



Ben Theurer:

Good afternoon. Welcome back. Next on stage, I'd like to introduce Tyson Foods, one of the world's largest food companies and a recognized leader in protein. 2020 has been quite a volatile year for Tyson, reaching outstanding results in its beef and pork division, but facing at the same time challenges in its chicken segment. Joining us today from Tyson foods, Dean Banks, president and incoming CEO, as well as Stewart Glendinning, executive vice president and CFO. Dean Banks has been president of Tyson Foods since last December and a board members since 2017. He'll succeed in October Noel White as the company's chief executive officer and will retain the title of president and remain in the board. Dean has a unique background in innovation and technology, which includes building and investing in early stage advanced technology companies. Before joining Tyson, Dean was on the leadership team at X, formerly known as Google an Alphabet company.

He's had leadership roles in venture capital, worked for Johnson & Johnson, founded several companies and was a sergeant in the Marines. Dean has a bachelor's degree from Miami university and an MBA from Harvard Business School. Stewart Glendinning is responsible for the worldwide finance and accounting functions for Tyson. Stewart joined Tyson Foods in December of 2017 from Molson Coors Brewing Company, where he most recently served as president and CEO of Molson Coors International. Before joining Molson Coors in 2005, Stewart work with KPMG and The Hackett Group, both professional service companies, where he held various senior audit and consulting roles. Gentlemen, thank you very much for joining us today. Before we jump into Q&A, any opening remarks?

Dean Banks:

Sure. Thanks Ben, and really thanks to the entire audience for joining in today. Ben, this is a great format and we hope everybody is staying home and staying safe and healthy during these very complex times. We're really excited to present to you all today, and share what's going on in Tyson Foods. Just a reminder, our remarks today do include forward looking statements and they are subject to risks and uncertainties. For details on those risks that may impact our business, please refer to the risk factors in our SEC filings, which are available at ir.tyson.com.

Ben Theurer: Thanks Dean. Now, let's jump into Q&A. Let me kick it off with the chicken segment. I mean, last week you announced that Donnie King will be taking the reins of this business. Could you speak more about this leadership change and also elaborate a little bit on the statues of the operating efficiency initiatives, you announced pretty much, one year ago. If I remember right, it was a target to save a run rate of about 200 million per annum. Where were we pre-COVID? How much of that is lost? How easy is it to recover and where do you think this is heading to in the near future?

Dean Banks: Sure Ben. Certainly, thanks for the question. First I want to congratulate Donnie King on his recent appointment to president of poultry. He's a recognized leader in the industry. He's been 37 years in the food industry and 35 of those have been in poultry. He previously led the chicken segment for a number of years and he'll be working closely with Chad Martin, who's been the president for some time and we'll now take the role of chief operating officer of poultry. They're going to work with the team to make sure that they're accelerating our strategic growth plan and continuing to strengthen our chicken business, which will include exploring a whole bunch of things to drive operational efficiency and safety. As you know, safety is our highest priority and the chicken business really wants to put in tremendous amount of effort to make sure that we are maintaining safety also remaining flexible during these very challenging times.

The results for chicken have just not been as strong as we'd hoped. However, it's really an excellent asset and has lots of room for improvement. We have the highest market share. We have high quality products. We have a household brand and we have the largest cold chain in the industry. We're confident in our ability to recapture strong returns here. Our chicken segment is, big birds, small bird, tray pack, and even a rendering business week, which we recently expanded with an acquisition, those are all really critical assets in helping us fuel long-term value-added growth. We did put out this goal of achieving \$200 million in savings. We were on track for that, and as you know, through COVID-19, we had the wave of absenteeism, lots of disruptions in our production, and we really prioritized getting food on the shelves and in the refrigerators of Americans and actually global citizens.

We delayed our progress towards those savings, but we did it for really the right reasons and for our consumers. As absenteeism rates improve, we expect to resume our progress on capturing that. Team member health and safety still remains our top priority, and we are clearly always looking for opportunities for returns improvement. We're confident about the progress that we made already to achieving that \$200 million, and as soon as we're through this pandemic, which no one knows for certain when we're going to be through it, we'll know we'll be on back on track to achieving it.

Ben Theurer: Perfect. Now, let me stay within the chicken segment. Clearly, I mean, current industry capacity, relatively weak pricing in spot markets, how does that impact your ability to lock in pricing for next year? How much do you think? Is there

tailwind or not, of higher prices from competing proteins and how does chicken fit into that?

Dean Banks: As you probably know, our pricing strategy and contracting approach is very multifaceted. Some of our contracts have fixed annual pricing, but that's only part of our overall portfolio. We do use formula, cost plus, and a variety of other pricing arrangements strategies. A meaningful portion of our business does have annual pricing, and as we've previously disclosed, a lot of that happens in the first half of the year. Now we're not really in a state where we can speculate on those pricing discussions.

We are optimistic that we should see an uptick in poultry takeaway and consumption, and we think that's ultimately going to be a benefit. We have a very diverse portfolio, as you know that, currently our beef and pork businesses are outperforming. The poultry business is suffering hard times as is the entire industry, and we think that balanced portfolio gives us counter cyclical effect and allows us to generate relatively stable returns. It insulates our business and ultimately helps to reduce volatility over time.

Ben Theurer: Perfect. Let's switch within the segments and take a closer look at the prepared foods business. You've posted recently somewhat lower levels of profitability, and obviously have not maybe passed on some of the input cost pressure you had from beef and pork within prepared foods. Can you elaborate a little more on what your marketing and pricing strategy is within prepared foods? It almost feels like investors could need a little bit of clarification of the strategy, considering that this business was ultimately meant to deliver higher and more stable margins to the overall results.

Dean Banks: Sure. As you know, the prepared foods businesses is a key growth engine for Tyson. It drives margin expansion and earnings stability, for our broader portfolio. The ability to value up our products is a tremendous advantage of that franchise. It does this through innovation, branding, marketing, coupled with supply expertise. We have a variety of leading brands, whether it's Hillshire Farm, obviously Tyson has a tremendous brand. We have Jimmy Dean. These have become both household names and tremendous growth drivers for us. Our retail brands are performing exceptionally well. We've experienced eight consecutive quarters of growth and cumulative volume gains have been tremendous, not only during the crisis where retail as a whole has gone up, but even before the crisis, we were really taking share. It's been just an impressive performance.

Retail demand is exceptionally strong, but it hasn't fully offset, the volume that we've lost in food service. Prepared foods is a combination of both retail branded products and food service. As we've seen through the crisis, there's been a significant shift towards retail and that's been lower food service volumes. It's really had a net negative impact on our volume. Adding optionality and being able to shift a lot of our food service production into retail, has been a

critical component. We're continuing to look for opportunities to do that across our network. Lower food service volumes have contributed, some margin erosion because our plants then aren't really running as full in the areas where we couldn't shift that volume to retail.

We've also seen some increases in raw material costs, which have made their way into our formula pricing. In other areas we don't utilize formula pricing, and if we see some sort of permanent structural shift in raw material input prices, it's normal to push that into our prices. But, when we see temporary spikes in raw material, like we've just seen, it actually affects our business in a lot of different ways. Increasing price in reaction to some temporary increase in raw material could have some challenges as it could erode volume or erode demand, and we want to grow volume. We see, we've grown our share, we've grown our volume through the crisis, and volatility is really the enemy when it comes to that.

We've got a lot of confidence in the business. We're confident that our food service customers that have really struggled through the crisis, we're hoping that the crisis ends relatively soon and they can recover. Some of our food service businesses have just been exceptional, increasing drive-through and meal delivery and take out and they've performing incredibly well. We're confident that we'll be able to drive this business back to our better classic, historically strong margins and maybe even exceed them when we get through the crisis.

Ben Theurer:

Perfect. Let me talk a little bit about growth opportunities and increasing demand protein worldwide. I remember very well at CAGNY about half a year ago, you presented that growth outlook and the demand outlook. Clearly, a lot of that is meant to come from emerging markets and you've been active on M&A about two years ago. Could you give us an update on the status quo of those operations, integration? How did it perform recently and what ultimately is your medium to long-term strategy in order to gain that international market share?

Dean Banks:

Sure. First, it's really easy to say that, we've been really pleased with the assets we bought. Strategically, they're important. We believe they're actually delivering good returns. We continue to see international protein demand is key and a very important long-term driver for our growth. We've, we've hired, about a year ago Chris Langholz came in about the same time I did, who is a longtime industry veteran in the space and has done a phenomenal job in helping us organize and structure our legacy footprint. The assets that we brought on, the way they've pulled them together, it really compliments both the domestic and our legacy international footprint.

It's really important to remember, many of the products that we export outside of the U.S, are not traditionally consumed in the U.S. That makes for phenomenal synergies and really optimizing our returns because we can use the

whole animal. Our Asian assets are especially poised for growth. Remember, we export about \$5 billion from our US business. Our broader global footprint is allowing us to accelerate growth in a variety of ways, especially with exports. We're also looking at taking our branded and commodity products, branded products, also international.

We're already seeing opportunities to value up the portfolio. When we take some of the offal product that we landed in our international businesses, they can then value that product up. It's turned out extremely well, and we've done a lot of things with that. For example, we recently launched the Tyson brand in our European food service business which is going well. There's also a lot of branding opportunities in China. The Tyson brand actually carries, really, a lot of power in those markets.

Focus on international growth remains very consistent for us. We do look to expand our platform more broadly into a multi-geography play. We're always looking to expand that, through acquisition and through organic growth. Even with the challenging COVID-19 environment globally, we've seen some markets hit more substantially than others. For example, Europe has really struggled in this COVID-19 climate and Asia has really recovered much more quickly. We're confident that we can return above our cost of capital.

Ben Theurer: African Swine Fever, and it's clearly been a topic much talked about, well then came COVID. Clearly we can all agree, there's still a protein supply shortage. Mainly caused by ASF because the herd is just not rebuilt, but there's also a little bit cost because of COVID. What does that need in the case of Tyson and the industry? How do you see what's been required to get supply back up? How does that align with your capital allocation process? And, how are the current priorities of Tyson along with leverage shareholder return catalyst?

Dean Banks: I'll start just generally. The protein supply shortage is obviously a real challenge, but we've made team member health and safety our top priority. Anytime that there's a conflict with production and team members safety, team member safety has to take priority. We believe that the substantial investments we made during the pandemic will help us keep our team members safe. We're actually pushing to get our production back to normalized levels. We think a lot of that is dependent on COVID-19 and how it's affecting the communities, where our team members live and work. Related to ASF, we still think there's a lot of opportunity there. We have seen the impact globally. The impacts on our business have been a little slower than originally anticipated, somewhat due to our ability to produce. Stewart, you might actually want comment a little bit on our capital allocation.

Stewart: Sure, Dean. Ben, as Dean mentioned, our ability to produce with normalized levels really is influenced by the persistence of COVID-19. When you think about how that impacts our capital allocation, I mean the short answer is, we don't think that it does. We've been investing CapEx in the \$1.2 billion range of the

last couple of years and I wouldn't anticipate that they're having a meaningful change to our capital allocation. As long as we continue to have good investment opportunities with strong returns, we're going to continue to invest. Our priorities specifically have remained consistent: We've focused on our debt levels. We've focused on our leverage ratio and we've invested in growth. At the same time, we've given shareholders consistent dividend increases and be buying back stock. In the short run, our net debt to adjusted EBITDA was 2.7 times at the end of Q3, and we prioritized our debt reduction with approximately 700 million of senior notes, which will mature this quarter. Our stock buyback has been limited, mainly as a result of the crisis to minor activity in our equity compensation plans. Probably I'll just finish off by saying, the balance sheet is strong. If you look at our liquidity position as we started the fourth quarter, \$3.1 billion of liquidity, which really leaves us in a very solid financial place.

Ben Theurer: You've mentioned a little bit, obviously the investments and so on. Dean, maybe questions back to you. What's your view on the company's future strategy? Are there any substantial changes we should be expecting? I mean, you have a unique background you can bring to the show here. What's your Tyson going to look like?

Dean Banks: Thanks, Ben. I have to compliment the board here a little bit. As you know, I've been on the board for about three years and I've been a member of the strategy and acquisitions committee. I had overseen the development of the current company strategy. I'm a big believer and supporter of the direction that the team had put forward in the past. The company's mission is to feed the world with the strongest portfolio of products across brands, channels, and proteins. I don't expect any meaningful deviation from that.

We're always evaluating how we're going to accomplish that mission and both, due to dynamics with incidents like COVID-19 and ASF, we're always looking for ways in which we can more effectively and efficiently accomplish that mission. But generally the strategic plan that was put forward, I was a big fan of and I'm still a very big fan of. With my background, I do think it's probably obvious to assume that we're going to be heavily looking at automation and technology because we believe they offer a lot of opportunity across our footprint globally, for continuing to improve it in worker safety, for food safety and quality assurance and a variety of other important areas. These initiatives are really key to unlocking a lot of our efficiencies and enhancing agility and they'll drive higher returns, and it gives us a lot more flexibility in our business, which I think ultimately again drives much higher returns and better service to our customers.

Ben Theurer: Good stuff. Now, nonetheless, a commodity-linked question, I have to ask it unfortunately. What's your outlook on cattle and hog availability? Clearly, still a very important piece of your business. What are you expecting and what could the potential impact be on profitability in those two segments?

Dean Banks: Yes. As we've said through the process, the supply chain was really strained as plants idled or slowed due to COVID-19. Some of it was related to absenteeism, lots of challenges there, as you know, and it created a temporary surplus on livestock. As noted in the Q3 call, we've estimated roughly there's a backup of about a million or so cattle and about three million hogs. The industry has increased capacity or pushing capacity as hard as we can to try to work our way through that backlog. But it's likely a multi-quarter process for sure.

We are working diligently to support our livestock farmers and producers, our ranchers. Their success is really critical to us. We've got good visibility into the cattle and cattle herd size for the next couple of years, and we feel good. We feel really good about availability. Future hog availability is really a function of the economics of our farmers. How long it takes for us to get through this backlog really is going to make a big difference to them. We're keeping our team members safe and doing everything we can to keep our plants running so that we can really help them thrive with good economics, so that we can be good partners for decades to come.

Ben Theurer: Okay. Good stuff. You've touched a little bit on it and some of your comments earlier, what are you currently seeing in terms of the food service recovery? And, I remember you said a little bit about the drive through, the demand strong, but in obviously are areas still impacted. Any updates you can share since your call about a month ago on the food service recovery?

Dean Banks: Yeah, sure. Stewart, do you want to take that?

Stewart: Sure. I'll pick that up, but thanks Dean. Ben, absolutely right. Dean did point out that there are parts of food service that are doing very well, and certainly QSR is a great example of that. Many of them are performing at or above a pre-COVID levels. But food service on a net basis is negative, and that's really being driven through a couple of places. First of all, casual dining, as well as schools, and both of those are dependent on reopening. If you look at some of the COVID cases in certain communities, there are various districts which are opting for online learning, which will impact the volume of food needed for onsite school lunches.

Our view is, there going to be a couple offsets that first of all, some of that volume will manifest itself in retail. And second of all, and this is pretty important actually, is that the USDA is going to extend some of the K-12 summer feeding programs into the fall months and keep feeding the kids. We're really pleased to be part of programs like that, that help keep communities fed during these challenging times. Also, we continued to invest behind production flexibility and optionality where we're sensible. Those investments will allow us to use some historically food service lines to supply retail, which obviously is very important in the current environment. Then as food service recovers, we'll decide when and how to convert that capacity back to food service.

Ben Theurer: Okay. Very good. Thanks for that Stewart. Now, one of the topics that's always obviously comes up with the sourcing of cattle and the overall food supply chain is, within the context of ESG. I know you've been very proactive here, but could you maybe give us an update on maybe some of the more recent developments on your initiatives around ESG and what you're doing and why you're doing it?

Dean Banks: Sure. First I'll just emphasize our investments in sustainability is something that is substantial. Our chief sustainability officer is the great grandson of the founder of the company so we're not only showing that the entire enterprise leadership team has committed, but the family is really behind this as well. We've been investing substantially in these initiatives for really quite some time, we've seen some returns to the business for that, but it's really also just the right thing to do. Our sustainability strategy has some areas that we've basically called out specifically: food quality and nutrition, animal welfare, the environment of course, workplace safety and also workplace prosperity, and also our communities. We want to see them prosper as well.

They span a lot of specific initiatives. We've had some improvement in greenhouse gases. We've made some strong initiatives in land stewardship, water conservation, equity, inclusion, and diversity, team member health and safety. And all of these, we've set data-driven sustainability targets and goals. These have been going for some time. We were actually continuing to accelerate the work there. Just giving you some stats from 2017 to 2019, we've reduced our water use intensity by about 7%, and our greenhouse gas emission intensity is lower by over 5%. We significantly reduced our OSHA recordable and incident rates. We've launched a bunch of initiatives to help our team members.

One of those is this effort called, Upward Academy, that we've launched at 55 facilities across our base. It really is the essence of the American dream. At Tyson Foods, we bring in a number of people who come into our country, to coming to the United States from other countries or into our workforce from other countries. This helps them develop important life skills, which includes English as a second language, high school equivalency, even US citizenship and financial literacy and even digital literacy. We've put a tremendous amount of work in this, and we believe that when our workers prosper, we prosper as well. This year, we've also taken a hard look at enhanced equity, inclusion, and diversity in the workforce. Our decisions and discussions have really led to a bunch of actions. You may have seen some of these.

Back on June 9th, we actually paused production at all of our facilities for eight minutes and 46 seconds to mark the funeral of George Floyd. We've committed \$5 million in donations to groups advancing the cause of lasting change. These include, the Equal Justice Initiative, the National Urban League, the Executive Leadership Council. We've also put a lot of effort into some unconscious bias training. We know that that everyone has biases and we're a very diverse workforce. We've committed to making sure that every single team member recognizes the value of every other team member. We can allow every single

person of our 140,000 team member base to come to work and really feel like part of the Tyson family.

Ben Theurer: Very good, and especially about the whole focus on S and the G and not only thinking of E within the ESG. Now, one of the topics and one of the questions, you've been active as well on the alternative protein side, and clearly, one of the arguments of alternative protein is always about the environmental benefits you get from it. So, maybe to stay a little bit within it and following up on that, what's your long-term strategy? How does alternative meats fit within the real T-bone steak and the chicken wings? How does that play out and how it's success speed?

Dean Banks: Sure. As you know, all of the proteins in which we play and even our prepared foods us, they have all very different footprint related to things like feed conversion ratio, and chicken has probably the highest or the best strongest feed conversion ratio of any form of protein. But we see alternative proteins as an opportunity to really just expand the portfolio with another leg of the stool. We actually think it's quite complimentary to our skills. When we've taken these protein substrates, we've added just tremendous culinary expertise and they've turned out extremely well. So, we're investing heavily into alternative protein platforms. It's a top priority for us, and we think it's actually going to be a category that grows.

We've launched a bunch of new products specifically under the Raised & Rooted brand. They're now available online through channels like Amazon, Fresh, Walmart and other major retailers. Their velocities are really keeping up with, and sometimes leading other alternative protein varieties in that category. We're very thrilled with the results we've seen there. In addition to nuggets made with plants, we've expanded into spicy nuggets and whole grain tenders made with plants as well. We think that Raised & Rooted is going to be available in potentially up to 10,000 retail locations by the end of the calendar year. We couldn't be more thrilled with the early combination of our classic culinary expertise and this new substrate, and we actually think it's quite complimentary to the broader portfolio.

Ben Theurer: Perfect. Now, my last question is actually is around the COVID-19 testing strategy. You've multiple times throughout the conversation said that, health and safety of your workers is a very relevant one. You've done some big investments on health and safety. Could you provide an update on your current testing strategy?

Dean Banks: Yeah. I just want to emphasize with a background in life sciences and diagnostics, that I'm thrilled with what the team put forward here and what we've launched. It's really landmark, I believe in the industry. This new monitoring strategy that we put out, is being rolled out across all of our U.S. facilities and the approach includes weekly testing using an algorithmically based statistical sampling methodology, looking at what's going on in the

communities where we operate and what's going on with our team members. It's been really well received, and our team members really view it as an extra measure that we're taking to protect our workforce. We've already helped identify some team members who've been walking around without symptoms, as we saw during the crisis, since we're probably in corporate America, we're probably one of the companies that has tested more than any other company, certainly in the industry, probably in many other industries as well.

We had discovered that there were people walking around in the communities that were not symptomatic that had the disease, and this testing protocol helps us identify them. It's already helped us identify some team members and pull them out, and then it also helps us look at the close contacts of those team members and make sure that everyone's getting the testing and care that they ultimately need. We've shared our new monitoring strategy with health authorities. We've shared them with the CDC and many state and local health departments, and they've received it very positively. We've even received inquiries from other companies and organizations that want to learn more about our new approach and see if they can ultimately mimic it. So, big compliments to our safety and quality teams. I think they've just done a tremendous job at making sure that we've turned over every possible stone to keep our team members safe.

Ben Theurer: Perfect. Dean, Stewart, well first of all, thank you very much for participating today. I would like to turn it back to you, Dean, for any closing remarks you might have. Still have a minute left, so please go ahead.

Dean Banks: Again. Thank you for hosting us here today. It's a great format. Look forward to meeting you in person, whenever we have the chance. I would say that we've invested substantially to work effectively through the pandemic, and I think our returns are showing that we've made a lot of really good decisions. One thing that I'm really proud of is, we have this phenomenal balanced portfolio, both domestically and internationally, and it's a tremendous company with a strong balance sheet. I think we've got an asset base that's really poised for long-term growth. We really appreciate you having us on and giving us the opportunity to tell you a little more about the company and where we are today.

Stewart: Thanks, Ben.

Ben Theurer: Thank you.