

Tyson Foods, Inc.

Third Quarter Fiscal Year 2020 Earnings  
Conference Call

August 3, 2020 at 9:00 a.m. Eastern

**CORPORATE PARTICIPANTS**

**Noel White**, *Chief Executive Officer*

**Dean Banks**, *President*

**Stewart Glendinning**, *Chief Financial Officer*

**Jon Kathol**, *Vice President, Investor Relations*

## **PRESENTATION**

### **Operator**

Good morning and welcome to the Tyson Foods Third Quarter 2020 Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then 1 on your touchtone phone. To withdraw your question, please press star, then 2. Please note this event is being recorded.

I would now like to turn the conference over to Jon Kathol, Vice President of Investor Relations. Please go ahead.

### **Jon Kathol**

Good morning and welcome to the Tyson Foods, Inc, earnings conference call for the third quarter of fiscal 2020. On today's call are Noel White, Chief Executive Officer, Dean Banks, President, and Stewart Glendinning, our Chief Financial Officer.

Slides accompanying today's prepared remarks are available as a supplemental report in the Resource Center of the Tyson investor website at [IR.Tyson.com](http://IR.Tyson.com).

Tyson Foods issued an earnings release this morning, which has been furnished to the SEC on Form 8-K and is available on our website at [IR.Tyson.com](http://IR.Tyson.com).

Our remarks today 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, such as Tyson's outlook for future performance on sales, margin, earnings growth, and various other aspects of its business. 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 the release issued earlier this morning and our filings with the SEC for a discussion of the risks that can affect our business, including those listed in our 10-Q filed this morning and during this fiscal year, as well as our most recent Annual Report on Form 10-K, and our current report on Form 8-K filed March 13, 2020.

I would like to remind everyone that this call is being recorded on Monday, August 3rd, at 9 a.m. Eastern time. A replay of today's call will be available on our website approximately one hour after the conclusion of this call. This broadcast is the property of Tyson Foods, and any redistribution, retransmission, or rebroadcast of this call in any form without the express written consent of Tyson Foods is strictly prohibited.

Please note that our references to earnings per share, operating income, and operating margin in today's remarks are on an adjusted basis unless otherwise noted. For reconciliations to our GAAP results, please refer to this morning's press release.

I'll now turn the call over to Noel White.

**Noel White**

Thanks, Jon, and good morning, everyone. Before we get to the quarter, I'd like to take a moment to discuss the announcement we made earlier this morning. Later this year, Dean Banks will take over President and Chief Executive Officer of Tyson Foods, effective October 3rd. I am excited to continue at Tyson in a new role as Executive Vice Chairman of the Board of Directors.

Tyson's future is bright with Dean at the helm. As our chairman said in the press release this morning, Dean and the entire executive leadership team have a strong breadth and depth of capabilities, and they bring energy and vision to Tyson Foods. Dean has an impressive background in entrepreneurship, technology, and the healthcare industry, which makes him ideally suited to lead Tyson in our efforts to integrate advanced technologies into our operations and further our focus on team member health and safety. Dean is the right person to lead our company in the next stage of growth.

Dean, would you like to say a few words?

**Dean Banks**

Thank you, Noel, for those kind words and for your 37 years of service and many contributions to Tyson. I also want to offer my sincere thanks to the more than 140,000 team members who have given me a warm welcome over the past three years. I've had the opportunity to get to know many of you, and your integrity, passion, and commitment to feeding the world is a critical part of why I'm here.

I am honored to lead Tyson Foods as its next CEO and look forward to working with our company's leadership in executing our strategy to capitalize on opportunities for innovation across the protein spectrum. Building upon the strong foundation established by Noel, I will continue to serve our customers, team members, stakeholders, and shareholders to drive our strategic initiatives and build our business in current and new categories and geographies.

And, finally, thank you to the Board of Directors for entrusting me to lead Tyson into our next phase.

Noel?

**Noel White**

Thank you, Dean. Now we'll discuss the third quarter. I want to start by thanking our team members for their dedication and diligence as we continue to navigate the pandemic.

This quarter has been full of challenges in an ever-changing environment. However, I'm pleased with how we've adapted and adjusted to the circumstances, and continued to operate our facilities without layoffs.

While we've worked hard to avoid the supply chain disruptions experienced by our livestock suppliers and customers, our top priority has correctly remained the health and safety of our team members. We've made substantial investments in COVID-19 related safety measures for our team. Earlier this year, we transformed our facilities with a host of safeguards that meet or

exceed CDC and OSHA guidance. We purchased 150 walk-through temperature scanners to check workers when they arrive. We supplied face masks, have installed workstation dividers, and have more than 500 social distance monitors in our facilities. About 40,000 of our team members, or a third of our U.S. workforce, has been tested for the virus. Currently, less than one percent of Tyson Foods' U.S. workforce of over 120,000 team members has active COVID-19.

Tyson Foods has partnered with outside medical experts and public health officials to understand and prevent the spread of the virus, and to share what we've learned.

We have partnered with Matrix Medical to set up on-site medical clinics at some of our locations. We also supplied more than 300,000 cloth masks to our team members across the country to share with their families, friends, and loved ones.

And last week we announced the launch of a new, strategic COVID-19 monitoring program and the expansion of our occupational health staff, including a new chief medical officer position. The new data-driven program was designed with the help of outside medical experts and involves weekly testing of a sampling of team members to monitor for the presence of the virus. It also includes testing of workers who have symptoms as well as those who have come in close contact with others who have the virus. Protecting our team members is essential to the long-term growth and will remain our top priority.

Now I'll turn to the third quarter results, which reflect the value of our comprehensive portfolio and operational agility. Dean will take us through the segment results, and Stewart will provide detail on our third quarter results.

Without a doubt, our third quarter was one of the most volatile and uncertain periods I've seen during my 40-year career in the industry. However, our commitment to team member health and safety and our investments in operations and portfolio strategy effectively positioned us to weather unprecedented marketplace volatility, while supporting our farmers, ranchers, and producers, while working to meet our customer needs. Our scale across proteins, products, and brands helps to insulate us during economic cycles, even historically volatile ones, and enables us to more readily adjust to consumer demands across brands and channels.

While COVID-19 has had impacts on our business, I'm pleased to say that our company has performed well. Our third quarter sales were just over \$10 billion, which is about 8% lower than the same quarter last year, driven by 10.6% lower volumes, offset by 2.6% higher price. Our adjusted earnings of \$1.40 per share were driven by strong performance in our beef and pork segments.

While chicken results were weak early in the quarter, driven by significant declines in foodservice and deli demand that affected both volume and mix, we experienced a volume rebound later in the third quarter as states began to reopen, and this has carried over into the fourth quarter. Again, the overall strength of our business, despite challenges earlier in the quarter speaks to the value of our portfolio-based strategy.

In Q3 we experienced substantial demand for our core retail and branded products, and we worked diligently to get as much product to our customers as possible. This demand shift

resulted in core retail line volume growth of more than 26% compared to Q3 last year and share gains in those categories. Meanwhile, we absorbed major declines in foodservice, which resulted in a net reduction to overall volumes during the quarter.

The retail channel continued to show strong levels of demand in both volume and dollars. I was pleased to see another quarter of share growth across our core business lines. This makes eight quarters in a row.

Another area where we benefit is the strength of our brands, the breadth of our reach, and the ability to produce locally in our international markets in responding to global demand growth and fluctuations. In the third quarter, exports to many parts of the world performed well, including to Japan and Mexico. In-country performance in China remained strong, and the impact of COVID-19 within the other countries where we operate has been less than expected. Reduced hog supplies caused by African swine fever continue to present opportunities to fulfill international demand from U.S. exports and in-country production.

It's important to note that a large portion of Tyson's export sales are associated with products that don't traditionally fit within the American consumer's diet. This means export markets help serve as a way for us to optimize utilization of livestock. This contributes to the profitability of the livestock farmer we depend on for our supply. In the third quarter, we took a number of actions to support our supply chain. We unilaterally instituted increases in payments for the prices we paid to our cattle ranchers, provided weight discount relief for hog and cattle producers, and capped prices on certain cuts of beef to our customers. Supporting our partners and customers is essential to our business.

Now let's talk about the current operating environment. We have enhanced operations to ensure agility, continue to implement automation to improve safety and efficiencies for our team members, and deployed technology to meet consumer demand. Because of these investments, we were positioned to weather the impacts of COVID-19 on our channel mix, as we've experienced increased retail and reduced foodservice demand. From a supply chain perspective, our facilities quickly adapted where possible to new product mixes to take advantage of changing customer needs and market dynamics due to COVID-19.

We operate more than 140 food production facilities in the United States, and, although some continue to operate at decreased production levels, the scope of our operations continue to provide us with the flexibility, agility, and redundancy needed to support our customers and help keep refrigerators and shelves stocked. This is a clear benefit of our company's scale and how we continue our crucial mission of feeding families during this unprecedented global crisis.

Despite our strong performance during the third quarter, COVID-19 created significant direct incremental costs for our business totaling approximately \$340 million. This does not include the indirect impacts we've experienced, such as lower volumes or operational inefficiencies, as a result of absenteeism and lower capacity. Our direct incremental costs were primarily associated with ensuring the health, safety, and recognition of our team members, which include enhanced team member safety precautions in our facilities, communication and education within communities, team member bonuses, enhanced benefits, and other COVID-19 protection measures. Due to the nature of these direct incremental expenses, our segments

were primarily impacted based on the relative number of team members and the degree of production disruptions they have experienced.

We know that some of these expenses will continue — likely at a lower run rate — and we know that we will need to prepare to adjust our operations as the virus persists. Even after accounting for these COVID-19 related costs during the quarter, our business continued to show strength and resilience.

While COVID-19 has been disruptive, we have a strong long-term outlook for Tyson Foods. Global population and income growth will continue to drive an increased need for protein. That's why we expanded the international footprint we've established — is so important to our future growth. Our assets, capabilities, and products in China, Asia Pacific, and Europe give us the ability to meet that growing demand. Our lessons from Asia's COVID-19 experience also helped shorten the learning curve for us domestically.

Furthermore, the virus has accelerated consumer demand for food through alternative channels such as e-commerce. We believe e-commerce demands in grocery and foodservice will remain elevated, and we intend to capitalize on the shift.

We also continue to invest aggressively in our brands, and in automation and technology, as we seek to create new and more effective ways of doing business. In the technology area alone, we've initiated hundreds of projects over the last three years, many of which are both enterprise in scale and focused on automation and advanced analytics. Automation will help drive efficiencies and protect team members in our facilities. We expect these initiatives to generate strong returns as we move into the future.

Of course, there is undoubtedly more work ahead of us. We remain focused on continued execution of operational improvements to drive a more efficient, agile organization, which in turn enables us to remain nimble and unlock opportunities to grow the business.

As we look beyond this year, we're prepared to navigate prolonged pandemic-related uncertainty. We are investing in operational flexibility to ensure that we can continue to meet customer demand while living in a potentially long-term COVID-19 environment. We recognize that our level of future growth is dependent on away-from-home eating occasions, which will be impacted by communities opening up and potentially re-closing. We will thus remain nimble and remain ready to adjust our facilities as demand picks up or shifts.

We are managing our businesses well, and our balance sheet and liquidity position continue to show strength as a result of strong cash flow generation. We believe higher levels of liquidity are prudent until we have more visibility into recovery and realization of a new, dynamic environment.

We can't say how long the impacts of COVID-19 will last, but we have demonstrated the ability to operate while facing the current challenges. Our business is flexible and ready to take advantage of channel and business shifts. We will continue to adapt our business to address market challenges. I believe shareholders will benefit from our strengths, which include our portfolio, distribution channels, dedicated workforce, and scale.

Now, I'd like Dean to give us a recap of our business segments.

**Dean Banks**

Thank you, Noel. I want to start by echoing Noel's sentiment as it relates to the resilience that our team members have shown in light of COVID-19. I'm humbled by their response during this difficult time and it's been both remarkable and extraordinary.

I will focus my remarks today on our third quarter results, and then provide additional color on each of our segments.

Under the circumstances, our performance has been good. Despite challenges, and with team member safety as our top priority, we did everything possible to maintain operations in order to keep customers' shelves and refrigerators stocked, and consumers fed. We shifted some of our foodservice production to focus on retail and demonstrated the strength and resonance of our brands with consumers. Our performance in the core retail categories continues at an incredible pace in both volume and dollars as a result of evolving demand.

Our Nielsen results show gains of more than 26 percent in the latest 13 weeks, outpacing total food and beverage, as well as the top 10 food manufacturers. Again, outpacing all of the top 10 food manufacturers.

Our retail lines are leading their categories with overall volume share growth of 2 percent and dollar share growth of 1.6 percent.

Our core business lines, which represent approximately two-thirds of our measured, branded, retail sales, have now experienced eight consecutive quarters of growth. Again, that's eight consecutive quarters of growth.

Within the e-commerce channel, because we were well positioned for the increase in online buying, we continued to see significant sales growth and showed strong performance. Similar to last quarter, total e-commerce sales more than doubled versus the prior year, as consumer buying patterns evolved, with a continued emphasis on click and collect and delivery. We expect this strength in e-commerce to continue.

Meals away from home continued to remain soft during the quarter but are slowly starting to recover. Foodservice customers have seen varying degrees of recovery, with strength in Quick Service Restaurants focused on takeout and delivery. Some have returned to pre-COVID-19 levels, which led us to shift some capacity back to historical patterns. Weakness remains in schools and dine-in channels, which may persist, depending upon states' reopening agendas.

In contrast, in the retail channel, supermarkets and club stores have continued to see gains across our categories. Because of flexibility within our operations, we were able to convert parts of our foodservice production network to accommodate the shift to retail. Other parts of our network could not be converted during the third quarter. As a result, current buying patterns remain a net negative across our business, and we don't expect to realize full recovery until meals away from home increase.

As Noel mentioned, our margins for the third quarter included direct incremental costs totaling approximately \$340 million related to COVID-19. Indirect costs, and additional inefficiencies created by unplanned absenteeism and reduced production across our business segments, have not been included in this number.

Moving to the segments, I'll start with Prepared Foods. During the third quarter, our Prepared Foods segment produced an operating margin of 7.1 percent, on just over \$2 billion of sales.

Our retail growth and the performance of our brands were very strong while our foodservice volumes remain weak, driven by COVID-19 related temporary idling and slowdowns. In total for this segment, sales were down 2.6 percent, with volume down 6 percent and pricing up 3.4 percent.

Despite these challenges, we were pleased that our total household penetration increased in the third quarter, with significant gains in Jimmy Dean breakfast sausage, Ball Park Hot Dogs, and Hillshire Farm Lunchmeat.

Although availability of raw material has started to return to pre-virus levels, the surge in demand at retail, coupled with raw material supply shortages, has resulted in lower finished goods inventory levels across the network. Some of the tail effects of this shortage will continue to impact us in the fourth quarter.

Despite these COVID-19 related inventory challenges, we are pleased to say that the historical inventory issues caused by our ERP system rollouts are behind us.

Alternative Protein remains a top growth priority for Tyson Foods. We saw growth in distribution and velocity during the quarter while introducing two new plant-based protein offerings to market — a spicy nugget and a whole grain tender — both under our Raised and Rooted brand. We are focused on our new product launch timing to drive category growth in line with customer and consumer needs.

Our teams will continue to work with our foodservice customers to provide relevant product offerings, that will enable them to adapt to the changing marketplace as the economy re-opens, and we will continue to focus our brand investment and innovation to more value-oriented offerings.

We're focusing on formats and sizes relevant for rapidly evolving channel dynamics, such as the acceleration in e-commerce. Overall, the Prepared Foods business is well positioned to deliver sustained retail growth, even in this dynamic environment.

Our Beef segment produced an operating margin of 17.4 percent in the third quarter on approximately \$3.7 billion of sales.

We saw large supplies of market-ready livestock during the quarter but continued to experience production inefficiencies and lower throughput due to our decisions to temporarily idle some facilities in an effort to protect our team members. The combination of large supplies of

livestock, production shortfalls, and strong consumer demand, drove a much wider margin spread.

Our beef business has done an excellent job managing through this uncertain environment — especially in its ability to protect team members while continuing to produce. As foodservice demand softened, we were able to shift parts of our operation to retail. As cut-out values rose during the quarter, we offered price caps to support our customers and preserve demand in both retail and foodservice.

Exports are an important complement to domestic markets, and benefit U.S. cattle-and-beef producers since many exported products are not typically consumed in the American diet.

We expect strong exports to continue as the impacts of COVID-19 start to level out in some areas, but we will continue to emphasize keeping domestic shelves and refrigerators stocked.

The current environment shows plentiful supplies of cattle, coupled with strong demand for beef.

The quality of domestic-fed cattle continues to be excellent, allowing us to provide a high-quality product for customers, with a continued focus on our premium programs as one of our key growth platforms.

Moving to our Pork segment. In the third quarter, strong demand and ample hog supplies led to a 9.6 percent operating margin in Q3 on approximately \$1.1 billion of sales.

As pork plants were idled or ran at reduced capacities in order to protect the health and safety of our team members, hog producers were met with lower processor demand for their market-ready hogs. We recognize how this impacts our producer community, and we have safely resumed operations at or near full-scale production to provide them with an outlet for their hogs.

Additionally, idled plants and reduced capacity in our pork facilities had impacts on the availability of raw materials for our Prepared Foods business and affected our ability to produce at optimum levels.

We directed more product to our domestic channels, where we saw strong demand for whole-muscle cuts including pork loins, butts, and ribs.

Like our Beef segment, exports remain an important complement to domestic markets and benefit U.S. hog and pork producers, as many exported products are not typically consumed in the American diet.

Turning to Chicken, this segment produced an operating margin of -3.9 percent in Q3 on approximately \$3.1 billion of sales. No part of our business has seen greater COVID-19 impacts than our Chicken segment.

We've experienced significant amounts of complexity in the current environment and continue to work through what's proven to be a very dynamic situation.

Sales were down during the quarter as a result of lower volume and price. Operating income was negatively affected by the volume decline, costs associated with COVID-19, and \$110 million of negative derivative mark-to-market adjustments, as compared to the same period in fiscal 2019. Additionally, we experienced some degradation in our mix as we shifted capacity to serve retail channels and struggled to maintain efficient levels of production.

As I mentioned, during the quarter we responded to the dramatic shift in demand from foodservice to retail, shifting some of our chicken production capacity accordingly. Although this cost us in the form of capital investments and some plant efficiency, we were able to get more meat to consumers when retail capacity was particularly strained. Despite adjusting parts of our operational footprint, the higher retail volumes didn't entirely offset the lost volumes from foodservice and deli.

We began the year with positive progress toward operational improvements within our chicken business, but the impacts of the virus resulted in operating disruptions that slowed our progress during the third quarter. We prioritized throughput in order to meet customer demand, but we expect to resume meaningful progress against these programs as conditions level off.

Looking at current market conditions in the Chicken segment, we saw improved results late in the third quarter and into our fourth quarter as foodservice demand started to slowly recover while retail demand remained strong.

In International, COVID-19 affected our regional businesses in different and varying degrees. Our in-country China operations performed well despite disruptions caused by COVID-19 and African Swine Fever, by leveraging its diversified operating model and continuing its strong performance throughout the third quarter.

Our APAC operations were able to shift at least some production to retail to mitigate the impact of lower foodservice volume and successfully execute promotional activities with our key customers.

Our business in Europe was slower and experienced more negative profit impacts resulting from higher exposures to foodservice and the impacts on that channel from COVID-19.

Our international footprint is providing a platform for growth across the enterprise. We are committed to becoming the global leader in protein by serving emerging markets and strategic customers across channels and segments. With recent acquisitions, we have made significant progress towards reaching critical mass in our international operations to take advantage of higher-growth demand patterns.

It is worth noting that, across our business, we are monitoring trade tensions among countries, working with government agencies and evaluating the impact of a potential shift in long-standing trade agreements. Tariffs remain an obstacle, putting the U.S. at a price disadvantage in many markets in which we participate. If tariffs are lifted or reduced, we would likely see an acceleration of already-increased global demand for U.S. pork, beef, and chicken.

In summary, our team members and businesses across the enterprise have shown tremendous flexibility and agility. They successfully adapted to the continued change brought on by

COVID-19. The response from our team members has provided consumers with continued access to a safe and affordable food supply, and we will continue to make investments to prioritize their health and safety.

Tyson is well-positioned to respond to future market conditions. Our strong balance sheet, unique business model, diverse portfolio, and scale will allow us to meet the needs of the marketplace.

With that, I'll now ask Stewart to take us through the financials.

### **Stewart Glendinning**

Thanks, Dean, and good morning, everyone. I'd like to start by congratulating Dean on his appointment to the role of CEO. I've thoroughly enjoyed working with him and know that he's going to do a terrific job. Congratulations, Dean.

Now, I'd like to start by calling out a few performance highlights for the quarter. As Noel mentioned earlier, our third quarter results included earnings of \$1.40 per share and operating income of \$760 million.

Sales in Q3 were down approximately 8 percent to just over \$10 billion, with a 7.6 percent return on sales. Average sales price for the quarter was up 2.6 percent.

Year-to-date operating cash flows were \$2.7 billion.

Now, as Noel mentioned earlier, our balance sheet is sound. In fact, our liquidity position improved as we progressed through the quarter. As of June 27<sup>th</sup>, our liquidity was \$3.1 billion, which was up \$600 million from our second quarter.

This substantial increase was attributable to strong operating cash flow performance and was partially offset by a reduction in debt, including our \$350 million of bonds that matured and were paid off in Q3 and \$150 million of dividends which were paid during the quarter.

We continue to emphasize inventory and accounts receivable management to mitigate the business's cash flow risk during this uncertain and volatile environment.

Including cash of \$1.4 billion, net debt was \$10.7 billion, and net debt to adjusted EBITDA was 2.7 times for the 12 months ended June 27<sup>th</sup>. Net interest expense was \$119 million for the quarter.

Our effective tax rate was 21 percent in the third quarter, and weighted average shares outstanding were approximately 364 million. Depreciation and amortization totaled \$295 million.

Our capital expenditures during the third quarter totaled \$283 million. We continue to target an overall capex return of approximately twice our cost of capital, with a focus on projects which support our long-term strategy and enhance our business performance. Plant automation and expansion of our global footprint are good examples of this.

It's also worth noting that we have deployed significant capital against M&A over the past few years, and those assets are proving to be valuable now, with a lot more value expected in the future. As examples, our Hillshire assets have performed exceptionally well over the past two years, and the increased exposure to retail has been especially important based on recent COVID-related channel shifts. Our investments in expanding our global footprint have increased our ability to serve multinational customers in both foodservice and retail, as well as giving us exposure to some of the world's fastest growing protein markets.

Due to the uncertainty of the COVID-19 impacts, including sales channel shifts, the degree of absenteeism, and the temporary idling of some of our facilities, we are currently unable to provide segment operating margin guidance. In addition, the accuracy of any outlook we do provide during this call will be influenced by a wide range of factors connected to the course of the pandemic.

Now, I'd like to provide some additional commentary on our outlook for the full fiscal year. Keep in mind that fiscal 2020 is a 53-week year; however, we have adjusted our outlook to be comparable to 52 weeks.

- Net interest expense should approximate \$470 million.
- We project capex spending of approximately \$1.25 billion for the fiscal year as we progress with building additional processing capacity for case-ready fresh chicken, beef, and pork. We may elect to slow down parts of our capex spending where appropriate to ensure adequate liquidity
- Having said that, we expect liquidity for the remainder of the year to remain well above our minimum liquidity target of \$1 billion. As the spread of COVID-19 continues to present new and unforeseen challenges to our business, we believe that a heightened degree of liquidity relative to historical levels is prudent to ensure financial strength and flexibility. This, coupled with strong operating cash flows and disciplined capital allocation priorities, gives us confidence in our ability to meet our financial obligations.
- Our capital allocation will continue to prioritize debt reduction. This includes approximately \$700 million of senior note maturities in Q4. We do not expect to repurchase shares through the end of the year except for minor repurchases related to equity compensation plans.
- Our effective tax rate is expected to be around 23 percent.

As Q4 has started, we continue to see heightened levels of retail demand, which still only partially offset the COVID-related declines seen in the foodservice channel. While we are not certain the path of COVID, we have demonstrated our ability to deliver profits during this challenging time and we expect to continue to do so.

Our plants are experiencing varying levels of challenges in the current environment, but capacities have significantly improved since the extremes experienced during the third quarter. Our actions taken to ensure the health and safety of our team members will enable us to move capacity closer to historical levels.

As a result of COVID-19, we have incurred direct incremental costs based on the broad range of safety measures we have implemented and continue to support, which as Noel mentioned, totaled approximately \$340 million during the quarter. Because some of these initial investments are one time in nature and as such will provide long-term benefits, we expect that only a portion of the \$340 million in Q3 COVID costs will persist going forward. We also incurred indirect costs and production inefficiencies as a result of COVID-19 that have not been separately identified. We will continue to operate our plants with team member health and safety as the top priority. We expect to offset some of these incremental costs through our continued diligence to drive ongoing financial fitness, where we continue to seek out opportunities to remove unnecessary costs from our business.

To summarize, despite the challenges to our industry brought about by COVID, we've demonstrated our ability to perform during the crisis and we're encouraged by our long-term outlook.

Our broad business model with multiple proteins allows us to meet a wide range of customer and consumer demands across all of the food sales channels. That model is built on a large-scale platform, which is increasingly exposed to higher growth rate countries as we expand our geographic footprint, and it provides us the capability of serving the largest multinational companies as well as the smallest single outlets. Our balance sheet, liquidity, scale, and portfolio of businesses differentiate Tyson from other food companies and position us for long-term growth. We will drive for that long-term growth in all parts of our business as we execute against our strategic plan, with a constant focus on maximizing long-term value for shareholders.

That concludes our prepared remarks. Operator, we're ready to begin Q&A.

## **QUESTIONS AND ANSWERS**

### **Operator**

We will now begin the question-and-answer session. To ask a question, you may press star, then 1 on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then 2. Please limit yourself to one question and one follow-up. If you have further questions, you may re-enter the question queue. At this time, we will pause momentarily to assemble our roster.

And the first question will come from Peter Galbo of Bank of America. Please go ahead.

### **Peter Galbo**

Hey, guys, good morning and congratulations to Dean and to Noel.

### **Noel White**

Thank you.

### **Dean Banks**

Thank you.

**Peter Galbo**

I really appreciate the color around the COVID costs, \$340 million. Obviously, a chunk of that was worker bonuses as well, but just wondering if you guys can get a little bit more granularity on some of the major cost buckets related to some of those direct COVID costs, just as we start to think about the fourth quarter, what of those could be actually continuing and possibly into fiscal '21? And then I have a follow-up as well.

**Stewart Glendinning**

Yeah, thanks. Good morning, Peter. Stewart here. Let me give you a little bit of color. First of all, as you know of course, the safety of our team members is our top priority. What's good for our team members is, of course, very good for our business. If you look at the \$340 million, those represent only the direct costs, and as you rightly called out, the biggest chunk of that is the thank-you bonus. We disclosed that that amount was \$114 million, so that gives you a sense of drivers — the biggest driver. But there were also in there in terms of other big drivers, were enhanced benefits and pay that we paid to employees while the plants were closed, but they were out.

In addition, of course, we had all of the medical costs and the PPE costs. I think if you took those buckets, that would be the biggest chunk. Ongoing, of course, if you went back, we announced those thank-you bonuses ahead of time. We don't expect the run rates to be at the same level, but we're not giving any specific guidance on what we think that number will look like for Q4.

**Peter Galbo**

Got it, okay. That's helpful. And then, Dean, maybe just stepping back from a high strategy level, the priority is obviously going forward, with you stepping in as CEO, it's going to continue to be on Prepared Foods and growing International, but I think the biggest point of pushback that we've gotten this morning is just around chicken. Obviously, it's been a very challenged year, with COVID and with a lot of the COVID costs going into chicken, but how are you thinking about prioritizing a turnaround in chicken, and when should we expect — for you to come to us with a more comprehensive and — on what a turnaround could potentially look like? Thank you.

**Dean Banks**

Sure. Thanks, Peter. I would say if you consider what we incurred from direct COVID costs and some of the derivative losses, and, really, the disruption from COVID in general, I think our team did a phenomenal job at weathering the storm. We'd love to see a better financial number post, but ultimately the team did a good job at managing a lot of the challenges and uncertainties.

What I would say is that, clearly, some of the COVID costs will fall out over time, assuming that we get the recovery that we'd like to see, and we do — we did see some real progress prior to COVID picking up some operational efficiencies, and then we're going to be going back out to that as soon as our operations return to normal. So, you'll see improvements in the coming quarters, I believe, but it's really too early to tell with what's going on with COVID. The disruption to our mix and related absenteeism has been quite challenging, although we do see absenteeism trends recovering.

**Operator**

Our next question comes from Ben Bienvenu of Stephens, Inc. Please go ahead.

**Ben Bienvenu**

Hey, thanks. Good morning, everyone.

**Noel White**

Good morning.

**Male Speaker**

Good morning, Ben.

**Ben Bienvenu**

I want to ask on the Pork and Beef section of the business, those segments performed — obviously, the market was favorable as it relates to packing margins, but performed pretty nicely, given — or despite how challenging the operating environment must have been for you guys. I know you had a number of plants close. We've also, though — we've gotten probably a pretty big backlog of live animals coming for the balance of this calendar year in light of what's happened with COVID, so I'd love to hear your commentary on what you think around the input cost side of things looks like for packer margins for the balance of this calendar year.

And then I'd also love to hear, in light of the most recent cattle inventory update we got from the USDA, just kind of how you guys are thinking about the cattle cycle, and we're in a really strong profitability environment. At what point do you think that starts to taper off?

**Noel White**

Ben, I'll take that. This is Noel. You know, as we look into 2021, we're expecting — well, without COVID, we would have expected somewhat flat supplies, particularly in cattle. Breeding intention on the hogs are off a couple of percent, but productivity's been picking up a couple percent so basically flat again. So, our outlook for domestic availability has previously been roughly flat to perhaps down a half of one percent due to continued strong exports.

The number of hogs that have been processed the last few months, obviously particularly in Q3, they were down substantially, and we don't know exactly, but we estimate someplace in the vicinity of about 3 million hogs did not come to market, so that will continue to work its way through the system over the coming months. And on cattle, there's probably somewhere in the vicinity of about a million head of cattle that's been backlogged as well.

So, over the course of months, that will work itself out, but, regardless, we expect adequate supplies — strong supplies of cattle and hogs as we look into our fiscal 2021.

**Ben Bienvenu**

Okay, great. Thanks. Stewart, you mentioned comments — or, Dean, I think you made comments on SAP. Are those losses entirely behind us? You know they're behind you for Prepared Foods. I seem to recall that maybe the Chicken segment was being impacted by SAP as well. Am I recalling that correctly, and, if so, is that behind you as well?

**Noel White**

Our ERP-related inventory [unintelligible] in distress are normalized at this point. We're still rolling out SAP across the business, but the rollout's gone smoothly, and we've not seen an uptick in any of the challenging aspects related to inventory that we've shown in the past. So, we feel like we've got that behind us and on track.

**Ben Bienvenu**

Okay. Fantastic. Thanks, and best of luck.

**Noel White**

Thank you.

**Dean Banks**

Thanks, Ben.

**Operator**

Our next question comes from Michael Piken of Cleveland Research. Please go ahead.

**Michael Piken**

Yeah, hi, good morning, and congratulations [unintelligible]. I wanted to —

**Noel White**

Thank you.

**Michael Piken**

— ask a couple of questions here. The first, I guess, is on the Chicken side, and I guess, you know, we've seen some weakness in commodity leg quarters recently, and just wondering if — how much of that is driven to potentially exports slowing down or maybe just the inability to debone dark meat, but just sort of your thoughts on kind of the overall size of the business in light of some of the weaker commodity prices for chicken. How do you see egg sets trending, and how are you thinking about your own [unintelligible] chicken?

**Dean Banks**

So our mix was certainly affected by absenteeism, and we really wanted to just get to the American and global populations as quickly as we could, so we had to take some [unintelligible] for mix, and then as it relates to general operational improvements, we — like I said, we captured about \$100 million in total operational savings coming into COVID, which benefited us. But looking forward, it's going to take us some time to work through that. And we do — you know, in our contract pricing business, we'll be going into pricing negotiations this fall, and I don't know if we'll see any impacts from that coming in the first — the second quarter.

And then related to exports, our exports have generally been strong. We're seeing ports move; they're somewhat backed up, but we are seeing product flow through testing at the borders in places like China, and exports in Japan and Mexico continue to be strong.

**Michael Piken**

Okay, yeah, and then there's a follow-up on the red meat side. If you could talk a little bit, I know the daily slaughter rates have come back and are really strong, in [inaudible] particularly, but on the fabrication side, are you guys able to deliver the specific types at this point on beef

and pork to your targeted customers, or is there still a shortage of that particular SKUs, or are things kind of back to normal on the fabrication side? Thanks.

**Noel White**

Yeah, Michael, I can take that. I can tell you that, no, production has largely rebounded to pre-COVID activity, so the SKU and product mix is not being impacted anywhere to the extent that it was through the March, April, May time period. So nearly back to normal.

**Operator**

Our next question comes from Heather Jones of Heather Jones Research, LLC. Please go ahead.

**Heather Jones**

Good morning. Thanks for taking the questions.

**Noel White**

Good morning.

**Heather Jones**

My first question's on chicken. I was wondering if you could give us some more granularity as to how much of your capacity you've been able to shift to retail, away from foodservice, and how that may cause volumes to look, going forward, relative to what we saw in Q3?

**Dean Banks**

So, we're not necessarily calling out the percentages that we've been able to shift, but we've seen foodservice recover about 80, 90 percent in general, and so we have obviously strong products in QSRs.

**Stewart Glendinning**

Maybe, Heather, just a couple additional facts just to help with your model. If you look back to Q3 last year, retail versus foodservice, in chicken, that was about 50/50, and if you look at that ratio in 2020, that's about 60/40. So, you're seeing a shift there. Obviously, it would have been worse had we not been able to shift some of the manufacturing over to retail, but I think if you look in our Q, you'll get some of that data.

**Heather Jones**

Okay. Thank you. And then as a follow-up, I was wondering — so all the initiatives you put in place as far as healthcare for your workers, et cetera, just wondering if you could give us your thoughts about the preparedness going into the fall. Like I know there's some concern in the industry about there potentially being another surge, and just like how do you think you're prepared relative to this [unintelligible] if there is a surge and workers getting sick? Like how do you think it'll look for you relative to what it looks like in April and May this year? I mean, April, May, earlier this year?

**Dean Banks**

Sure Heather, thanks. As you know, team member safety is our top priority. We've — you can tell by our numbers, we've invested heavily in a variety of precautionary measures, the protective equipment and stuff that we've put in, including temperature testing, and that stuff will

benefit us in quarters and years to come. You probably also saw a recent announcement that we've really implemented what I would consider a cutting-edge monitoring program. And what we get from that is to ensure that we're assessing the health of our team members and making sure that we know what's going on in our plants. It also helps better understand what's going on in the communities. And that's really been the key, is knowing what's going on [unintelligible] in the communities, and we've been very open about sharing that with public health officials to make sure that they see what we're seeing and they're working with us.

We've also put in a lot of effort to educate and inform our team members about what we're learning about the virus and how it spreads, and we've seen them be very responsive and respond positively to protective measures at home and in their communities, and so I would say we're as prepared as we can be. We are still investing in research and making sure that we very much understand this virus. We're really working closely with the communities and health officials to ensure that we've got every possible precaution in place.

**Heather Jones**

Okay, thank you.

**Operator**

Our next question comes from Ken Goldman of JP Morgan. Please go ahead

**Ken Goldman**

Hi, good morning. Dean, congratulations.

**Dean Banks**

Thanks, Ken.

**Ken Goldman**

I wanted to ask, if we're on a similar call like this 10, 20 years from now, and you're retiring, what do you want to be known for? What are the biggest changes that you want to see at Tyson — with the obvious caveat that right now is a completely uncertain time for everybody, but I'm just curious about your long-term strategy and the changes you want to implement.

**Dean Banks**

Well, first off, I've been really lucky to get a chance to work with Noel, the entire ELT and the Board for the past — gosh, past three years now — and have been on the Strategy and Acquisitions Committee, and we've all been working closely to make sure that we've got a long-term perspective on the business that not only leads to long-term growth but also Tyson's position on helping feed the world sustainably. So, if it's 20, 30 years down the road, we know we're going to have a few more billion people on the planet, and we're going to have to make sure that we can provide food for them and do it in a sustainable way. And given Tyson's balanced portfolio and our investments in alternative proteins and our global footprint, we are — we're confident that we can really take pole position when doing that.

**Ken Goldman**

Okay, thank you for that. And then a follow-up is I'm just curious if — you guys talked about chicken margins improving a little bit. Can you give us some idea of the range there? Obviously, you'll have some costs in terms of your mark-to-market or your derivatives that won't

repeat, but excluding that, can you just give us some idea how things are beginning so far a month or so into the quarter, so we can, model a bit more accurately as we look ahead.

**Stewart Glendinning**

Yeah, look, I think — Stewart here — I think you could probably look at some of the data coming through public data on pricing, and I think what that will show, actually, is the pricing for the moment is a little bit weaker than we saw it in the middle of the quarter. If you look, then, at some of the big impacts that Dean called out earlier, you know, in the quarter, we had \$70 million worth of impact on derivatives, and on a year-over-year basis, that was \$100 million bucks, so certainly I can't say what derivatives will do, but that will be a big impact going forward.

The other cost that's noteworthy is to call out the \$340 million worth of COVID costs. Chicken took a big chunk of that, and, as I mentioned earlier, we expect that that run rate will be lower. I think those are probably the big factors to call out as we get into this quarter.

**Ken Goldman**

Thank you.

**Operator**

Our next question comes from Michael Lavery of Piper Sandler. Please go ahead.

**Michael Lavery**

Good morning and congratulations, Dean, again.

**Dean Banks**

Thank you.

**Michael Lavery**

I just wanted to touch on the guidance you mentioned in Chicken and Prepared Foods, that you expect a decline in volumes in the fourth quarter. Do we read that correctly, that you think beef and pork will be up, or it's just that you're not sure? And can you give us some of what the assumptions are around your thinking there?

**Noel White**

Michael, when you say beef and pork will be up, in what terms?

**Michael Lavery**

Well, I think it's specific to volumes that you mentioned, the effective decline for Chicken and Prepared Foods, and so would we infer correctly that the volumes in beef and pork are expected to rise?

**Stewart Glendinning**

Well, we're not going to give any guidance specifically on volumes. You can take our comments that we made this morning, but you could look back of course to this past quarter, and you'll see that beef and pork had considerable destruction. Noel earlier talked about the backlog of animals. Of course, we're looking to get our operations back to normal levels as quickly as we can, so that's about all the detail we can — we want to give just looking forward.

**Noel White**

I think it would be fair to say, though, as we come into Q4, that volumes are in fact stronger than what they were in Q3. So relative to Q3, I'd say the answer would be, yes, we're a month into our Q4. Now relative to a year ago, that's a different question, because it depends on absenteeism, but there's certainly enough livestock available to run equal or greater numbers in Q4 than a year ago.

**Michael Lavery**

Okay, that's helpful. And then just following up on your comment on ASF, you said it presents opportunities. Obviously, there's been some expectation of that for some time, and it always seems to twist and turn in different ways and, of course, overshadowed by coronavirus in some respects. But as you size it up and think of potential opportunities there, do you have any sense of how it's likely to play out, or what would you be looking for a catalyst there that maybe we haven't seen yet?

**Noel White**

Michael, I don't think that there's really been any substantial change from roughly a year ago that — ASF continues to spread, albeit at a lower rate than I think what it was a year ago. There's been a substantial reduction in the global hog herd, so it's down roughly 25 percent, and the demand continues to be equal or growing, and so our outlook a year ago, it's no different today than it was basically a year ago, that there continues to be strong demand from basically all parts of the world, including China. So fundamentals have not changed, and I'd just refer back to Dean's comment that from a longer-term perspective, you know, we expect global demand for proteins to continue to grow over the coming years at a pace greater than what the expansion in production is going to be.

**Michael Lavery**

Okay, great. Thank you very much.

**Operator**

Our next question comes from Adam Samuelson of Goldman Sachs. Please go ahead.

**Adam Samuelson**

Yes, thanks. Good morning, everyone.

**Noel White**

Good morning.

**Adam Samuelson**

So maybe continuing just thinking about kind of how the chicken business specifically is evolving, and I think going forward, it seems like we've got this tension between absenteeism on the worker side and the inefficiencies and production challenges that presents to your production footprint and the ongoing destruction in foodservice markets. And any way to maybe give us a sense of how those two have evolved over the course of the last three months through July, even just to help us get on the trajectory of where things stand today and the balance of those in terms of margin impact?

**Dean Banks**

I probably won't break out the specific margin impact, but what I will describe is foodservice — I'll start with the latter first — with foodservice, volumes have returned to somewhere between 80 and 90 percent depending upon the channel customer. We've seen some areas of the foodservice that — our key chicken customers performing extremely well, you know, at or near pre-COVID levels.

And so that's performing well in some areas. We do have some areas still struggling to catch up on distribution, et cetera. And then remind me again, the first part of the question.

**Adam Samuelson**

Just absenteeism and the impact that that's had on your costs and your production mix through the second and third quarters and into the fourth?

**Dean Banks**

Sure. Clearly, we had a big spike on absenteeism related to the COVID and a variety of other things. Like I said before, the trend line of absenteeism is trending to the positive, so we expect the absenteeism impact on our production to start to return to normal here relatively soon.

**Adam Samuelson**

Okay, and then my second question is a bit more of a clarification, but just going through the disclosure in the Q and then into sort of retail sales by segment, it looks like Chicken and Prepared Foods — chicken's up 8 percent year on year for retail sales. Prepared foods up 12. And I'm just trying to think about kind of the implications of that relative to what we see in the — whether it's the core business lines or total Tyson sales change that you put in your — from Nielsen that you put in your slide deck. I know that there's some things on deli and some of the tray pack products that can create some noise there, but I'm just trying to think about how to reconcile just the retail component of what you disclosed for sales growth relative to [inaudible].

**Steward Glendinning**

Yeah, that would be difficult for us to sort of take you through the full reconciliation on the call, but, first of all, I mean, great performance from the Prepared Foods team, eight quarters in a row share gain, so that's not a blip, but having said that, that is just all of the branded products, primarily in Prepared Foods but also in Chicken as well. If you go — if you look at that, our core retail lines are about two-thirds of the branded retail volume, so just to give you a sense, but, of course, all the non-branded stuff also is coming through. Most of that is the foodservice, so when you go back to that note in the Q, [unintelligible] retail up, driven — which is largely driven by that core retail move, and then foodservice down because of COVID. Is that helpful?

**Adam Samuelson**

Yeah, maybe I'll follow-up offline. I appreciate the color. Thank you.

**Operator**

Our next question comes from Robert Moskow of Credit Suisse. Please go ahead.

**Robert Moskow**

Hi. Thank you. Dean, you talked about price negotiations beginning for chicken in the fall. I've been a little startled to see egg sets turning positive in the last couple of weeks here. The

breeding flock is up, and yet total demand for chicken is down because of the foodservice channel. Is there a hope for stronger negotiating power in this contract season, or is this a supply environment that is not conducive to getting the pricing you need to get to normal markets?

**Dean Banks**

Rob, I certainly appreciate your diligence in looking at the public data. We're just not going to be able to comment on what we'd expect to happen in pricing negotiations, and it's just too early to tell also.

**Robert Moskow**

Okay. And one follow-up. The derivatives losses, I assume that's on corn. Because corn prices fell during the quarter, or are there other [unintelligible] involved for chicken?

**Noel White**

No, you are correct, Rob, it was corn and soybean meal, a combination of the two.

**Robert Moskow**

Okay. Thank you very much.

**Noel White**

Thank you, Rob.

**Operator**

Our next question comes from Ben Theurer of Barclays. Please go ahead.

**Ben Theurer**

Good morning, everyone. Thanks for taking my questions. I just wanted to follow up on the Prepared Foods commentary you've made on Adam's question. So, I wanted to understand what the exact impact was in profitability which clearly was down on a year-over-year basis, but you've mentioned the strength within the retail portion, which is branded, and then obviously the weakness in foodservice. Could you elaborate a little more on how much actually input cost pressure you had from the raw materials side, considering that the branded piece actually grew while the not-branded piece within Prepared Foods declined — to understand a little bit the magnitude of the input cost pressure.

**Dean Banks**

So, I won't give a specific number related to input costs, but clearly the increase in pork and beef prices had an impact on our business. As you know, some of our foodservice business primarily is formulaic in nature, and there's some lag related to when the formulas ultimately materialize into fair market price. And the retail side in some parts of the foodservice we actually have contract pricing, and the blips in input costs come and go before we actually get back into price negotiations on those products. We're also seeing exceptional demand on the retail side too, so taking in all of the prices related to what we're experiencing with beef and pork could have a depressionary effect on demand. So we're focused on growing that category, and that's important to us. So not necessarily able to capitalize on the full spike in beef and pork and capture all that margin back.

**Ben Theurer**

Okay, perfect. That was good commentary. Thank you very much. And then just one question as it comes back to the beef piece and your outlook into next year — and thanks for elaborating on the cattle you're seeing available — so is it fair to assume this was obviously a very strong quarter and we should not assume that to be a normalized margin environment, but thinking everything else equal, what you were initially expecting for 2019 is most likely going — for 2020 is most likely going to be where we should in a normal environment expect for next year, considering the availability of cattle, et cetera. Is that a fair assumption?

**Noel White**

Well, this — Ben, this is Noel — the fundamentals as we go into next year, you know, demand has been strong. Supplies are adequate now but trying to forecast where margins will be next year relative to this year, we're not prepared to do that. The fundamentals, Ben, I would say look favorable with continued strong demand and adequate supplies.

**Ben Theurer**

Okay, I'll take it from there. Thank you very much.

**Noel White**

Yeah, thank you.

**Operator**

Our next question will come from Ken Zaslow with the Bank of Montreal. Please go ahead.

**Ken Zaslow**

Hey, good morning, everyone. Noel, best of luck, and, Dean, congratulations.

**Dean Banks**

Thanks, Ken.

**Noel White**

Thank you, Ken.

**Ken Zaslow**

With that, just two questions. One is, Dean, as you look at your balance sheet, you have more cash than you've probably had in a long time. How do you expect to allocate that? What is the thought behind that? And how do you tie that into a strategy?

**Dean Banks**

Well, I would say for the time being, with all of the uncertainty related to COVID, we think it's important to have ample liquidity to make sure that we can adapt. We've invested heavily into capital equipment and a variety of things to make sure that we can service retail versus foodservice as we seem to manage stuff in our markets. Stewart, do you want to —

**Stewart Glendinning**

Yeah, and look, maybe just a couple other comments. We're very pleased, obviously, with our liquidity position, but just thinking about the fourth quarter, we do have some cash payments that are coming up. We've got debt of almost \$700 million that's going to mature this quarter.

We've got dividends. We pulled out \$1.2 billion of capex for the year, so you've got about \$300 million coming through in capital expenditures, and there's a number of places in which cash will go out the door.

Don't forget also, that as we see the market start to improve, then you're going to also see some increased use of working capital. So I think there are a few specific things on the docket that will absorb some of that cash.

**Ken Zaslow**

Okay. My second question is I know you talked about the direct costs, but the indirect costs, can you provide the magnitude relative — I know you're probably not going to give an exact number, but can we size it as bigger than a breadbox, closer to \$340 million, something like that, of how much indirect costs you think pressured the company's margins, and where was the greatest degree and sort of helping us frame it? And not so much to give away corporate secrets, but it just helps us to forecast going forward if that's okay.

**Stewart Glendinning**

Yeah, Ken, there's no specific way to give you a number on indirect costs, and that's why we haven't called them out. Obviously, things like absenteeism causes a huge amount of disruption in our plants. I think Dean spoke to that. That obviously does drive very different financial results, but there's a huge amount of opportunity for us if you just think about it. Our foodservice business is way down. Ordinarily, that would be operating full steam. So it's very difficult to give you a number. My best advice is to start with the current run rates and then make some assumptions from that.

**Noel White**

Ken, I think it's fair to say they were significant. Like Stewart said, it's impossible to quantify because a lot of it is opportunity costs; however, product mix was also impacted in a fairly substantial way. And as far as the degree of impact, it largely is dependent on the number of team members they have in each one of the sectors. Poultry has our greatest number of team members, so they were impacted to a greater extent than our other businesses, but it's fair to say that the likely impact was substantial.

**Ken Zaslow**

Would you say that half of it's back to normal, three-quarters back to normal, just some sort of barometer. And I know it's really hard, and I'm not trying to box you into a corner. I'm just trying to figure out the volatility of numbers don't — because this quarter's really not representative of what's going to happen in the future, right? This quarter is an isolated event. I'm just trying to figure out if there's a way to kind of start figuring out fundamentals and adjusting it for the inopportune costs.

**Noel White**

Yeah, Ken, it's —

**Ken Zaslow**

And I'll leave it there [inaudible].

**Noel White**

Ken, it's —

**Ken Zaslow**

[Inaudible]

**Noel White**

Okay, Ken, it's really — it's not possible to do that, but a lot of the inefficiencies were driven by absenteeism, as Dean said, that that has improved, so we can't give you a specific number or the degree, but it's better than what it was a couple months ago.

**Ken Zaslow**

All right. Well, anyway, best of luck, everybody. Thank you very much.

**Noel White**

Thank you, Ken.

**Stewart Glendinning**

Thank you, Ken.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Noel White for any closing remarks.

**CONCLUSION****Noel White**

Thank you for your time today. While the pandemic has been challenging, I'm convinced we'll come through it as an even stronger company.

We have the right portfolio, the right resources, and the right team to drive long-term performance and shareholder value through our strategy to grow, deliver, and sustain. Once again, I want to thank our team members for their continued efforts during this unprecedented time. Their health and safety are fundamental to our long-term success.

Please stay safe and thank you for your interest in Tyson Foods.

**Operator**

The conference has now concluded. Thank you for attending today's presentation, and you may now disconnect.