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# Tyson Foods, Inc. (TSN)

Q1 2017 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to the Tyson Foods first quarter earnings conference call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions]

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Jon Kathol

*Vice President-Investor Relations, Tyson Foods, Inc.*

Good morning and welcome to the Tyson Foods Incorporated first quarter earnings conference call of the 2017 fiscal year. On today's call are Tom Hayes, President and Chief Executive Officer; and Dennis Leatherby, Executive Vice President and Chief Financial Officer. Slides accompanying today's prepared remarks are available as a quarterly supplemental report on the Investor Relations section of our website at [ir.tyson.com](http://ir.tyson.com).

Tyson Foods issued an earnings news release this morning which has been filed with the SEC on

Form 8-K and also 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 current 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 the risk 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.

I would like to remind everyone that this call is being recorded on Monday February 6, 2017 at 9 AM Eastern Time. A replay of today's call will be available on Tyson's 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 expressed written consent of Tyson Foods is strictly prohibited.

I'll now turn the call over to Tom Hayes.

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## Thomas P. Hayes

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

Thanks, Jon. Having grown up in New England, I want to start by saying congratulation to the Super Bowl 51 Champion New England Patriots. They set some records last night and we're setting some records ourselves here today.

On my first earnings call as President and CEO, I'm thrilled to share great results that Tyson Foods family delivered in the first quarter of fiscal year in 2017. It's an incredibly exciting time at Tyson as we position ourselves for the next stage of growth and I'm looking forward to leading our team as we seek to improve the value of our company for all of our stakeholders.

Let's talk about our Q1, which is the best quarter in the company's history with record earnings, operating income and cash flows. Return on sales was in or above the normalized range for each of our segments and total company operating margin was a record 10.7%.

In the first quarter, we capitalized on favorable market conditions in our Beef and Pork segments and the cash generated is providing fuel for growth in our value-added Chicken and Prepared Foods segments.

As we outlined in our year-end 2016 call, our earnings were negatively impacted in the fourth quarter by \$35 million in mark-to-market and lower cost-to-market accounting treatments. This benefited our Q1 results as we started getting this back.

Synergies for the quarter were \$161 million, with \$40 million incremental to the Q1 of 2016. Total synergies to-date are \$620 million. And now for an update on our operating results which illustrates the advantage of our balanced portfolio with strong performances across the board. We'll start with Fresh Meats.

In the Beef segment, our operating income was a record \$299 million, with a record operating margin of 8.5%. Volume was up 4.5%, while average price was down 6.6% reflecting the lower cut-out.

Plentiful cattle supplies and lower consumer pricing that stimulated both domestic and export demand contributed to the record results. Our Beef business has been challenged in the past few weeks with typical seasonality, however with cattle supplies expected to increase 3% to 4%, the remainder of the year should be very strong. At this point, we're estimating Beef segments operating margin for the year to be around 5%.

The Pork segments operating income for Q1 was a record \$247 million, with a record 19.7% operating margin. Volume was up 4.3%, while average price was down 1%. Demand was strong and especially in the export markets. The USDA recently issued a report stating that China will likely remain a large importer of pork given its rising production costs, constraints on land use, and stricter environmental regulations. While Tyson Foods

doesn't export a significant amount of pork to China, other U.S. packers do, which creates domestic disappearance. We're certainly aware of the additional capacity coming online, but there appears to be enough hog production to support these plants, and continuing export demand should absorb the additional supply.

At this point, we don't know how any changes in the U.S. trade policy might affect exports of pork or other proteins, but in general, trade restrictions that impact export demand also can affect domestic supply. We're planning for different scenarios and will be prepared to adapt if there's any change in policy.

Now turning to our Chicken and Prepared Foods segments. In our Chicken segment, our first quarter operating income was \$263 million, with a 9.7% operating margin. Average price was up 1.4% and volume was up 1.3%. Value-added volume was up 5%, while commodity volume declined, demonstrating that we're growing where we want to grow with products carrying higher, more stable margins.

Sales price was up due to these mixed changes offsetting general market declines. Costs increased in part due to additional mass spending to support growth in the Tyson brand. We expect more pricing pressure from competing proteins for chicken while our feed costs are projected to be flat with last year. With our predominantly value-added mix, the Chicken segment should be in the upper end of its normalized range of 9% to 11% return on sales for the year.

In our Prepared Foods segment, operating income in the first quarter was \$190 million with a 10% operating margin. Average price was down 2.9%, reflecting lower raw material costs passed through to customers, volume increased to 2.9% offsetting lower pricing.

Synergies within the Prepared Foods segment were \$127 million for the quarter, with \$32 million incremental to Q1 of 2016. As a reminder, not all of the synergies flow to the bottom line as we invest in the long-term health of the business. For the remainder of the fiscal year, we expect flat input costs, but we also expect a more competitive pricing environment given overall protein availability.

Something very important to me, in seeing our company along its path to achieving its fullest growth potential is investing in our facilities to support that growth. As such, I want to make you aware of an important investment initiative we've undertaken that will affect the Prepared Foods segment for approximately 18 months.

Within Prepared Foods, we have two well-developed businesses in both retail and food service channels. These channels are complementary in reaching all consumers. Our scale in both channels provides a natural volume hedge as consumer eating behavior shifts between channels. This leadership position is increasingly critical as channels blur chasing rapidly growing convenience and on-the-go occasions as exemplified by the rise of e-commerce meal kits.

Our retail channel consists of primarily category-defining branded products and is propelled by industry-leading marketing capabilities as well as a well-supported asset base. It has gross margins as robust as any in the industry and growth rates that lead the industry. The food service channel is also characterized by industry-leading share positions across more than 10 categories. In contrast to retail, in food service, we play in primarily unbranded price-driven categories that are highly competitive and can be volatile as they absorb swings in commodity. These category and channel positions are strategically important for long-term growth, but generally operate at margins below those realized by our retail brands.

Network investments to upgrade capacity and throughput for long-term growth have increased the cost structure in our plants that serve the food service channel and further pressured margins. As the capacity investments

translate into improved efficiency and volume growth over the next 18 months, these pressures will abate, but in the interim they will continue to compress margins possibly dropping the segment below 10% return on sales for the year and around 9% for the second quarter.

Let's now turn to a view on total company growth. Our sales volume across all segments rolled up to 2.4% growth. Our retail channel showed the most volume growth in the company versus Q1 last year with a 6.6% increase. IRI data for the 13-week period corresponding with our Q1 showed Tyson Foods, both Core 9 and all Tyson products sold at retail, were leading sales volume and sales dollar growth among retail food manufacturers.

As you'll see in the slides posted on our website this morning, we were only – we were, of the top 10 branded food-only companies, the only one with positive sales volume and one of only two companies with positive sales dollar growth.

For the most recent 13-week period, IRI reported total Tyson retail volume was up 6%. Core 9 volume was also up 6% with 1.2 points of share gain. Despite the deflationary pricing environment, dollar sales were up 2% for total Tyson and 3% in the Core 9. Our retail branded business experienced continued strong growth in the quarter behind base business momentum, excellent retail execution around the holidays and new product launches.

The Hillshire Farm brand drove growth across smoked sausage, lunchmeat and cocktail links categories. Jimmy Dean's Stuffed Hash Browns, Jimmy Dean Delights Frittatas, Hillshire Snacking, and Tyson Premium Select Nuggets are examples of innovations that are meeting or exceeding our expectations.

We continued improving ROI on our advertising spend behind new campaigns utilizing more precise media buying and effective advertising execution. I should note, we're about to start lapping some more difficult comparisons in the next few months, our growth however should still outpace the industry.

In our food service channel, Q1 volume was flat to slightly up in an environment of three consecutive quarters of declining food service traffic as consumers moved towards retail channels. Our segmentation strategy and advantaged customer positions mean a large share of our volume is in accounts where their sales are outperforming industry traffic trends. This can be seen in the performance of some critical food service categories and will set us up well for long-term growth.

On our Q4 call, we introduced new analytics to give you some insight into our broad line distribution portion of our food service channel, which serves predominantly local and regional food service operators. These analytics, based on NPD Supply Track data follow five critical broad line categories prioritized for growth. These categories are value-added chicken, breakfast sausage, dinner sausage, bacon and pizza toppings.

Like our Core 9 or retail, these are key indicators of the overall health of our protein businesses within food service distribution. Our Focus 5 categories grew volumes 12% in October, the most recent data available. With more work to do, we are pleased with our progress in the Focus 5.

In our earnings call in November, we talked about the investments we're making in innovation, consumer insights and brands. At our CAGNY Presentation on February 21, we'll do a deep dive on those efforts and share with you examples of our innovation pipeline. The opportunities we see for long-term growth and how we're inventing new solutions to meet the evolving needs of consumers and customers are exciting.

Another investment we have made for the long-term health of our company is in our people, and I want to provide some insight on what this means and the scope. As a part of the integration of Hillshire brands, we standardized

the holiday and vacation policies across the company and transitioned to a singular competitive compensation structure. This incremental expense of \$58 million in Q1 impacted Chicken by \$23 million and Prepared Foods by \$22 million. The investment is front-loaded in our fiscal year with a lesser impact later in the year and was not adjusted out of our reported earnings. While it is a significant amount of money, it's imperative to invest in our team members for long-term growth and stability. We want to keep Tyson Foods as a preferred place to work with a compensation package that attracts and retains the best people in the industry.

We're investing where it matters, while heightening our focus on lean and continuous improvement to provide fuel for these investments. We are becoming more disciplined at driving out non-value-added costs across the company to focus our precious resources on growth. There will be significant dollars attached to those cost savings and I plan to be more descriptive about this in the future.

So at this point, I'd like to turn it over to Dennis to walk you through our financial results. Dennis?

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## Dennis Leatherby

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

Thanks, Tom and good morning everyone. Q1 was our best quarter yet as we delivered record earnings due to strong results across each of our segments, particularly record results in our Beef and Pork segment. The balance of our portfolio and our ongoing investments in our businesses continue to provide consistent, stable growth as we are on track for our fifth straight record year. With record EPS, record operating income and record operating cash flows, we were able to repurchase 8.1 million shares for \$520 million in Q1.

First quarter revenues were up slightly to \$9.2 billion, as we grew sales volume across all segments, partially offset by declining beef, pork, and raw material prices. Operating income was a record \$982 million, representing a 27% increase over Q1 a year ago. Total company return on sales was a record 10.7%, as each of our segments performed within or above their normalized ranges.

Our record EPS of \$1.59 represents a 38% increase over \$1.15 in Q1 last year. I would also like to note that our last 12 months adjusted EPS is \$4.83. Our operating cash flow for the first quarter was a record \$1.1 billion and we spent \$200 million on capital expenditures. This outpaced our depreciation by \$44 million, as we continue to invest in projects with a focus on delivering high ROIC.

Our effective tax rate in the first quarter was 34.9%. Net debt to EBITDA for the past 12 months was 1.5 times. Including cash of \$300 million, net debt was \$5.7 billion and total liquidity was approximately \$1.6 billion. Net interest expense was \$56 million during Q1.

For the quarter, our diluted shares outstanding were 373 million. Pre-tax ROIC for the past 12 months was 19.9%, rapidly approaching pre-acquisition levels, illustrating the strength and stability of our overall earnings as well as our commitment to creating incremental shareholder value.

Now here are some additional thoughts on fiscal 2017. We expect revenues between \$36 billion and \$37 billion as we grow volume across each segment, offset by the impact of lower beef prices. Net interest expense should approximate \$230 million. We currently estimate our effective tax rate to be around 35%. Prior to adjusting for any additional share repurchases subsequent to this call and based on our average share price in Q1, we expect our diluted shares to be around 371 million. CapEx is expected to approximate \$1 billion, as we focus on capacity expansion and operational improvements that create long-term shareholder value.

Last quarter on our call, we mentioned that fiscal 2017 is going to be about building for long-term sustainable growth. We're making significant investments in not only CapEx, but also in warehouse and distribution optimization and talent development, and we're raising the bar in improved worker safety, animal well-being, and food safety.

Q1 came in better than we expected due to strong performance and favorable market conditions in our Beef and Pork segments and was a record quarter including the incremental \$58 million investment in our team that Tom mentioned earlier.

The remainder of 2017 is consistent with how we viewed it coming into this year, and therefore, our strong first quarter results gives us confidence in stepping up our annual EPS guidance to a range of \$4.90 to \$5.05 from our previous guidance of \$4.70 to \$4.85. This new range is approximately 12% to 15% over fiscal 2016 adjusted EPS and represents a five-year compounded annual growth rate of approximately 20%.

In closing, our Q2 should be similar to last year due to our typical seasonality, and the third and fourth quarters are expected to be strong. As we continue to make investments to drive long-term growth, we believe our balanced portfolio can deliver value to our shareholders that will sustain our growth in the future.

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

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you, Mr. Leatherby. We will now begin the question-and-answer session [Operator Instructions] And the first question will come from Heather Jones of the Vertical Group. Please go ahead.

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**Heather Jones**

*Analyst, Vertical Trading Group LLC*

Q

Good morning.

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**Thomas P. Hayes**

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

A

Good morning.

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**Dennis Leatherby**

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

A

Good morning.

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**Heather Jones**

*Analyst, Vertical Trading Group LLC*

Q

Very nice quarter. I guess, my first question is on the overall growth outlook. So your raised guidance implies flat to up 5 percentage roughly EPS growth for Q2 through Q4, but you mentioned 2017 being sort of an investment year positioned for growth going forward. So I was wondering if you could help us think about how we should think about earnings growth beyond 2017.

Thomas P. Hayes

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

A

Sure. Let me talk about growth overall, then we can talk about sort of EPS over time. You know, yes, we are going to – we will be making investments for the future of the company in terms of growth, but we are also going to deliver growth in 2017. So, you know, [ph] it's key, it's our quarter (21:13) – our fiber, it's our story. We are consistent. We want sustainable growth. That's our objective.

And I'll say a few things. One, you know, we continue to invest where we want to grow and we're demonstrating growth on value-added products versus the commodity elements of our portfolio, and I'd say that's particularly in Chicken and Prepared Foods we see that very prominently. Beef and Pork are also benefiting from livestock supply and very strong markets, but I would say, Chicken and Prepared Foods is where you'll find us investing heavily.

Prepared Foods is in a fantastic position to take advantage of innovation and brand strength. We've seen the results of the innovation coming through volume, and we are prepared at CAGNY to show you some pretty fantastic progress we've made on our innovation pipeline.

So as it relates to, Heather, the EPS growth expectations, you know, the range that we're guiding to now puts us in the 12% to 15% for this year. Ongoing, that's, you know, where we've talked about continuing to guide as a high single digits EPS growth, and you know, I'll turn it over to Dennis for anything else you want to add there.

Dennis Leatherby

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

A

I think that's good, appropriate.

Heather Jones

*Analyst, Vertical Trading Group LLC*

Q

So high single digit EPS growth is what you feel comfortable with going forward. Did I understand that correctly?

Thomas P. Hayes

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

A

Correct.

Dennis Leatherby

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

A

That's right. And think about that...

Heather Jones

*Analyst, Vertical Trading Group LLC*

Q

Okay.

Dennis Leatherby

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

A

...Heather, there would be healthy volume growth in Chicken and Prepared.

Heather Jones

*Analyst, Vertical Trading Group LLC*

Q

Okay. And my question is related to Prepared, because that's clearly the primary driver, expanded multiple for the shares, and so you've given us good color as to why margins are going to be pressured for the next 18 months. But beyond that, how do you think we should think about EBIT growth for that segment beyond mid-2018? I mean is a high-single digit, low double-digit EBIT growth number doable for that segment once you get beyond this investment period?

Thomas P. Hayes

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

A

Without giving you specific guidance for 2018, I mean that's too far away for us, what I'd say is we're making the right investments for growth. If you think about the Prepared Foods business, it's really, like I said, two separate businesses. Predominantly in the legacy Tyson organization, it was a food service business and in the legacy Hillshire business, it was about 75% retail, 25% food service. The margin profiles are very different in those businesses. The assets were in different condition. And, so going forward, we want the mix to turn out to be as profitable growth – continuing profitable growth within the 10% to 12% range. However, we have some work to do as it relates to supporting those assets that serve the food service business. Growth, we feel really strong about in the long-term, and like I said, we'll talk more about that at CAGNY.

Heather Jones

*Analyst, Vertical Trading Group LLC*

Q

Okay. Thank you so much.

**Operator:** The next question will be from Ken Goldman of JPMorgan. Please go ahead.

Kenneth B. Goldman

*Analyst, JPMorgan Securities LLC*

Q

Hi. Good morning, everybody. And, Tom, I would wish you congratulations on the Patriots, but that would be somewhat insincere on my part. I just wanted to follow up, because for a long time, management's guidance was for – again, not for a single year, but really for over the long-term, 10%-plus EPS growth. Now you're talking about high single-digits. To me, frankly, that's a more reasonable range, so I'm not grudging you for it, but I just wanted to get a little bit deeper into the reasons why you feel that that's more of a range that you're comfortable with rather than something in the low double-digit range maybe.

Thomas P. Hayes

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

A

Ken, if we deliver low double-digits, that's going to be awesome. But we're focused on high single-digits, because for us, we believe to continue the growth algorithm of this company, we have to invest. We're going to simultaneously invest. We're going to also amp up our continuous improvement program as I talked about. That feels like the right place for us to continue to drive growth, Dennis.

Dennis Leatherby

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

A

I would agree with that entirely.

Thomas P. Hayes

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

Okay.

A

Kenneth B. Goldman

*Analyst, JPMorgan Securities LLC*

Okay. And then a quick follow-up from me. Is there any impact to you at all from the avian flu yet? I know it's somewhat early and it doesn't sound like there's a whole lot, but I'm just curious how you're thinking about that, what you're looking at, and what your expectations are maybe, again, more from the export side, obviously?

Q

Thomas P. Hayes

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

Yeah, no, I got it, great question. We're constantly paranoid about avian influenza, because it's certainly is something that can wreak havoc on our company. What I'd say is, 2015, we amped up our bio-security. We had good bio-security to begin with, but we amped it up to an all-time high level of discipline and scrutiny, frankly, and it hasn't stopped. And so, that we feel confident about our position, and right now it appears to be, as you called out, a non-U.S. issue, but certainly we remain diligent in our efforts to make sure Tyson is protected.

A

Kenneth B. Goldman

*Analyst, JPMorgan Securities LLC*

And just quickly, are there any benefits to you from the exports standpoint right now in terms of more countries needing U.S. chicken, or is it – again, is it just too small an issue to really notice at this point?

Q

Thomas P. Hayes

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

Yeah, really it's too small an issue at this point.

A

Kenneth B. Goldman

*Analyst, JPMorgan Securities LLC*

Great. Thanks so much.

Q

Thomas P. Hayes

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

Yeah, you're welcome.

A

**Operator:** The next question will be from Jeremy Scott of CLSA. Please go ahead.

Jeremy Scott

*Analyst, CLSA Americas LLC*

Hi. Good morning.

Q

Thomas P. Hayes

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

Good morning.

A

**Jeremy Scott***Analyst, CLSAAmericas LLC*

Q

So I just wanted to ask about Hillshire and follow-up on some of your comments and maybe if we can circle in on a net synergy number. I think one of the things investors are grappling with is, what portion of that \$700 million will eventually flow to the bottom line, and to what extent is the investment in innovation that you flagged just the cost of doing business? Is there a market share, whether it's in retail or food service that you're targeting, at which point we'll see that inflection in margins? I mean, the reason I ask is because it seems like Pork and Beef are going to more than cover you for 2017, but when we look out to 2018, 2019 to get to your high single digit targets, Prepared Foods is going to have to carry a larger share of the weight.

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

A

Agreed. Yeah, so, Jeremy, as we talked about synergies, the one thing we need to come back to is those numbers that we have continue to talk about, those are gross numbers and there's a lot of expenses beneath that that, you know, net out to a smaller number, and there's a significant amount of investment that we are making in the cost base for sure. The way I'd have you think about it is that, yes, predominantly those have gone to make it more attractive margin in the business, but that's something that will continue on. So as we stop the sort of synergy discussion, we're going to continue to talk about lean and continuous improvement, that's going to, you know, provide the fuel for growth for the business.

Over time, we expect margin expansion. We talked about 10% being the number that we're comfortable with right now. But you should expect margin to expand toward the higher end of that range and continue to experience greater than industry growth.

**Jeremy Scott***Analyst, CLSAAmericas LLC*

Q

Okay. And I just wanted to ask about Chicken, go ahead.

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

A

I would just add, just look at the Core 9 and the Focus 5, they have some good growth factors around them and we expect them to continue. So as the margins gap, you can expect the volume growth to contribute to that in a healthy way.

**Jeremy Scott***Analyst, CLSAAmericas LLC*

Q

Got it. On Chicken, [indiscernible] (29:00) your production growth estimate and feed cost outlook remains the same, but your margin guidance came in a little bit softer than last quarter, really as pricing is soft to start the year, but is there anything else structurally changing that would cause you to be more conservative or is it just the elevated supplies of competing proteins and the compensation that you flagged?

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

A

Yeah. It will be, you know, our guidance is in that upper-end of the normalized range, 9% to 11%. We expect it to be growing in both, you know, Frozen and Fresh segments. What I'd say is, you know, we're taking advantage of the low cost of raw materials right now and we've added cooking capacity, which is – we don't talk about that a lot,

but that is something that we have made tremendous progress on, as we've added capacity, we've sold that capacity and so we're in a position where we're, you know, looking to add more capacity.

So the mix is improving. We're focused on reducing the cost structure as you call out, but we continue to see that we're doing the right things in that business, and outside of a massive grain shock, we feel like we're in a great, great position.

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Jeremy Scott

*Analyst, CLSA Americas LLC*

Got it. Thank you.

Q

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Thomas P. Hayes

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

You're welcome.

A

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**Operator:** The next question will be from Adam Samuelson of Goldman Sachs. Please go ahead.

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Adam Samuelson

*Analyst, Goldman Sachs & Co.*

Yes, thanks. Good morning, everyone.

Q

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Thomas P. Hayes

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

Good morning.

A

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Adam Samuelson

*Analyst, Goldman Sachs & Co.*

Maybe first going back to Chicken in the quarter and I just want to make sure we're thinking about kind of how the mix of business is changing and some of the profit drivers. The Chicken EBIT in the quarter was down \$95 million year-over-year. You flagged the \$23 million higher compensation expense.

Q

At the corporate level, you had about \$20 million of higher marketing, I suspect a decent amount of that leaked into the Chicken business. Your feed costs were down. But could you help bridge some of the balance of that? Is it just declines on the Fresh or the more commodity, the values, some of the commodity items, I mean, like quarter values are actually up year-on-year. So, I'm trying to just make sure I'm understanding the margin drivers in the Chicken business correctly and the implications for the balance of the year.

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Thomas P. Hayes

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

Yeah, sure. You know, pricing is competitive. There's a lot of protein available, so pricing is a big effect, Adam. And, you know, that's not going to abate in the near term, and we see that being an issue that's hanging with us. We also see, as we've discussed, some of those costs rolling through. Now, as we mentioned in the prepared remarks, there's mostly the one-time nature that has rolled through, but that is something that we are investing in to make sure that the margin holds up over time. But I'd say the biggest thing that we're facing right now is just pricing as it relates to overall availability. Dennis?

A

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

A

And I'd add just one thing. Remember, last quarter, Q4 of 2016, operating earnings were \$219 million and a 7.8% return on sales. This quarter we're up \$44 million, \$263 million and 9.7% return on sales, and that's what we had foreshadowed that we were moving back into the range and strengthening the business.

**Adam Samuelson***Analyst, Goldman Sachs & Co.*

Q

Yeah. That's helpful. And then, maybe just on the guidance. I'm just trying to make sure for the balance of the year – I think it was Heather's question at the beginning, with the outlook for Beef that you've given and the already completed share repurchases, I mean, those two factors alone to me would deem to encompass all of the EBIT or the EPS growth that you've contemplated for the balance of fiscal 2017.

And so I'm just trying to think about the components of the outlook that are down, I think, you're losing some heavier investments in Prepared Foods. Chicken, maybe for the next quarter or two might have some year-on-year pressures, but you still are also comping, what was a tougher fiscal fourth quarter, both in Chicken and Prepared Foods. So I'm just trying to reconcile those kind of components of the outlook in some of the areas where the investment spending might be higher for the balance of the year.

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

A

Yeah. Okay. Q2 is always a tough quarter for us to understand exactly how it's going to play out given the seasonality of our business. But I would say it's not just on the Fresh Meat side that there's tremendous seasonality as it relates to the poultry and Prepared Foods side as well.

So we feel like Q2 will be challenged and we think Q3 and Q4 will be strong. Now, we're guiding to what we believe, based on what we know today, those are the numbers we feel confident about and we'll see how it plays out, but it's a lot depends on how Q2 rolls.

**Adam Samuelson***Analyst, Goldman Sachs & Co.*

Q

Okay. And if I could just ask one clarifying question on the high-single digit EPS guidance medium-term, is that before or after the impact of capital allocation? You guys have comfortably north of \$1 billion post dividend of free cash flow every year plus the balance sheet, I just want to clarify that high single digit is just an organic number.

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

A

After.

**Adam Samuelson***Analyst, Goldman Sachs & Co.*

Q

After? Okay. Thank you.

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

A

You're welcome.

**Operator:** The next question will come from Rob Moskow of Credit Suisse. Please go ahead.

**Robert Moskow**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Hi. Thank you for the question. Two things, just a follow-on on Adam's. Your value-added business in Chicken, you said it was up 5% and commodities were down. I guess, I would have thought that your Chicken margins would have held up better year-over-year given that type of expansion. Are you seeing a lot of competitive pricing in value-added Chicken that's causing pressure on those prices?

And then the second thing on Prepared Foods, I think three months ago I think you said that Prepared Foods would have a cost benefit on input costs of \$125 million, and now the forecast is flat. So does that mean that you had a big input cost benefit in first quarter, and if so, what happened to the – did that help your margin in first quarter or was it just not a factor? Thanks.

**Thomas P. Hayes**

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

A

Yeah, I'm going to – I'll tackle the first one, and Dennis could probably provide some color on the second part of that, Rob. You know, the difference between last year and this year is just the pricing for us that we're into the marketplace with. I mean, it's what we're focused on as we talked repeatedly is about making sure that we're continuing to put ourselves in a position where we're growing volume. So, think about that value-added growth of 5% that comes making sure that we're entirely competitive, so that is the reason why, year over-year, you're not seeing the same margin structure, but you're seeing the maintained growth. Dennis, do you want to comment on that?

**Dennis Leatherby**

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

A

Sure. As far as the raw material question on Prepared goes, Rob, we benefited by about \$100 million in Q1, but we expect the remainder of the year to be flat, to answer your question.

**Robert Moskow**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay. And the \$100 million, though, I mean your margins are flat in Prepared Foods, did you have to lower prices in sync with that \$100 million?

**Thomas P. Hayes**

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

A

Absolutely. Yeah, pricing pressure, think about Prepared Foods, our portfolio, it is predominantly protein and it plays in the same space, same dynamics, so absolutely we have been more aggressive for sure.

**Robert Moskow**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay. Thanks.

Thomas P. Hayes

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

You're welcome.

A

**Operator:** And the next question will be from Akshay Jagdale from Jefferies. Please go ahead.

Akshay Jagdale

*Analyst, Jefferies LLC*

Good morning. So, I wanted to ask about the compensation topic. So can you just tell us exactly what changed there? Obviously, it's good to see you're investing in people, but I just want to know what changed exactly and how that may be, better aligns with the shareholder interests or growth going forward?

Q

Thomas P. Hayes

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

Sure, Akshay. The way to think about it is we have to come to one system across Tyson Foods which is not a unusual thing for companies to make sure that they're doing that in a thoughtful way. As we did it, we said that the right thing to do was to get to a point where we have compelling packages for our team across the organization. For the year, we expect it's going to be about \$100 million in total charges. The \$58 million that hit Q1, I spoke about, about 80% of that is one-time in nature, and the costs for the rest of the year, they flow through. But I would say that the recurring cost structure increase is less than the accounting true-up for the first quarter and it does make a lot of sense for us to focus on making sure that we have a one-Tyson system as it relates to compensation.

A

Akshay Jagdale

*Analyst, Jefferies LLC*

But are the incentive drivers different or higher or what's causing the step-up?

Q

Thomas P. Hayes

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

No, it was getting to one system on holidays and vacations and because we were so different across both, that was the key issue.

A

Akshay Jagdale

*Analyst, Jefferies LLC*

Okay. And then just, you know, looking at the long-term opportunities in Prepared Foods, obviously, you've been investing in growth, and the numbers are showing in the Nielsen data. There's this issue with the legacy private label business which seems to come up every couple of years. I mean, at one point I think that business had a 5.5% margin, but for the last several years, it's been in the low-single digits. What's the opportunity there? Because I thought that as part of the combination of these two assets, Hillshire and legacy Tyson, you know, that's also a major source of synergies, right? So I thought a decent chunk of the synergies were coming from the legacy assets, and to hear that you need to make more investments, I'm just trying to understand what might have changed there, or if it's something new that's come up.

Q

Thomas P. Hayes

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

A

Yeah, and I think it's fair to say that the business has always been on the, as you call it, on the legacy Tyson side, it's been a challenging business from a margin perspective. If we look at the 2014 results, it was a loss maker. 2013, it was about 3%. I think the 5.5 % was one-time that was, I believe, 2012. But if you look at the business year-over-year for the legacy Tyson team, it was a business that was challenged from a margin perspective. So when you're flowing through with the addition of Hillshire, there are some – the blend-out is going to be somewhat less.

As it relates to your question about the investing in the business, yes, we have continued to invest and part of that or I would say the majority of that, as it relates to synergies, have been closing some plants that were non-strategic as we consolidated volume into existing plants that we're heavily investing in.

That sometimes goes really well. Sometimes it wasn't executed exactly as we had drawn up on the white board. However, what I would say is, the investments that we're making now are pointed towards growing the business and improving the margins. And so, that's as clear as I could put it, Akshay.

---

**Akshay Jagdale**

*Analyst, Jefferies LLC*

Q

And just one last one on Chicken. The Focus 5, what percent of your business is that today? And I mean long-term, what's the opportunity for higher-margin value-added products as a percentage of that business, and sort of where are we today? Maybe you can just give us, like, a general sense.

---

**Thomas P. Hayes**

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

A

Yeah. So the – we're just getting the number, the percentage of the top of my head, I don't know what that is. You can maybe follow-up with that, Jon, to the extent that we're going to share it.

What I would say is, we are making tremendous impact on our business in food service on poultry. So our Prepared or further processed business in poultry is going extremely well in food service, and we are making sure that those categories we want to play long-term are going to be healthy.

Now, where that growth is going to be sourced from, there's a lot of channel shifting as I talked about. But if you think about the periphery of the grocery store, our customers are looking for solutions that are not necessarily retail packaged brands, but they are ready to consume. You might have heard this term gross around. There's a lot of – our customers that are looking to capture food service volume, we are in the sweet spot of that space, because our solutions are exactly what they're looking for and our expertise is what they want to leverage.

So, I'll say, and thinking growth for the future, food service will come from the traditional channels that it does, that you know of, but I also would ask you to think about that periphery of the store being a real sweet spot for us.

---

**Akshay Jagdale**

*Analyst, Jefferies LLC*

Q

Okay. I'll pass it on.

---

**Operator:** The next question will be from Farha Aslam of Stephens, Inc. Please go ahead.

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**Farha Aslam**

*Analyst, Stephens Inc.*

Q

Hi, good morning.

Dennis Leatherby

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

Good morning.

A

Thomas P. Hayes

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

Good morning.

A

Farha Aslam

*Analyst, Stephens Inc.*

Could you go through the pizza topping business, just wanted to make sure that that recovery is still on track for the second half of this year?

Q

Thomas P. Hayes

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

Yes, yes, it is. That is going to be a part of what's going to continue to hang with us here, but we wanted to make an improvement in our network. We went down that path. We made a good decision to close a plant that was not fit for the business, but the production was transferred to the newer facilities. It was absolutely the right decision to position us for growth, and we just have more work to do. The transition wasn't seamless, like I said, but we feel like that we're on path to make that a long-term healthy strong business for us, both in terms of Prepared Foods growth and also the margin structure.

A

Farha Aslam

*Analyst, Stephens Inc.*

That's helpful. And then, if we could just talk about marketing investment, what do you anticipate the total company marketing investment step-up will be this year compared to last year? Have we hit a sustainable run rate? How should we think about incremental marketing for Tyson going forward in that high-single digit growth rate?

Q

Thomas P. Hayes

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

Yeah, so Farha, I won't give you the forward-looking marketing investments, but what I will tell you is we are doing two things that you should hold us accountable to. One is making sure that that investment continues to improve its return. So we are doing some fabulous work on our team to make sure ROI continues to go up on marketing investments. And so if the ROI is increasing and we're making the right moves in supporting our branded businesses, we would expect the overall to continue to go up.

A

So, if we're getting a good return on that, we want to support the brands, and you know, it depends on which brand you're talking about, what the ultimate level is, the mix-out is going to be different depending upon what kind of traction we've got.

Clearly, we're going to spending and have spent a lot more on the Tyson brands and we're going to continue to spend on the other brands that we have the number one position. So it's what's required, certainly our customers expect that. And like I said, we're going to get nice returns on those investments.

Farha Aslam

*Analyst, Stephens Inc.*

Q

And in terms of kind of an ROI or payback period, how do you assess marketing? Because we've heard for two or three years that over the last two, three years, you're increasing marketing spend. We just want to understand how we should judge that marketing expenditure?

Thomas P. Hayes

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

A

Okay. Let me take that as a follow-up. We'll talk to Jon to see if we can get you some more detail around that that we're willing to share. And I mean part of it we feel like we have a competitive advantage in that area and want to make sure we thread that needle correctly. But I would ask Jon to follow up with you, Farah.

Farha Aslam

*Analyst, Stephens Inc.*

Q

Okay. Thank you.

Thomas P. Hayes

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

A

You're welcome.

**Operator:** The next question will be from David Palmer of RBC Capital Markets. Please go ahead.

David Palmer

*Analyst, RBC Capital Markets LLC*

Q

Thanks. Good morning. Just a follow-up on the Beef segment. Obviously, very strong quarter and your guidance for the year, while it implies a step-down from this quarter, would still be a nice step-up from last year. This seems like a long cycle segment with cattle supplies perhaps implying another strong year in 2018. I'm just wondering how we should maybe shape our models into 2018, with a segment like this that shouldn't turn on a dime. That said, it just did turn on a dime. So any help in thinking about that in the Beef segment would be super helpful.

Thomas P. Hayes

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

A

Yeah, awesome. So, you know, I really thought we'd be going out of limb talking about 2018. What we see are, you know, certainly in the regions where we are – we'd like how it's shaping up. 2017 looks to have better numbers, let's say, cattle in our regions, which is great. Our cattle inventory, we feel like – if you look at it compared to 2011 and 2012, this year, it's similar – its improving to that level.

And, you know, we feel like for our position going into 2018, it's teeing up well, but it's just too far out there to know. You know, 2018 cattle are born in 2016, and we're kind of, you know, trying to model that ourselves. But we feel great about 2018. I can't give you a view, I'm sorry.

David Palmer

*Analyst, RBC Capital Markets LLC*

Q

It's just that, when we look at this segment and you have these new levels being reached, is there anything about this that makes you think that the Beef range is going to be moving higher? Is there anything going on structurally that is giving you an upside bias to where Beef margins can be over the medium term?

Thomas P. Hayes

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

A

I'll just go back and say, 2017 looks better than last year, and the Midwest, more cattle coming. We like that. We believed for the year we're at 5%, just the level that we're feeling like we'll wind up at. And it's hard to tell, but I would say, we're shaping up well. Dennis, anything?

Dennis Leatherby

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

A

I would say 2018 looks to be another solid year, potentially above the range again. As far as addressing the range, it's too early to do that right now.

David Palmer

*Analyst, RBC Capital Markets LLC*

Q

Okay. Thank you.

Thomas P. Hayes

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

A

You're welcome.

**Operator:** The next question will be from Michael Piken of Cleveland Research. Please go ahead.

Michael Leith Piken

*Analyst, Cleveland Research Co. LLC*

Q

Yeah, hi. I just wanted to talk about the Chicken business a little bit more. And have you seen any change in the way you're contracting some of your Prepared Foods, and some of your tray-pack business since the Georgia Dock [ph] pricing (48:11) metric was eliminated?

Thomas P. Hayes

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

A

No. So, as I've said before, the Georgia Dock for Tyson Foods is a tempest in a teapot. It's really not something that drives a lot of our attention. Since the elimination of the mechanism last month, customers that are affected are being switched to other methods, so no impact on margin. We've told you that in the past we have various pricing mechanisms. It's really supply and demand that our customers are looking at, what's the overall protein availability, how do they feel like they have leverage. Certainly, as we're continuing to grow the branded business more of that is on a list price. We have certainly some businesses that are formula driven, but predominantly on grains, so that's what I'd ask you to think about.

And the diversity of those pricing mechanisms for us tells us it's important for us, because it helps us de-risk the total margin profile. But as it relates to the Georgia Dock, no impact.

Michael Leith Piken

*Analyst, Cleveland Research Co. LLC*

Q

Okay, great. And then the other thing is, just related to Chicken again, I know you've given a flat feed cost outlook. Is that generally assuming a constant volume basis or does that incorporate any volume growth? And with the breast meat prices on the board trading for below \$1, I guess the quarter prices are still little above \$1, but with breast meat selling there, you are taking advantage and maybe opportunistically looking toward purchasing breast meat on the open market and flexing your buy versus grow strategy? Thanks.

Thomas P. Hayes

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

A

You're welcome. Absolutely, we will continue to flex our buy versus grow strategy. We try to grow whole-bird increments to remind everybody and we buy pieces. So the parts that we need we're going to continue to buy on the market when the market is favorable, but that's our model. And that's what we feel really strong about to continue our growth is to make sure that we're making sure what we're producing internally is in whole-bird increments.

Michael Leith Piken

*Analyst, Cleveland Research Co. LLC*

Q

Thank you.

**Operator:** The next question will come from Ken Zaslow of BMO Capital Markets. Please go ahead.

Kenneth Bryan Zaslow

*Analyst, BMO Capital Markets (United States)*

Q

Hey, good morning, everyone.

Thomas P. Hayes

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

A

Good morning.

Dennis Leatherby

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

A

Hey, Ken.

Kenneth Bryan Zaslow

*Analyst, BMO Capital Markets (United States)*

Q

I just wanted to get some clarification. How much cost in 2017 will not be repeated in 2018?

Thomas P. Hayes

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

A

About 80% of the \$58 million, so let's just round it up to about \$50 million.

Kenneth Bryan Zaslow

*Analyst, BMO Capital Markets (United States)*

Q

What about going forward? It sounds like there's more investment coming between the competition and also the network. I know you said 18 months, but there's – 18 months is obviously a year and a half, right. So there's a

part of 18 months that won't get it and then there's also that. So I'm just trying to figure out, 2018, what will not repeat as a total cost?

Thomas P. Hayes

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

A

Ken, the 2017, whatever we have teed up to invest in 2017 is in our guidance, it's in the capital plan. This is, you know, we've been working on this for some time. As it relates to rolling forward beyond 2017, simultaneously, we're amping up our continuous improvement program. So investments that we're going to make in the business, we know that there needs to be a [ph] paid for (51:24).

So that is what we intend to do, so it's not going to be incremental. I would ask you to think about it as it's going to be offset by continued improvement in our continuous improvement efforts and discipline. So that's how I think about it. Dennis?

Dennis Leatherby

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

A

Ken, maybe I misunderstood your question, but I thought you were asking what amount of our expenses will not be repeated next year?

Kenneth Bryan Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

Right, for the total – for what's in 2017, what are your total expenses that are one-time in nature that we will not see in 2018?

Dennis Leatherby

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

A

About \$50 million, that's about 80% of that.

Kenneth Bryan Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

Okay. There's no – so in the third and fourth quarter – second, third, and fourth quarter, we're not going to see more incremental spending that's included in your guidance that will not come in in 2018?

Dennis Leatherby

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

A

So, let's unpack that. We said \$100 million for the full year, \$58 million in the first quarter. Of the \$58 million, about 80% of that is truing up some liabilities. And so that's going to stay at that level next year. So therefore it will not be repeated. Is that clear now?

Kenneth Bryan Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

Of the \$100 million, that is going to be spent in 2017...

Dennis Leatherby

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

A

Yeah.

Kenneth Bryan Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

80% will not – so \$80 million not repeat in 2018?

Dennis Leatherby

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

A

No, 80% of the \$58 million that was incurred in the first quarter will not be repeated.

Kenneth Bryan Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

Okay. Are there any other incremental – I guess, I'm just trying to figure out what incremental spend and will not, but I will take this offline. I don't want to belabor there.

Thomas P. Hayes

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

A

Yeah. I will have Jon follow-up with you. We can do the math together and...

Kenneth Bryan Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

My follow-up question is, is 2017 a base number from which to grow or is it a number from which you've got to kind of adjust to figure out what the long-term growth target will be off that number?

Thomas P. Hayes

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

A

2017 is continuing to be a number where – we are going to grow in 2017 and we believe that, of course, it's going to be a base for us to grow into the future. But, you know, that's not – we want to make sure that we are continuing to grow while we're investing, that's a trick, and that's what we want to do for, you know, all of our stakeholders, make sure we're doing that really, really well. So I don't know...

Kenneth Bryan Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

So, you don't think 2017 is the aberrational for a EPS number, although you have strong Beef and Pork packer margins. So this number is a sustainable number, that's my question.

Thomas P. Hayes

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

A

Absolutely.

Kenneth Bryan Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

Great. Thank you.

Thomas P. Hayes

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

A

You're welcome.

**Operator:** The next question will be a follow-up from Heather Jones of the Vertical Group.

Please go ahead.

**Heather Jones**

*Analyst, Vertical Trading Group LLC*

Q

Hi. Thank you for taking the follow-up. I was just wondering if you could help me to think about your input cost on Prepared Foods. So, some of your competitors, will be short bellies, long other items, but just so that we can track this and think about the impact going forward, if you could just give us a sense of any of the cuts that you may be more exposed to than others as far as from a cost perspective?

**Thomas P. Hayes**

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

A

Yeah, I'd say, Heather, it's not the cuts so much as it is the businesses that, I'd say, apply to. So if you think about the retail business, it operates in a typical CPG model, where we are looking at supply/demand, the strength of the brands, elasticities to make the right calls on what's the best thing for us to do as it relates to pricing.

The food service, the raw material, generally flows through on a formula price. There's always – we're looking to make sure that we have the right balance, but it's slower. There's almost – about 70% of the raw material gets passed on. But those funds will continue to – that we – when we capture – certainly, margin momentum are going to be continuing to be focused on innovation.

The particular cuts isn't so much how we think about it. Now, with the exception of bellies. Of course, bellies has been a particularly volatile raw material right now and that's something that we continue to make sure that we're doing the right thing for, the right brand, as well as our Jimmy Dean brand business. And that's probably the area that gets the most attention right now. The rest of the commodity inputs or cost inputs are something that is – we feel like we've got a pretty good handle on.

Bellies are domestic. Hams, I think, as it relates to another, probably volatile, component, are export predominantly. So the rest of the trim and those items that we buy for retail and food service, food service moves typically on a formula, retail does not. There's generally a lag effect up and down.

**Heather Jones**

*Analyst, Vertical Trading Group LLC*

Q

So as it relates to your retail bacon business, we should care about bellies, but you would be working to pass those through.

**Thomas P. Hayes**

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

A

Absolutely.

**Heather Jones**

*Analyst, Vertical Trading Group LLC*

Q

Okay. Thank you.

Thomas P. Hayes

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

A

You're welcome.

---

**Operator:** And, ladies and gentlemen, this will conclude our question-and-answer session. I would like to hand the conference back over to Thomas Hayes for his closing remarks.

Thomas P. Hayes

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

Great. Thanks for all the wonderful questions. Appreciate all those, and before I sign off I just wanted to say we had, of course, an excellent overall financial performance in Q1 we're thrilled by, and as a team we're continuing to raise the bar for ourselves. We have a tremendous amount of excitement about the future; precisely because we know we have a lot of opportunity and a lot of room for growth.

We've got great capabilities. We play in great categories. We have a great team that knows how to win. And as you think about our business, just know that we're always thinking about value creation; it's on our minds every day. Creating shared value for all of our stakeholders, our investors and everybody in the team and it's through hard work and determination we'll get it done.

So, just thanks again. Appreciate your interest in Tyson Foods and we're looking forward to growing together.

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**Operator:** Thank you, sir. Ladies and gentlemen, the conference has concluded. Thank you for attending today's presentation. You may now disconnect.

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