

08-May-2017

Tyson Foods, Inc. (TSN)

Q2 2017 Earnings Call

CORPORATE PARTICIPANTS

Jon Kathol

Vice President-Investor Relations, Tyson Foods, Inc.

Thomas P. Hayes

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

Dennis Leatherby

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

OTHER PARTICIPANTS

David Palmer

Analyst, RBC Capital Markets LLC

Adam Samuelson

Analyst, Goldman Sachs & Co.

Kenneth B. Goldman

Analyst, JPMorgan Securities LLC

Farha Aslam

Analyst, Stephens, Inc.

Heather Jones

Analyst, Vertical Trading Group LLC

Lubi Kutua

Analyst, Jefferies LLC

Michael Leith Piken

Analyst, Cleveland Research Co. LLC

Kenneth Bryan Zaslou

Analyst, BMO Capital Markets (United States)

Brett Andress

Analyst, KeyBanc Capital Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Tyson Foods Second 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] Please note, this event is being recorded.

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

Jon Kathol

Vice President-Investor Relations, Tyson Foods, Inc.

Good morning, and welcome to the Tyson Foods Incorporated second quarter earnings call for 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. 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.

Our remarks today include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements reflect current views with respect to future events, such as Tyson's outlook for future

performance on sales, margin, earnings growth and various other aspects of its business. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our expectations and projections. I encourage you to read the release issued earlier this morning and our filings with the SEC for a discussion of the risks that can affect our business.

I would like to remind everyone that this call is being recorded on Monday, May 8, 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.

Thomas P. Hayes

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

Thank you very much, Jon. Good morning, everybody, and thanks for joining us today. We concluded a record first half in fiscal 2017, and we're off to a strong start in the second half. Because the seasonality of our business can distort our earnings from quarter-to-quarter, we get a better indication of performance trends if we look at the fiscal year in terms of front half and back half rather than four quarters.

Q1 was very strong, our best quarter in company history. We knew that Q2 would be a challenge and it was due to typical seasonality and a late Easter. There're also some unexpected challenges, which I'll explain as I dive into the segments. But both combined, Q1 and Q2, made for a record first half that saw 17% improvement year-over-year. This gives us confidence in reiterating our adjusted EPS guidance of between \$4.90 and \$5.05 for the current year.

Integration synergies for the second quarter were \$173 million with \$29 million incremental to Q2 of 2016. Total synergies through Q2 were \$649 million and allowing us to increase compensation for team members in our plants, invest in innovation and build our brand, so lay the groundwork for a long future of growth.

So, now let's move to our operating results. In the Beef segment, operating income for the second quarter was \$126 million with an operating margin of 3.6%. Sales volume was down 1.1% as we ran our plans for the margin, not for market share. As price was down 3.1%, reflecting the continued lower cut-out due to improved cattle availability. Consumer demand for beef, both domestically and internationally, has remained strong and we're seeing especially strong pull for our Open Prairie Natural and Chairman's Reserve premium Beef and Pork programs which are showing double-digit growth.

With continued robust exports, strong U.S. demand from consumers, increased cattle supplies, we're expecting Beef segment's operating margins to come in around 5% for fiscal 2017 and we believe the operating environment for 2018 will be just as strong. We intend to capitalize on the favorable market conditions and invest the considerable cash generated to fund the growth of our value-added Chicken and Prepared Foods businesses.

The Pork segment's operating income in the second quarter was \$141 million with a 10.8% operating margin. Volume was down 1.3% while average price was up nearly 11% due to tighter domestic availability resulting from heavy export demand. With hog supplies increasing 3% to 4% and continued strong export demand, we think the Pork segment's operating margin for the full year will come in around 12% and looks to stay strong into fiscal 2018. Like Beef, Pork is performing well above its normalized range of 6% to 8%. These commodity businesses are great contributors because of the cash they generate, the raw materials they supply for our Prepared Foods businesses, and the total protein portfolio we're able to offer our customers.

So, now let's turn to our value-added businesses, beginning with Chicken. In the Chicken segment, Q2 operating income was \$233 million with an 8.3% operating margin. Average price was up 4.3% on 2% lower volume due to operational disruptions as well as ongoing mix changes away from commodities towards higher-margin products. Value-added Chicken volume was up more than 4%.

While the Chicken segment fell below its normalized operating margin range of 9% to 11%, it would have been within the normalized range had it not been for the fires we experienced in two of our plants. These unforeseen events cost about \$0.04 in EPS and reduced volumes. Operating margin for the Chicken segment was 9% in the first half of the year, and we expect it to be in the 9% to 11% range for the full year and similar to that again next year. Demand for chicken looks strong enough to absorb the 1% to 2% additional supply projected by the USDA. However, we'll continue to balance our supply with our demand.

In the Prepared Foods segment, adjusted operating income was \$139 million in the second quarter, with a 7.9% adjusted operating margin. Operating income was adjusted by \$52 million for an impairment related to our operation in San Diego. Average price was down less than 1%, while volume decreased 2.1%, mostly due to lower volume in the foodservice channel. Synergies for the Prepared Foods segment were \$139 million for the second quarter, with \$28 million incremental to Q2 of 2016.

Within Prepared Foods, we continued to see strong growth in some areas and others that need work. We'll accelerate profitable growth with a very-focused, fix-and-grow approach. We're investing and improving our foodservice Prepared Foods business, including pizza toppings and ingredient meats, and as I explained in our Q1 call, this will take about 18 months and we're progressing as planned.

Additionally, we're looking across the Prepared Foods portfolio to reduce costs by restructuring our manufacturing network as we reshape the portfolio through the acquisition of AdvancePierre, divest non-protein businesses, and focus on growth categories and growth channels. We're confident we'll drive long-term profitability. That said, we are still in the fix-it phase, and due to volume declines and increased costs in the foodservice Prepared Foods business, we're lowering our expectations for the year to 9% return on sales for the segment. We expect it to return to normalized range within fiscal 2018.

The challenges I've referred to are specific to the foodservice channel within Prepared Foods. The retail business continues to perform very well, growing both volume and share, while delivering strong financial performance. As we reap the benefits of the investments in our retail-branded business, improve the performance in the foodservice Prepared business and see the effects of focused M&A and divestiture of non-core assets, we should realize our long-term goal of improving margins, while outpacing industry growth.

As I mentioned, we continue to optimize our footprint to support our protein-packed strategy and shape our product portfolio. Two weeks ago, we announced the intention to sell the Sara Lee Frozen Bakery, Kettle and Van's non-protein businesses to acquire AdvancePierre Foods. With the acquisition, we expect to realize cost synergies of more than \$200 million within three years, and it's important to understand that the synergies will come from the combination of the two businesses, regardless of whether it's Tyson or AdvancePierre. We see the acquisition increasing the scale of our Prepared Foods offerings with ready-to-eat sandwiches, sandwich components, entrees, and snacks. AdvancePierre brings strong branded presence in the foodservice channel, in addition to capabilities that will enhance our innovation pipeline in retail packaged brands and our ability to drive profitable growth at the store perimeter.

So, now let's move on to what we're seeing in the sales channels. Overall, foodservice growth has been driven by check size, as traffic has been flat to declining for four consecutive quarters. QSR chicken, where we're very strong, continues to be a bright spot, with traffic growing in the mid-single digits. Within broad line distributors, our focus five businesses continued to grow in the second quarter, driven by value-added chicken, breakfast sausage and dinner sausage.

At retail, total food and beverage sales volume was down 0.5%, while dollar sales were up only 0.4%. Tyson once again won against the trend, and we were the only top 10 CPG retail food manufacturer to grow both volume and dollar sales. According to IRI, for the 13 weeks ended April 16, we grew total Tyson volume 5.3%, and Tyson Core 9 posted 5% growth. In sales dollars, total Tyson and Core 9 were both up around 4%. We also grew share in seven of nine categories.

We continued our proven track record of innovation in retail and foodservice behind successful launches of Jimmy Dean Frittatas and Stuffed Hash Browns, Tyson FoodService Fully Cooked Drumsticks and Buffalo Chicken Crisпитos. We're on schedule to transition all of Tyson retail branded chicken production to No Antibiotics Ever in June, an innovation consumers and customers are demanding. And we'll be launching organic chicken under our NatureRaised Farms brand in July. Additionally, we've expanded our Tyson Tastemakers platform beyond e-commerce to include an introductory group of retailers in the Texas region.

So, before I turn it over to Dennis, I'd like to say a few words about sustainability. First, Justin Whitmore joined our leadership team on May 1 as Tyson Foods' first Chief Sustainability Officer, and we're excited to have his leadership as sustainability comes to the forefront of the company. We recently unveiled our strategic intent to sustainably feed the world with the fastest-growing portfolio of protein-packed brands. As a part of our focus on sustainable food production at scale, we've committed to expanding our efforts to create a better workplace for our team members in our production facilities. We've always been committed to safety, sound workplace practices and supporting our team members, but we want to do better.

We announced last month, we're taking steps to expand training, improve workplace safety, improve compensation and increase transparency. We've announced the ambitious goals, and we'll be sharing the results of third-party social compliance audits of our plants. As we raise the world's expectations for how much good food can do, we are raising the bar for ourselves. By investing in sustainability, we'll create a beneficial cycle that pays for itself over time. To be successful, we must step up our focus on continuous improvement to reduce waste and costs. And with the addition of AdvancePierre, we'll be even more aggressive in utilizing Lean Six Sigma practices throughout the organization.

That wraps up my remarks for the quarter and now Dennis will take us through the financials.

Dennis Leatherby

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

Thanks, Tom, and good morning, everyone. We delivered record EPS and operating income for the first half of fiscal 2017, as record results in our Beef and Pork segments are providing fuel for growth in our value-added Chicken and Prepared Foods segments. We remain on track for our fifth straight record year, as our diversified portfolio of protein-packed brands and ongoing investments in our businesses continue to provide strong, stable growth.

Revenues for the first half of fiscal 2017 were flat compared to prior year and were slightly down in our second quarter to \$9.1 billion, as lower beef prices were partially offset by higher pork and chicken prices. Adjusted operating income for the first half of fiscal 2017 was a record \$1.6 billion, up 8% over a strong comparable period

last year. Adjusted operating income for Q2 was \$623 million, which includes \$23 million of costs associated with two chicken plant fires and \$14 million of incremental costs from standardizing our benefits and compensation structure. Total company adjusted return on sales was a record 8.8% for the first half of the year, with our Beef, Pork and Chicken segments all within or above their normalized ranges.

Our record adjusted EPS of \$2.60 for the first half of fiscal 2017 represents a 17% increase over \$2.22 last year. Our operating cash flow through the first two quarters were just shy of \$1 billion, and we spent \$467 million on capital expenditures. This outpaced our depreciation by \$153 million as we continue to invest in projects with a focus on delivering high ROIC. During the first half of the year, we repurchased 10.2 million shares for \$653 million, which includes 2.1 million shares for \$133 million in Q2. Our effective tax rate in the second quarter was 34.5% on an adjusted basis. Net debt to adjusted EBITDA for the past 12 months was 1.7 times. Including cash of \$243 million, net debt was \$6.2 billion, and total liquidity was approximately \$1 billion. Net interest expense was \$55 million during Q2. For the quarter, our diluted shares outstanding were 370 million. Pre-tax ROIC for the past 12 months was just under 19%.

Two weeks ago, we announced our agreement to acquire the tremendous business of AdvancePierre. We expect this acquisition will close this year in our fiscal third quarter, pursuant to completion of the necessary closing conditions. Our Prepared Foods segment will benefit significantly with its complementary portfolio of products and market-leading convenience food capabilities. The addition of AdvancePierre is expected to be immediately accretive to EPS and cash flow, and is expected to create approximately \$200 million in cost synergies within the next three years. These synergies are expected to come from manufacturing, procurement and distribution efficiencies as well as addressing duplicative corporate overhead of the combined companies.

Upon closing, our last 12 months pro forma adjusted net debt-to-EBITDA is expected to be around 2.7 times. We are committed to investment-grade ratings. And with the strong cash flows we expect to generate organically, along with divestiture proceeds and the incremental cash flows from this acquisition, we anticipate to quickly delever to bring our net debt to adjusted EBITDA down to around 2 times by the end of fiscal 2018. In addition, as Tom pointed out, we announced our plan to sell three non-protein businesses currently included in our Prepared Foods segment, as we continued to sharpen our focus on our core businesses and expand our protein leadership in retail and foodservice. We expect to record a net gain as a result of the sale and use the proceeds to delever following the AdvancePierre acquisition.

Now here are some additional thoughts on fiscal 2017. Please note that because of the timing of the planned divestitures [ph] is fluid and could (17:10) fall into fiscal 2018, the following outlook does not reflect the impact of these divestitures. In addition, this outlook assumes the closing of AdvancePierre in our third quarter. We expect revenues of around \$37 billion as we grow volume across each segment, offset by the impact of lower beef prices. Adjusted net interest expense should approximate \$275 million as a result of the incremental borrowings in our third quarter to fund the AdvancePierre acquisition. We currently estimate our adjusted effective tax rate to be around 34.1%.

CapEx is expected to approximate \$1 billion, as we focus on capacity expansion and operational improvements that create long-term shareholder value. Based on our average share price in Q2, we expect our average diluted shares to be around 370 million. During the first half of fiscal 2017, we produced record financial results while making significant investments in CapEx, network optimization, talent, safety and animal well-being that will lay the foundation for sustainable, long-term growth. Despite \$23 million of incremental costs related to two chicken plant fires as well as an incremental \$72 million investment in our team related to standardizing our benefits and compensation plans, our record results in the first half of fiscal 2017 gives us guidance to reaffirm our annual

adjusted EPS guidance range of \$4.90 to \$5.05. This range is approximately 12% to 15% over a record fiscal 2016 adjusted EPS and represents a five-year compounded annual growth rate of approximately 20%.

In closing, the back half of the year is expected to be strong, and we're excited about the growth opportunities we see in the AdvancePierre acquisition, as we remain focused on investing for the future to deliver shareholder value.

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

QUESTION AND ANSWER SECTION

Operator: Certainly. Thank you, sir. We will now begin the question-and-answer session. [Operator Instructions] And your first question will come from David Palmer of RBC Capital Markets. Please go ahead.

David Palmer

Analyst, RBC Capital Markets LLC

Q

Good morning, guys. The Prepared Foods profit was lighter than we had expected. You cite the foodservice sales declines in that segment. Could you talk a little bit more about the nature of those declines and the outlook for potential improvement? And I have a follow-up.

Thomas P. Hayes

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

A

Sure. Good morning, David.

David Palmer

Analyst, RBC Capital Markets LLC

Q

Good morning.

Thomas P. Hayes

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

A

Yes. The sales were certainly not what we expected for sure, as foodservice channel has been a little bit lighter than retail, particularly for us I would say. And so we do have some challenges also in predominantly the legacy Tyson Prepared Foods of foodservice business. In order to get our portfolio back to where it needs to be, profitable growth and the ROS we expect, we are doing a number of things: shifting channel mix and customers to a certain degree to capture growth; leaning out SG&A, doing some manufacturing work on costs. And we feel good about where we're headed, but we do still have some challenges, and certainly, in Q2, the volume didn't help the situation as we had some under-absorbed overhead at some of those plants.

David Palmer

Analyst, RBC Capital Markets LLC

Q

And from the guidance or in that specific guidance, you say 9% margin, which I guess implies a similar margin for the second half. Is this going to be a multi-quarter turn in the business?

Thomas P. Hayes

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

A

It is. Like I said, the retail business continues to do very well. It's the foodservice prepared business, and we do see that's going to take some time to get that back to where it needs to be. I also said, in 2018, we believe it will be back within the range as Prepared Foods...

David Palmer

Analyst, RBC Capital Markets LLC

Q

Yeah. Yeah.

Thomas P. Hayes

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

A

[indiscernible] (21:24) set up.

David Palmer

Analyst, RBC Capital Markets LLC

Q

And speaking of 2018, I know it's a little early, but what is your early thinking about the earnings outlook for that year?

Thomas P. Hayes

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

A

Sure. Yeah. We think 2018, at least this is the way that I see it right now that we are going to continue to grow, certainly, where we want to grow, value-added versus commodity, both on Chicken and Prepared Foods. The Core 9, as you see, continues to do really well. The perimeter of the grocery store is doing fantastic. We benefit from that. And certainly, the products that we're focused on in foodservice, the focus five products, are doing very well in broadline distribution. So we just talked about prepared beef, looks to be good next year as it is this year just about as good. 5% is where we're saying we're going to wind up. Supply is looking very strong.

Pork, I'd say, we'll benefit from livestock supply, very strong export markets, and we'll deal with more slaughter capacity which we talked about in the past coming on in the industry. Still above the normalized range is where we see it. So Pork feels good. Chicken will benefit from the move to NAE. Just announced today moving towards organic in July, and we'll have a better mix. So Chicken will be within the ranges the way that we see it today.

And then just as we continue to drive the acquisition synergies, I feel great about where we're going to wind up longer term with Prepared Foods. So not necessarily coming in 2018, but that normalized range I think will become something for us to take a look at because the synergies, I think, are going to be exceptional, also revenue synergies beyond costs. So I hope that answers your question.

David Palmer

Analyst, RBC Capital Markets LLC

Q

Yes. Thank you.

Thomas P. Hayes

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

A

Yeah.

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

Adam Samuelson

Analyst, Goldman Sachs & Co.

Q

Yes. Thanks. Good morning, everyone. Maybe digging in a little bit more into the Chicken performance in the quarter. The profit in the segment was down \$114 million year on year. I think based on all those things that were disclosed in the 10-Q, you can isolate about \$80 million of that between the plant fires, feed, compensation, you alluded to higher grow-out and outside meat purchases. But you also had a pretty nice benefit from price/mix year-on-year. So I'm hoping if you could just talk about the Chicken business and maybe the part of that bridge that we're missing and maybe the impact of that as you think about the balance of the year.

Thomas P. Hayes

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

A

Sure. Yeah. As you said, I think we had a really good quarter, but for the fires, which we don't look past. We are certainly focused on the root cause of those to make sure that that's not [ph] – so it's something (24:04) we can control it as part of our future. But Q2 ended up at 8.3%. The effect of the fires really put us in a situation where we felt like we had a great quarter running and that is not just the cost of the fires but also the volume that it cost us. That certainly impacted us.

The other thing we haven't talked about much is that there was AI events during the quarter, which we just came in and out of I think with a very strong approach. So for the balance of the year I think we feel great about it in the middle of the normalized range between 9% to 11%. We expect our value-added to continue to grow, and that's both frozen and fresh, taking advantage of low-cost raw material, add equipment capacity, the capacity we just added this last year is almost full and we're in the process of adding more, our mix is improving, focused on reducing the cost structure.

As I mentioned, the CII plan is continuing to drive continuous improvement, continuing to drive more and more focus on the right costs and getting waste out. And our Chicken business continues to improve or grow in the right areas. And I think we're going to see that continue to strengthen.

Adam Samuelson

Analyst, Goldman Sachs & Co.

Q

Okay. That's some helpful color. And then maybe a longer term question. And, Tom, I want to go back to something you said on the AdvancePierre call a couple weeks ago that there's a new CEO, new management team, and a new strategy for Tyson and I appreciate some of the discussion at CAGNY and more recently about the sustainability efforts. But maybe talk about how investors could actually perceive that change in strategy as it impacts the financial results. And AdvancePierre, I think investors could have imagined Tyson doing that acquisition a year ago. So it's not clear that AdvancePierre is necessarily evidence of a new strategy, but maybe talk a little bit about what's really changed within the organization outside of the leadership team and how investors can look at that? Thanks.

Thomas P. Hayes

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

A

Sure. Yes. I'll address that, Adam. We finished our strategic planning process as a company end of February, beginning of March time period. And part of that was to make sure that we had a razor-sharp execution of where we want to play in addition to where we don't want to play, and getting a better understanding of the role of our

businesses in the portfolio, whether they're value-add or commodity. The discussion about AdvancePierre has been going on for some time, and as it relates to us being in a position after closing out our strategic focus, so it's clear to us that the perimeter of the store, convenience channel, being in proteins was something we wanted to continue to sharpen and play at a higher level.

So for us, that acquisition certainly plays in all those spaces. So for us, it's about growth continually. We certainly know that packaged food has had its challenges. And as we look to continue to invest in areas that consumers want, this became absolutely crystal to us that this was going to be a fantastic acquisition for Tyson.

So the way to think about it, why now versus then, they've also – I mentioned this on the call when we talked about the AdvancePierre acquisition. Their team has done an amazing job of putting that company in a place where they have taken a lot of costs out. They've refocused on growth. They have continued to excel at practically everything that they're doing through a very disciplined approach. I'm really looking forward to having them join the team and help us in the areas that we don't have the prowess that they do. So for all the reasons that I mentioned and hopefully the timing is explained there, I think this is going to be excellent for our shareholders.

Adam Samuelson

Analyst, Goldman Sachs & Co.

Q

All right. I appreciate the color. Thanks.

Thomas P. Hayes

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

A

You're welcome.

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

Kenneth B. Goldman

Analyst, JPMorgan Securities LLC

Q

Hi. Thanks for the question. Could you just help me clarify? I'm a little confused, and I think some investors are too. Exactly what's included in guidance and what's not from AdvancePierre? I understand interest expense guidance includes it. It seemed from the press release, like sales exclude it, but I wasn't 100% sure on what you were saying earlier about earnings. If you could just walk me through that, I would appreciate it.

Dennis Leatherby

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

A

Hi, Ken, this is Dennis. We are including AdvancePierre, but the way we think about it is more like one full quarter in our fourth quarter. We're not exactly sure in June when it closes. So it has a little bit of a impact there. But to be clear, it is in our forecast.

Kenneth B. Goldman

Analyst, JPMorgan Securities LLC

Q

For every line item, just to be sure?

Dennis Leatherby

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

A

Yes.

Kenneth B. Goldman
Analyst, JPMorgan Securities LLC

Q

Okay. Okay.

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

A

One thing I would call out, Ken, real quickly, though, is we will have merger and integration costs, and so we will separate those out.

Kenneth B. Goldman
Analyst, JPMorgan Securities LLC

Q

No, sure, I understand that. Thanks, Dennis, for that. And then my follow-up is I wanted to ask a little bit about going fully antibiotic-free in chicken, which I think long term is clearly the way the market's going. Some of your peers we've talked to though have talked about maybe some margin struggles initially when this happens because your costs go up faster than your pricing can necessarily be taken. So first, I'm curious, is this something that you would expect to happen in your business as well? And is that in guidance? And secondly, if not, I'm just curious, what will be different for you than maybe some of your smaller peers out there that have sort of expressed this concern?

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

A

Sure, Ken, of course, I won't talk about our peers, but what I will say is that this is not a brand-new thing for us. We talked about how NAE has been something that we've been working on. And as we continue to improve operations, it puts us in a position where we were able to go to the final step. The cost structure is anything that would be impacting the cost structure certainly in our guidance. But I would say that Noel White and Sally Grimes and the entire team has been pushing aggressively just to get us in a position where we can execute NAE and make sure the cost structure is as good, if not better.

Now so what we've learned through the process is that it continues to make us better as we push ourselves. So I can't speak to peers necessarily in our industry, but I can tell you that for us, we feel great about our cost structure and great that we're going to be NAE across the retail [indiscernible] (30:51).

Kenneth B. Goldman
Analyst, JPMorgan Securities LLC

Q

Thanks so much.

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

A

You are welcome.

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

Farha Aslam
Analyst, Stephens, Inc.

Q

Hi, good morning.

Thomas P. Hayes

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

Good morning Farha.

A

Farha Aslam

Analyst, Stephens, Inc.

I had a question about acquisitions. Could you just remind us exactly how much in terms of synergies you expect from the Hillshire transaction now and the \$200 million from AdvancePierre? If we think back generally, is there a target that you have of how much needs to be reinvested back into the business and how much do you anticipate letting fall to the bottom line?

Q

Thomas P. Hayes

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

Sure. Yeah. As it relates to Hillshire, I mean, I will also Dennis just talk about that real quickly, and then let me start by saying the two are very different. We invested a lot, as you well know, in innovation, brand building, and setting ourselves up for continued growth on the Hillshire acquisition. So, certainly, there was a lot of reinvestment. We don't anticipate the same for AdvancePierre. I think what we'll see is that revenue synergies will come with time, and we will be focused on getting the redundant costs out and it's both teams.

A

I was with the AdvancePierre team couple weeks ago and we talked about it. This is a team event for all Tyson team members when they become Tyson team members for us to focus on costs because it's there. But I would say, as it relates to investing that back, that was more of an Hillshire phenomenon. Dennis?

Dennis Leatherby

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

As far as the synergies go on Hillshire, we initially started at \$500 million, took it up to \$700 million cumulatively. We backed it down to \$675 million simply because there is going to be some more carryover into 2018. So, again, think about \$675 million on a cumulative basis and more than \$700 million in 2018 and beyond.

A

Farha Aslam

Analyst, Stephens, Inc.

That's helpful. And then could we go back to Chicken? You said very specifically that you expect margins to be in the normalized range into next year as well. Is there something with the plant fires that will continue? Is there a level of investment that we need to think about that will keep those margins in the normalized range, whereas before, given the low feed cost and very good pricing for commodity chicken, there was an opportunity for it to be ahead of your long-term normalized range?

Q

Thomas P. Hayes

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

Yeah. So a couple of things, Farha. One is we're not giving specific guidance as it relates to 2018 yet. What we're doing is telling you how we're feeling about how it's setting up. As it relates to 2017, the second half of our year looks to be within that range. And based on everything that we see now, we have improved our mix, we're continuing to do all the things that we want to do. But as it relates to the plant fires, that's going to be something that will be behind us. It's not any continuing expense. The team has done an amazing job putting us back in the right footing. But as we see it today, improving our mix, focusing on reducing the cost structure, taking advantage

A

of the low-cost raw material environment, talk about our food capacity, all those give us the full confidence that between 9% to 11% is where we'll wind up for 2017.

Farha Aslam

Analyst, Stephens, Inc.

Great. Thank you.

Q

Thomas P. Hayes

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

You're welcome.

A

Operator: The next question will come from Heather Jones of the Vertical Group. Please go ahead.

Heather Jones

Analyst, Vertical Trading Group LLC

Good morning. Hi. I had a quick question on Beef. You all's outperformance jumped dramatically during the quarter, and just was wondering if you could give us a sense of the cause. Because if we look at beef prices during the quarter, they were up less than live cattle costs were, particularly in the Northern regions, which I know you'll tend to be more exposed to the Northern regions. So I was wondering us if you could help us understand how that drove that outperformance? And the second part of that question is your confidence with 5% margins for the year, given what we've seen in Beef margins over the last few weeks, given the rally in live cattle costs, just seems like maybe you'll are doing something different in that business. And just help us understand what's going on there?

Q

Thomas P. Hayes

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

Sure, Heather. Like we said when we were talking at the CAGNY and otherwise, Q2 is always a little bit choppy, and you never know what's going to come at you, certainly as it pertains to beef; that's true. I would say that are our team has done an incredible job. Steve Stouffer and the team in our first meats group continue to execute against the fundamentals. And without commenting against our competition, I feel good about what our team does. 2017 continues to look strong for us. As we are in the Midwest, there should be more cattle coming to market for us. We believe the margins for this year, as we said, it will be at an exceptional level.

A

Q1 was very strong. Q2 came back a little bit. But as it looks like Q3 and Q4, they have the potential to be very good. We certainly didn't have – it wasn't without some challenges, certainly, in Q2. It's been up and down from both a supply and demand standpoint. But what I'd say is, for us, just focusing on the fundamentals and making sure that we're driving the right thing that's what continues to set us apart from our view.

Heather Jones

Analyst, Vertical Trading Group LLC

And then on Pork, sort of a similar question. I noticed your volumes were down, and I mean, weights were down a little bit during the quarter, but it seems like more that your head had to have been down despite heads for the industry being up. So was wondering if this was a margin versus market share decision and if that's going to be your strategy going forward with the new slaughter capacity, if you're going to just choose margins over market share and possibly kill less just to be able to maintain that. Just if you could give us some color on that.

Q

Thomas P. Hayes

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

A

Yeah. I'd say that is the case, Heather, but we'll manage our business the best that we can for Tyson. And certainly, seems to be [ph] large supply products (37:12) coming 3% to 4% more head or so. What's nice is the demand for U.S. pork continues to be extremely strong. None of us see any signs of that slowing down. And exports have been incredible. So that for us, as long as that continues, that's going to put us in a good position. So sustained demand, great hog supplies, we remain in balance in our thoughts for this year. We're feeling good. And like I said on my a prepared remarks, 2018 is looking to be very strong above the normalized range, not as good as probably as high as 2017, but above the normalized range. And so that's the way that we see it.

Heather Jones

Analyst, Vertical Trading Group LLC

Q

Okay. Thank you so much.

Thomas P. Hayes

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

A

Yeah, you're welcome.

Operator: The next question will come from Akshay Jagdale of Jefferies. Please go ahead.

Lubi Kutua

Analyst, Jefferies LLC

Q

Good morning. This is actually Lubi. I am filling in for Akshay. I wanted to ask a question on your Chicken segment. So if I just look at Chicken segment margins over the last maybe 1 year, 1.5 years, it does seem like they've trended down somewhat, although that's been primarily related to looks like some execution issues maybe on this mix shift strategy towards value-added, which is obviously a key element of the future growth prospects for that business. So can you just talk maybe a little bit about what's driving? There seems to have been, I guess, a little bit more in terms of execution issues over the last couple quarters. And then does this have any impact potentially, in your view, on the long-term growth prospects for this segment? And then I have a follow-up.

Thomas P. Hayes

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

A

Yes, so, Lubi, I would say that execution issue, the plant fires certainly are an execution issue, I guess, you could say, something that we don't certainly plan for. Tyson has been much less volatile, I would say, than the typical commodity player. Diversification of our product types, pricing models, reduced export closure really helps us stabilize margins.

So, as we said, ex the fire cost, \$0.04 EPS would have been added back. I think that would have put us in a great spot right within our normalized range. So the continued strong execution against our business is going to give us long-term EBIT growth. Where we will see some differences is the lack of volatility, and certainly, as it pertains to our business, that's what we play for.

Lubi Kutua

Analyst, Jefferies LLC

Q

Okay. And then the second question, also on Chicken. So at CAGNY, you spoke about some new products that you have planned in the Chicken segment. And you also mentioned in your prepared remarks today about ongoing mix changes in the Chicken business.

Could you just talk a little bit about the progress that you've made on some of these initiatives, maybe where we are in terms of timing and rollout and, just generally, how you're thinking about the potential contribution from these new items into fiscal 2017 and 2018? Thanks.

Thomas P. Hayes

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

A

Yeah, certainly. We continue to be very focused on conversion of dark meat into, what I call, first-run products, that's something that the team has made tremendous progress against. And so those are a number of different forums to speak to your question directly.

The 100% NAE on the Tyson retail brand will be up and running by next month. So we love that because it's making a lot of progress in a very consumer relevant area. It's a bit of [indiscernible] (40:54) issue for, certainly, consumers, but we feel that, that is going to set us apart as the world's largest NAE producer of Chicken.

Also, we talked about Nature Raised Organic, so that comes in July, but that is also going to be – it's a growing space. It's much smaller for sure, but it's a growing space for us and we feel like that's going to be an important development for Tyson.

Just to wrap up with ground chicken, ground poultry, predominantly Turkey, is a \$1 billion space. For us, we feel like we can play there and can play effectively. And so we're extremely excited about that launch as well, and that's all – all those things that we talked about at CAGNY are on track.

Lubi Kutua

Analyst, Jefferies LLC

Q

Great. Thank you. I'll pass it on.

Thomas P. Hayes

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

A

Welcome.

Operator: [Operator Instructions] 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 recently about some of the recent storms in Colorado and the impact that might have on cattle supplies and weights this year and how much of an impact you think that's having on packer margins over the last couple of weeks. And is there any sustainable impact from that?

Thomas P. Hayes

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

A

Certainly. Certainly, Michael, there's been an impact. First off, I would say our hearts go out to those cattlemen for sure because, by some estimates, there were thousands of cattle lost in the storm, so we are very sensitive to that. And so we certainly want to make sure that we express that.

Our plants typically have enough breadth and scale to adjust, and it looks like there's going to be certainly, some of – there has been some effect, there is some effect. Anything that we see today is built into our outlook. So again, tragic loss for the producers there, but for us we feel like we are going to be in a fine position going forward, and hopefully, something like that doesn't happen again.

Michael Leith Piken

Analyst, Cleveland Research Co. LLC

Q

Okay, great. And then switching over to Prepared Foods, just trying to understand by the time, I guess, fiscal 2018 rolls around, I mean, would you expect AdvancePierre Foods to be accretive to your Prepared Foods margin? You talked about getting back to a normalized range. Or is that something that you would expect initially, because of increased brand spending they might be a little below your normalized margin on a standalone basis and as you invest in the business that, over time, it would reach your normalized range? Thanks.

Thomas P. Hayes

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

A

You're welcome. Two things, absolutely accretive. Second thing is it's going to put us in a position, as we look long-term, to look again at what our normalized range is for Prepared Foods, because that's going to be a tremendous margin business for us. But more so, just continue to come back to growth. We are acquiring a company that has been growing, is going to support our growth, not just in the convenience channel and in the retail store perimeter, but there are capabilities that we're going to leverage for our Tyson brand that we already have in the portfolio.

So as we continue to make the most out of this, it will not be reinvestment in the brands per se that AdvancePierre has all over going to support those [indiscernible] (44:06). It's going to be really focusing on the capabilities this brings to excite consumers against where they're headed. This is the reason why we did it. Thank you.

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

Kenneth Bryan Zaslów

Analyst, BMO Capital Markets (United States)

Q

Hey, good morning, gentlemen.

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 Zaslou

Analyst, BMO Capital Markets (United States)

Q

Just a couple of questions. As you evaluate the AdvancePierre acquisition, can you talk about – you did say though that the \$200 million of synergies is both combined as well as individual. Did I hear that right? And can you talk about the buckets to which the synergies will come from? That's my first question.

The second question is, so as you evaluate the Prepared Foods margins, what will go into the determination of where you think that will go? Because again, you start out with Hillshire at 9% to 11%, we're kind of now in that 9% region. Is there a potential where we could see 13%, 14%, 15% margins? How do you think about that?

Thomas P. Hayes

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

A

Nothing's off the table in terms of margin upside. What I would say is, we're not going to sacrifice growth, we're going to continue to grow. So we want to make the right margins, we want to have affordable food and we want it to continue to be growing is what we're focused on, Ken.

So as it relates to the question on the synergy buckets, you got it right. Absolutely, it's going to come from both sides. We feel like, as we get through the integration process, we're going to find that AdvancePierre is going to make Tyson, legacy Tyson better. The whole company is going to benefit.

In terms of the specific areas, clearly, procurement, we see manufacturing, like I talked about, logistics for sure, so warehousing and transportation, clearly, redundant overhead with two publicly-traded companies. Too soon to disclose the exact size of that, but the synergies are coming from both businesses. And we are going to, on top of cost synergies, grow.

So we feel very comfortable with the overall target. It's going to put us into a position of great confidence to improve the margin structure over time. And again, just emphasize, not to sacrifice growth.

Kenneth Bryan Zaslou

Analyst, BMO Capital Markets (United States)

Q

Just Dennis, just one housekeeping question. What is the cost in 2017 that won't recur in 2018 aside from the fire? I just wanted to kind of aggregate them up because you're including in your underlying performance, but I think there are some costs that may not be recurring such as maybe...?

Dennis Leatherby

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

A

That's a great question. As a reminder, last quarter, we talked about vacation and holiday pay and those kinds of things, the true up both companies and the cumulative number was about \$58 million, and about 80% of that was more or less a one-time event, so call it \$50 million or so. And then you're right, the plant fires would be in there as well.

Kenneth Bryan Zaslou

Analyst, BMO Capital Markets (United States)

Q

Perfect. Thank you.

Operator: The next question will be from Brett Address of KeyBanc Capital Markets. Please go ahead.

Brett Adress

Analyst, KeyBanc Capital Markets, Inc.

Hey, good morning.

Q

Thomas P. Hayes

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

Hey, Brett.

A

Brett Adress

Analyst, KeyBanc Capital Markets, Inc.

I just wanted to go back to Chicken because relative to 90 days ago, really the segment guidance range, I think, has been stepped down somewhat, even when you exclude the costs. And at the same time, I think the outlook for the industry, we would argue has improved pretty meaningfully. So I was hoping you could kind of square those two and maybe provide a little bit more color as to why we shouldn't see the improvement and maybe some would have expected in Chicken as we go through the balance of the year?

Q

Dennis Leatherby

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

So I'll come back to just kind of, Brett, tagging on to the question that Ken asked is that our margin is going to be also indicative of where we are planning to grow. So we are not going to have a margin structure that does not allow us to continue to grow and provide our products at the right prices. So for the range, I think, 9% to 11% is the range we feel comfortable about with having a growth profile. So delivering within that for the year, we feel very strong about. And I will say that, we are very bullish about what Chicken looks like for 2017 and for 2018, frankly. So continuing to improve our mix, we're off to a very strong start in Chicken for Q3. May is traditionally the start of the grilling season. Margins tend to follow that. Inventories are in a good position. We're operating in a range that really puts us in line with our targets and the ability to continue to drive growth at those margin rates. That's what I'd say.

A

Brett Adress

Analyst, KeyBanc Capital Markets, Inc.

Thank you.

Q

Thomas P. Hayes

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

You're welcome.

A

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

Thanks for taking the follow-up. I want to go back to guidance, and I know in answer to some one's question, you've said that AdvancePierre is implied in all lines of guidance. So I was just curious when the outlook language for Prepared for the full year, when you talk about it being margins approximating 9%, my gut is that comment excludes AdvancePierre, but I want to double-check on that?

Q

Thomas P. Hayes

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

A

It includes AdvancePierre; if anything, we might be modestly conservative on that.

Heather Jones

Analyst, Vertical Trading Group LLC

Q

Can you help me understand is there some, what's the word I'm looking for, some seasonality to [ph] Advance (49:40), because, I mean, their margin structure is robust. And I know you're only talking about them being in there for one quarter. But still, you would think that would bring up the total pretty substantially. So can you help me understand, is there some major seasonality that Q4 is not a big margin quarter for them or something?

Dennis Leatherby

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

A

Certainly they have a very seasonal business as it relates to schools. And so some of that product will certainly flow through at the beginning of the school season but then sort of into what would be our Q1. So we want to make sure that what we're doing is integrating this in the right way.

And to be clear, Heather, we're not giving guidance right now. What we're talking about is how we feel about the business, and we feel like those margins are going to be certainly strong. But we have to learn more. So we'll be prepared in Q3 to talk more specifically about 2018 guidance. But the feeling right now is that because their business does start to pick up during the school year, we got to see what that looks like as we get the two businesses together.

Heather Jones

Analyst, Vertical Trading Group LLC

Q

Okay. And one more follow-up quickly. So sitting back and listening to this call, my take is you're intending to grow Prepared and Chicken on the top line pretty substantially. And so those margins may be restrained as you invest, whereas for, it sounds like your Beef and your Pork business as you intended for those to be essentially cash cows to fund that growth. So, we talked about earlier, in the Pork side, there is significant slaughter capacity coming on. My estimate is somewhere in the 10% to 15% range over the next year-and-a-half, which is going to outpace hog supply growth. So going back to that whole margin versus market share comment, in order to retain the cash cow nature of that business, I mean, should we think that you all will be willing to even close a plant if that's required to maintain the strong margins that that segment has enjoyed over the last couple of years?

Dennis Leatherby

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

A

Heather, we're not going to talk about those sort of things here, but what I can say is that there is going to be some level of equilibration in the industry. We see that the segment, the Pork segment will still be above its normalized range for 2018. But the other thing we just haven't talked a lot about is the export demand. Export demand remains very strong, and that should benefit us. We are a preferred pork supplier, particularly to the Pacific Rim markets.

There is a lot of questions, but I would say that for us, we feel good. We feel good about, certainly, 2017 and 2018 setting up a little lighter based on some of this capacity coming on, but we still think 2018 sets up well.

Heather Jones

Analyst, Vertical Trading Group LLC

Okay. Perfect. Thanks so much for taking the follow-up.

Q

Dennis Leatherby

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

You're welcome.

A

Operator: And the next question will be a follow-up from Ken Goldman of JPMorgan. Please go ahead.

Kenneth B. Goldman

Analyst, JPMorgan Securities LLC

Hi, thanks. Yeah. Thanks so much for letting me ask one more. I know you're hesitant, I understand why, to give details on AdvancePierre's impact on this year. And I realize it's impossible to know. But most of the questions I'm getting from investors this morning, and I imagine most of the questions, my peers in this call are getting too. We are just trying to figure some of this out. So, if you can indulge me for a moment, I think of it this way, AdvancePierre generates maybe \$55 million, \$60 million a quarter. That's the benefit you're getting in the fourth quarter. Interest expense guidance went up by \$45 million. That's the cost. You're talking a net benefit of maybe \$10 million to \$15 million in added [indiscernible] (53:23) added, I guess, net income from the deal before any synergies. Is that reasonable for us to look at it that way? Or am I missing something important in that analysis?

Q

Dennis Leatherby

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

It's pretty close, Ken. The one thing you're missing is incremental depreciation and amortization. We haven't had that valuation work done. So we don't know what that number is, so that would take a little bit off. On the interest expense side, really it depends entirely upon when we close. So is it early June? Is it late June? That's the swing there.

A

Kenneth B. Goldman

Analyst, JPMorgan Securities LLC

That's fine. Thanks, Dennis, so much.

Q

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

Thomas P. Hayes

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

Thank you very much. Again, great questions. And I'll just say, again, we wrapped up an excellent first half at Tyson. We feel the second half is off to a solid start. We feel great about where we are now, and we're well positioned for fiscal 2018. And we'll continue to be as transparent as we can be on all the things that are going to help you value our company and we're really looking forward to this acquisition and making a great thing for you as investors and Tyson Foods' family.

Thank you for your interest, appreciate it and have a good day.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2017 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.