

# Tyson Foods

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## Second Quarter 2026 Earnings Conference Call

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### **CORPORATE PARTICIPANTS**

**Donnie King**--*President and Chief Executive Officer*

**Curt Calaway**--*Chief Financial Officer*

**Devin Cole**--*Chief Operating Officer*

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

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## PRESENTATION

### Operator

Good morning, and welcome to the Tyson Foods Second Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

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

### Jon Kathol

Good morning, and welcome to Tyson Foods second quarter fiscal year 2026 earnings conference call. On today's call, Tyson Foods' President and Chief Executive Officer, Donnie King; Chief Financial Officer, Curt Calaway; and Chief Operating Officer, Devin Cole, will provide prepared remarks. Following the prepared remarks, we will have a Q&A session. We have also provided a supplemental presentation, which may be referenced on today's call and is available on Tyson's Investor Relations website and via the link in our webcast.

During today's call, we will make forward-looking statements regarding our expectations for the future. These forward-looking statements made during the call are provided pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all comments reflecting our expectations, assumptions or beliefs about future events or performance that do not relate solely to historical periods.

These forward-looking statements are subject to risks, uncertainties and assumptions, which may cause actual results to differ materially from our current projections. Please refer to our forward-looking statement disclaimers on Slide 2 as well as our SEC filings for additional information concerning risk factors that could cause our actual results to differ materially from our projections. We assume no obligation to update any forward-looking statements.

As we mentioned last quarter, segment results are presented on a segment operating income level and will be discussed on an adjusted basis. The primary difference between segment operating income and the method used in previous quarters is that we no longer allocate corporate expenses and amortization down to the segment level.

We have recast previously reported quarterly results for the previous three fiscal years to reflect the new format. The segment change has no impact on consolidated historical U.S. GAAP financial results. The recast financial information is accessible through the Events and Presentations section of the company's Investor Relations website at [ir.tyson.com](http://ir.tyson.com).

Please note that references to earnings per share, segment operating income, operating income and operating margin in our remarks are on an adjusted basis for our fiscal periods, unless otherwise noted. For reconciliations of these non-GAAP measures to their corresponding GAAP measures, please refer to our earnings press release.

Now I will turn the call over to Donnie.

### Donnie King

Thank you, Jon, and thanks to everyone joining us today. Overall, I'm pleased with our performance in the second quarter, and we are raising our AOI guidance for the year to incorporate better performance year-to-date and continued confidence in the future of our

business. I'd like to reinforce what we're building at Tyson, a diversified protein-centric company positioned to capture growing demand for high-quality protein.

Animal protein remains top of mind for consumers and continues to gain momentum as a foundational part of a healthy diet. We are directly tied to and stand to benefit from this long-term trend. We're focused on disciplined execution, a diversified multi-protein portfolio and a balanced approach to capital allocation.

Our scale and operating capabilities support cash generation across cycles, enabling us to reinvest in the business, reduce leverage over time and return capital to shareholders consistent with our capital priorities. We remain committed to our long-term strategy that creates value for customers, consumers and shareholders, and we'll continue to be transparent with our investors along the way.

Our shift to segment operating income is working as intended. This change empowers our business leaders to pursue volume growth and enhance their decision-making based on a more direct view of the impacts of those decisions without corporate expenses and amortization, which are more fixed in nature. As stated previously, we will continue to focus on reducing spend and maximizing efficiencies in our corporate functions and see more runway with both initiatives.

Let me tell you more about the quarter, and Devin and Curt will elaborate. Our second quarter results with \$13.7 billion in sales and \$497 million in adjusted operating income demonstrate that our strategy is working and is gaining momentum for both Tyson Foods and our customers. We remain focused on continuous improvement, and our team is energized by the opportunities ahead.

Within chicken, we delivered another impressive quarter with \$523 million in segment operating income and a 12.2% margin, while navigating a more normalized commodity environment and typical Q2 seasonality. Strong execution on the controllables and more efficient marketing and promotional spend drove improved performance. Demand remained robust, and our customer-centric approach is working.

Overall, year-over-year chicken volume was up 1.7% with retail and foodservice volumes growing nearly 3x faster than total volume, reflecting momentum with our strategic customers. Importantly, these results were not driven by broad price increases with base pricing being slightly lower in the quarter, but rather, we saw improvements in product mix and executed well operationally.

Our end-to-end chicken business, including our chicken genetics business, is performing at a high level as we continue to deliver on our commitments, but we see ample opportunities for more improvement and growth. This is another example of how our chicken business is outperforming compared to a commodity chicken business.

Moving to Prepared Foods. Segment operating income increased to \$352 million, even as commodity costs were higher year-over-year. And our margin expanded to 14%, reflecting strong demand, share gains and disciplined execution. Sales grew 4.8% and volume grew 0.4%. Importantly, we continue to drive innovation and our brands are winning in the marketplace.

In Q2, we gained share in volume, dollars and units. Our brand strength and focus on customer relationships, along with improved promotional efficiency and targeted MAP investments are delivering strong return on investment. Turning to beef. Our segment results reflected the expected volatility in the cattle cycle. We successfully completed the previously announced strategic decision to optimize our manufacturing footprint.

As a result, our second quarter results reflect only a portion of these operational adjustments, which are intended to improve utilization and strengthen our cost position. Importantly, we're staying focused on the levers we can control, plant utilization, operating discipline, customer mix and execution. And we expect the benefits from these actions to build as we move through the year.

Our outlook for the remainder of the year implies lower losses in the back half than the front half of the year. We continue to expect results below historical margin levels until cattle supplies normalize. Our pork segment performed well in a stable operating environment. All parts of the pork value chain from hog supply, pork production through retail and foodservice customers are in relative balance, allowing for more predictable and stable operating margins.

Pork's relative value to beef is likely to benefit revenue for the balance of the year. Finally, our International segment continued its momentum and had another good quarter. As we've discussed, there is increasing demand for protein, which helps us drive strong revenue and cash flow even through economic ups and downs. We also benefit from being a producer of several different animal proteins as the timing of these cycles can vary. This trend insulates us from an otherwise fragile macro environment.

Consumer confidence recently fell to a record low, while inflation is still elevated more than 3%. At the same time, foodservice traffic rebounded in the second quarter, reinforcing the value of our diversified portfolio across retail and foodservice. We also benefit from our scale as we can provide lower unit costs, better service levels and maintain a healthy market share as we produce approximately 1 in 5 pounds of U.S. chicken, beef and pork.

Our long history and strong position in the marketplace solidifies our business for the long run. Protein continues to be a priority for consumers. As a leading animal protein provider, we are well positioned to meet this demand with products that deliver complete nutrition, including all nine essential amino acids. This, along with our shift to simple ingredients like those found in your pantry is resonating and gaining traction with consumers.

Together, these factors support stronger returns through disciplined investment, expanding profitability and consistent cash return to shareholders. Consumers are choosing protein, and they're leaning into brands they trust for quality, taste and convenience. That plays directly to Tyson Foods strengths, where we're winning in chicken and prepared foods, driving share, volume and margin.

According to Nielsen data, total food and beverage category retail volume declined 1%, with dollars up 1.7% over the 13 weeks ending in March. In contrast, our Tyson retail branded products, which includes our national and regional brands, grew by 2.3% in volume and 3.6% in dollars, outperforming the broader categories. We are also winning in digital across key retailers. Our digital dollar growth is materially stronger than in-store performance, reflecting our ability to compete and win in omnichannel shopping.

A few examples include Tyson branded value-added chicken, up 6.5%. Aidells dinner sausage increased by 9.7%. Hillshire lunchmeat grew by 7.6% and Wright and Jimmy Dean bacon increased by 6.8%. Our Hillshire snack combos have also achieved double-digit growth. In addition to the volume growth, all five categories grew dollars and share, reinforcing that we are winning with consumers while improving the quality of our growth.

We're also performing well in foodservice with volume growth of 60 basis points. In terms of how we're driving innovation in our portfolio, we are using AI-driven insights that sharpen how we identify emerging preferences and translate them into action. This enables us to bring on-trend consumer-led products into the marketplace. In practice, the integration of AI allows us to better connect what consumers are telling us with what shows up on shelves and menus.

The capability is accelerating our innovation pipeline, improving decisions around distribution and pricing and strengthening the effectiveness of marketing and new customer acquisition. One example of this is in our Jimmy Dean brand. Using these insights, we are pioneering the next wave of higher protein breakfast. Our recent launch of a Jimmy Dean protein breakfast platform is off to a phenomenal start, bringing higher protein versions of consumer traditional favorites like sandwiches and bowls that are showing stronger velocity and consumer takeaway.

We're pairing those core items with innovation like Jimmy Dean high-protein waffles that is new and incremental to our Prepared Foods business. Early consumer responses have been very positive and is bringing new and younger consumers to the brand. We have already begun to capture meaningful share at retail, and we see a compelling runway to build on this momentum as we expand distribution and continue to innovate.

Our retail performance remains superior to that of our primary competitors in comparable business segments across the industry. Over the past 12 months, our Prepared Foods retail business has driven strong gains in volume, market share and profitability, outpacing our peers. However, our valuation continues to reflect discount relative to those peers. Investors who recognize the value today will benefit the most. This is why Tyson Foods is uniquely situated for success in today's environment.

Demand for our products continues to grow, and we're well positioned to capture this momentum. While some companies face challenges in generating demand, our share gains demonstrate both our strength and our expectation for further growth, an essential driver of our ongoing success. Our protein-centric offerings, combined with disciplined capital allocation enable us to capitalize on the opportunities that stem from strong performance and allow us to continue to thrive in the marketplace.

As a 90-year-old American company, we provide trust and consistency across cycles. As you've heard us say many times, we're not standing still. Overall, these strengths allow us to deliver lasting value to our customers, consumers, team members and shareholders. Looking ahead, the opportunities before us are more promising than ever, and I'm very confident in our portfolio and in our strategy.

With that, I'll turn it over to Devin to take you through the segments in more detail.

### **Devin Cole**

Thank you, Donnie, and good morning. In the second quarter, our team made progress toward our strategic objectives. We remain committed to holding ourselves accountable to our customers and consumers' expectations. Now let's review our segment performance. Prepared

Foods delivered a strong quarter with sales up 4.8% versus last year and volume up 0.4%. Segment operating income was \$352 million, up 7% year-over-year and margin expanded to 14%, reflecting continued progress on our multiyear plan to enhance profitability.

We gained share in volume, dollars and units. In the quarter, volume share was up 70 basis points and dollar share was up 50 basis points, driven by strong protein demand and our disciplined execution with notable wins in bacon, lunch meat, dinner sausage and snacking. Volume growth reflects distribution gains, innovation and improved promotional efficiency, supported by targeted MAP investments as consumers prioritize convenient, nutritious high-protein solutions.

Looking ahead, we expect continued growth in segment operating income for the full year and remain well positioned in this business for the long term. In Chicken, we delivered segment operating income of \$523 million and a margin of 12.2% despite a more normalized pricing environment and the typical seasonality we see in Q2. Sales were up 3.5% year-over-year, driven by favorable mix and volume growth with total chicken volume up 1.7%. Retail and foodservice volumes grew nearly 3x faster than total volume, reflecting strong consumer demand and momentum with our strategic customers.

Our diversified pricing strategies and improved mix kept average selling prices stable even as base pricing was down. That stability and our bottom line results were driven by a better product mix tied to strategic customer growth and stronger operational performance. Execution continued to improve across the controllables. Live performance, yield, asset utilization, labor productivity and end-to-end supply chain discipline, supporting our sixth consecutive quarter of year-over-year volume and net sales growth and reinforcing the consistency and predictability of our chicken business.

We also wanted to highlight the success we are seeing in our chicken genetics business, which is competing at a high level again. This has been driven by the hard work of our genetics and live production teams alongside family farmers who are the best at what they do. This business is delivering meaningful, sustainable results and creating real economic value for our customers. Combined with our shift toward a more value-added product mix, our strategic customer alignment and our chicken genetics business differentiates Tyson from commodity chicken competitors and strengthens the value proposition we deliver to customers and shareholders.

Growth was strong across retail and foodservice with nearly all sub-channels delivering positive volume growth. We are strengthening service and quality with our strategic customers while continuing to expand our value-added and premium portfolio to meet demand for convenient, high-quality options. Taken together, our strategic customer partnerships and disciplined execution are strengthening our chicken business model as it becomes more consistent and predictable, we see more runway ahead.

In our Beef segment, we remain committed to disciplined execution and the actions within our control as we operate in a dynamic market environment. Beef sales increased slightly in the second quarter compared to the prior year. Our updated operational footprint is aligning with lower cattle availability, and we are seeing the benefits of a higher capacity utilization. While the quarter included variability in industry conditions, we believe the harvesting plan adjustments better position us to compete effectively this year and over the long term with a right-sized production footprint.

We expect to see increasing benefits from these actions in the coming quarters. Segment operating income declined compared to the prior year as higher cattle costs more than offset higher cut-out values even as consumer demand remains strong. As we navigate the current cycle, we remain committed to operational excellence across our footprint and advancing additional initiatives that support stronger, more consistent long-term results.

In Pork, segment operating income was 41 million with a margin of 2.6%, driven by increased sales, reflecting strong consumer demand. Hog supplies for our facilities were adequate during the quarter. With reliable pork raw materials and a tighter, more integrated network, we're improving mix and lifting value in Prepared Foods by driving higher utilization across bellies, hams and trimmings. We will continue to push for higher utilization as it will improve access, quality and landed cost of our raw materials.

Overall, I'm encouraged by the incremental steps we have taken in the second quarter, and I am confident that we have room to grow and improve across the operational and controllable aspects of our business in 2026 and beyond. We are focusing on our strategic customers and consumers while delivering value to our shareholders. With animal protein remaining a clear winner in the mind of consumers, the diversity of our portfolio enables us to make investments by partnering with our strategic customers to drive category expansion.

With that, I will turn it over to Curt to walk through our financial results and outlook in more detail.

### **Curt Calaway**

Thanks, Devin. As a large-cap value company, our multi-protein multichannel portfolio, combined with our team's focus on operational execution in a dynamic macro environment, performed well compared to the overall food industry during the quarter. We see more runway ahead and are confident in our performance for the remainder of the year.

Now let's get into the financial details. For the second quarter, total company sales grew 4.4% to \$13.7 billion compared to prior year, led by pork with solid contributions from chicken and Prepared Foods, reflecting the healthy demand environment for protein. Second quarter segment operating income was \$751 million, slightly higher than the prior year.

Corporate expenses and amortization were higher by \$19 million compared to the same period last year. The increase was driven by a \$15 million gain on a legal settlement last year as well as an \$8 million loss this year related to our deferred compensation plan. Without these 2 items, it would have been lower than a year ago. Total company adjusted operating income was \$497 million, a margin of 3.6%. Adjusted earnings per share for the quarter were \$0.87, down 5% compared to last year.

Turning to our financial position. Our approach to capital allocation remains disciplined, deliberate and forward-looking, supported by a strong balance sheet. We remain focused on maintaining financial strength, investing in the business and returning cash to shareholders. Free cash flow is critical to our strategy, and we are encouraged by the cash flow trends in the first half of the year.

Operating cash flow for the first half of the year was \$829 million, and capital expenditures were \$397 million, resulting in free cash flow of \$432 million. We ended the quarter with \$3.7 billion in liquidity and net leverage of 2.2x. We reduced our gross debt by nearly \$1 billion over the past 12 months, including a reduction of nearly \$300 million just this quarter. With our strong cash

flow, we continued share repurchases with \$92 million in the first half of the year and including dividends paid of \$353 million, we have returned \$445 million to shareholders year-to-date.

Our balance sheet remains healthy as we prioritize financial strength, our investment-grade credit rating and cash management to drive long-term shareholder value. Let's take a moment to review our outlook for fiscal 2026. As a reminder, our accounting cycle results in a 53-week year in fiscal '26 as compared to a 52-week year in fiscal '25. The 2026 outlook is based on a comparative 52-week year. We still anticipate full year sales to be up 2% to 4% year-over-year.

We have increased our range for total company adjusted operating income by \$100 million at the midpoint with a current range of \$2.2 billion to \$2.4 billion. We anticipate interest expense of approximately \$365 million, lower than previous guidance by \$5 million and a tax rate of around 25%. We remain disciplined in managing cash with CapEx expected to be between \$700 million and \$1 billion and stronger free cash flow now in the range of \$1.2 billion to \$1.8 billion, which is in line with our improved financial performance.

Now to provide more color on our segment outlook. In Prepared Foods, we still expect segment operating income to be \$1.25 billion to \$1.35 billion. We will continue to drive operational efficiencies and make strategic investments in the remainder of the year and remain on track with our plan. Following the strong year-to-date performance in chicken, we are increasing our expectations of segment operating income to a range of \$1.9 billion to \$2.05 billion, an increase of \$200 million at the midpoint.

We see continued evidence that chicken will be a preferred protein in the upcoming year and we also expect our operational execution and performance to continue at a high level. Based on the continuation of tight cattle supply, we expect segment operating income in beef to be a loss between \$500 million and \$350 million. This outlook reflects the current view of cattle availability and spread conditions, partially offset by the footprint actions we implemented in the second quarter and the operating discipline we have underway.

Beef remains strategically important to our multi-protein portfolio and customer relationships, and we are focused on long-term competitiveness. Our outlook for segment operating income for pork remains \$250 million to \$300 million based on adequate supply of hogs, continued productivity and operational improvement and robust consumer demand for pork.

Our International segment performed in line with expectations, and our annual outlook remains \$150 million to \$200 million. Corporate expenses and amortization are anticipated to be \$950 million to \$975 million, no change from our previous guidance. Overall, I'm pleased with the second quarter's performance and remain confident that 2026 will be another strong year for the company.

I will now turn the call back to Donnie.

### **Donnie King**

Thank you, Curt. In the second quarter, we executed with discipline in a dynamic macro environment. As we enter the second half of the year, we're encouraged by our momentum and see opportunities to raise our performance. Ultimately, we provide high-quality protein that tastes good, that is nutritious, affordable and convenient.

This core theme remains central to our strategy and to our long-term success and value creation. Our year-to-date performance reflects the focus and execution of our team members,

and we intend to build on this momentum throughout the remainder of fiscal 2026. With that, I'll turn the call back to Jon to begin the Q&A session.

**Jon Kathol**

Thank you, Donnie. We will now open the line for questions. Please note that our cautions regarding forward-looking statements and non-GAAP measures apply to both our prepared remarks and the following Q&A. Operator, please provide the Q&A instructions.

**QUESTION AND ANSWER**

**Operator**

[Operator Instructions] The first question today comes from Ben Theurer with Barclays. Please go ahead.

**Ben Theurer**

Good morning, Donnie, Devin and Curt. First of all, congrats on very strong results and a strong first half. So, particularly on Chicken, can you maybe elaborate how sustainable the performance here is and what role genetics played in most recent months? And if you've had any onetime gains that we should be aware of? That would be my first question.

**Donnie King**

Good morning, Ben. Thank you for the question. So let me start off with -- in this quarter and we did what we said we would do. We grew net sales, expanded margins in Chicken and Prepared Foods and raised our full year guidance. With respect to Chicken in particular, if I look at our Q2, great performance in Q2. We had -- we beat the same or the prior year quarter by \$112 million. And that really was in -- I would say it's in three buckets, which are really important to our overall strategy.

Operational excellence is critical in our model. Our model focuses on mix. And it's specifically branded and value-added fresh and frozen and then strategic customer partnerships. And I'll speak today a little more about our genetics business. But in terms of overall chicken performance, our message is consistency. We expect the second half of '26 to look much like the first half. We raised our chicken guidance \$200 million at the midpoint to \$1.9 billion to \$2.05 billion. I would tell you that momentum is real. We're a better company today than we have been. We're not relying on further commodity tailwinds.

This is execution, not a commodity-driven story. Our strategic customer demand plus our operational momentum gives us real conviction. We expect this fiscal year to land in line with better than 2025. And I would tell you that we're off to a great start. And if I look at -- and I'll use this as a proxy, if I could. If I look at the beat Q2 over Q2, it really is in three buckets of equal comparable proportion. It's our commercial model, meaning our mix. It means our partnerships with our customers, our strategic customers. It is our genetics business.

Our genetics business is showing up here. And when I speak to that at this point, and I'll go in greater detail here in just a moment, that's about a third of the differential. And the operations performance. This is end-to-end. This is not just inside the four walls of the plant. This is in live production inside plants from end-to-end is where the performance is.

As I was looking at this, if I look at how commodity markets changed in the quarter, commodity markets were off pretty substantially. And so we were able to offset those commodity markets based on our pricing models and so forth. In terms of the genetics business, well, let me answer

this question first. You said, are there any onetime issues that we should be aware of that drove this performance? My short answer is, no. You're seeing our model work as it is designed.

I normally would not comment on a competitor's business, but there have been a number of things written relative to a fire at Koch Foods. Frankly, I know very little about the fire, but there's been a lot of speculation that our performance was driven by picking up volume from the Koch fire. In our Q2, there is zero volume associated with Koch fire. And if I look at the back half of the year, there could be some incremental volume associated with that because we have the capacity, but I would consider it nascent in terms of our overall volume and percentage of our branded value-added mix. Let me pause and let you redirect me.

**Ben Theurer**

Just the genetics piece, you said you're going to give us a little more detail, you promised?

**Donnie King**

I'm sorry, you're right. You're right. Forgive me. Our genetics business sits inside our Chicken business. It's not a separate segment. It's been there a long time. It's absolutely a strategic asset for us. Our next-generation genetics line is delivering superior live performance and real customer value. But this improvement also requires great execution, and we're doing that as well.

We had a strong quarter, but it wasn't -- chicken or genetics wasn't the whole story. A little about our genetics business in terms of where it's been, where it is now. We've had a multiyear journey relative to our genetics business where we didn't perform. We did not have genetics for a large bird. And what I am telling you now and what you can look for in the future, I think this change is structural. Our breed that we've had in the past targeted toward a midsized, small-sized bird had performed well historically. It's actually performing better today than it did in the past.

Our new breed is in very early stages. We've been testing and working on this breed, let's call it, five years. And it takes a long time for it to flow through the pyramid. But it's more targeted toward a bigger bird, large-bird deboning that we participate in, not to the extent of others, but it's designed for that. And so what you're seeing out of these numbers in genetics is associated almost exclusively with the impact to the actual genetics company.

You're not seeing the impact yet as it rolls through the broilers or the meat birds that we produce. We're very early in that. And I'd say low mid-single digits, but we've tested this thing for a long time now. And so what do you get with that? You get better feed efficiency, you get better egg production, you get better livability and hatch performance. And you also get incremental breast meat to live on every animal. So it's a very good asset for us. It performs well.

And we've had a number of quarters over the last, let's call it, the last 4, 5 years where we've been okay there. We haven't had a big bird. We now are in a position that we have rectified that. And there's still more upside to come as this new genetics line rolls through our domestic poultry business with improved yields, improved cost and so forth.

**Ben Theurer**

Well, that was very complete, Donnie. Thank you very much, and given the time, I'll pass it on to you. Thank you very much.

**Operator**

The next question comes from Peter Galbo with Bank of America. Please go ahead.

**Peter Galbo**

Hi, good morning, guys. Thanks for the question. Maybe if I -- Donnie, just to put a finer point on the genetics piece. I mean, again, it's not a business that we often hear a lot about. Maybe you can just kind of reorient us where this business is contributing from an EBIT standpoint in the Chicken segment, even if it's in percentage terms today versus where maybe it was 5 years ago and maybe it's as simple as it went from losing money to making money. But just if you can help us kind of dimensionalize it, I think it would be very helpful for people as they try to understand it a little bit better?

**Donnie King**

Sure. Thanks, Pete. If I go back and look -- and remember, this genetics business, it is -- when you make adjustments, you make selections, it is a multiyear event. And we've been doing those changes, making those adjustments and trying to -- not trying, but actually delivering a product that I got to tell you, we're all very excited about.

Now across this time line, multiyear time line, there have been periods where it's been okay. There have been periods where we actually got to a loss in the genetics business, which sits inside our domestic poultry business. We're now seeing the genetics business actually contribute as those genetics are sold to -- today to Tyson.

And what we haven't seen yet, Pete, is the impact of those genetics flowing through the broiler operations and the upside from that is pretty meaningful, really significant in terms of what the impact it will have on not only our domestic Chicken business, but the segment in total. So we're very excited about that.

We haven't talked about that a lot. It's been early. If I look at -- and I quoted this number earlier on a prior question, as I look at the bridge on that, about a third of our improvement in the quarter is a result of -- quarter-over-quarter is a result of just our genetics business. And I would tell you, as you think about how to make that math work, you also have to consider in this bridge, the downside to commodity markets.

And so it is a fairly significant amount of money that is already contributing, and it will contribute more in the future. But I would tell you that our genetics business -- you'd have to go back a number of years to see it perform at this level. And I think this -- where we are today will outperform anything we've ever done in our history. But it's a structural advantage to our business.

**Peter Galbo**

Got it. Okay. No, that's very clear. Curt, I was hoping maybe to pivot to the Prepared Foods business. There's been some discussion with your peers, but even broader peers in packaged food just about inflation as it relates to items like not only freight, but mostly around packaging. So just curious kind of how you see the balance of the year, particularly in prepared and around some of the input cost dynamics, both from a raw material and a packaging standpoint? Thanks very much, guys.

**Donnie King**

Sure. Let me answer that one as well. Strong execution and disciplined pricing as we think about offsetting inflation, that's a primary mitigation lever that we have. We're seeing inflation

pressures across multiple input categories. On feed, for example, grains for us were a tailwind in the first half of the year.

It could be a little higher in the second half. I would tell you that's considered in our forecast. We've had strong execution in our live performance area. The gains in our live performance area have offset any kind of feed pressure that we've seen. With respect to freight, higher freight and diesel costs are up versus the prior year. But for us, freight is a service, ultimately is passed through to customers. We do not subsidize this cost.

Commodity raw materials and think, pork, beef, turkey inputs into our prepared foods are higher. For example, just to give you a number, Prepared Foods commodity costs were up \$50 million in the Q2 and year-to-date, \$150 million. Our pricing continues to catch up with those raw materials. But in terms of packaging, resin and packaging input costs are higher. We're managing through that with value engineering and supplier programs.

**Peter Galbo**

Thanks very much. I'll pass it on.

**Donnie King**

Yeah, thanks.

**Operator**

The next question comes from Leah Jordan with Goldman Sachs. Please go ahead.

**Leah Jordan**

Thank you. Good morning and congrats on a great quarter and thanks for all the color so far today. Just sticking with Prepared Foods here, I mean, you continue to gain market share across a number of the categories you operate in. Just seeming to provide more color on why you think that is, what you're doing differently than the peers out there? And then what are you seeing across the competitive landscape right now?

**Donnie King**

Sure. Leah, this is Donnie. Let me answer that one. In terms of that, we had a clean sweep in the quarter as it relates to share on volume, units and dollars, growing across all three measures simultaneously. But in terms of our Prepared Foods, we've had strong demand and disciplined execution are driving the performance. You could almost full stop right there. And we've talked a lot about our multiyear strategy that it's working and that our business is growing.

We continue to control the controllables and think pricing, promotion, distribution, service. Our volume was up 0.4% in Q2 and sales were up 4.8%. That's back-to-back quarters of volume growth. We outperformed the total category for the third consecutive quarter. We had share gains in lunch meat, bacon, snacking and smoked sausage.

And in terms of how we think about that going forward. I think you should think about our brands. You should think about protein. You should think about the fact that we have a pipeline of healthy nutritious products that meet consumer demand in existing and adjacent categories. We have the assets in place that will provide meaningful improvement in terms -- and we will provide meaningful improvement in operational excellence and have done so over the last 8 quarters.

I would also point out we're the best performing in packaged goods. I would also point out that I think we're undervalued. If you think about us trading at 8x relative to all of the CPG peers out there, let's think over the recent years and the performance that has occurred, and they've come to us. We haven't moved to them. I don't think we have understood the value yet.

I've done a poor job of communicating the value of our prepared foods in our portfolio and the absolute jewel that it is. And so we're outperforming. It's execution. We do what we say we're going to do. We have the brands and the value added and the mix. And like I said in chicken, these relationships with these strategic customers and those partnerships are winning every day for us. So I'll leave it at that and see if you want to redirect.

**Leah Jordan**

No, that's very helpful color and the results speak for themselves for sure. Maybe just switching over to pork here. You talked about a balanced market supporting that. But any more color on the confidence within that reiterated guidance range? I guess what gets you to the upper end here? It looks like you need a pretty notable acceleration or increase in the back half.

**Devin Cole**

Yes good morning. This is Devin. Yes, it's a good point. Listen, I think a couple of things to note maybe would help as you think about the rest of the year. As you mentioned, we did reaffirm our guidance of \$250 million to \$300 million. And listen, we're going to have yet another very good year in our pork business. As we think about that business, we continue to increase the use of the raw material to support the growing Prepared Foods side of our business that Donnie mentioned. And that's one of the most important facets of this for us.

If you think about, too, that the consumer demand is good relative to our fresh pork and tray-pack business. It still is very much and increasingly so relative value versus beef. And so we are seeing strong demand across both foodservice and retail for those products. And if you think about maybe going back from Q1 to Q2, seasonality is influenced there. Certainly, Q1 has always got a stronger kill schedule. We benefit from increased hog placements post the holiday, some favorable pricing.

And then as you get into Q2, we just have a normal ebb of our cycle. I would point out a few things that maybe is helpful as you think about Q2 relative to where we go from here. We did have some influence for some higher hog costs year-over-year. And then we just simply had a few discrete drivers of higher operating expenses that occurred in the quarter that we don't foresee moving ahead.

We had some overstaffing as we did some contingency planning as immigration status worked its way through, and we got clarification on what that looked like. We had some relocating of team members that we were able, thankfully, to move from our Lexington closure into some of our pork assets. We had a handful of maintenance and repair items. And then as you've heard, we had some weather-related operational impacts. But again, those are in the quarter. As we look out for the remainder of the year, very optimistic about this business in general.

**Leah Jordan**

Thank you. That's very helpful.

**Operator**

The next question comes from Tom Palmer with JPMorgan. Please go ahead.

**Tom Palmer**

Good morning. Thanks for the questions. Maybe to kick off just an update on the beef plant closure and kind of your views on how that ultimately impacts profitability for this year, given both the higher utilization rates, but also I think there's some costs maybe to consider just in terms of moving product a bit farther?

**Devin Cole**

Yes good morning and thank you for that. Yes, you're right. We did have really what we consider the second quarter was really a transitional quarter for us as we moved into this new harvest footprint. And also Q2 is historically our most volatile quarter relative to that particular business. Listen, I'm encouraged by the beef business moving forward. There's no shying away from the fact that we are still in a beef cycle and the availability of cattle are the main issue.

But what I see happening with that team is we put them in a position to really win. And I'm seeing greater execution, not only with our capacity utilization, but across all of the key metrics in the end-to-end operational piece of that business. Also seeing good consumer demand. We are at a place here going into the back half of the year where cut-out is even higher than it was this time last year. So it appears that the consumers as they kind of trade across that spectrum, maybe perhaps coming out of foodservice into retail and across the retail category, it looks like we're going to have a very good grilling season.

So that appears to be a real positive for us. But again, the benefits that we will see relative to the decisive decisions that we made, they'll really move into the second half. We did change our forecast for the year, but the reality is even that implies quite a bit of optimism in our ability to work through available cattle and make sure that we're operating at the highest possible execution with regard to yield, labor efficiency, capacity utilization, as mentioned, and most importantly, mix. But yes, it is pointing to a better second half, that's for sure.

**Tom Palmer**

Okay thank you for that. And I did want to follow up just on the pork environment. In your response to Leah's question, you noted the higher hog costs in the quarter. I know there are seasonal factors as we move through this year, but we have heard about increased disease in the herd over the winter, the farrowing numbers and intentions have been pretty light. What's your view of the pork supply situation as we move through the back half of this year? And to what extent is that maybe a consideration as we move either kind of into the back half of the fiscal year or maybe even into the early parts of 2027 fiscal?

**Devin Cole**

Yes. It's a good point. And we see some of the same reports that you referenced with higher industry disease, both with birds and PEDV. Unfortunately, that's not uncommon this time of year. The good news, I can tell you relative to how we're thinking about this business is that, first of all, our supply outlook looks very stable. And we have not had any interruptions relative to disease. I mean I would point to the great execution of biosecurity in our supply chain and the hard work there.

I think light farrowing is a watch item. It's definitely not a red flag for us at this point. But I think it's something that we will continue to watch. But as we look at our forecast relative to our kill schedules and the hogs that we have committed in our supply chain, we don't see anything relative to us that would be concerning in the back half.

**Tom Palmer**

Good to hear. Thanks for the details.

**Operator**

The next question comes from Andrew Strelzik with BMO Capital. Please go ahead.

**Andrew Strelzik**

Hey, good morning. Thanks for taking the questions. First one of clarification. Donnie, you closed your prepared remarks by saying you were encouraged by the momentum in the business and that you see opportunities to raise the performance. So do you mean that there's more room for earnings upside? Or can you just clarify exactly what you meant by that?

**Donnie King**

Well, in terms of all the business, there's room for upside in terms of performance. Just think of a continuous improvement. Think about operational excellence end-to-end. So yes, we've made a lot of progress. We are, I think, a fundamentally different company today than we were, let's say, even a year ago, but much improved. And so all of that, in my mind, says that, yes, there's upside as it relates to margins. And more importantly, I believe that the changes and the execution are structural in nature.

We've right-sized all of our footprints. We're executing with excellence. We are aligned with strategic customers. We've got 3 of the top 10 brands in protein. And we're servicing our customers on time, in time and our innovation to support growth. One thing that we're seeing that just as a proof point is if you look at even in our Prepared Foods, our consumers, we index more to older consumers. We're now starting and beginning to index with younger consumers with some of the protein offerings and high-protein offerings, I guess, I should say.

So we're excited about that and see a whole new opportunity in a consumer base. Now I would also tell you, Andrew, that we're performing well, but we still have capacity in our footprint across poultry and prepared to really continue to grow that business without significant capital outlay. Certainly, all that is demand driven for us, and we look forward to doing that. And we believe our volumes across poultry, prepared and then in beef and pork as well, we'll continue to see growth there.

So we're excited about what we've got. We're executing very well. We do what we say we're going to do. And so I think all of that implies a structurally different outcome from a P&L perspective. And so I'm excited about that.

**Andrew Strelzik**

Okay. That's helpful. And maybe leads to my other question, and I hope it's not redundant really. But you talked about there being a lot more that you can realize in terms of benefits on the chicken side, even with this nice step-up in performance. On prepared, momentum appears to be gaining. You talked about the benefits of plant optimization and beef building through the year.

So, I guess the question is, when you look at the total company guidance for this year, what do you think it reflects in terms of how far along you are on this internal improvement journey? It seems like things will only should get better from here beyond '26, not putting a date on it, but it feels like there's a lot more room to go. So, I guess we're just curious to get your thoughts on that? Thanks.

**Donnie King**

Sure. And I look at it and if you look at, for example, the mix of products, we had volume growth in chicken of, I think it's 1.7%. If you look at the branded value-added, it grew over 3x. That's right where we want to be. So that's what we've been working on for some time. There's also a number of things that we're doing relative to simple ingredients inside that product, the quality of those products, the consumers' experience with those products.

And if you look at what we've done from a technology standpoint and where the market is going with -- from a digital perspective, we're outpacing in-store sales with digital by a significant amount. And so, there's where a lot of growth is. And so, a lot of the tools and technology that we've put in place helps us connect, get first-party data and be able to communicate directly and as I referenced earlier, with those younger consumers in particular.

And so, all of that feels really good. If I look at chicken, it's -- we've had six straight quarters of both volume and net sales growth. That's a trend to me. That is structurally different. Prepared Foods, two consecutive quarters of volume. Third consecutive quarter of having volume growth, unit growth and share -- or excuse me, dollar growth with that. So, you know if I look across and back out a little bit, if I look at chicken, prepared foods, pork, in our international business, all of those are performing very, very well.

Our beef business is performing well on the controllables. I would argue that perhaps as good as it perhaps maybe ever has been certainly in some time, but we're in the depths of this cycle, this 75-year low cattle cycle. We can't do anything about that. I don't -- I stay awake and have stayed awake a lot of nights trying to figure out the answer to that.

I don't have the answer to that. What I do have the answer for is us controlling what we can control, and that's what we're doing. And so, I feel pretty good across the spectrum about our performance and more importantly, the stickiness of that, the -- where we are as an organization in our level of execution.

**Andrew Strelzik**

Thank you very much.

**Operator**

The next question comes from Heather Jones with Heather Jones Research. Please go ahead.

**Heather Jones**

Good morning, congratulations on the quarter. Thank you for the question. Both of my questions are on chicken. And first question, I was wondering, do you think it's a fair assertion that given the magnitude of your capacity in the value-added side and your vertical integration, is it fair to think that Tyson is best positioned from a cost perspective? And as a follow-on to that, the genetics as it shows up in your meat birds, should we expect that to significantly increase that competitive advantage?

**Donnie King**

Sure. Great question. In terms of our chicken business, -- what my focus has been is to move the conversation about our chicken business from a commodity chicken company to a truly branded value-added chicken company. I think our chicken business is different, and we have proven how it is different over time relative to our commodity peers. Now I would hurry on and say what I said earlier, I don't think we get rewarded for that.

We're sitting here at chicken trading at 7.5x. That genetics business, for example, that I listed earlier, sitting inside chicken, you know genetics companies trade at 20%, 25% -- 20x, 25x. And so that's pretty significant. I did the math on that. That's worth about \$9, \$10 a share to Tyson. So, I think our genetics business, it has always been a point of difference. We've had some struggles with it based on not having a big bird genetics package.

And so -- but we've got that now. Now in terms of I'll just fold in the genetics question with this, I feel good about where that is. But the sales of those genetics is what you're seeing that is different than what you've seen in recent quarters. But if I go back to, I don't know, 2015 or something like that, the genetics business would have had a higher contribution than perhaps what you've seen over the last four or five years.

So, I feel good about where that is and more importantly, where it's going. Now -- what is yet to come that is also upside is for our domestic Chicken business is going to be when those genetics that we are placing at scale now throughout this Tyson enterprise, there's significant segment operating income that will come from that. And perhaps maybe larger than most would even consider, but we feel good about that.

And -- but even in the genetics business, what gives me the most confidence and conviction here is that we are taking those very same genetics, and we are executing with excellence across our genetics business as well as our domestic and live operations of our poultry business. And that working together along and you couple that with family farmers that do an outstanding job for us. I feel good about that. I feel good about where we're going.

#### **Heather Jones**

Okay. Thank you for that. And then thinking about the second half and just thinking about your guidance and the range it applies in chicken specifically. And last year, Q4 was particularly strong, and I think the growing conditions were ideal, etcetera. But this year, as you noted, you have a lot of tailwinds. So, is there a scenario where it would be reasonable to think we could have year-on-year growth in Q4, just given the factors you've outlined? Or just how should we think about the cadence of the back half for Chicken specifically? Thank you.

#### **Donnie King**

Got it. Thank you, Heather. Short answer is we think the back half will be as good as or better than the first half. We're trending on the upper end. Remember, we just raised guidance \$200 million at midpoint. We're trending toward the upper end of that. So, as I think about Q3 and Q4, I feel good about that. Again, in terms of you think about the drivers, I'll restate those, operational excellence, our mix of value-added branded products, our strategic customer partnerships and our genetics business that will continue to flow through and provide that.

We're not factoring in tailwinds from the market. I said earlier on a question that there were some tailwinds in the first half, but those look to be a little more challenging in the back half. But I feel good about our ability to execute and offset those things and continue to deliver. So, I think I answered all those questions.

#### **Curt Calaway**

Heather, just to add, obviously, the guidance range that we provided for chicken by taking it up, got us to about -- it could be a 52%, 48% front half, back half or 48%, 52%. So, it's a balanced year. Obviously, we don't give quarterly guidance, but we'll pass it back.

#### **Heather Jones**

Okay. Thank you so much.

**Conclusion****Operator**

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

**Donnie King**

Thank you for your time and continued interest in Tyson Foods. We look forward to sharing our progress with you next quarter.

**Operator**

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