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Tyson Foods CAGNY Presentation

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EDITED Transcript

Text in brackets [] edited/corrected. Ellipses (...) indicates extraneous dialogue has been deleted for clarity.

SPEAKER IDENTIFICATION	DIALOGUE
JONATHAN FEENEY	<p>Well, we're thrilled to have with us the management team of Tyson Foods today. And that includes our chief financial officer, Stewart Glendinning, [President Dean Banks,] and Chief Executive Officer Noel White.</p> <p>What began as a small feed and hatchery business in Arkansas, more than 85 years ago, has grown into the largest food company in the U.S. Tyson has a 10-year EPS CAGR of nearly 60 percent -- look it up; it's right -- a claim few, if any other company in the food space, can make. Noel White, a 35-year company veteran, and in his second year as CEO, has solidified the company's presence and purpose and strategy, as Tyson Foods asserts its position globally with unmatched scale and reach. Tyson has been active in the M&A space throughout its history and has accelerated that growth in recent years. Their primary vehicles for growth have been prepared foods and chicken, both domestically and internationally.</p> <p>Here to tell us more is Noel. Noel, take it away.</p>
NOEL WHITE	<p>Thank you very much. Good afternoon. I'll begin with our safe harbor statement, and I encourage you to refer to our latest 10-K and the earnings release for discussion of risk that can affect our business. It can be found on our website, which is ir.tyson.com.</p> <p>We're going to cover a lot of ground today, but here is the most important thing I'd like you to remember: Our scale, diverse portfolio, international footprint and financial track record uniquely position Tyson Foods for continued long-term growth at a time that there's growing global demand for protein -- and limited supplies of beef, pork and chicken. We believe we'll succeed because global demand for protein is increasing. Our</p>

strengths position us to meet the world's need for more protein, and our strategy capitalizes on our strengths to differentiate our performance from the competition.

To help tell our story, I'll be joined by Dean Banks and Stewart Glendinning. Dean's the newest member of our team. He joined recently as our president and has been on our board of directors for two years. He understands the business and knows where the opportunities are. We also believe his unique background in technology and deep experience in innovation will help us unlock new approaches to tackle challenges and seize opportunities for long-term growth. Stewart is our CFO and will address our financial track record as well as our long-term financial outlook.

Let's start with what makes Tyson unique. First, Tyson Foods is the protein company. We offer a diversified product: a portfolio of chicken, beef, pork, alternative proteins and prepared foods, with iconic brands that lead their categories. We have broad consumer loyalty, and about one in five pounds of chicken, beef and pork in the United States is a Tyson Foods product. We serve a global market, and now our operational footprint is expanding in Asia, Australia, Europe and South America. We're growing quickly and purposefully, with more room for growth.

Our products span the value chain, from commodity meats to the highest-quality prepared foods. We serve all types of customers, including retailers, food service chains, food service distributors, and customers in emerging channels and e-commerce. Tyson Foods is the largest food company in the U.S. by sales and one of the largest in the world. About a third of our more than \$42 billion in sales comes from beef, another third from chicken, and the remaining third from prepared foods, pork and international.

We sell across all channels, with about half of our sales coming from U.S. consumer products channel, about a third in food service, followed by international and industrial. We're also leaders in market share. Here in the U.S., we're number one in chicken; we're number one in fed-beef and number three in pork. We're producing plant-based proteins, and we have plans to expand our offerings in a big way this year. You'll hear more about that from Dean later.

Global demand for protein is growing along with the world's population. Increasing GDP and disposable income are fueling demand outside the U.S. Modern retail and food service are growing rapidly as demographics shift to urban centers. Euromonitor recently estimated that more than 90 percent of protein-consumption growth in the next five years will appear outside

the United States, with most of it coming from Asia. The projected global increase across beef, pork and chicken is about 45 billion pounds, with only about 5 percent of -- \$5 billion coming from the United States.

We're growing our footprint to meet the demand to deliver locally relevant, affordable, nutritious protein to consumers. As GDP rises, so does protein consumption. With world GDP rising at a rate of nearly 5 percent, meat-consumption growth will accelerate. The opportunity to feed the rest of the world is huge by any measure. Our U.S. market share across beef, pork and chicken is approximately 20 percent, which represents a very small percentage of the world's production.

Global demand is expected to increase approximately 10 percent over the next five years, and if our global market share were equivalent to our U.S. share, that would be approximately a 100-billion-pound opportunity. With protein demand expected to double in the next 30 years, a 20 percent share worldwide would be an enormous opportunity. Our strengths position us to help meet the need for more protein. We have a diverse product portfolio, leading market positions and iconic brands. Our powerful innovation platform, coupled with deep customer relationships, position us as a strategic partner to our customers.

Our large operating scale, expanded global footprint, and our commitment to sustainability and being a solutions provider are making a real difference in our business. We can produce at a low cost and reach all channels and customers while delivering superior service and innovation, further strengthening our customer relationships, and that's what sets us apart from our competitors. Our customer relationships are mutually beneficial and expand sales with new innovation, like alternative proteins, or servicing new geographies as we seek to meet global demand.

We continue to invest in critical capabilities across our business that enable a competitive advantage while driving growth and good returns. Examples include insights and innovation, supply chain and technology. We keep our brands, products and categories relevant to consumers through innovation. We operate two R&D centers here in the United States and also have seven international innovation centers. We have a disciplined and analytical innovation process, backed by culinary expertise. In addition to one of the largest teams of trained chefs, we have 60 culinologists certified by the rec-- by the Research Chefs Association, more than any food company in the world.

Our culinary, R&D and technical capabilities give us a competitive advantage in protein. We have focus group facilities and a USDA-inspected pilot plant. We're able to run test samples and adjust -- make adjustments quickly, giving us a speed to market advantage. As a result, we'll generate about \$2 billion in net revenue, in fiscal '20, from innovation launched in the last three years.

Our extensive supply chain allows us to be agile and adapt to changing market conditions. We have 42 distribution centers, 241 plants and facilities and also have one of the largest private, temperature-controlled trucking fleets in the United States, with more than 1,100 trucks and 3,800 trailers. We're able to activate our supply chain, and do it quickly, by leveraging our scale in our -- in ways that our competition cannot.

Our size and scale have enabled us to make substantial investment in the future of our company by focusing on technology. We see great value in developing automation and robotic technology to make our operations more efficient and, more importantly, safer for our team members. In 2019, we opened the Tyson Manufacturing Automation Center, where we focus on advanced automation, robotics, machine learning to improve safety and efficiency. More importantly, we hold the patents to many of these technologies. We also have a research farm, where we're leading animal welfare research that's attracting scientists from around the world.

Our prepared foods and value-added chicken are sold under some of the most recognizable American brands, and nearly all of them are number one in their categories, such as Tyson, Hillshire and Jimmy Dean. We also have emerging brands that are creating new categories, or bringing rapid growth to existing categories, like Hillshire Snacking and Smart Chicken. Strong brands are important to consumers and customers, and recent sales data shows that our brands are outperforming the competition, which Dean will tell you more about.

Our ability to innovate and partner with our customers not only sets us apart; it's key to many of our customer relationships. In the consumer products channel, retailers trust us to be their category captains, and we currently have over 150 category captaincies among our retail customers. This is a leading position in our competitive space. In food service, we serve virtually all of the top 100 restaurant chains, and we're an integral part of keeping their menus relevant with consumers, with new products and flavors. Across channels, customers rely on our consumer insights and innovative capabilities to help them grow their sales, their margins, and

	<p>increase repeat business. In their increasing, they'll be looking at us for help on a global scale.</p> <p>We are focused on sustainability to meet the growing demand for protein because it's good for our business and good for the planet. Our sustainability approach has strengthened our business in three primary ways: It's advancing our leadership and direction in environmental, brand and consumer issues; it's enhancing our relationship with customers who see us as a trusted partner in their own sustainability initiatives; and thirdly, it's lowering employee turnover and increasing their engagement by investing in social programs that reinforce our position as an employer of choice and by supporting the longevity of the communities where we operate. We've made the sustainability commitments listed on this slide because we believe it's important to lead by example.</p> <p>We also believe we can't tackle the issues facing the planet alone, which is why we recently announced the formation of the Coalition for Global Protein. Our goal is to unite stakeholders across the food and agricultural sectors, to develop new and creative solutions to sustainably feed the world with affordable nutritious food.</p> <p>Let's take a quick look at the video on the future of protein.</p>
	[VIDEO 1 BEGINS]
FEMALE VIDEO SPEAKER 1	<p>Protein is essential. That's a fact. Research shows that the world isn't getting enough, and there are lifelong consequences. That's today. The global population is growing fast. If we can't meet the protein demand of today, it will take substantial changes to meet the demand of the future. With a challenge this big, we can't just look to one solution. A challenge this big demands we consider every option. To feed the future, the world needs protein in all of its forms, and all of that protein needs to be good for people and the planet. The world needs accessible, sustainable protein. And the only way we can make that happen is by working together.</p>
	[VIDEO 1 ENDS]
NOEL WHITE	<p>Tyson Foods' purpose is to raise the world[']s expectations for how much good food can do. Our strategy capitalizes on the strengths to differentiate us versus our competitors, and it comes to life in three ways: grow, deliver and sustain. We'll grow our business by delivering superior value to consumers and customers. We'll deliver savings for growth through</p>

	<p>commercial, operational and financial excellence by leveraging our scale. And we'll sustain our company and the world by focusing on doing the right thing, both now and for future generations, as we strive to be a leader in sustainability.</p> <p>Now I'd like to have Dean Banks give you a closer look at our business segments. Dean?</p>
<p>DEAN BANKS</p>	<p>Hi, everyone. Great to meet all of you. I look forward to getting to know you all in person very soon. Although I'm new to the company, I've been on the board of directors for a couple of years, and I've been really impressed with how the leadership balances both the company's rich heritage with its forward thinking.</p> <p>You know I have a background in innovation, and my passion has always been bringing technology to solve some of the world's biggest challenges and go after some of the biggest opportunities. I've been impressed at how many times I've come to a board meeting, thinking that I'm going to show up and share with Tyson something that I'd be really -- that I think would be really exciting and transformational to their business, only to discover that the CTO runs out of the room, comes back five minutes later with an engineer and a laptop, showing me a demonstration of something that I thought was clever that I was going to suggest.</p> <p>To be honest, there's no bigger challenge and opportunity than feeding the world's 10 billion people by 2050. I think Tyson is best positioned to do that, and that's why I'm here. Today, I'm going to cover a number of topics, but there's a few things that I want you to take away. First, innovation is key in pursuing our global opportunity. Noel covered our operational and supply chain innovation. I'll mostly focus on product.</p> <p>I'll also talk a little bit about why we're considered the beef and pork experts. I'll talk about our differentiated chicken business model, and describe why that's a competitive advantage for Tyson. I'll also talk about how the insights in innovation are helping drive growth in our prepared foods business, and why we're so excited about alternative protein. Finally, I'll talk a little bit about how we're successfully expanding our international business, both organically and through M&A.</p> <p>So jumping into beef and pork, with \$20 billion in sales in the last year, beef and pork have helped Tyson be... [one of] the biggest supplier[s] of protein in the world. That also gives us profits to invest in the future growth of the</p>

business. For more than 60 years, both through the acquisition of IBP and since, we have been, to our customers, the beef and pork experts.

We're the only major American-owned supplier of beef and pork, and our scale, expertise and flexibility allow us to add value to our commodity products. We offer customized programs to 30-plus customers, which allow them to build their own customer brands and private labels. But we also have premium-branded solutions growing at double-digit rates, positively impacting our product mix: Chairman's Reserve, Star Angus Ranch and Open Prairie, just to name a few.

We're not only adding attributes from the quality of the product; we're also using technology to add new attributes not seen in the protein space. We're using a DNA tracing technology to actually follow the animal back to the farm. We think that's quite revolutionary in the space.

Another way we're adding value is in our case-ready growth platform. You all remember the butcher standing in the back of the store who would portion up the primals, get them organized, put them in a cellophane wrapper and put them out in the case. Well, now Tyson is providing that service. We ship almost 900 million pounds of beef and pork, case-ready, and offer premium programs to support that business. The demand has been so powerful that we're adding a fourth plant in Utah to serve the western United States.

The U.S. is the world's leading producer of grain-fed beef, and there's growing demand. The USDA estimates that exports could reach record volumes, more than 12 percent of U.S. production in 2020. Even more substantially, pork is growing the same way. Our exports are expected again to reach record volumes, and the USDA thinks that we could exceed 30 percent of U.S. production being exported this year. The phase one trade deal has stimulated demand, and if we see further tariff relief, that demand would likely accelerate.

I'll talk more about the value of international in a few minutes, but for decades -- I want to emphasize that, for decades -- Tyson has had numerous international offices. The long-term relationships and flexible production allow us to customize products for different markets. Everybody knows that a major driver of this demand is African swine fever, so I'll spend a few minutes talking about what that's doing to our business. With an estimated 5 percent of global protein supply evaporating, we're seeing record-high wholesale pork prices. We're seeing a global reallocation of all proteins.

Tyson has seen a six-fold increase in its pork exports to China versus the same quarter previous year. And China is now the world's largest importer of beef, and we're getting a renewed interest in our chicken products. Despite some temporary challenges related to coronavirus, we see this interest enduring. This also shows the power of Tyson's diversified business model and the flexibility it provides in meeting global opportunities.

With that, I'll turn to the chicken business. As everybody knows, we have a long history in the chicken business. It provides us with significant scale, expertise and flexibility to lead in a space with solid long-term fundamentals. We're in a position to capitalize on this growing global demand.

Flexibility is the name of the game when it comes to chicken. It's the quickest and most economical animal to grow. It's also the most consumed protein in the U.S., and it is accepted globally. Where consumers demand freshness, convenience and affordability, chicken meets that need. And Tyson is the largest producer, and we have the broadest product offering. Our brand and innovation portfolio and multipronged go-to-market strategy allow us to serve as many different market segments. We're the largest producer of no-antibiotics-ever...chicken and a leading producer of organic chicken.

Our sales and operations team...have written the book on best-in-class poultry processes and capabilities. We also execute a buy-versus-grow model that helps us balance production, reduce volatility and optimize profits over the long term. This helps when facing headwinds, and even at scale, we never stop improving. In 2020, we expect to hit the end of the year with a run rate of almost \$200 million in operational improvements.

This is the background of our chicken business. It basically covers four main categories, and each of these serve distinct channels and have different margin structures. But the key is the full offering and the entire chicken portfolio that delivers increased value to customers in both our consumer brands and our own. Tyson has an unmatched, full-stack model that's differentiated and earns us a number-one position in food service, a number one position in retail and a market share consistently above 50 percent in our frozen value-added products. We also operate the world's lar- -- oldest pedigree broiler breeding company with our breeding stock sold around the world.

Since we're at the Consumer Analyst Conference, I would be remiss if I didn't talk a little bit about our product innovation. Tyson Air Fried Chicken

	<p>lost -- launched last July and has been very successful at attracting new, health-conscious customers to this \$2.6 billion category and driving overall category growth. It's 75 percent less fat than [the] original, and we're even planning to extend this platform into snacking with two new items coming in July. We hope you get out and try some.</p> <p>The retail deli is also the fastest-growing area in retail grocery, and we've launched a pulled rotisserie chicken product that saves back-of-house labor for our customers and partners, and it provides consumers with a fast, flexible, clean label meal solution. Not only are we experts in protein, but you can see we are experts at preparing and packaging this protein for our consumers. Nowhere is this more evident than our prepared foods business, which is our highest-margin business unit.</p> <p>We're the leader in protein, and to be honest, protein is the place that you want to be if you want to show consistent, long-term consumption growth. Sixty percent of consumers are actively adding protein to their diet throughout the day, and 55 percent of consumers say high protein is important in deciding what to buy. Our process brings together insights, the brands and our knowledge in poultry and puts them together to deliver extra value to the consumer. Our retail core business lines, which make up two-thirds of our overall retail volume, grew at over 5 percent. This makes our sixth consecutive quarter of growth. This is no small task when you see the total food and beverage category shrunk by [0.4] percent.</p> <p>We've earned that growth by bringing a portfolio of powerhouse brands, which can be found in 80 percent of U.S. households: protein throughout the day for any meal and any snacking occasion. Our brands are more available, more admired and ultimately chosen among customers. We have an average unaided awareness of 1.4 times our competitors, and we're chosen as the favorite 1.6 times versus competition. Jimmy Dean sales dollars are up 19 percent over the past three years, and Hillshire Farms are up 9 percent, driven by product innovation but also an intimate connection with the customer.</p> <p>Now we've put together a brief video to show you how we take these innovative brands and products and connect them to our customers.</p>
	[VIDEO 2 BEGINS]
VIDEO 2	[MUSIC ONLY]

	[VIDEO 2 ENDS]
DEAN BANKS	<p>That's fun, right? Not only do we have great-tasting products that are accessible to customers, but we have a lot of fun taking them to them. I'm still trying to convince my wife to take the nugget bouquet for Valentine's Day. I'll eventually get there.</p> <p>Our brands enjoy the number one share of nine of the 11 categories in which they compete. And we have lots of headroom, not only in the gap between the blue and gold lines, but nearly all of our categories are growing. We define innovation as products launched in the last three years. We have \$2 billion in annual net retail sales tied to innovation. I'm going to give you a peek at some of the upcoming launches of on-trend products that are intended to fresh, flexible and convenient.</p> <p>Nearly two-thirds of customers say fresh is important to them. This is a unique space for us to bring our brands, our scaled supply chain and our consumer insights into one product. As the category leader, a natural fit for the \$1.2 billion uncooked sausage segment, was Hillshire Farms. So we're bringing an Italian sausage and bratwurst product to market, and it's 100 percent...truly fresh, all natural and has never been frozen.</p> <p>We also have an exclusive partnership with Instant Pot. This is to produce Tyson's new Instant Pot Kits. We're going after the millions of multicooker product owners with a foolproof kit, complete. That's with 100 percent natural, no-antibiotics-ever chicken, long-grain rice and bold sauces, for a fresh homemade meal in 20 minutes.</p> <p>We also have a lot of innovation in flexible food. Flexible food -- Basically, three meals a day is a thing of the past. If my numbers are correct, only about 30 of you in the room have not snacked in the last 24 hours. So we're bringing you Jimmy Dean Omelet Minis [and] Jimmy Dean Loaded Sausage Bites, which provide a savory and convenient package for you to sit in an analyst conference and keep your belly full while you listen to me rant on about our exciting products.</p> <p>Having the strongest velocities in the category, Hillshire Snacking is growing at 15 percent a year. We leverage our omnichannel capabilities to drive distribution into food service, which includes c-stores, micro-markets and movie theaters, and we've doubled volume in this channel over the last 52 weeks. We continue this growth with extending our Hillshire snacking brand with a new bruschetta product, which is going to launch this spring.</p>

The last is the innovation that's happening in the form factor of functional food. We consider this a really promising category. Two-thirds of people seek functional benefits from their food, and this is a position of strength for us with our complete portfolio offering. We're building on the Jimmy Dean Delights Eggwich, which some of you may have had at one of -- our last analyst conference, and we're extending that with some breakfast wraps.

We're also launching a new, exciting brand category called Pact, which is a line of functional refrigerated snacking bites that harness the natural benefits of food. We have three different varieties, such as Gut Ahead and Vibe On and Glow With It, which -- I'm sure the name matches the functional benefits and the good taste. Packed with nutrition and functional ingredients like kombucha, matcha, probiotics and collagen, these products will be launching in July of this year. These were developed in our innovation lab, which was created to accelerate the pace of innovation inside Tyson Foods. We have a small team of designers, chefs, scientists and supply chain experts in our Chicago office, and we challenge them to be creative, explore new markets and move quickly.

Also coming out of the innovation lab was our plant-based protein product called Raised & Rooted. Even with all the buzz, we still see a gap between the number of people who say they'd consider eating plant protein versus those who are currently eating plant protein. Looking at the data, we believe the biggest opportunity is in serving flexitarians. Our goal is to supplement, not replace, traditional protein offerings.

Raised & Rooted, as a brand, shows our inclusive stance on protein, and it showcases our capability and capacity to lead by delivering fantastic taste with cleaner ingredient labels at accessible prices. Our blended burger and nuggets made from plants are just the beginning. By the end of year 2020, we will have 10 items in market across protein forms, brands, meal occasions and channels. Our breakneck pace of innovation in this space shows not only our ability to innovate but our commitment to this segment.

We see international as a key element of our long-term growth strategy. Our goal is to have a strategically located supply chain, bring all of our capabilities to make locally relevant products as one Tyson. With our full portfolio, we're focused on optimizing our existing footprint, investing in growth, organically and through acquisition, and leveraging our global sourcing model.

	<p>Exports are a key to our global business. Progress on trade deals with China, Japan, Mexico and Canada are very promising. We have just started exporting chicken to China for the first time in five years, now that the poultry ban has been lifted. We see significant interest from food service, retail, e-commerce from China. And the USMCA provides trade stability and fair access to Mexico and Canada, which are obviously very important markets to us because they're...among our largest export markets for the company.</p> <p>I think Noel mentioned this, but I'll say it again. We have \$2 billion of international production base, plus our exports, which brings our international business to \$6 billion. We've seen significant and consistent growth in our international and export sales. With our global production footprint, we've been building and extending. Two recent acquisitions have led us to have a broader footprint in Asia, Australia and Europe, provide a stable platform to serve demand in high-growth markets. Production facilities in nine countries allow us to serve 140 countries globally. In my opinion, there's no better time to be in the protein business, and Tyson is ideally positioned for the future.</p> <p>Now I'll hand it over to Stewart to go through our financial details.</p>
<p>STEWART GLENDINNING</p>	<p>Thanks, Dean. And good afternoon, everyone. Here's what I want you to take away about Tyson Foods from a financial perspective. We have a history of delivering strong financial performance and total shareholder returns. We generate a lot of cash. We're disciplined in our capital allocation, and we're focused on returns greater than our cost of capital.</p> <p>Here's a look at our historic earnings performance. The 10-year CAGRs are impressive, with nearly 60 percent compounded annual growth for adjusted operating income and a 23 1/2 percent EPS growth. While our 2019 performance was down, the long-term prospects for our company are positive. We're the leader in our peer group for total shareholder return over the past 10 years. You've probably heard me talk previously about our focus on returns, so let me just spend a few minutes and tell you about how we look at those returns.</p> <p>The bars on the chart represent our cash generated each year, which we define as our adjusted EBITDA, less the tax obligation on our earnings. We use that cash-after-tax number to compute a return on our gross assets. Different than some other metrics, we use gross fixed assets and intangibles, as we believe that you must continue to get a return on the</p>

gross cash investment versus a return against the...declining depreciated value.

You'll notice that, despite significant investment in our business, we have maintained returns well in excess of our cost of capital. The returns for fiscal '19 are down a little, as we had recently completed the acquisitions of Keystone and our new Europe and Thai businesses. Note that we continue to produce a consistent level of cash. These returns point to healthy and consistent value creation as we drive both organic and inorganic growth.

We're also consistent in how we use our cash in -- against our four priorities for capital allocation. First, we focus in on reducing or maintaining our debt levels. Second, investing in our growth. Third, funding our dividend commitments. And of course, fourth, repurchasing our shares. So how are we using cash? Well, we're focusing on debt reduction. And to that end we paid off \$1 billion of senior notes in the fourth quarter of fiscal 2019, mostly with cash that was generated during that quarter. Because an investment grade rating is very important to us, we'll continue to focus on debt repayment.

We'll continue...working to return to about two times net debt to adjusted EBITDA, following what was an increase to acquisitions. We're promoting growth and improved efficiencies by reinvesting in our existing businesses. Our board of directors has focused on increasing our dividends, substantially, in fact, taking our annual dividend rate from 40 cents per share in fiscal year '15 to \$1.68 in fiscal '20. That's a 320 percent increase over six years. We'll also continue to purchase shares to offset dilution from our long-term incentive programs, in addition to any opportunistic share repurchases. In fiscal '19, we repurchased 3.7 million shares for approximately \$252 million.

Now, we have a very disciplined approach to M&A. As I previously said, we evaluate M&A opportunities through four consistent lenses: new brands, new capabilities, scale and synergies, and new markets and new geographies. Since 2014, we've made several successful acquisitions, including Hillshire Brands, AdvancePierre, Smart Chicken, the assets of American Proteins, Keystone Foods, and the -- and BRF's Thai and European operations, amongst others....Each of these acquisitions we've made since 2014 has met at least one of those needs of our four filters. We've also utilized joint ventures to extend our reach, growth, and further our opportunities. In that time, we've also divested several non-core businesses, and that's allowed us to focus on what we do best.

	<p>All of these topics I've touched on today roll up into our overarching financial goals: to maintain our investment grade ratings, to reduce our leverage to two times EBITDA, to maintain a strong and healthy balance sheet for optionality, to maintain a disciplined approach to M&A, all with the purpose of creating long-term shareholder value.</p> <p>Now, for those of you interested in our 2020 view, on our first quarter call a few weeks ago, we indicated that our second quarter is typically our softest and that we were expecting earnings lower than the second quarter last year. As we explained, this is driven by high levels of overall protein availability, resulting in weak market conditions across all proteins, higher raw material costs and some residual ERP implementation impacts in prepared foods, along with normal seasonal cyclicity in beef and pork. These trends have persisted since our earnings call.</p> <p>However, the long-term demand for protein is positive, as you've heard from my colleagues today. We manage for the long term, and over time we expect to achieve high single-digit adjusted EPS growth and achieve our value-added sales growth target of more than 3 percent per annum.</p> <p>And now I'll turn it back to Noel for his closing thoughts. Noel?</p>
NOEL WHITE	<p>Thanks, Stewart. In closing, I want to reemphasize that our scale, our diversified portfolio, international footprint and financial track record uniquely qualify Tyson Foods for continued long-term growth at a time when there's growing global demand for protein and limited supplies of beef, pork and chicken. We have the right strategy to capitalize on our strengths. This concludes our presentation. Now we'll take some time for a couple of questions. Thank you.</p>
JON KATHOL	<p>Let's go to Alexia right here.</p>
FEMALE AUDIENCE MEMBER 1	<p>Thank you. So one short-term and one longer-term question: The short-term one is really -- You talked about the uptick in exports to China on the chicken side and also on the pork side. Can you talk about what you're seeing right now, particularly on the pork side? You talked about the real increase that you saw in Q1. What are you seeing today, as that starts to kick in?</p> <p>And the second question is a longer-term one. If you get a massive windfall from African swine fever on the cash side, will you take that as an opportunity to make some more acquisitions in prepared food companies</p>

	that might be actually on the other side of the equation and actually feeling more pressure? Thank you.
NOEL WHITE	<p>OK. Let me take your second question first, OK? The growth for the company is in two primary areas. One is, in fact, in prepared food space. And as Stewart showed, we have strong organic growth; he showed you about 5 percent, you know, compared to the CPG space of basically flat. So that's one, and there's still opportunities for us to grow in our branded and prepared food space, for us to fill in some portfolios, but for us to continue organically as well as, potentially, inorganically. So that's one area.</p> <p>The second would be in the international space. And you can see, through some of our recent activities, that we have been focused on the international growth, particularly in Asia. So those would be the two primary areas that we're looking to expand. And to a much lesser degree, there are pockets of our portfolio that we'll continue to fill out. Dean mentioned that we're building a new case-ready facility in Utah. The reason that we're doing that is, from a customer standpoint, it provides an earnings -- a very stable earnings margin. And it's growing in the categories in which our customers are growing, so to a much lesser degree in that sector, but primarily within prepared and internationally.</p> <p>Your first question was, what are we seeing today? All right, with exports, and it -- What I tell you today is probably going to be different tomorrow, which is different than yesterday, because it literally changes on a daily basis. I would say that there has definitely been a slowdown, going back to late January, mid to late January. And we've seen a disruption of not only businesses that we operate in China but also exports from the United States because the ports are basically backed up in China. But that's not to say that there's not a strong desire from our customers that we sold the product to, to want to get it shipped and cleared.</p> <p>So three weeks ago, I would have told you that I was much more concerned about clearing customs, but there's a definite need within the country, I think, to fulfill customer demand, feed the people, and we are continuing to ship product. Now, is it flowing at the same rate it was before? No. But there continues to be strong interest, you know, in the months ahead as well. So when we do see coronavirus improve, we think that we'll be back to the rate in which we were shipping earlier in January. OK.</p>
JON KATHOL	Let's go ahead. Rob?

ROBERT MOSKOW	Thanks. Rob Moskow, Credit Suisse. Dean, I have a question for you. You say that the reason that you came to Tyson is that there's no bigger challenge than feeding the world. But over the past year, Tyson's had a lot of internal challenges. It's had operational missteps in chicken, and now there's been an ERP transition that was unexpected in prepared foods. So can you tell us, what are the major priorities you have in your new role? And what are the responsibilities you're going to have? Is addressing these operational challenges one of them?
DEAN BANKS	I'll just briefly say that we plan to, in the near term, knock down a bunch of these short-term challenges. Operational plans are in place, and I would say that I'm actually surprised at how fast we're making improvements in getting back to operational excellence in all areas. That will be an area of continued focus. I think the hardest part about meeting global protein demand, especially when we're aiming towards 2050 and such a big number, is bridging that gap between day-to-day operational excellence and growing the business to meet that need. Fortunately, from what I've seen from the leadership team, both at the board level and being on board, they have just the appropriate amount of balance in both of those.
ROBERT MOSKOW	So can you tell us, what are the major priorities for you for the next, say, 12 months?
DEAN BANKS	Driving operational excellence and making sure that we conclude some of the whack-a-mole we've been playing on some of our basic operational issues, making sure that we have robust structure and infrastructure in order to be able to grow as we have been growing in the past, through both organic efforts and M&A, and then also set the stage for the long-term growth engine.
ROBERT MOSKOW	Great. Thank you very much.
DEAN BANKS	You're welcome.
JON KATHOL	Right behind him there, Adam.
ADAM SAMUELSON	Thanks. Adam Samuelson, Goldman Sachs. Maybe, in continuing on something you just said with the kind of whack-a-mole operational challenges, maybe, can you delineate those a little bit more clearly? Specifically, in the chicken business over the last year, both due to the plant

	level issues over the course of 2019, fiscal first quarter seemed to suffer from weak pricing and some sales mix challenges, it seems, and market pressures. But maybe elaborate on those and the steps and opportunity to improve profitability over the next 12 months.
NOEL WHITE	Yeah, would you -- Do you mind?
DEAN BANKS	So I would -- If you don't mind, I'd like to pass this to Noel or Stewart, because I started about 45 days ago, and they'll have a much better perspective on the activities that happened before I arrived.
NOEL WHITE	<p>OK, Adam, the challenges that you refer to -- I think we've been pretty clear that our poultry business is not where we expected it to be. And both from a performance standpoint, margin standpoint, not at all what we expected. And at the end of our fiscal '19 year, I said that we would, in fact, deliver \$200 million in operational improvement in fiscal '20 to get it back where it needs to be.</p> <p>We are on a run rate to deliver that, so operationally performing much better. Now, how -- There has been some additional pricing pressures that we didn't fully anticipate. There is a lot of protein on the market right now, and that's an accumulation of beef, pork and chicken. So when we talk about protein on the market, it's really what we refer to as domestic availability. How much protein is there per capita for every consumer in the United States, which is production plus imports minus exports? There's a record amount on the market today. And a lot of that due is on a short-term basis because we do have some of the exports that are backed up from where we were.</p> <p>So the pricing pressure has been a little greater than what we originally estimated. However, we think that that will subside as we go through the balance of the year and then into next year.</p>
JON KATHOL	Ken Goldman, back there.
KEN GOLDMAN	Thank you. Noel, I just wanted to clarify. You -- At the end of the presentation, you talked about some trends from 1Q persisting into 2Q. The stock didn't love those statements. The stock reacted negatively to that. Were you trying to say that things have worsened versus your expectations since your earnings call, or that this was in line for what you were sort of looking for the whole time?

NOEL WHITE	No, Ken, I would say that there's not been any surprises, but the issues that we talked about on the earnings call have continued. It's not improved from where it was. We think it will, but it -- The message is that it was not immediately corrected at the end of January.
KEN GOLDMAN	[INAUDIBLE]
NOEL WHITE	No. No.
NOEL WHITE	Jon?
JON KATHOL	We've got one over here, Michael.
NOEL WHITE	Jon, there's also in the center here.
JON KATHOL	OK.
NOEL WHITE	OK.
MICHAEL LAVERY	Thank you. Michael Lavery, Piper Sandler. Just wanted your thoughts on ASF, a little bit longer term, and just, you know, it having been around for a while now. Nobody's known exactly how it would play out, and it hasn't been quite the driver of a spike, the way some people might have thought. What's your view? Is it going to be more modest momentum? And should -- Or should we be prepared for some sort of spike? How do you just think about the trajectory? And then also, specifically, relative to some of the outlook, you had said a quarter ago that there could be profound upside. Do you -- Is that still your view? And under what kind of timing would that be?
NOEL WHITE	Yeah, I think it still could be. And from a timing perspective, I don't think there's going to be a sharp spike. I think it's going to play out over a period of time, but nobody can forecast exactly what that's going to look like. But the fundamentals still come back to the same: that, you know, 50 percent -- roughly 50 percent of the hogs in China have died. That's 5 percent of the global total protein supply, and those needs will be filled in some way. It'll be supplemented. And if you look -- If we look back to Q4 of calendar '19, you did see an unusual rise in pork pricing. And that was largely attributable to that type of increase in demand. Beef earnings, as we reflected, were also strong.

	<p>Now, when we did have the outbreak of coronavirus, I mean, it changed, as we went into January. But that too will pass. Nobody knows exactly when, but I think there was an early indication of the type of demand that there is, not only from the United States but other parts of the world as well. So, yes, we do expect it to return to what we were forecasting. The timing, you know, is likely to play out through the balance of 2020.</p>
JONATHAN FEENEY	I think we have time for one quick one.
JON KATHOL	Ken Zaslou, right there.
KEN ZASLOW	<p>I'll ask you a real quick one. What processes have you put in place to avoid, in the future, the chicken episodes that you've had? Like, so is there a change to which you're, you know, changing the processes to which you're going to avoid this? Because this seemed to have happened, you know, a couple times in the last three to five years. So what's being done for the future, not so much the fixing right now?</p>
NOEL WHITE	<p>Ken, a couple of things. We have changed personnel. Managing the business -- That's not the only solution. We've also made a number of changes within our plants and facilities as well, from a production flow standpoint that allows us to move between product mixes on a -- in a much more nimble manner than we were before.</p> <p>However, I would tell you, Ken, that I've been in this business right at 40 years, and I can't remember a single time there's not been some type of challenge that I've been faced with. So that's a way of saying that -- Will there be some type of issues come up in the next 12 months, next 24 months, next 36 months? Probably, in some way. It's our job to deal with those. So I'm not suggesting that the issues that we've had in poultry are all acceptable. They are totally unacceptable. However, it doesn't matter if it's coronavirus; it doesn't matter if it's trade restrictions; it doesn't matter if it's operational issues. There is some type of issue that will come up.</p> <p>The message that we want to leave with you today is that it's our job to deal with those type of issues. And from a long-term perspective, global demand will continue to grow at rapid pace, and we are well positioned to be able to satisfy that demand. That's part of what we do. That's part of our job. But our view is much longer term, much longer oriented, so we're</p>

	looking where we want to be five years, 10 years from now, not so much in Q2 of fiscal '20.
JONATHAN FEENEY	I think we'll wrap it there. Please join me in thanking Noel, Dean and Stewart for a great presentation. And we'll take it over to the breakout room. Thanks.