protein supply and demand from African swine fever will last for several years and could hold tremendous revenue opportunity for us. We're uniquely positioned to optimize these opportunities with the entire Tyson protein portfolio.

The final topic, I'd like to share with you today is, is a perspective on the economic and structural shift that we believe we've seen in the beef margin picture as we look forward. Based on economic modeling and historic review, U.S. beef has enjoyed both domestic and global demand growth while limited supply growth has been out there resulting in a positive impact in a shifting of beef margins to a higher category. One key factor driving the demand shift is the improved global economies as we've seen an increase in global middle-class income. The demand for high-quality U.S. grain-fed beef continues to grow, which is supportive for higher beef margins, increases in U.S. live cattle supplies have also contributed to the shift as U.S. packing capacity utilization has improved. Cattle market indicators suggest U.S. cattle supplies will continue to be favorable. Adequate supplies, especially growth of beef production in the Midwest are extremely favorable trends for Tyson Fresh Meats.

Lastly, the case-ready and value-added segment of our business will continue to grow and become a greater influence over time, lessening the volatility and incrementally expanding our beef margins above historical norms. The combination of these drivers has helped move the economic outlook of the beef model. Very similar to the shifts we've seen in other protein businesses, this beef shift is expected to have a lasting impact.

In conclusion, the future of our beef and pork business has never been brighter. As we look at the overall portfolio of proteins and brands that Tyson Foods brings to the table to sustainably feed the world I firmly believe we are poised for growth and prosperity like none other in the global food space.

And now it is my pleasure to introduce our next speaker, Justin Whitmore, Executive Vice President, Alternative Proteins and Chief Sustainability Officer for Tyson Foods.

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## Justin Whitmore

*Chief Sustainability Officer, Tyson Foods, Inc.*

Nice job. Hi everyone. Thanks, Steve. So we're excited to spend time with you today and I'm particularly, excited to talk to you about two distinctive investment priorities for Tyson Foods that will help us enable our enterprise profit and growth plans. The first is going to be about our social and environmental impact programs and how they're helping Tyson Foods become a leader in sustainability and we'll talk about why this matters.

Not only is it important because it's the right thing to do, but this sort of work creates real lasting financial impact and provides our businesses with the license to operate and grow. After we spent time talking about why sustainability delivers value to the bottom line, we're going to talk a bit about alternative proteins and we'll dive into why Tyson Foods is uniquely positioned to lead in this rapidly growing space. We think it's particularly important to talk about alternative proteins not because only because of the space itself, but because it's a reflection of how Tyson Foods is able to bring together its capabilities across protein platforms and to evolve and lead in a variety of different spaces, particularly in ways that are valuable to our customers and to consumers.

So let's get started. Let's jump into it. I've been fortunate enough to talk to a variety of different groups about sustainability in the food system. And one thing that I've learned particularly about investor audiences is to start with the results. So, before we talk about how we're getting it done in sustainability, let's talk about the value that sustainability is creating for Tyson Foods shareholders. We have an 18% MIRR in Steve's business, 17% in Chad's. So you'll hear from later today. Our enterprise-wide water programs are driving double-digit returns this year and we're doing this all while launching social and community and team member impact programs that are reducing turnover, significantly improving safety metrics and increasing retention despite low unemployment rates across the country.

Often when the people in the business community talk about sustainability, it's framed around cost and expense. Many companies are still seeking to limit exposure rather than lead. But in a world where consumers have lost trust, we have trusted brands and a multi-generational foundation built on doing what's right. Social, economic and environmental sustainability brought together is at the core of who we are at Tyson Foods. And we'll continue to raise the bar by bringing the financial rigor and executional discipline that's required across our enterprise to launch social and environmental programs that the marketplace is demanding. Our commitment, our clarity of thought it's laying the groundwork for a differentiated position for Tyson Foods relative to our competition, in an area that's increasingly becoming a top priority for consumers as they make purchase decisions every day.

So how are we achieving these positive financial results? We're focusing on four core objectives; minimizing our environmental impact, enabling our team members, transparent reporting and using our capabilities to help communities where help is needed most. We're the first U.S. protein company to set science-based greenhouse gas reduction targets. We are significantly reducing our water usage rates and improving our water recycling rates. We're launching programs, that bring a voice to our team members and how we work every day, which is helping people from all backgrounds thrive at Tyson Foods, and these efforts are improving safety, they are improving retention, and they are helping with our recruiting efforts. We've launched an expansive animal welfare

program with third-party remote video auditing of our operations, industry shaping, reporting and research and we have the largest team of animal welfare specialists in food.

Finally, as we expand internationally, we're becoming a part of the global community through alignment with the UN Global Compact and the UN Sustainable Development Goals. We're focused on the most pressing issues around the world. And given the audience we have today, I have to repeat we are doing this profitably. Now it's not in our company DNA to pat ourselves on the back for too long, but I do want to call out that the world of food is taking notice and so are our customers.

This is having a material impact on our position in the marketplace. So before, I move on to alternative proteins there's two core things I want you to take away from our sustainability approach at Tyson Foods. The first is that sustainability is creating bottom line impact, and the second is that this work is key to our ability to grow and outperform over time. So now, I want to shift gears with you a bit, and talk about exciting new space that we plan to lead, alternative proteins.

So as we see demand growth across our core businesses increase at rates that are in line with recent history, a new and highly incremental trend is emerging. Alternative proteins, particularly plant-based meat analogues are beginning to rapidly grow. And this growth is driven by people who love eating meat. Furthermore, the growth is not confined to the coasts, it's not confined to big cities and it's not confined to the youngest among us.

So, let's talk about what's going on here. Our insights teams have conducted deep analysis and we've looked at reams of data over an extended period of time. But when it comes to U.S. the consumer, we can boil the drivers of demand in this space to three factors. The first, which is the largest motivator for purchase is the perception of health and wellbeing. The second, which is the largest barrier to purchase, is taste and convenience. And the third, which is much more meaningful to younger millennials and Gen Z and less so as you go to older populations is sustainability.

But what's most exciting about this for Tyson Foods – what's most exciting about the shape of this demand is that 75% of all consumers are open to or actively adding plant-based protein to their diet and nearly all of them will continue to eat our traditional meat products. In fact, our initial analysis of buying behavior suggests that this category is among the most incremental to our businesses that we've seen, which if you read the news would not be apparent.

After deep analysis of the space, we're convinced that the growth is both incremental and meaningful in potential size, but that's not the only part of this picture. We also had to establish clarity around our right to win in this evolving market. As a result, we made internal and venture capital investments to learn as much as possible about the alternative protein space and these investments help create a clear picture for the core capabilities required to lead. And there's four that stand out where Tyson Foods is uniquely positioned to win that I want to talk about with you today.

The first is culinary expertise. Often we hear about R&D being a core differentiator in alternative proteins and we have that in space. But the reality is that culinary expertise, the ability to make great tasting food matters just as much if not more. And we're seeing this come to life in the patent landscape in the alternative protein marketplace, it's not particularly robust. Over time this market will be about great tasting food more than science and we have the largest team of culinologists in food.

The second core differentiator for Tyson Foods in this market is brand building leadership. We're seeing that brands matter in this space. In fact, there is a new paradigm emerging where brands are showing up on food

service menus in a manner that we haven't seen in recent history. So, as we assess the competitive environment we took a hard look at our ability to create brands that resonate and what emerged from our assessment was another moment where the 2014 acquisition of Hillshire brands is creating differentiated value. Not only have we been able to create a new brand, which we'll talk about shortly, but we have a host of flagship brands across our portfolio that are winning in the marketplace. At Tyson, we can connect across demographics using a suite of brands that already have positions on the shelf and brand propositions that are new, which will excite consumers.

The third area where we would be able to differentiate in this space and lead is our supply chain. We have embedded relationships and infrastructure across the entire alternative protein supply chain from farm-to-fork and we have this today. This is a big deal. Smaller players will struggle to scale operations to meet the growing demand. Additionally, while today, I focus our time on the U.S., there're several geographies around the world that are demonstrating similar demand characteristics, and as our international business expands, we have the ability to leverage our global assets and global sales relationships to provide plant, blended, and traditional protein options to consumers around the world.

So the fourth point, I want to make that differentiates Tyson Food and positions us to lead in this space is our deep customer relationships forged over decades of partnerships will enable us to make our products available to the masses. People will not have to change who they are or how they shop to enjoy our products. No three- to five-year ramp-up plans. We can do this as fast or faster than anyone. So with all these points in mind, I'd like to introduce you to one part of our strategy, our new exciting brand that's going to bring 100% plant-based and blended protein options. Let's take a look at Raised & Rooted.

[Video Presentation] (01:06:07-01:07:10)

So Raised & Rooted was created to raise taste expectations of plant-based foods with products that are rooted and how people eat today. These products as you'll see in a few moments are both delicious and nutritious. And this is just the start as we plan to rollout 100% plant and blended products across multiple categories in the coming months. And we weren't kidding about the nutritional. Our objective is to make great food without compromises.

As people increasingly start to look at the nutritional panels across many upstart alternative protein brands and realize that many options may not be as good for them as they initially thought, our products will stand out. Our 100% plant-based nuggets made from peas have omega-3s, 5 grams of fiber and less saturated fat. Our burger made from a blend of lean Angus beef and pea protein has fewer calories, less fat, has much or more fiber than the high growth alternative protein products in the market and it's packed with 19 grams of protein and this food tastes great.

As many players rollout copycat brands and copycat products, we're creating a brand world that is distinctive, bold and celebrates the best of both meat and plants. And we're going to bring fun, fresh and relevant products that taste great and are good for you. No compromises here as we make plants just a bit meatier. So now this is the time for you to try out the food for yourselves. Along with Raised & Rooted nuggets and our blended burger, you're going to get to try another great alternative protein product we're excited about our Aidells Whole Blends Chicken & Quinoa Balls. We also have delicious progressive beef Delmonico steak and our Tyson One Pan Pork Stir Fry. So I want to thank you all for your time. I'm looking forward to hearing what you think about the food. And I think it's time for us to take a break.

[Break] (01:09:12-01:54:21)

## Chad Martin

*Group President, Poultry, Tyson Foods, Inc.*

Good morning. I'm Chad Martin, Group President of Poultry. I'm new to Tyson Poultry, but have been part of Tyson Foods for over 20 years with various responsibilities. Most recently, I led the Tyson Beef business as part of the Fresh Meats team. 2018, we had a record year. I'm bringing to my role the operational strategy and business knowledge from that experience, but also the leadership of large organizations. I am excited to lead this team and I am excited for the future of Tyson Poultry. Again, I am really excited about the future of Tyson Poultry.

So, over the past several months, I've been able to assess our Poultry business. We defined a path to go forward. A path is built on our overall strategy of grow, deliver and sustain. We have a team of experts throughout this organization. We have a powerful portfolio of trusted brands and we have a model that enables value creation. Q2 did not perform to our expectations, but this is not a business model that is broken. As a matter of fact, it's fundamentally sound. We've identified performance gaps, particularly in our Tray Pack business and have activated plans already in place to correct that. Other parts of the business, they're performing well. So I said, we have a model that enables value creation. We are confident, confident in our ability to drive improvement in our results.

So, there is three takeaways. One, we have a powerful portfolio of products and brands that the market place values. And these are products, as I'll describe later, that lead their categories. We have a business model and a structure that allows the flexibility to continually value up and meet our customers' future needs and meet them at scale. We have an unmatched distribution network that enables us to service our customers more powerfully than the competition. All of these together leave us poised to capture that incremental share of value-added growth.

So, we're continuing to grow our value-added mix. We're doing it organically and we're also doing it through acquisition. In a moment, I'll talk about some of the innovative new products that we developed. Our recent acquisition are predominately value-added, products like Smart Chicken serves in that premium, branded retail market and Keystone's domestic business largely focused on quick-service restaurants and foodservice customers.

So, when I said earlier we're growing organically, inorganically with these acquisitions, Keystone, Smart Chicken that I just mentioned but also API. In aggregate, the domestic portion of Keystone plus Smart Chicken and API have added about \$2 billion in annualized net sales to our domestic Chicken segment. The acquisition of API has made us one of the largest, largest ingredient solution providers in the U.S. Smart Chicken grew our portfolio with differentiated premium attributes, such as organic and air-chilled. All of these acquisitions are performing well, and they're contributing to the bottom-line.

We're currently building a new state-of-the-art plant in Humboldt, Tennessee. We're constructing new feed mills, purchasing grain storage elevators to better service our live – integrated live operations.

All of these capital projects have strong returns. And as Noelle mentioned earlier, we're buying more and more grain direct from farmers. That's a benefit to both the farmer and to us as Tyson Foods. We are strategically upgrading our plants with equipment and technology across the network. We're doing this to improve efficiencies, optimize our mix and reduce labor. I'm specifically referring to automation, robotics, new harvest lines and data management systems. The size of our business gives us the R&D funds and a capability to go faster than our competition.

Finally, we have an unparalleled R&D center. It allows us to deliver the best-in-class innovation and be the solutions provider, that solutions provider for our customer that will give us a long-term competitive advantage. And you're going to see and have seen some of our great new products today.

Deliver, I mentioned some of the operational opportunities earlier. We have a culture of operational excellence within our company. Through continuous improvement platforms, such as the Tyson Productivity System and lean manufacturing is part of our DNA. We are seeing improvement to operating cost and efficiencies with additional initiatives that are already underway. We're continuing implementation of these across our system, in the business and we've already seen the results.

We deliver to our customer promise. Customers need real solutions, real solutions that meet consumer demands. [ph] Elani (02:00:45) with Noelle's team, whom we heard from earlier, we know what the consumer wants. We do that through marketplace data, insights, research and analytics. With our capability and scale, we're able to bring these solutions and add value as we partner, partner with our customers to benefit both their business and ours. Scale makes a real difference in this space, both from a product portfolio standpoint as well as operational flexibility and distribution capabilities. There simply is not, there simply is not another footprint like ours.

So, sustain. Just before the break, Justin talked about sustainability. I want to emphasize, we have a holistic view of sustainability. Our team members, our team members are our most valuable asset. Through signature programs, signature programs like We Care, and you heard Steve talk about that earlier in Fresh Meats section.

We have been successful, successful at improving safety, but that's not all we've done. With this program, we're engaging the team member and we're engaging them at the frontline, allowing that communication to happen to ensure we're addressing – to ensure that we're addressing all of their needs and concerns. And in doing that, we're improving retention. A stable workforce, a stable workforce is critical, especially in today's competitive labor market. I'm going to tell you, it makes a real difference to the P&L.

We are stewards of animals, the animals that are entrusted to us. We have a team of animal care experts across the company. They're responsible for research, compliance and system development. We take the issues like leg health, lighting, growing conditions and growth rates head on. We have research trials underway at the University of Arkansas and our own research farm to scientifically answer these types of questions.

Unquestionably, we are leaders in this area and we're leaders across all of Tyson Foods, as you heard Steve talk about the Fresh Meats side earlier. Product safety, product quality is a key pillar to our success. We have a robust food safety and quality system, and we are continually working to improve. Our team of food safety professionals are leaders, leaders within this industry.

We're also stewards of the land and the environment. So Justin referred to water, energy and greenhouse gas emissions earlier. I want to expand on a couple of projects, in particular to highlight our sustainability efforts. We have partnered with Auburn University's National Poultry Technology Center to open the world's largest standalone solar-powered house to be operated completely off of the grid. Through this project, we will gain new information on how solar-powered technology can improve the environmental sustainability and also profits, profits for our poultry farmers.

Our feed mill in Aurora, Missouri recently became our first commercial feed mill to use solar energy. The panels are projected to generate nearly 21% of the annual energy needed. So we're already seeing the benefits. Going solar and including the momentum towards accomplishing our 30 by 30 goal.

We have almost 4,000 contract farmers. We grow our birds, we buy grain from farmers throughout the U.S. We have a responsibility. We have a responsibility to U.S. agriculture. We have a responsibility to the U.S. farmer, and we Tyson Foods, we take that very seriously. We are leaders in sustainability. We're making bold decisions with tangible progress that will drive meaningful change in the industry, and we know it's important to both the customer and the consumer.

Tyson branded poultry, our portfolio is \$3.6 billion in sales across retail and foodservice. So, I'll break that down for you. \$2.6 billion of that is retail, \$1 billion of foodservice. We have a tiered portfolio of brands that enables us to reach consumers in different channels. And by tiered portfolio, I mean, good, better, and best. We offer the Tyson brand in various forms to meet different consumer needs whether it's ready to cook with Tyson Trimmed & Ready or ready to entertain with Tyson Any'tizers, both support our value-added proposition.

Within our frozen retail business, Tyson remains the undisputed leader of retail value-added poultry, 57% volume share. We're leading on all major segments, center of the plate, ingredient meats, snacks. Our Tyson branded portfolio is number one in foodservice with our Tyson True and Tyson Red Label lines growing double-digit year-over-year. Tyson Red Label specifically is up 15%. So whether it's retail or foodservice, consumers and operators continue to seek solutions for convenient, high-quality protein offerings. And we are poised to continue serving these needs through the renovation of our core portfolio and new innovation platforms.

On the foodservice side, we bring new solutions, such as Nashville Hot, which is not only one of my favorites, but you're going to get to try it at lunch today. Get ready, because it's awesome. On the deli business, we have our new shredded chicken, shredded chicken that addresses clear needs for both consumers and for operators.

We continue to drive value-added innovation in our retail business. You heard part of this earlier. But our new Tyson Air Fried platform taps into America's love for fried chicken. What is Air Fried? 75% less fat. Our new Chicken Chips line, which brings a successful quick-service restaurant limited-time offer to retail is a great example of scale and integration of our model. And finally, we're bringing improvements to the core portfolio – core portfolio with the launch of our crispiest strip ever, as we continue to strive for quick-service restaurant quality that consumers they can enjoy right in their own home.

So enabled by our deep R&D and culinary capabilities, which you've already experienced at the break today, our consumer, market insights, we are well-positioned to continue to drive value, value for the consumer, value for the operators, value for the retailers, and value for Tyson Foods. The point I make is our portfolio is broad. We reach across retail, foodservice. We're leading in both innovation, and our innovation is allowing us to drive growth with more value-added products.

So let's talk about our business units in the segment. So, in order for you to better understand our business segment, I'm going to provide you some detail on our structure and our model. We have four main business units. They are Tray Pack, Small Bird, Big Bird and Ingredient Solutions. Now, I'm going to define what each one of those is.

Tray Pack, it's about 20% to 25% of net sales. This business supplies mainly grocery, raw poultry in trays, individually frozen fillets, Tyson Trimmed & Ready, for example. Small Bird is 15% to 20% of net sales, and mainly supplies deli, fast food. Big Bird, 45% to 50% of net sales and supplies foodservice, schools, hospitals, casual dining, frozen retail. This business unit also supplies our fully cooked retail products like the Tyson Crispy Strips that I just mentioned earlier and Tyson Grilled & Ready. And it's key that I point out, this isn't only the largest as a percent of net sales, but it's also among our highest returning business units.

We have an integrated supply chain from live operations, all the way through our distribution network with ability to expand and contract within each business to drive revenue to the highest value products. And that is a key part of this structure as you look at it. The strength of these businesses is that they are not limited to any specific sales channel. For example, we could sell boneless thighs out of Tray Pack to a national account customer at a higher value. We could sell fully cooked wings out of Small Bird into foodservice distribution at a higher value. And we could sell Big Bird tenders into the hot deli at a higher value.

And how do we enable this? We have a revenue management team, a revenue management team that is embedded within our supply chain organization. We maximize the value of all parts across poultry. This flexibility enables us to increase the value of raw material through access, access to those higher revenue finished products.

The last of the four segments – business units in the segment is Tyson Ingredient Solutions which represents about 5% to 10% of our net sales. Many do not recognize the impact that our Ingredient Solution business has on our overall success. We are transforming, transforming low value products and making high-quality protein ingredients. We're doing that for pet treats, we're doing it for aquaculture, we're doing it domestically in the United States and globally.

Earlier I talked about the acquisition of API. These assets roughly doubled our poultry ingredient solutions' capacity, allowing us to value up the mix and capture synergies in a meaningful way. You couple this with the Fresh Meats counterpart to this business and we are one of the largest high-quality ingredient solutions provider in the U.S., enhancing the value of our scale.

Within this model, we have a portfolio of pricing mechanisms, brand equity-led pricing power, pricing mechanisms that are designed to limit our exposure to commodity markets. We utilize hedges in our tool box, such as our buy versus grow as both a natural hedge and an arbitrage, depending on the market situation. It's true. We're still subject to market pressures. But this model is designed to stabilize our earnings over time. So, you bridge these points with my earlier discussions, earlier discussions as related to operational excellence. Our operations team works to improve efficiency, yield and mixed optimization through our continuous improvement systems, and we improve cost and ultimately improve margins.

So, our vision is to competitively lead the evolution of chicken by providing wholesome, sustainable, preferred solutions. As I stated, and this is key, our process is a demand-driven model. It starts with the advantaged portfolio and innovation that gives us insights, insights into our channels, markets, products. We operate in all channels and we operate in all markets. We have a portfolio that spans the entire value spectrum from export all the way to fully cooked. The demand is realized through our diverse go-to-market strategy, which includes all value-added sales inclusive of foodservice, retail, government, deli, convenience stores among others. We think about this as any channel and any attribute at any time.

We also have a large scale infrastructure and assets to produce what we need at the most competitive cost. We are a leading player in scale, live cost, local grain purchasing and contingency capabilities. We deliver to our customer through a fresh and frozen distribution network, a distribution network that has been built over decades and will continue to be improved with our distribution network of the future.

This multi-year plan will enable a customer to place one order for any Tyson Poultry or Prepared product that is shipped on one truck with one invoice. We also recently completed construction of two large warehouses, one in Georgia, one in Pennsylvania, with another under construction in Texas. These will optimize our logistics footprint,

will reduce cost. And these projects are just examples of advantages that scale brings and the efficiencies that it creates.

We have a powerful portfolio of products, a powerful portfolio of products that the marketplace demands, brands that the customers and consumers trusts, brands that have real pricing power. We have a business model and structure that allows flexibility to continually value up and meet our needs at scale. Our business units as you saw are interconnected and it enables us to maximize value by strategically moving products from one business unit to the other. We have an unmatched distribution network. It enables us to service our customers, which should allow us to produce at the most competitive cost.

So, I want to reiterate, we have a solid vision for Tyson Poultry, a vision that's built on our strategy of grow, deliver, sustain. We have a powerful portfolio of trusted brands. We have a team of experts throughout the organization. We have a model that creates value and we are confident. We are highly confident in our ability to drive improvement in our results.

Next, I'd like to introduce Mr. Donnie King, Group President of International.

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## Donnie King

*Group President, International & Chief Administration Officer, Tyson Foods, Inc.*

Good morning, everyone. Thanks, Chad. I'm pleased to be here to tell you why International is a key part of our growth strategy. I've been in the protein industry for a long time and I've led many segments of Tyson Foods, including shared responsibility for our export business.

I recently returned to Tyson Foods after being away for a couple of years and here's why. Very simply, I believe our International business is in a better position than ever to grow and to add value. The future is very bright. We have a global platform of operations, channels, international and local customers, unparalleled resources and capabilities, in-country innovation and insights in a comprehensive portfolio of products. We are positioned to unlock the opportunities now and in the future.

Here are important points I want you to know, the key takeaways. Number one, our new International model is demand-driven across protein segments that includes Beef, Pork, Poultry and Prepared Foods. We will meet demand with locally relevant products, innovation and invest organically and inorganically to drive growth. Customer alignment is crucial. We leverage our relationship with strategic customers. We're also leveraging our global network of resources, capabilities and scale to source, produce and sell products across markets.

And finally we'll succeed as One Tyson using all of the global resources we have available to provide our customers with solutions. So, why is the International so important to us right now? Consider these numbers, over the next five years, it is estimated that nearly 98% of protein consumption and growth will occur outside the United States. Another important fact, about 70% of that growth will be from Asia. That's why we're growing our business outside the U.S. As the world population continues to grow, Tyson will grow with it.

So, here's how we get there. We continue to optimize our existing International operations. We're expanding our presence through strategic acquisition and we've developed a global sourcing model that we believe will be very effective in reaching key markets and customers.

We're focused on matching priority supply markets with priority demand markets across multiple proteins. We are doing this by understanding and responding to the preferences and taste of International consumers we're

servicing. The key supply markets include the United States, Brazil, Thailand and Malaysia and key demand markets are China, Korea, the Middle East and Mexico

Korea, the Middle East and Mexico.

In recent years, we've mostly been a participant in International markets through exports from our U.S. based operations, plus our operations in China and a joint venture in India. We previously used what I would call a push business model, focused on supply in underdeveloped global markets and distribution channels.

We competed for volume in these markets on a price-cost basis and our export volume was driven by excess product and availability. But now, we're optimizing these existing operations. We have a solid foundation for our International growth. And we're seeing improved performance and profitability from our existing International businesses. For example, in China, Tyson-branded Chicken experienced a 34% growth and 25% growth in revenue between fiscal 2017 and 2018.

Our e-commerce business is also expanding there. We saw an 82% increase in volume and an 83% increase in revenue between fiscal 2017 and 2018. While we've been in the International market for decades, recent acquisitions have significantly expanded our presence. We've acquired new businesses that are opening new markets. We're building on our foundation extending our network of resources and capabilities. As a result, International sales today total \$7 billion. We have approximately \$2 billion that are in-country sales and with U.S. export sales of about \$5 billion.

Over the past eight months, we've made two acquisitions, Keystone Foods and the BRF businesses in Thailand and Europe, providing access to demand in high-growth markets. These acquisitions expanded our International operations from two countries to nine. This gives us access to demand through in-country production, as well as exports to many global markets. In fact, it's given us an export platform from seven new countries.

Through our acquisitions, we have new assets, capabilities and products. Like the branded value-added chicken you see here, that give us ability to meet the global demand like never before. We now have end market teams that will use consumer trends, data and insights to drive our innovation platform and bring relevant products to market. Even though the food business is becoming more global, we know that demand is still local and we can now serve that local demand from a number of supply markets. This new capability, coupled with our deep insights into the U.S. and non-U.S. markets, will position us to win around the world.

We're also developing a more flexible supply chain and mitigating volatility of our previous model, which relied primarily on domestic consumption and exports from one country. Our new resources and capabilities have enabled us to create a global sourcing network. It is a pull, our demand-driven model instead of the push model we previously used. We're able to stimulate new product innovation and create products that are relevant to the local areas we serve. We have access to talented in-country teams, who are helping us to serve new customers, channels and geographies.

We've demonstrated a variety of capabilities, including the local innovation to serve in-country and export demand with a wide variety of products. This means we can make globally and source locally so that we're able to address needs of global customers and local customers utilizing a comprehensive portfolio of products.

Here is an example of One Tyson in action. We can now serve demand in Japan with Beef, with Pork, with Chicken, with Prepared Foods from our U.S. operations, Beef from our Australian operations and Poultry from our Thai operations. In other words, we have supply chain flexibility. When it benefits our customers, we will serve as

raw material from a third-party supplier, for example, Brazilian poultry to Japan, or Brazilian poultry to the Middle East. So, let's say for a moment that a tariff makes it impractical to export from the U.S. We'll meet customer needs by exporting from another country that has market access and we'll also leverage intermediary conversion markets to upgrade products and serve locally relevant demand. For example, U.S. leg quarters, deboned in the Philippines, portioned in the Philippines, fully cooked and into the end destination or the demand market. Our global reach now opens new markets and new sources for meeting demand. So, that's the overview.

I'm sure you'll all have questions during the Q&A and I look forward to hearing them, but I want you to remember our key takeaways. Number one, our International model is demand driven across protein segments and includes Beef, Pork, Poultry and Prepared Foods. Number two, we will meet demand with locally relevant products and innovation and invest organically and inorganically to drive growth. Number three, customer alignment is crucial. We will leverage our relationships with strategic customers. Number four, we're leveraging our global strategy to source, produce and sell products across markets. And finally, we'll succeed as One Tyson providing solutions as a company, using all the global resources we have available to us to provide customers with solutions.

So, this is our vision, to be one company operating globally. We have the insights, we have the innovation, we have the talent, we have the brands, and we have the customer relationships. We have all the capabilities of our Fresh Meats business and Prepared Foods businesses, as well as our Poultry businesses and we have the flexibility of a global supply chain. It is exciting to bring all these strings together. It's a powerful combination that makes us different and it's the reason we're going to win in the marketplace. Thank you.

And now, I'd like to introduce Stewart Glendinning.

Come on down.

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## Stewart F. Glendinning

*Executive Vice President & Chief Financial Officer, Tyson Foods, Inc.*

Thanks very much. Cheers, Donnie. Donnie loves it when I say cheers. So, I like to do with him. Right. Good afternoon, everybody, or good morning. Thank you for coming today.

What you're going to hear from me today is that we have a history of delivering strong financial performance. Tyson is a flywheel of cash generation and reinvestment for growth. Our capital allocation is focused on driving the highest returns for shareholders and our balance sheet gives us options for growth and the advantage of a long-term focus. There's no mention this morning, we have a solid track record of growth. Our five-year operating income CAGR is 19% and our earnings CAGR is a strong 22%.

Now, let's dive a little deeper and look at the performance within our Prepared Foods, Beef, Pork and Chicken segments and our outlook for fiscal 2019. I want to recap some of the guidance that I gave you in our last quarterly call and speak to the factors that are driving those estimates

Prepared Foods' adjusted operating margin outlook for fiscal 2019 is between 10% and 12% and we expect raw material cost increases in the back part of the year will be recovered through pricing over time. While many of our sales contracts are formula based or shorter term in nature, there may be a lag time for price changes to take effect. In the Beef segment, we believe that beef margins will be approximately 7% in fiscal 2019, driven by ample supplies in regions where we operate our plants.

In the Pork segment, adjusted operating margin outlook for fiscal 2019 is in excess of 6% and hog supplies are expected to increase 2% to 3% in fiscal 2019 year over year. Additionally, we expect an increase in livestock

costs in the back half of fiscal 2019 versus the prior year and there may be periods in which costs rise faster than price recovery. However, we expect to see price follow demand and we believe that demand will be positively impacted by African Swine Fever. These benefits are expected in late fiscal 2019 and beyond.

Our adjusted operating margin for the Chicken segment is around 6% with USDA projecting an increase in Chicken production of about 1% in fiscal 2019 compared to 2018. As for International and Other, just a few weeks ago, we closed on the acquisition of the BRF assets in Thailand and Europe and we're already well on the path to integrating those assets. I'd like to add that our legacy International business is profitable and I'll wrap up 2019 by reminding you of our May 6 EPS guidance of \$5.75 to \$6.10 and I'll update this in our segment guidance on our next call. I'll also update you on our next call on our recent SAP implementation for a portion of our company.

We went live about six weeks ago and as with any effort of scale, we should expect some headwinds that will occur during the implementation process, and we remain focused on issue resolution, if any, that occurs.

Now, looking forward to fiscal 2020, Prepared Foods is expecting higher input cost as a result of African Swine Fever and global impact. And in the Beef segment, we expect ample cattle supplies in our regions. The environment in Beef looks similar to or better than fiscal 2019. Pork is expecting improved pricing as China starts to import, creating global reallocation of protein supply. Chicken is likely to be the clear winner with this disruption created by ASF, and we expect that demand could be strong.

We're excited about our success in elevating our performance, and looking at this chart, you can clearly see why. All the actions taken have resulted in meaningful returns for our shareholders. Looking at the past 10 fiscal years, Tyson has delivered a total shareholder return of 695%, this compares to a 328% return from the S&P 500 over the same timeframe and a peer group average of 254%. Our return to shareholders will accelerate with our valuation.

We can continue to build on that performance as our strategy and strong fundamentals will lead to long term value creation that the market can appreciate. The strong foundation for long-term success is supported by our cash generation capability. In fiscal 2019, we expect to deliver almost \$3 billion in operating cash flow. This would equate to a five year operating cash flow CAGR of approximately 20%. And after adjusting for our planned capital expenditures and dividend payments, we expect to generate roughly \$1 billion of free cash flow in 2019. And that's a metric that has also grown at a compound annual growth rate of about 20% over the last five years.

Now, we take pride in being good stewards of capital, as we seek to allocate funds in a manner that we believe will drive the highest return for shareholders. We take a balanced approach across our capital allocation priorities. First, reduce or maintain debt levels so that our balance sheet remains strong and provides us with financial flexibility. Fund our dividend commitments with optionality to increase the dividend over time. Repurchase our shares by making opportunistic purchases in addition to offsetting long term incentive programs. And, of course, invest in our growth through CapEx and the pursuit of M&A.

Now, let's start by looking at our historical commitment to this balanced approach. Our net debt-to-EBITDA ratio is 2.9 times at the end of March 2019 and we're very focused on debt reduction and trying to achieve our target level of 2 times. We had \$300 million of debt come due at the end of May and we have another \$1 billion coming due at the end of August and we expect to address that with our cash flows, as well as with existing our new short-term liquidity as needed to align with the timing of those maturities. For the remainder of the fiscal year, this will be our primary capital allocation priority.

Now, I'll go into M&A more in a little bit, but it has played a key role in how we have strategically grown our business. In addition, we continue investing in growth and efficiency projects with our historical CapEx showing double-digit returns and we remain committed to generating CapEx returns in excess of our cost of capital. We currently expect to deploy capital for organic growth through CapEx in the range of \$1.3 billion to \$1.4 billion for this fiscal year.

Now, I want to be clear that next year, in fiscal 2020, we plan to scale back our spending to the \$1.1 billion to \$1.3 billion range, while still spending at a rate that is higher than depreciation.

Our current quarterly dividend is \$0.375 per share or a \$1.50 annually. And, of course, we have the ability to increase our dividend at the discretion of the board. In fact, we've increased the dividend by 122% over the past five years. And we project that by the end of fiscal 2019, we will have returned almost \$1.3 billion via dividends to shareholders over a three-year period.

Now, here's a great statistic on our share repurchases. You're going to like this one. We have repurchased nearly \$4 billion of our shares over the past five years and the purchase cost of those shares is about \$1.9 billion less than today's market price.

Now, I hope you're getting a sense for the multiple levers at our disposal to generate strong returns and to drive growth. A significant part of our capital allocation and the ongoing Tyson transformation has been driven by M&A. In addition to financial returns, we evaluate potential opportunities through four consistent lenses. First, new brands; second, new capabilities; third, scale and synergy; and four, new geographies and markets.

Another aspect of how we manage our portfolio and something you've seen us do recently is our willingness to divest non-core and non-protein based brands and products.

Looking back, what kick started our transformation of Prepared Foods was Hillshire in 2014. It gave us more diverse business models and a diverse portfolio with more iconic impactful brands. We get more effective and efficient with each acquisition and we're building a strong record of successful M&A.

Now, let's take a minute to look at a few recent deals focusing on the fit of each of those within our criteria. First, the AdvancePierre, AdvancePierre closed June 2017 for \$3.2 billion and while this didn't bring significant consumer brands to the portfolio, it did introduce new capabilities, scale and synergy and new geographies and gave us a powerful position in foodservice. Smart Chicken closed in July 2018 for \$382 million and gave us new capabilities and established us as a leader in the organic chicken market.

American Proteins closed in August 2018 and brought us high-quality assets that will aid in the stabilization of earnings in our Chicken segment as we achieve our synergies and develop the business. Keystone closed November 2018 for \$2.3 billion and as Donnie indicated, Keystone is an important step in our growth strategy, especially in the international markets. It also checks many of the critical boxes in our M&A strategy, new capabilities, scale and synergy, new geographies and markets. The BRF Thailand and EU assets closed June 3 for \$340 million. This checks the boxes on new capabilities, scale and synergy and importantly, on new geographies and markets, building on Keystone, as Donnie described. In fact, between the two acquisitions, we have established a real platform for global growth.

As I said, scale and synergy is one of the lenses. We targeted more than \$650 million of savings over a three-year period that includes the synergies and the Financial Fitness savings and we are on pace to meet or exceed our target.

Now, taking a look at our financial goals, we believe investment grade credit ratings are very important. We focused on debt reduction, we've used debt as a tool to fuel growth and we still have a strong balance sheet. Our balance sheet gives us the options for growth and its health allows us to remain long-term focused. Our M&A approach will continue to be very disciplined and we won't over-pay. Of course, our ultimate goal is to create long-term shareholder value and we will continue to allocate capital to the best of the alternatives, while still using all of the levers.

Our growth algorithm continues to be high single-digit earnings growth and targeted value-added growth greater than 3% per year. Ours is a model for sustainable, profitable growth and the core tenets of our financial strategy are to build up our history of delivering a strong financial performance, to leverage our flywheel cash generation to invest for future growth, to focus on driving the highest returns for shareholders through prudent capital allocation and continue to strengthen and utilize our balance sheet to pursue profitable growth opportunities.

Thank you. And now, I'll ask Noel to come back for some concluding remarks before we begin the Q&A. Thanks very much.

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## Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

All right. Thank you, Stewart. Before we move to Q&A, I want to reiterate a few key points today. We have a global platform of operations and channels, strategic, global and local customers, unparalleled resources and capabilities, in-country innovation and insights and the diversity in portfolio of proteins and products. We're positioned to unlock opportunities now and into the future.

Again, thank you for your time today. I'd like the team to come back up to the stage for Q&A. And after we get the people seated, we'll open up for Q&A. Thank you.

## QUESTION AND ANSWER SECTION

A

Okay. Awesome.

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A

Good.

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A

Thank you very much.

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**Noel W. White**

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Okay. Yes, Rob.

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**Robert Moskow**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Hi. Thanks. Rob Moskow, Credit Suisse. Noel, I think what stands out in this presentation from the past is much more emphasis on International through acquisitions mostly. In my experience, Tyson has always struggled internationally. Can you tell me a little bit about what you've learned and what the company has learned through those challenges? Why the increased interest in International now? I know most of the demand growth globally comes from International, but...

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**Noel W. White**

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Right.

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**Robert Moskow**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

...that's been the case for a long time. So, what should give us confidence that you can execute on this better now than in the past?

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**Noel W. White**

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Okay. Yeah. First of all, I said we have learned a lot over the course of the last 10 or 15 years and you and I had a short discussion at break and I explained a few of those. Donnie, I'll let you talk about, I believe, is a two-part question. Okay.

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**Donnie King**

*Group President, International & Chief Administration Officer, Tyson Foods, Inc.*

A

So, good question. So, for me, it's – I was around Tyson for a lot of years and I think you start with the business model that we had and we had a strategy of somewhat of build it and they will come and as I've mentioned in my remarks, talked about a push model, which to me is predominantly a commodity market and that was the model that we employed. Over the years, I guess, my takeaways [ph] in studying it (02:44:35) since coming back is that there're some things that are critical that you need to make this work. When you need a demand model, you got to have a customer that really wants your product and we have a number of strategic global customers out there that we do business with and that is mission critical to have, you have to have a pull model, so it's a demand-driven model. You also have to have scale. You have to have a talented team, and we put our team in country in these new acquisitions, that's a little bit different than we've done in the past. I'd give credit to those who have gone before me, Sally Grimes and the team that she put it together. I mentioned the growth in the Tyson brand at retail in China. I mentioned e-commerce there. She led a group that really started that and it's just now got traction. But those are some of the key takeaways from learning that. It's demand driven. It's alignment with customers. It's having a great supply chain and executing at a very high level.

**Kenneth Goldman**

*Analyst, JPMorgan Securities LLC*

Q

Hi. Ken Goldman with JPMorgan. Two for me. Chad, I wanted to ask you about the slide you put up, so, at least, in the slide deck, I have slide 80 that show the Chicken segment businesses. You broke them down Tray Pack and so forth. Can you help us out a little bit with where further process start is in that slide deck and that slide itself rather and the rendering business in terms of percentages and so forth? And then, Stewart, I wanted to ask you about the SAP comment. It sounded to me a little bit cautious, perhaps you were trying to let us know this is going to be a little bit of a headwind. Can you just elaborate a little bit on what your messaging was there?

**Chad Martin**

*Group President, Poultry, Tyson Foods, Inc.*

A

Yeah. So – Thanks. On the first question, as we look at the segments and where further process falls within the division of the segments is Big Bird/Retail that pulled out 45% to 50% of the net sales. That's the business unit that houses further processing, fully cooked when you think of Tyson retail red bag in the store, but also that foodservice plate, that's a bulk majority of it. There is some of it. It's also I want to foodservice and the Tyson True, that comes out of a small bird, premium fillet, highly valued within the foodservice category. So, although it leans more into the big bird/retail and what we've termed in the past as RVAP, there's some of it in the further processing within small bird also.

**Stewart F. Glendinning**

*Executive Vice President & Chief Financial Officer, Tyson Foods, Inc.*

A

Yeah. So, Ken, comment on SAP, yes, I'm just calling it out so that we come to the quarter, I'll have a better picture. At this point in time, we've been live for six weeks and we saw some of the normal bumps that you might expect in large implementation. We are completely on top of those now and I will have more news at the quarter, but it's not something I'm lying awake at night worrying about it being a long-term issue. This is a sort of a very normal implementation.

**Benjamin M. Theurer**

*Analyst, Barclays Capital Casa de Bolsa SA de CV*

Q

Hi. Good morning. Ben Theurer from Barclays. So, just coming back on the International and then, a very interesting slide for the future is One Tyson and the sourcing you're planning, so just to understand better particularly resourcing from South America, Australia which you put up on the slide. Could you elaborate a little bit with whom you're going to work together and how you're going to actually work on that sourcing strategy to fulfill that, [ph] what (02:48:23) more of the pull strategy and not so much of push strategy you've just mentioned?

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Let me just start out by saying that we have a number of opportunities in front of us and some of us have spent a significant amount of time travelling in the last couple of years. And it's a matter of picking and choosing. Those opportunities are most advantageous both from a supplier standpoint, as well as a geographic standpoint. So, that was a position I was in prior to my current position. Donnie has been onboard for some time. He's also spent a fair amount of time traveling. So, we know the regions that we want to be in. We have a good sense of either potential targets or partners. Donnie, I'll let you talk a little bit more about.

Donnie King

*Group President, International & Chief Administration Officer, Tyson Foods, Inc.*

A

Sure and I mentioned this and I called it One Tyson. To me, the – we've had a number of acquisitions and that gives us opportunity that we didn't have before, we've got scale that we didn't have before. But the greatest opportunity here and what you're referencing is going to market with the family of Tyson brands that we have in our portfolio and starting there with the consumer and working back to the supply chain. Good news is a number of those raw materials that we need will come from existing Tyson facilities. But I would – just to be clear, we source presently product from Brazil and into the Thailand or into Europe, we do into the Middle East and that was just one illustration of that.

But the global sourcing is about optionality. It's about the ability to take in consideration. You have major supply markets in the U.S. and in Brazil, but you have major demand markets and growth over the next five years in Asia. And marrying those two up and turning those from commodity based products into branded Tyson Chicken or Jimmy Dean or Hillshire in the marketplace as a finished product is the unlock for us. But we literally could consider a tariff or some non-tariff type trade barrier that were to come up, we would have the optionality. Today, in Tokyo, for example, instead of bringing boxed beef in from the U.S., we could bring it from Australia and then we continue to service our customers in that way. So, we're starting from a demand perspective and working back through the supply chain and looking at all the options that we have before us to be able to service our customers.

Jeremy Scott

*Analyst, Mizuho Securities USA LLC*

Q

Hey, thank you. Jeremy Scott, Mizuho. Just on African Swine Fever, I just wanted to clarify your comments. I think, Noel, you had mentioned that 4Q 2019 was going to be the point of inflection and then into next year and I think there is – it seems like there is businesses where you're going to be setting the price and then, there is businesses where you're going to be getting the price. I just wonder if you can clarify segment by segment just how you see that flowing through. And then, separately on Prepared Foods, I just wanted to ask how you are going to balance pricing with being aggressive on taking market share?

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Sure. The comment earlier on Q4 of 2019 or Q1 of 2020, what we're expecting is for a step-up in demand later this year, sometimes starting August, September, October that's typically when prices start coming back down.

There are some sizable inventories in cold storage in China. They have been in the market, but not to a large extent yet, So, there has not been a great deal of product, 112,000 metric tons and...

A

No, about 240,000 metric tons as far as what's been bought, but what's shipped is about 80,000 metric tons.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Right. So, there's not a significant amount of product that has actually been shipped, but there has been a great deal of interest. So, I think we will see inventories start to clear sometime late summer, early fall that's when the buying interest, I think, will step up. That product will be produced in the market sometime later this fall, which is the reason that I said late Q4 for us or Q1. It's at that point in time that I think that we'll start seeing the pricing impact in the raw material market. What we saw this spring was hog prices actually rise prior to run-up in product prices and there was some compression in margins, that's come back into equilibrium, but I would say that the true impact is going to be later this fall for shipment near the end of the calendar year, arriving sometime prior to Chinese New Year.

A

Noel, we have a question from the web. We've been asked if we've seen an acceleration in demand over the past few months?

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Yes, absolutely. When you look at our performance of our core lines businesses, if you look at over the past year, we continue to gain momentum as we go into the latest quarter. You can see that across the total line, but in addition to that, as you look across all of our key categories, we see significant momentum continuing to flourish. One particular example Ball Park, [ph] just one (02:54:25), the Memorial Day holiday, coming out of that, gained 1.5 share point. So, we'll continue to see increased momentum as we look at continued innovation that we talked about today.

Alexia Howard

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Hi, there. Alexia Howard from Bernstein. So, two questions, earlier in the presentation, it looks as though from the pie charts you have big aspirations to increase your proportionate share from Prepared Foods by 2023. How are you going to get there? It looks as though it's not all going to be organic growth, there has to be some M&A activity in there. I'm just curious about where you're thinking about those deals might be located, the criteria that you're looking for in Prepared Foods? And then, the second question is, there were a few references to improving the resilience and lowering the volatility of earnings, particularly I guess within the more commodity parts of the business, obviously, expanding exposure to Prepared Foods helps. But could you just give us a little bit more on what has been achieved so far to reduce that volatility and what else can be done? Thank you.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Sure. First of all, I would say that there are significant opportunities for organic growth within our Prepared Foods business. I think that Noel and her entire team have done a tremendous job in expanding our portfolio of products under a number of our existing brands. Of course, we're always open to inorganic growth opportunities at the right price. So, Stewart mentioned that we would be fiscally responsible in what we'd be paying for brands and frankly, we've not found those opportunities. In the meantime, we do have a number of organic growth opportunities that we fully plan on executing and growing organically, but inorganic growth could certainly be a part of that.

Stewart F. Glendinning

*Executive Vice President & Chief Financial Officer, Tyson Foods, Inc.*

A

Yeah. Maybe just one caution from the CFO that that chart was purely illustrative, you shouldn't try to like download it from the web and figure out how much it's going up or down, right, it's just really directionally speaking to where we're going.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Okay. Let me answer the second part of the question as well. Steve, I'll let you chime in as well and Chad. So, there's a number of examples that we can give you as to how we decrease the volatility and some of what historically has been more of our commodity-oriented businesses.

Steve mentioned the growth in our value-added processes in our case-ready operations as an example. And there's some other, I'd say, fairly significant opportunities that Steve has in process that that would be similar to that. And, Chad, I'll let you add on after Steve.

Chad Martin

*Group President, Poultry, Tyson Foods, Inc.*

A

Okay.

Steve Stouffer

*Group President, Fresh Meats, Tyson Foods, Inc.*

A

Well, I mean – so you look at all the components of our business and what we have is we have longstanding customers who are finding ways to get deeper into their business as well, which – as we get closer we get back to that conversation about being closer to consumer play. And as we do that in conjunction with our customers, again, whether it's in the hide and leather business, whether it's in our fats and oils business as an example. There's other opportunities that come up that's not just meat-centric. Although meat-centric is important too and those brands that we're engaging in this process helped change that model as well.

So it's an incremental change across the entire spectrum of our business. So that's why you can't point at one thing and say, this is exactly why this is changing. We know it's changing, but it's changing in bits and pieces. And each one of those pieces is extremely important.

Chad Martin

*Group President, Poultry, Tyson Foods, Inc.*

A

So I look at that within this business and I talked about in the presentation the value spectrum. So we think in the world of chicken, the most commodity exposure in the past has come from the commodity leg quarter export. What's happening over time within that, we're moving more and more products up that value spectrum into the fully cooked, into the part-fried rotisserie.

Matter of fact in the U.S. today, we're seeing more and more demand for dark meat, so we can value up that leg quarter. But in addition to that, using those levers that are in our tool box from a pricing power standpoint, buy versus grow that you've known is part Tyson for many years is still alive and well. And that helps – using those levers helps protect us and they continue to value up our mix.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Let me give one more example. The API acquisition that we made in a year ago, and I was visiting with a couple of people at break. There was also some strategic thought behind that. It's not just surrendering business that we're upgrading byproduct values. But within that business, when we sell the proteins out of that business, there is a very high correlation of the protein prices with the prices of grain. So as grain prices go up, the sales value of what we're selling goes up as well, which helps offset the increase in grain prices. So when we look at valuing up, we look at it both from a tactical as well as strategic standpoint, and in this case, it answered both for us.

Adam Samuelson

*Analyst, Goldman Sachs & Co. LLC*

Q

Adam Samuelson, Goldman Sachs. A question on the medium-term financial targets. And so at the corporate level, the target of high-single-digit EPS growth in north of 3% value-added growth was reiterated. That's been out there for a few years. There weren't any specific targets at the business level. And I'm wondering if we can maybe drive in a little bit on the margin or growth expectations that you have by business unit. And specifically in the Poultry business, maybe talk about the margin opportunities in some of the different verticals that you laid out, Chad, where the Chicken business is operating a level today that's notably below where it was a few years ago and trying to think about the path and likelihood that we can get closer to the prior peak levels?

Chad Martin

*Group President, Poultry, Tyson Foods, Inc.*

A

Yeah. Okay. Thanks, Noel. Look, the answer on the algorithm is it that's our growth algorithm, right, and you should expect to see that over the passage of time. We want to be consistent on that.

With respect to the individual business units, as we get into the new year, into fiscal 2020, we'll do what we've done in previous years. We'll give you guidance with respect to individual return on sales for each of the businesses, so you can start to get a sense of how the whole comes together. We're just not at that point yet to give you that forecast.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Adam, it's difficult to actually give that because within each of our businesses there's different percentages within the businesses themselves. So it's not that Steve might be at 3% and Noelle at 6% and Chad at 2%. We have specific goals within the businesses. They all roll up to the 3%.

Chad Martin

*Group President, Poultry, Tyson Foods, Inc.*

A

So the second part of your question was the gap that we've seen and that really goes back to the discussion that I had at the earlier part of the presentation. These operational gaps that I discussed and to peel that onion back just a little bit more, when I'm saying operational gaps, I'm talking about labor, efficiency, yield. We've gone after that and the action plans that we put in place are starting to raise that back up. After that we'll continue to value up through the value spectrum to gain more margin on products going forward. So we have a path to improvement.

Brian Callen

*Analyst, Bank of America Merrill Lynch*

Q

Thank you. Over here. Brian Callen at Bank of America. Stewart, I appreciate the comments on the debt management for fiscal 2019. Can you talk a little bit bigger picture on the pace of deleveraging, getting back to that 2 times leverage target? We haven't been there since I think the first half of 2017. So maybe as it relates to Alexia's question on M&A. And how you think about pacing and maybe the sources of deleveraging?

Stewart F. Glendinning

*Executive Vice President & Chief Financial Officer, Tyson Foods, Inc.*

A

Yeah. Well, look, let's go back to – key message was at the back half of this year real focus on deleverage. Our target is to try to get back in the sort of 18-, 24-month timeframe. That's the discussion we've had with the rating agencies.

The reason you haven't seen the number go back down is of course as we push the number down, we've seen some good opportunities to acquire and that of course has put us back up again, but along with that has come more earnings, more capability, et cetera that the business and the shareholders kind of, of course, appreciate.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

[ph] Ken (03:03:39)?

Q

A couple of questions. Donnie, what is the function of a Chief Administrative Officer? Just to know if that's an advisory role and what do you actually do in that role? That's the first question.

Second question is can you talk about how you are positioned, your portfolio is positioned for the recent run up in corn prices? And how that kind of positions you going forward?

And then my third question is can we put some numbers around how much the tray pack business cost you over last year and when will you actually return and do we just include that in 2020? How do we think about that? I'll leave it there.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

All right. You want to handle the administration question first?

Donnie King

*Group President, International & Chief Administration Officer, Tyson Foods, Inc.*

A

That's a really good question. I'm still learning about it as well, but – so a lot of the functions that really fall outside the normal, there are things like buildings and grounds and aviation, transportation, warehousing, team member safety as well as food safety. They're just a litany of different businesses in there, but best I can tell is all that stuff nobody else wanted. And so...

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

So we did consolidate all of those responsibilities. They were spread through various [ph] ELT (03:05:06) members. So we brought all that together and those various functions now report underneath Donnie and he has somebody that helps him with many of those areas, since a lot of his time is spent on the road today. So we've seen some sizable benefits in doing that.

And the second part of your question was...

A

[indiscernible] (03:05:31)

Q

Corn.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

...corn. As we've said in the past, we do not take speculative positions on corn or grain, but we do have an active rich risk management program. So if we have a customer, as an example, that wants to take a position, we will do that and then that customer bears the pricing risk of that.

Typically, we will have coverage for 60 to 90 days, which is not unusual. By the time that we buy the grain, transport the grain, and then by the time you feed the chicken that translates into several months. So it'd be fair to say that through the end of this fiscal year, we are well covered and normally we don't take a position much further than that. And this case is we have not, and particularly being into a new crop year. So as you move into October, November, December, normally we are open. We're not any different this year. So we don't speculate and we don't take extraordinary positions, either extending our position or shortening. So we are very consistent on our grain purchasing programs. And we talked about a mark-to-market adjustment in our last quarterly call that was to the large extent due to customer coverage.

Chad Martin

*Group President, Poultry, Tyson Foods, Inc.*

A

So the third part of the question was tray pack. In the tray pack business, so you take everything that talked about from the operational gap. We see about 200 basis points. The plan and action plan that we put forward, I look for that to be continually improving over the next 12 months. We're already starting to see improvements today though.

A

Noel, we have a question from the web, relating to alternative protein. What other products are in the pipeline and what is the timing for both retail and food service product offerings on your new launch.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

So it's a long list but Justin will answer the question.

A

Justin Whitmore

*Chief Sustainability Officer, Tyson Foods, Inc.*

Yes, I'll take the second part of that question first. We plan I mentioned to this -- I mentioned this earlier to show up in retail and food service. We're going to be where consumers shop and eat today at a scale that's meaningful and impactful for consumers which means we have to go through multiple channels and use the relationships we have in place today to make that done or get that done quickly.

A

On the first part of the question. I'm not going to go into specific categories at this time, except to say that we will play across our brands. So not just Raised & Rooted but across our flagship brands and we will play in a variety of categories that meat eaters love today familiar forms, familiar flavors, familiar experience with this new capability sitting across our flagship brands and within new brands that we're launching like Raised & Rooted. So I think that covers that we won't go into the categories but expect that to all happen by the way starting in this next 12 month period of time, so, we're moving quickly.

Michael Piken

*Analyst, Cleveland Research Co. LLC*

Hi. Michael Piken from Cleveland Research. A couple of questions, on the alternative proteins, what is sort of the long-term margin profile, compared to maybe the rest of kind of the Prepared Foods business? And then, secondarily like if you're thinking about your advertising campaign or marketing spend for next year, are you planning to increase the overall marketing budget or are you going to shift maybe some dollars from your traditional products over to alternative proteins? And then, the other question I have is just in regards to the beef packing capacity overall. You talked about structurally higher margins. I know there're some out of position plans to shut down in the U.S., but do you envision any scenario where we might start to see some additional beef packing capacity come back into the U.S.? Thanks.

Q

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

Justin, do you want to talk a little bit about the margin structure initial cost, longer-term costs and then, we'll let Noelle talk about the spend?

A

Justin Whitmore

*Chief Sustainability Officer, Tyson Foods, Inc.*

Yeah. So you asked relative to Prepared Foods, we expect this business over the long-term to be accretive to Prepared Foods. Now, what that looks like we're not getting into those numbers today, but we expect this business to contribute to Total Tyson in a way that's meaningful and adding to our profit profile. And we'll be able to do that both from a branding and pricing perspective, but also as I mentioned earlier our supply chain is in place today. The large majority of what it takes to be successful in this marketplace, we don't have to go build and the components that have to be built, we're on a level if not advantaged playing field as we'll be working with suppliers and input players that we've worked with for a long period of time. So I expect this business to be one that's profitable for Tyson Foods over time. And I think Noelle, you should talk about the approach on ...

A

Noelle O'Mara

*Chief Marketing Officer, Tyson Foods, Inc.*

A

Yeah. From the marketing perspective. Happy to. So, well, I won't necessarily get into specifics in terms of level of spend. I will say that you will see a commitment from us in order to ensure that we're driving the awareness and the trial that you would expect us to drive on a new brands like Raised & Rooted, while continuing to support our flagship businesses.

Justin Whitmore

*Chief Sustainability Officer, Tyson Foods, Inc.*

A

Can I have one...

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

...let me add on to that because I mentioned to the group on break that our marketing and promotion funds – we have a greater spend in fiscal 2019 than we did in fiscal 2018, we did increase our MAP spend and it's paying dividends. So, we made the right decision the investment choices that Noelle and her team have made are paying off and we intend to fully compete in the alternative protein space and if that needs that we need to up our spend again we will because we will compete in the space.

Q

Thanks. Steve, you talked about the structural changes in the beef industry. I wonder if you could talk about the changes in the pork industry. Obviously, we've seen some vertical integration in the last couple of years, it's driving some odd distortions in the market today. What are the longer term implications here? Do you need to shift the model a bit upstream or downstream to accommodate this?

Steve Stouffer

*Group President, Fresh Meats, Tyson Foods, Inc.*

A

Well, I think bottom line it's just the evolution of the business, right. So you go look and you see where – particularly where pork has been successful and moving up the value stream. And then you take a look at beef and beef had a bit of a headwind in 2004 that we've now as an industry and as a company have overcome and as we've seen the ramp up – gets back to the conversation, I had earlier about the diversity of the portfolio.

So, exports are a key driver that helps that whole model long-term and as we've gotten to critical mass that 13% of total U.S. production is a key component of that then you throw on top of that, the fact that we're doing much more through our value-added and case-ready segment of our business, which that incrementally is taking us more out of the commodity space in general as well. The thing to remember is in this business is as you margin up in those other spaces that doesn't necessarily mean that you're going to prevent the cattle cycle from happening, but what that does mean is when it does happen you are in a better position to make sure that you can keep that supply line coming to you, right. Even though it might be a smaller supply pool to pull from, but if you got better revenue stream coming out of the backend that means that you're a much more – you're much better competitor on that front end side of the equation and you can weather the storm much better. That's what the pork industry has done. That's what the industry on the beef side, that's what we're doing in the beef industry today by doing all the things that I talked about earlier.

And I think we need to answer one other question in the beef space relative to capacity. We have seen beef – there's only one plant that I can think of [indiscernible] (03:14:06) that's not back up and running that has been closed in the last four years. So, when you go back and look at the space, it doesn't matter where it's at. I mean, you look at the one in South – in Southwest Californian, you look at the one in Aberdeen and you look at the one Tama, Iowa, you look at the one in Corpus Christi. Those plants are all up and running. The one in Tama never used to be a fed plant that is today. There's only one plant that's in Southwest Texas that was closed and has not opened in the last – and that's going back into the history of about five years or six years in the industry here so. So, capacity actually has not seen substantial contraction as far as the available capacity that's out there. So, I just want to make sure we threw that in here. Hopefully, I answered your question on the other side as well. Thank you.

Q

Just a quick follow-up for Chad. It looks pretty clear that grain prices will be higher for fiscal 2020. But let's say it's a \$1 per bushel. What's the exposure for your chicken business? My understanding about half of your business is essentially tolling and that it just kind of passes through to the customer. And then a follow-up on the beef capacity, I thought Tyson closed a plant in Kansas has that been reopened also? Thanks.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Chad, do you want to start?

Chad Martin

*Group President, Poultry, Tyson Foods, Inc.*

A

Yeah. So, on the first part of that exposure as it relates to the grain markets. Remember first of all corn is a big part of the diet but it's only about 60%. There's also soybean meal, vitamins, minerals, the other components to go into that. And earlier when I talked about our nutritionists and staff that we have, we're able to fluctuate to get the lowest cost ration to our hams. But exposure in total as you move \$0.10 in corn or \$25 a ton in the soybean meal that by itself is about a \$25 million exposure cost.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

I want to make sure that that on the pricing question that we have a variety of pricing mechanisms that we use. There's probably 8 or 10 different mechanisms that are used and we do closely monitor the exact percentage and we're fairly consistent over the course of time and what percentage we have in which categories. So, it's not necessarily tolling or fixed price, there's a wide variety of pricing mechanisms that we use.

Stewart F. Glendinning

*Executive Vice President & Chief Financial Officer, Tyson Foods, Inc.*

A

The only other thing Rob is just to point out that we're really exposed in any way that the rest of the Poultry industry is exposed. The difference, I think for our company is we've a broader set of protein stuff for the marketplace, some of those are impacted less by these sorts of movement. I think also when you went back last year and you looked at where we were before the sort of next season got going, last year looked to be pretty cost heavy as well. That's where we sit today, but I mean it's anybody's guess about where things will go. I think the story we're trying to tell today is a story about what Tyson's long-term run rate looks like. I mean, half of the U.S. food industry is affected by grain prices in one way or another.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

Steve, I think the second part was on beef plant.

A

Steve Stouffer

*Group President, Fresh Meats, Tyson Foods, Inc.*

So remember what I said, I said in the last five or six years, you go back to – the plant you're talking about was actually closed in 2006 and that's the plant that we stopped to harvest, but that's where we're doing a lot of value add. We kept the cut floor open and we're doing lots of different unique things in that plant. And it was just a cattle – it was a cattle supply issue, I mean most of the cattle in Kansas are in the western half of the state. But if you go back and look in the last five or six years the plants that were closed there's – like I said, the only one that I'm aware of today that hasn't reopened is the one in Southwest or in Texas, excuse me.

A

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

[ph] Rich? (03:18:02)

A

Q

I guess this question is for Donnie. First of all congratulations on the international business being profitable, that's quite a journey. I know that you're consolidating a number of acquisitions at this point, but you didn't really give us the sense for growth rates there for margin profile? Where should the international business sit vis-à-vis maybe some of the other businesses in terms of margins? And as you look at the business today, is there a specific piece that you can point to that you need to acquire in order to really make this international business go?

Donnie King

*Group President, International & Chief Administration Officer, Tyson Foods, Inc.*

Okay. Well, the acquisitions that have been made are very nice acquisitions. And I would – and if you look at our largest presence now is probably in Thailand. We have the largest number of team members. We have first class assets in Thailand. I think we have nearly 11,000 team members there as well. That business is aligned with the strategic customers. But we also have the ability to do highly customized products, yakitori highly-portioned, highly-customized products there. So, Thailand is very attractive business for us.

A

Good news, bad news is – the good news is our business is growing there at a very nice rate. We're going to have to add capacity in that market going forward just to keep pace with just normal demand. It's also a good export market for us into Europe and into other parts of the world. Malaysia would be very similar. We'll have to add capacity there in 2021 and China in 2021 as well. So the good news is our growth is coming in places that we want the growth to come from. It's more value-added, higher margin type business. It is demand driven business. And so we're excited about that.

In terms of where we need to look further, I think it's – we'll look at additional capacity, organic growth, and new capabilities. For example, I mentioned that we absolutely need to leverage all the good that we do around the portfolio of brands here in the U.S. Steve and his organization and Chad and Noel, and the Prepared Foods team. We're all working together to go to market with a number of customized products that are – from a Category perspective might look like pizza toppings. It might look like doughs, crust. It might look like any number of things like that in addition to chicken.

And John Randal and I have spent a number of hours and days inside stores just looking at what those opportunities are. Noel and the marketing group are helping us with data collection and insights and then to try to unlock what those opportunities are. But long story short, I would tell you that a lot of those growth mechanisms that we've enjoyed in the U.S. over the last several years, the opportunity to sell like branded portfolio of products across all of our businesses is something that quite frankly is quite attracted me and is part of the reason I'm back here. I saw that opportunity as being one of the bigger opportunities we've had in this food space in a long, long time. I think the environment is ripe right now to do that.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Donnie's challenge is to integrate these businesses while at the same time satisfying the demand that we have. Keystone just finished as an example building a new plant in Thailand shortly before we acquire them. We were talking about now needing additional capacities in addition to what we just bought. So we have to grow the business and at the same time integrate those businesses.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Yes.

Q

I have a question for Steve. When you put up the chart of Tyson's performance versus the industry for Beef and Pork, I think, it's clear that Tyson outperforms in Beef consistently, but for us on the outside, the Pork outperformance has been harder to see, it seems like starting in around 2015, that outperformance isn't as visible to us and I know we're not specifically looking at hedgers edge, but even looking other metrics. Just curious why that seem to change starting around then and why you're still showing that outperformance, but from our standpoint, we're not able to see that? And also right now, if you could just talk about current conditions and what's going on in the market now and how soon that supposed to improve?

Steve Stouffer

*Group President, Fresh Meats, Tyson Foods, Inc.*

A

I guess I'm not being able to look at it through your particular lens. I guess I'm not sure I can sit here and say exactly what would drive a difference. Unless you got a thought on that...

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

A couple of thoughts. One, about 25% of the pork produced is exported today. And we've been actively involved in the international markets for many, many, many years, and we have some very strong customer relationships that go back decades, I would say that it served us well.

Secondly, Steve talked about how we value our team members, how the fact our turnover is down despite having been in a very tight labor market and what that has enabled Steve and his team to do is to take a lot of the products that we produced or buy and take those products and add more value to them. So we might produce boneless hams, boneless pork loins, boneless [indiscernible] (03:24:45) and service both domestic and export

customers. So Steve has been in the enviable position of having a good supply of labor that are very skilled. So he is able to maximize yields and at the same time upgrade a lot of products that we produce.

**Steve Stouffer**

*Group President, Fresh Meats, Tyson Foods, Inc.*

A

And I think you through on top of that because I'm assuming the models that you have are based of USDA cutout pictures, right? So that's assuming that what's you're selling is in that commodity mix, but as we've leveraged up the volume of our specialty products, keep in mind you go back and look at our business model and what we've done with the kind of – with the quality of the herd that we have out there today.

You go back five or six years ago, we were grading 60% choice or higher. Today, it's over 80% choice or higher. That gives us a lot more flexibility to play in a lot of different higher value categories and brand categories that changes. So that our revenues stream relative to the commodity business is completely different. So that helps us drive more revenue coming out of the other side, as well as pushing more products through the case ready. As we grow that case ready space, you won't see it on our commodity side, but you'll see it getting valued it up through the other channels that we move those products through.

**Noel W. White**

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

I think it'd be fair to say that our revenue is higher, but our cost structure is also higher, but the net is higher.

**Kenneth Goldman**

*Analyst, JPMorgan Securities LLC*

Q

Hi, Ken Goldman again. Two questions. One, I fully appreciate the transformation that Tyson has had in terms of diversifying its business, adding further process to assets and so forth. But there're still a certain amount of commodity type products that the company does participate in. And you did talk a little bit about lowering costs in terms of robotics, in terms of environmental things that you can do. One of the times that Tyson did the best in terms of – my opinion, in terms of when upping its margins in the Chicken business is, God, it's been maybe seven, eight, nine years now, but when Tyson really took a deep dive into its Chicken business and said we're selling products here, we're raising them here, we're growing them here, why – can we really become more of a low cost producer? And is there still a huge opportunity for that and it's still only on the edge that you think you can make that happen? Because to me that's still where commodity producers and you're not a pure one, but still where they win is on that low cost side, still where they generate business. So, I wanted to ask about that.

And I've already taken too much time, but I would be very quick here, Stewart. How are you going to give guidance? I know I think we're a few months away from this, but ASF is going to create such a level of uncertainty. You guys always provide really helpful clear guidance. I'm imagining there might be a little bit less clarity at this time, but I wanted to ask you about that. So, I'll actually stop there. Thank you.

**Noel W. White**

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Yeah. Chad, I'll let you talk about the poultry opportunities, but I completely agree with you that our Poultry business has not been where we wanted to be. And there are opportunities on the table for us. Chad talked about the extent of that, which is 200 basis points that's on the table. And he's made – he and his team have made a sizable progress, I would say, in recapturing that, but there's still work to do. So that is where Chad and his team are focused in addition to valuing up. So, we're trying to be totally transparent of where the opportunities are at,

where we're focused and then it will get solved. That's in addition to valuing up throughout the entire chain, okay. So that can pretty well answer the question. Well, Chad – I'll let Chad, if there's anything that you want to add?

Chad Martin

*Group President, Poultry, Tyson Foods, Inc.*

A

No. You hit every one of the key points that I was thinking of.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

Okay.

Stewart F. Glendinning

*Executive Vice President & Chief Financial Officer, Tyson Foods, Inc.*

A

Yeah. Look, the only other thing I'd add is, financial fitness is probably alive in our company, right. We are trying very hard at cost every day. I mentioned during my presentation that we're still pushing against that \$600 million, we're hitting the synergy targets on M&A. So, cost is really important for our business and all of our people work on it every day.

With respect to the guidance, yes, look, it is simple, you have some complexity to it, but I have a process I work through and I'll share with you and the rest of the analyst group, what assumptions I've made and what sort of variability I might expect based on the conditions that we might see. One of the things that's helpful and it's the reason we don't give the guidance today is that we'll be closer to the event then and I think we'll start to see what impacts are flying through.

A

Noel, our last question comes in from the web. Nine months into your role, have you had any surprises or revelations?

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

A

No. Somebody asked me the same question earlier and there has not been. No surprises have been with the company for quite some time. I inherited a really strong team that I've been supportive in every possible way. So, everybody – I mean, the entire team, not everybody is up here, there's a few in the back as well as a couple that aren't here. But I mentioned last night that I'm incredibly thankful for the team that I inherited. And I also mentioned that I've had complete support from the board, a number of who are here today. And we have a very, I'd say, healthy relationship between the executive team and our board. So, no, no surprises whatsoever.

Noel W. White

*President, Chief Executive Officer & Director, Tyson Foods, Inc.*

So, I would wrap up by saying, first of all, thank you to each and every one of you for taking your morning of your day for your interest in Tyson Foods and your belief in us. So, thank you.

Unverified Participant

Thank you.

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