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# Tyson Foods, Inc. (TSN)

Q3 2019 Earnings Call

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**Stewart F. Glendinning**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, and welcome to the Tyson Foods Financial Update 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, today's event is being recorded.

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

### Jon Kathol

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

Good morning, and welcome to the Tyson Foods, Incorporated earnings conference call for the third quarter of fiscal 2019. On today's call are Noel White, President and Chief Executive Officer; and Stewart Glendinning, Chief Financial Officer. Slides accompanying today's prepared remarks are available as a supplemental report in the Resource Center of the Tyson Investor website at [ir.tyson.com](http://ir.tyson.com).

Tyson Foods issued an earnings release this morning, which has been furnished to the SEC on Form 8-K and is available on our website at [ir.tyson.com](http://ir.tyson.com). Our remarks today include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements reflect current views with respect to future events such as Tyson's outlook for future performance on sales, margin, earnings growth, and various other aspects of its business. These statements are subject to 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 risk that can affect our business.

I would like to remind everyone that this call is being recorded on Monday, August 5 at 9:00 a.m. Eastern Time. A replay of today's call will be available on our website approximately one hour after the conclusion of this call. This broadcast is the property of Tyson Foods and any redistribution, retransmission or rebroadcast of this call in any form without the expressed written consent of Tyson Foods is strictly prohibited.

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

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

### Noel W. White

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

Thank you, Jon, and good morning. I'd like to thank everyone who joined our recent Investor Day. We appreciate the opportunity to share our growth strategy, take your questions, and receive feedback. In case you missed it, a replay is available on our Investor Relations page.

Our strategy remains focused on growing Prepared Foods, International, and value-added Chicken, while reducing the volatility of earnings across our business, and we're making progress. Let me give you some examples from our third quarter.

We continue to expand our global business, with newly acquired operations in Asia and Europe. We've launched two alternative protein products into the marketplace, and we continue to grow our case-ready Beef and Pork business, with plans for new plant in Utah.

Now, let's talk about our third quarter performance. Our Prepared Foods and Beef segments generated strong results. Chicken results were mixed but are improving, and the Pork segment was under pressure due to market conditions related to African swine fever. Overall, we remain on track for a strong year and expect earnings per share in the range of \$5.75 to \$6.10.

Innovation and marketing support are driving velocity and share growth at retail. Total Tyson and the core business lines have posted four straight quarters of growth. In fact, this growth is the highest in two years. When you look at the last 52 weeks, our core has outperformed the food and beverage category by more than 12 times, and total Tyson retail has outperformed the category by more than 5 times. In the most recent quarter, our sales volume trends have been even more robust, with core business lines up 6% and total Tyson retail up 3%.

In broadline foodservice, Tyson Focus 6 is up 3% in volume compared to a year ago, that's two times the growth of the total broadline distribution channel. Broadline accounts for nearly half of Tyson's foodservice volume and the Focus 6 is more than 20% of our total foodservice sales volume.

Turning to our segments. Prepared Foods remains on track for a record year. Through the first nine months, it's produced a record operating margin of 12%. Retail volume growth has been outstanding as we gained incremental distribution from innovations such as Jimmy Dean Simple Scrambles, Breakfast Bowls and Eggwiches.

We're excited that our alternative protein products are hitting the market. We introduced Aidells Whole Blends as our first offering earlier this year. Last month, we started shipping Raised & Rooted nuggets made with plants. We're pleased to report that nuggets will be in 4,000 retail stores and available in broadline foodservice distribution by the end of September. This kind of quick start demonstrates the capabilities, scale and national reach of Tyson Foods.

We're engaged with customers across channels and expect additional nationwide rollouts in retail and foodservice over the next 12 months. This will involve both plant and blended protein options under the Raised & Rooted brand and our flagship brands. We're in early discussions with partners to introduce these products outside the U.S., but for now, our primary focus is a powerful domestic launch.

As we build Prepared Foods innovation and enter new categories, we expect this segment will continue performing well, with an operating margin near 12% in fiscal 2019, and we expect similar results or better next year, assuming current expectations for raw material costs. Our Beef segment grew sales and volume in the third quarter. Global beef demand was strong, and our Beef business is executing well. Pasture conditions are the best that we've seen in several years, and cattle supplies are expected to be good through at least 2021. So far this year, our Beef segment has produced a record operating margin of 6.1%.

We are pleased the European Union has agreed to new beef quota arrangement with the United States. It's an opportunity for Tyson's Beef business to continue serving customers in Europe, and potentially grow our business there.

We also remain hopeful new trade deals will be reached soon with Japan and China, and that Congress will approve the pending trade agreement with Canada and Mexico. For the fiscal year, we expect Beef segment's

operating margin to be approximately 7%. With ample supplies of high-quality cattle, we expect similar or better results next year.

Moving on to Pork. African swine fever impacted the segment on the cost side. However, we did not see the benefit in pricing due to a 5% increase in domestic availability and low cut-out values. We see this beginning to change as USDA weekly export data indicated that shipments of U.S. pork to China began accelerating in mid-July, and we're optimistic this will lead to a positive impact on our Pork business.

We are staying focused on execution and are benchmarking well versus USDA metrics. We've differentiated both our Beef and Pork businesses by valuing up, investing in premium programs. Our Chairman's Reserve and Open Prairie Natural programs are growing quickly and increasing revenue. This fiscal year, volume is up 40% in Open Prairie Natural Pork and Chairman's Reserve Prime Pork is up 84% compared to last year. In fiscal 2019, we expect the Pork segment's operating margin to exceed 6% and we expect similar or better results next year.

In our Chicken segment, we're not where we want to be. We're still working to improve our operational execution and our trade pack business. In addition, we experienced a slow start to the grilling season because of poor, wet weather, but we're expecting to finish the summer strong, especially back-to-school season and Labor Day weekend. We're seeing increased levels of Chicken promotions at both retail and foodservice. We expect Chicken demand and featuring to remain strong or accelerate into next year. This includes demand for boneless dark meat. For fiscal 2019, the operating margin for the Chicken segment should be around 6% and we expect improved results for fiscal 2020.

Over the next five years, it's estimated that nearly 98% of protein consumption growth will occur outside the United States and about 70% of that growth will be in Asia. As global protein consumption continues to grow, Tyson's business will grow with it. We're driving profitable growth in key markets with strategic customers through locally relevant products. We've completed the acquisition of Thai and European poultry assets in the third quarter. We're creating a new International business model that focuses on consumer demand. We're pleased with the initial results and have identified significant synergy potential in these businesses.

For example, we've been contacted by major customers in new geographies to discuss strategic relationships. These are customers we know well in other parts of our business and we're excited about expanding these relationships. We expect better results in fiscal 2020 from substantial improvements in our legacy International operations as well as the impact of a full-year of ownership in Keystone's International business, as well as our new Thai and European operations.

That concludes my comments on segments and channels. And now I'll ask Stewart to take us through the financials.

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## Stewart F. Glendinning

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

Thanks, Noel, and good morning, everyone. The third quarter results were in line with our expectations with earnings of \$1.47 per share. Our operating margin was 7.3% on operating income of \$796 million. Revenues were \$10.9 billion, up \$834 million compared to Q3 last year on an 11.8% volume increase.

Average sales price declined 3.5% due to product mix changes resulting from acquisitions and divestitures, primarily the acquisition of American Proteins. We're very pleased with our acquisitions and we – even more optimistic about the potential for growth and the pace of synergy capture.

Across our last four acquisitions, Tecumseh; American Proteins; Keystone; and most recently, the poultry operations in Europe and Thailand, we spent a little under \$4 billion and we're on time and on budget integrating these businesses. We're already covering our cost of capital on an after-tax basis in 2019; and as we deliver the full benefit of our synergies, we will drive impressive returns on these acquisitions, while expanding our scale and enabling additional long-term growth.

To facilitate our organic and acquisitional growth, we require more robust analytic capabilities and standardized processes across a common platform. In the third quarter, we implemented a new information technology system to meet these needs. And while we did experience some disruptions, the vast majority of the transactions went according to plan. Our people have been working diligently to resolve the delayed order and billing transactions, and we expect to be back to business as usual shortly. We haven't defined a dollar impact, but it has increased our working capital days.

During the third quarter, we repurchased 1 million shares for \$79 million. Year-to-date, we bought back a total of 3.4 million shares for \$225 million as part of our commitment to delivering value to our shareholders. Our adjusted effective tax rate was 20.4% in the third quarter and 20.8% year-to-date.

Including cash of \$406 million, net debt was \$12.2 billion. Net debt to adjusted EBITDA was 2.9 times for the 12 months ending June 29. Net interest expense was \$119 million in Q3. Capital expenditures were \$315 million in the quarter and \$971 million year-to-date, as we focus on growth and efficiency projects with expected returns greater than the cost of capital.

Depreciation and amortization was \$286 million in the third quarter and \$809 million year-to-date. Weighted average outstanding shares in Q3 were approximately 367 million. Our operating cash flows year-to-date are over \$1.5 billion and liquidity at the end of Q3 was also \$1.5 billion. In Q4, we will focus our capital allocation on debt reduction as we have \$1 billion coming due that we expect to address with cash flows and existing or new short-term liquidity.

As we near the end of fiscal 2019, I'll provide a final outlook for the year and some initial thoughts on next year. These figures include Keystone and the recently acquired operations in Europe and Thailand. Note that also 2020 will be a 53-week year, we've adjusted our outlook to be comparable to 52 weeks.

Sales are expected to be approximately \$43 billion in fiscal 2019 and grow 6% to 7% to around \$45 billion to \$46 billion in fiscal 2020. Net interest expense should approximate \$450 million both this year and next. We're projecting capital expenditures of approximately \$1.3 billion this year, with a similar amount in fiscal 2020. We expect liquidity to remain above our \$1 billion target.

Our effective tax rate is expected to be approximately 21% this year and 23% to 24% in 2020. We're maintaining our earnings guidance for fiscal 2019 at \$5.75 to \$6.10 per share. We'll provide earnings per share guidance for fiscal 2020 on our fourth quarter call in November. But next year we expect all segment results to be similar or better than this year, while producing top line and bottom line growth.

That concludes my remarks. And now, we'll return to Noel for additional commentary. Noel?

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## Noel W. White

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

Thank you, Stewart. As African swine fever impacts the global protein landscape, Tyson is well-positioned to meet consumer needs with our diversified portfolio. At this time, it remains difficult to know the size of those

opportunities or when they'll happen. We estimate increased exports of pork to China may happen late in the calendar year. There could be volatility in the early stages as global exports begin to backfill protein needs in the countries affected by ASF.

Tariffs and trade restrictions add another layer of uncertainty, while rumors of tariffs being lifted have created volatility. Tyson Foods continues to support efforts for new trade deals to bring stability to export markets. If the tariffs are removed, the U.S. pork industry will likely benefit directly. If they are not, we will benefit from backfill and reallocation opportunities. Regardless of the market dynamics, we are prepared to capitalize on all opportunities through great execution, cost control, and most importantly, by meeting our customers' needs and expectations.

We're excited about the direction of our company. We're leveraging our \$7 billion International business. We are matching priority supply markets with priority demand markets across multiple proteins, to deliver what we believe will be a very effective model to reach key markets and customers. Domestically, our core retail and foodservice product lines continue to experience growth. Tyson is aligned with customers and channels that are growing. We also continue to innovate, creating new products, including some outside our traditional meat offerings and more are in the pipeline.

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

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] And today's first question comes from Ben Theurer of Barclays. Please go ahead.

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**Benjamin M. Theurer**

*Analyst, Barclays Capital Casa de Bolsa SA de CV*

Q

Yeah. Good morning, Noel, Stewart. Thank you very much for taking my question. I have – my question is around your assumptions for next year and [indiscernible] (00:17:55) relatively cautious 2020 outlook considering all the potential benefits from African swine fever. Could you lay out a little bit what you think the direct benefit to Pork could be in your segment reporting considering that maybe trade restrictions might be lifted and how does this compare to the indirect opportunity from markets tightening in general and the backfill, so just to understand a little bit the drivers, Pork-specific, and then obviously like the second, third derivatives on your other businesses in the U.S. as it comes to ASF? That will be my question. Thank you.

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**Noel W. White**

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

A

Yeah, sure, Ben. I think that it's not only going to be Pork that's benefited. It's – I think that all of the proteins will benefit. In total, there's somewhere around 5% of global protein that's disappeared. So whether it's a direct benefit or an indirect benefit, regardless, it'll be beneficiary to us. So I think that both pork, beef, chicken, all three primary proteins could benefit from that. The degree, Ben, it really depends on the timing of when these shipments might begin, whether it's from the United States or from other countries in a much more significant way. So, I mean, the guidance that we've provided is that we think that the earnings that we've generated so far in 2019 that there's upward potential, and in some cases, I believe, sizable upward potential in some of our segments.

The other thing that I'd like to point out is that if we assume that ASF, if we completely discount ASF that the 6% to 7% top line growth that we are projecting for next year which will take us from the \$43 billion to the \$46 billion to \$47 billion, with current return on sales, that generates an incremental \$200 million.

Additionally, I've talked about the fact that we are not happy with where our poultry group is at and we think that there's somewhere around 200 basis points yet to improve, so there's another \$200 million. So, some of that, we will give up by a higher tax rate, but we still are in position to gain significantly.

Benjamin M. Theurer

*Analyst, Barclays Capital Casa de Bolsa SA de CV*

Q

All right. Very clear. And then, just as a follow-up, and you have it nicely actually laid out in your supplementary information. With all the opportunities now to not only source from the U.S. to basically ship, but you're also having now access to South America, Australia, Europe to the different markets, any way you could quantify or at least have some qualitative commentary on what you think that could give you as an advantage compared to where you've been prior to the acquisitions, just considering the overall spectrum of animal-based protein?

Noel W. White

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

A

Right. Well, Ben, it really provides a platform for us. We have regional supply base and we also have operations now in the primary demand markets that we've identified. So both from a supply standpoint, demand standpoint, we feel good about where we're at right now, but that's not to say that we're done. I mean, we continue to look at other opportunities that present themselves. So over the course of time, we'll continue to build out that space, just as we intend to do in our Prepared Foods and value-added foods space. So continued growth, but not in one specific market.

Benjamin M. Theurer

*Analyst, Barclays Capital Casa de Bolsa SA de CV*

Q

Okay. Perfect. Thank you very much. I'll leave it here, and congrats.

Noel W. White

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

A

Thank you, Ben.

**Operator:** And our next question today comes from Alexia Howard of Bernstein. Please go ahead.

Alexia Howard

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Good morning, everyone.

Noel W. White

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

A

Good morning.

Alexia Howard

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

So there's obviously a lot of anticipation of the ASF impact as we get into fiscal 2020. Are there things that you can be doing to ramp up your Chicken business in terms of the amount of processing capacity there, the breeding cycle? If meat prices are going up next year, that's the one area that could actually be accelerated potentially. Are there other preparations that you're doing in that part of the business to take advantage of the situation?

Noel W. White

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

A

We do not plan on incremental production coming online. However, we have, as you're aware, acquired some assets from Keystone just recently so that we'll obviously expand our numbers and our volume as we report them. But as far as actually increasing Chicken production itself, right now, Alexia, we are more focused on getting our business to run as we would expect it to, which is, it's not where we want right now, and it's fairly isolated. It's within a handful of plants that are not performing at the levels that they need to. So we need to get our business running as we would expect before we think about growing and expanding our current volumes.

Alexia Howard

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Right. And a super quick follow-up. Are there leading indicators we should be looking at to assess when the U.S. pork packers are going to start benefiting from ASF?

Noel W. White

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

A

Yeah. Obviously, nobody knows. My expectations, it does look like there is – at least has been some sizable freeze inventories in China. That's – they will work through the inventories that are on hand, and it appears like that could be some place in fourth quarter of the calendar year. So you would expect shipments in production to start sometime later this year, whether that's October, November, December, nobody knows, but that's my expectation.

Alexia, if I go back to your Chicken question, I was talking in terms of just raw chicken being produced. However, we have added capacities, capabilities, on the further-processing side. So we do have lines that we've increased some capacities. We have a new plant that we opened little over a year ago, a new processing plant in Green Forest, Arkansas, so it's not as though we don't have production capacities. We have capacities to take the chicken that we either produce or buy and add more value to it.

Alexia Howard

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

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

Noel W. White

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

A

Great. Thank you.

**Operator:** And our next question today comes from Ken Goldman of JPMorgan. Please go ahead.

Ken Goldman

*Analyst, JPMorgan Securities LLC*

Q

Hi. Good morning. Thank you.

Noel W. White

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

Good morning.

A

Ken Goldman

*Analyst, JPMorgan Securities LLC*

Noel and Stewart, I wanted to ask, you still have a relatively wide range of EPS expectations for this year. There's only one quarter left. Can you walk us through when you think what the key factors are that would drive that EPS in the fourth quarter toward the higher or maybe toward the lower end of the range? What are those that come to mind?

Q

Stewart F. Glendinning

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

Yeah, look, I – thanks for that, Ken. Clearly, there are probably two things there that will influence the quarter. Number one will be meat prices. That always has a large impact on our results. The other will be the movement in grain prices. And as you've seen in the last few weeks, a lot of movement in corn. We came in through the fourth quarter – through the third quarter with a pretty big mark-to-market in Chicken that was about \$40 million, and as you can see in the last couple weeks, a lot of that has reversed. So those are the two big items I'd point to.

A

Ken Goldman

*Analyst, JPMorgan Securities LLC*

Okay. Thank you. And then, can I just ask as a housekeeping question? I just want to make sure the 6% to 7% sales outlook for next year that does not include the extra week, right, which would add, I assume, a couple percent?

Q

Stewart F. Glendinning

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

Yeah, that's correct. It's 52 weeks to 52 weeks.

A

Ken Goldman

*Analyst, JPMorgan Securities LLC*

Great. Thank you very much.

Q

Noel W. White

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

Thank you, Ken.

A

**Operator:** And our next question today comes from Ben Bienvenu of Stephens, Inc. Please go ahead.

Ben Bienvenu

*Analyst, Stephens, Inc.*

Yeah, thanks so much. Good morning.

Q

Noel W. White

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

A

Good morning.

Ben Bienvenu

*Analyst, Stephens, Inc.*

Q

Noel, I wanted to follow up on your comments on the Chicken business. You talked about the 200 basis points of segment margin underperformance and you touched on that at the Investor Day. Sounds like the issue is isolated at a few different facilities, but I'd just be curious to hear a little bit more about the critical path to unlocking that 200 basis points. And then, it also sounded like in your comments that a realistic expectation is for that to occur in 2020, but I just want to clarify our expectation on the timing of that recoup of 200 basis points.

Noel W. White

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

A

Yeah, Ben, you're right. That is about the number that we're expecting to come through. And we do expect that to occur in 2020. We know specifically which plants are opportunities for us. We know what the causes are, and they are in the process of being addressed. We have some turnover numbers that are higher than what we expect, which generates yields that are less than we expect. Productivity and throughput is not where we expect it to be. So we know specifically where the opportunities are at. We know the root cause and we have a team that is fully dedicated to get them corrected as quickly as possible.

Ben Bienvenu

*Analyst, Stephens, Inc.*

Q

Okay. Great. And then, switching to the Prepared Foods business, just given the volatility in prices that we've seen in Pork and Beef over the last several months, can you just help us think about how you all think about managing your list price on that business? Are you looking for sustained cost increases before you raise prices? And has the volatility in prices changed your thought process on the timing of pricing increases you might take as you look to 2020?

Noel W. White

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

A

Sure. Well, if I go back to last spring, Ben, that's when a lot of the rumors and discussion about shipments to Asia started to affect the futures markets. Hog futures escalated rapidly. And with that, somewhat the pork prices started to go up.

Now, as we got into May and June, that subsided. So as we were having conversation with customers back in the March-April time period, we were talking about price increases, and said that this is an unprecedented event, and we've been selective on where we have taken price increases, and in other cases we've not. It's really dependent on the product and the product category, but all of our customers are fully aware of what's in front of us, with African swine fever and what the potential price impacts could be. So as we start to see prices escalate, all the conversations have already taken place, and I think it's at that point in time where you see products move up because of the increased disappearance that you'll see the Prepared Foods price changes implemented.

Ben Bienvenu

*Analyst, Stephens, Inc.*

Q

Thanks very much. Good luck for the rest of the year.

Noel W. White

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

Yeah. Thank you, Ben.

A

**Operator:** And our next question today comes from Adam Samuelson of Goldman Sachs. Please go ahead.

Adam Samuelson

*Analyst, Goldman Sachs & Co. LLC*

Yes. Thanks. Good morning, everyone.

Q

Noel W. White

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

Good morning, Adam.

A

Adam Samuelson

*Analyst, Goldman Sachs & Co. LLC*

So, I guess, I wanted to continue a little bit maybe in the Prepared Foods business, and here, I mean, it's going back to some of the raw material volatility which maybe was less pronounced than you might have thought three months ago and caused you to bring back up the guidance for the full-year a little bit. Maybe just as we think about margins here for the next quarter and then into next year, just a little bit more color on pricing, kind of the underlying volume traction you're seeing by some of the different categories that you participate in, and just visibility. And I know there's been some challenges in some of the legacy foodservice businesses that you've kind of been overcoming. Just how are those progressing as we think about the margin progression prospectively?

Q

Noel W. White

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

Yeah, sure, Adam. First of all, we are pleased with our volume, that we are significantly outpacing the industry in our volume growth. We have, over the course of the last 12 to 18 months, invested in that business, and we're seeing dividends from those investments. So some of the product categories that I mentioned on prepared remarks, those were just a few examples of where we're seeing the type of growth in the marketplace. So we expect that to continue, the growth in our Prepared Foods space. We continue to invest in the category, both from a map standpoint as well as from an innovation standpoint. So we have a very robust pipeline of products that we'll be introducing in 2020. So we're very positive, very optimistic on the outlook for Prepared Foods.

A

The ability to manage the raw material price increases, that's our business. That's what we get paid to do. We know that it is likely to occur at some point in time. We've done a lot of preparation and – with the expectation that the prices will at some point in time start to go up. So we feel good about our position in the marketplace. Our volumes are strong, and we believe that we can generate the 12-plus-percent margins that we're expecting for this year.

Adam Samuelson

*Analyst, Goldman Sachs & Co. LLC*

Great. And then, just on the – follow-up on the forward outlook and on Chicken specifically. The kind of improved results that you'd expect next year, especially relative to the 200 basis points of margin kind of opportunity that you see kind of from internal initiatives, what – as you thought about Chicken margins in excess of 6%, is that just

Q

assuming kind of the corn strip kind of where it sits today and/or how much of the margin improvement especially on the trade pack side you think you can capture in 2020 versus 2021 or 2022?

Noel W. White

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

A

Yeah. The [ph] most reason, I mean, (00:32:29) grain prices are expected to be higher as we go into 2020, Adam. So we are expecting some price increases to the tune of a couple hundred million dollars at this point in time. Obviously, it changes on a day-to-day basis, but that's basically where it's at right now. So the numbers that I talked about, the underperformance, the 200 basis points or 2% return on sales, it's very achievable, despite the fact that grain prices are expected to go up.

Adam Samuelson

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay. That's very helpful. I'll pass it on. Thanks.

Noel W. White

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

A

Okay. Thanks, Adam.

**Operator:** And our next question today comes from Rob Moskow of Credit Suisse. Please go ahead.

Robert Moskow

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Hi. Thank you. Hey, Noel, I was a bit surprised about the guidance for the Prepared Foods division margin to be as high as it was and raised, and then into fiscal 2020 as well. You say it assumes current expectations for raw material costs, what are those expectations? Are you expecting a lot of inflation, or not?

Noel W. White

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

A

In most categories, I'd say, yes, Rob, that we are expecting inflation on the raw material cost, whether it's Beef raw material inputs or whether it's Pork, and/or poultry for that matter, so we are expecting raw material costs to go up for next year and we do expect to capture that back through pricing. As always, there's some lag that's involved, but as I mentioned earlier, those conversations have taken place, and I think that there's been awareness throughout the industry of what the industry is likely going to be faced with the next six months or so.

Robert Moskow

*Analyst, Credit Suisse Securities (USA) LLC*

Q

I got you. So unlike in prior years, the customers are fully aware of what's coming, so it should be easier to get the pricing through then, and the lag might be shorter than it has in the past?

Noel W. White

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

A

I think that'd be fair, yes. Those conversations have taken place. It looks like prices were going to go up across-the-board, late spring, early summer. To a large extent, that didn't happen. We backed away from those, not entirely, but for the most part. But those conversations have taken place and the fact that once we do see raw material costs start to go up and pricing is going to have to change.

Stewart F. Glendinning

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

A

Maybe, Rob, one other thing to just keep in mind, and that is that on the – in the foodservice business, there's a large chunk of business that is where pricing is tied to the cost of the material, so that benefits our customers when prices go down and, of course, it cause them more when prices go up, that's automatic, right?

Robert Moskow

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay. In the retail data in the quarter, I noticed that your market shares went up in a lot of Prepared Foods segments, like Bacon and Sliced Meats, and it looked like your competition raised prices faster than you did in some of these segments. Is that a fair way to characterize the quarter?

Noel W. White

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

A

No, I don't think that's a reason that we captured incremental volume, Rob. It might have played a part. But for the most part, we've been executing very well in the Prepared Foods space that – I talked about the innovation, the product launches, the support that we've provided at the retail level. So, no, I don't think it was primarily attributable to price at all.

Robert Moskow

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay. Thank you.

Noel W. White

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

A

Yeah. Thanks, Rob.

**Operator:** And our next question today comes from Heather Jones of Heather Jones Research, LLC. Please go ahead.

Heather Jones

*Analyst, Heather Jones Research, LLC*

Q

Good morning.

Noel W. White

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

A

Good morning, Heather.

Stewart F. Glendinning

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

A

Good morning.

Heather Jones

*Analyst, Heather Jones Research, LLC*

Q

Hi. I have a couple of questions. First was on poultry business. So you said that there was about 200 bps of margin improvement that left to get related to Tyson operations. When I look at where your margins are relative to say 2015, 2016, the delta is bigger. So I'm just wondering, would you attribute the remainder of that delta to industry-specific issues like market dynamics and then the 200 bps is the Tyson-specific issue?

Noel W. White

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

A

Yeah, yeah, Heather, I think you're exactly right. I think that the margin structure, if we go back several years ago, I think that as an industry, we were all enjoying some higher margins than what we currently have. And then our performance relative to that is not where we expect to be. So, yes, I think, first of all, I think the margin structure is somewhat lower than what it was, but secondly, there's money on the table for us to capture.

Heather Jones

*Analyst, Heather Jones Research, LLC*

Q

Okay. Thank you. And then I wanted to go back to ASF. So your commentary regarding the likelihood of it benefiting U.S. export sounded fairly confident. I'm sure you've seen the headlines out today about the escalation of U.S.-China tensions. And so, I was just wondering if you could flush out what about the supply disruption gives you comfort that the U.S. is going to benefit either way, whether China comes to us directly or you mentioned backfilling? Just, like I said, you sounded confident, I was wondering if you could flush out your thinking on that of why you had such confidence?

Noel W. White

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

A

Sure. Because through the course of time, Heather, and whether it's with the current dispute with China or other historic disputes that we've had with different countries, the product ends up finding its way to other markets, and whether it's to China or whether it's to markets that whether it's South America, or Australia, or others that they've been servicing, the supply is somewhat fixed outside of where ASF has occurred. So it's not that all of a sudden there's going to be a rapid escalation in production globally. Those production numbers are primarily fixed. Demand is growing over the course of time, which means that it may not ship directly to China, but it will ship to a market that somebody has been buying from another country in the past. So the reason I'm optimistic is because over the course of time, it has always worked out that way, and there's always going to be noise in the market about trade disputes and non-tariff trade barriers, and over the course of time, it all sorts itself out.

Heather Jones

*Analyst, Heather Jones Research, LLC*

Q

Thank you for that. Very helpful.

Noel W. White

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

A

Great. Thank you, Heather.

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

Michael Piken

*Analyst, Cleveland Research Co. LLC*

Q

Yeah, good morning. Just wanted to ask a little bit about how you're thinking about your Pork business. And specifically, are you guys shifting anymore of your Pork production to product that doesn't contain Paylean so that you're able to export to China if that doesn't open up?

Noel W. White

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

A

Sure, Michael. Yes, we have the capability to do that, that we have supply lines currently that does and can produce ractopamine-free product, and we produce lot more. It's a matter of demand in the marketplace. So we have the option of flipping fairly quickly to ractopamine-free, so that is not a primary concern of ours, no.

Michael Piken

*Analyst, Cleveland Research Co. LLC*

Q

Okay. Great. And then, as a follow-up, I guess, just in Prepared Foods, I know you guys for fiscal 2020 said that there's the potential for margins to go even higher than the 12%. What gets you there? Is it a combination of like mix, new products, like, maybe you could just walk us through what type of margin upside and not only like for 2020, but just looking out several years, what is the opportunity there?

Noel W. White

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

A

Sure. A lot of it is in mix, Michael, that – keep in mind, that 12%, that's a composite number of all of our Prepared Foods number. So within that, there's multiple [ph] businesses as it (00:40:59) generate many different types of margin structures. So it's, in fact, taking those businesses that have a lower margin structure and getting them to improve based on where they've been, so it might be through volumes, it might be distribution, it might be through new product introduction, there's a multitude of ways for us to do that. And secondly, to take our higher margin product categories, and expand and grow those businesses, which is what we fully intend to do. So it would be both, it would be the innovation, new product categories that come in, as well as upgrading some of the mix with some of our lower margin structure businesses.

**Operator:** And our next question today comes from Jeremy Scott of Mizuho. Please go ahead.

Jeremy Scott

*Analyst, Mizuho Securities USA LLC*

Q

Hey. Thank you. Just following along on the Prepared Foods question, I think this wasn't explicitly said at the Investor Day, but it was implied by the cautiousness on the Prepared Foods margin outlook at the time that because ASF would be so beneficial to your Chicken and Fresh Meats segments that it may present an opportunity for you to take market share in some of the key Prepared Foods categories. In other words, you're able to leverage the balance and the vertical integration of your model to win business from others that were less balanced and less integrated by that taking price at the same magnitude or working with your customers at a vulnerable time. So what does your Prepared Foods margin guidance on 2020 imply about your competitive strategy that's changed? And, Noel, how do you think about the balance of profit between segments particularly in volatile times like these? I ask that because just looking at your 2020 guidance, I don't think I remember a time in the past decade where all segments moved in unison.

Noel W. White

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

A

No, you're right. It doesn't happen very often, but that is, in fact, the value of the diversified portfolio of products and categories that we have. And I think that's one of the primary factors that's misunderstood is, it's not very often where Beef, Pork, poultry and Prepared all deliver at the same time, but it does help stabilize earnings throughout the course of time, and I think that it's that value that we provide in the marketplace with that diversified portfolio a lot of investors are missing.

So as we look at our Prepared Foods space, Jeremy, it's not that we're going to make a decision to advantage one business or another because our Prepared Foods business has been growing with product that's been transferred internally at market. So it's not the fact that we're giving an advantage to one business or to another. It's because they're earning in the marketplace and they're doing it through diligent work of how we innovate, how we go-to-market, how we service our customers, and that's the expectation for 2020, is that we're not going to gain share specifically through some mechanism of pricing that's going to disadvantage one and advantage another. It's – we are going to earn it with our innovation, our marketing and how we service our customers.

Jeremy Scott

*Analyst, Mizuho Securities USA LLC*

Q

Got it. And then, on the Chicken side, some of your larger customers appear to be exploring and expanding upgraded chicken sandwich lineup, and let's just say that's true. Can you talk a little bit about the potential implications here and if you need to make any production adjustments? And then can you update on the Tecumseh plant, where are you on the opening timeline there?

Noel W. White

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

A

Yeah. First of all, the first part of the question, Jeremy, on the foodservice side, about chicken sandwiches, and I do think that chicken is attractively priced right now and there does seem to be a fair amount of interest in featuring more chicken products as opposed to a year-ago, where we saw much more beef in the marketplace than what we do right now. So I do think that that's a realistic expectation, that with chicken breast meat prices in particular as low as they are, it is attractive to feature.

The second part of the question was, I think you mentioned Tecumseh, and I don't know...

Jeremy Scott

*Analyst, Mizuho Securities USA LLC*

Q

I'm sorry, I meant the Humboldt plant.

Noel W. White

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

A

Yeah. So construction remains on schedule and I would say on budget as well, equally as important. So, no, no surprises, no delays, nothing sooner than what we originally projected. So on schedule with Humboldt.

Jeremy Scott

*Analyst, Mizuho Securities USA LLC*

Q

Got it. Thank you.

Noel W. White

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

A

Yeah. Thank you.

**Operator:** And our next question today comes from Michael Lavery of Piper Jaffray. Please go ahead.

Michael S. Lavery

*Analyst, Piper Jaffray & Co.*

Q

Good morning.

Noel W. White

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

A

Good morning.

Michael S. Lavery

*Analyst, Piper Jaffray & Co.*

Q

You touched on how there should be some benefit from what's likely shorter lags in passing on pricing with customers. Can you talk a little bit about your thinking on the consumer side and what some of your assumptions are for elasticities? Obviously I know you said the timing and some of how it plays out especially all the way into fiscal 2020 isn't clear, but when you expect the pricing and some of those actions to take place, what's your expectations for the volume impact and how the trajectory of that evolves over the course of the year?

Noel W. White

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

A

Yeah. Certainly, Michael. The elasticity, it really depends at the price level these products get to, and that's the unknown and that's a difficulty in forecasting what the impact might be into 2020, which is the reason it makes it so difficult to quantify EPS expectations for next year, and it will continue to be a challenge even as we finish out this fiscal year in our fourth quarter earnings call, just because it does make a significant difference on what type of price levels that these products move to, because at some price point consumers will look for a different alternative, it doesn't matter if it's Beef, if it's Pork, if it's poultry or if it's Prepared Foods, they will look for those alternatives in the marketplace. So we – there is an expectation that at some price point, that there will be some demand destruction. However, there is room in the marketplace for some price increase without seeing significant demand destruction.

Michael S. Lavery

*Analyst, Piper Jaffray & Co.*

Q

So would it be fair to say that if you've already identified a margin expectation for Prepared Foods and it's based on your current inflation expectations that you don't expect yet for the inflation level to be beyond what the consumer could bear?

Noel W. White

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

A

No, I think that's fair, Michael. I think that with current expectations, we're not expecting to see the demand destruction in the market at those type of price levels.

Michael S. Lavery

*Analyst, Piper Jaffray & Co.*

Q

Okay. That's helpful. And just one quick one on Aidells. Can you talk about where that's shelved or some of how you communicate to the consumer just what the product is and how to think about its value proposition? It's – obviously it's got some elements that are unique and new, it's maybe a little bit to explain, how do you approach just connecting to the consumer with that proposition?

Noel W. White

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

A

Yeah, the go-to-market with Aidells is slightly different, Michael, than some of our other products than it is a product that we use a fair amount of demos in-store, as opposed to advertising promotion, social media. But much more of it is sampled in-store where consumers have the opportunity to taste the product and understand how true, how good it truly is, so the go-to-market strategy is slightly different in Aidells than some of our other products.

Michael S. Lavery

*Analyst, Piper Jaffray & Co.*

Q

Okay. Thank you very much.

Noel W. White

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

A

Thank you.

**Operator:** And our next question today comes from Eric Larson of Buckingham Research Group. Please go ahead.

Eric J. Larson

*Analyst, The Buckingham Research Group, Inc.*

Q

Yeah. So, thank you, everyone. Just a quick question on kind of capital allocation. You're at a 2.9 times leverage ratio, and, I guess, the one piece of the 2020 guidance that caught me a little bit by surprise was that your interest expense is going to be about flat year-over-year, which with kind of flat rates may be declining a little bit, who knows what happens with that. I would have thought that maybe some of your capital allocation would have gone toward debt reduction, maybe had a lower interest expense number for next year. Can you just give us a quick walk-through of how the capital allocation is looking for the next 12 months?

Stewart F. Glendinning

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

A

Yeah. So certainly, focus, as you rightly point out, is going to be on debt reduction. The answer to your question around why no change in the total interest is just because of the timing that we took on for the debt of Keystone, the mix of some of that debt, the relative interest rates, I actually just looked at that on Friday and can confirm that we feel confident in our number.

The only other thing I'd say is that, while we are focused on debt reduction, let's also be well aware of the fact that we are pulling all of the other capital levers at the same time. We have had a 38% CAGR on our dividend rate and that is paying out at a good level now. We have had a couple of successful years of higher-than-average CapEx investment as we invested behind new plants, new capabilities in our business. And we've also, as I pointed out in the call today, spent \$4 billion in the last year buying businesses which on a cumulative basis now are performing

in excess of their cost of capital on an after-tax basis. So I would say our capital allocation strategy is broad and effective.

Eric J. Larson

*Analyst, The Buckingham Research Group, Inc.*

Q

Okay. And then just one final question and I think ASF is kind of been beaten to death, but we know that China is going everywhere around the world now trying to find protein, and a number or several of the U.S. protein companies have said that China has contacted them directly about muscle meat exports or imports to China, which we don't really do or we never have with primary muscle meat products have gone directly to China. Have you guys actually received inquiries from China, and are you doing anything to prepare to ship to them?

Noel W. White

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

A

Yeah, certainly, yes, we have. I mean, we've had relationships. We've had an office in China for a number of years, so it's – we are very familiar with the marketplace. We have regular interaction, daily interaction with large number of the primary users within China. So we know the market and we have had discussions, particularly over the course of last three or four months. I can't get too specific on what and who, but, yes, there is discussion that's taking place.

Eric J. Larson

*Analyst, The Buckingham Research Group, Inc.*

Q

Okay. Thank you very much.

Noel W. White

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

A

Thank you.

**Operator:** Our next question today comes from Ken Zaslow of Bank of Montreal. Please go ahead.

Kenneth B. Zaslow

*Analyst, BMO Capital Markets (United States)*

Q

Hey. Good morning, everyone.

Noel W. White

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

A

Good morning, Ken.

Kenneth B. Zaslow

*Analyst, BMO Capital Markets (United States)*

Q

Just a couple questions. One is, after all these years, we've had this discussion about Prepared Foods and how the margins can go up, and you guys have always tried to temper the expectations keeping in that 10% to 12%. It seems like you're kind of letting a little loose here with Prepared Foods going up. What changed to give you the confidence to change almost the Prepared Foods margin structure, almost like moving up, and not that you moved it all the way up to 13%, 14%, but you moved it definitely up from that, like, lower 10% to 12% to now at least 12% or around 12%. What changed and are you not spending as much? Do you not need to spend as much? Do you feel like there's more synergies? What [indiscernible] (00:53:20) for changing?

Noel W. White

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

A

Yeah. Sure, Ken. Well, first of all, our spending has not gone down that we continue to invest in that business. If anything, we're investing more in 2019 than we did in 2018. So, really the confidence is just based on the growth that they have demonstrated, and the fact that they have generated fairly strong returns, and we could, probably, margin it up some more. However, I would much rather have a business that's growing at 3%, 4%, 5% with 12% margin than not growing at a 14%, 15% margin. So we still intend to grow the business and believe that we can do that with margins that are similar to where they're at today.

Kenneth B. Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

Okay. My next question is, just for a clarification, on the Chicken business, were you implying that, if market conditions stay exactly the same for 2019 to 2020, the operational improvements to just add literally 200 basis points year-over-year based on you guys just fixing things, is that the – I just want to make sure that was the clarification.

Noel W. White

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

A

Well, if you assume, if you exclude all the factors that we've talked about, Ken, so the mark-to-market we talked about, graining cost increase, there was a question earlier...

Kenneth B. Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

Yeah, yeah.

Noel W. White

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

A

...we expect to capture that over the course of time. But purely, just operational performance, yes, is the answer, that we would expect to capture approximately \$200 million or 200 basis points.

Kenneth B. Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

And then my last question is, shorter term, so I know there's a mismatch in the Pork side between capacity and hogs. Can you talk about how that would change in August, September, October going forward? And what is your lever on Saturday kills just to ensure that the margin, so even if you don't get a benefit from African swine fever, is there a change in the Pork packer margin structure going forward and what are your levers that you can pull on that?

Noel W. White

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

A

Yeah, Ken. That's a rather complicated question, because I do think that the capacities are going to be somewhat tested this fall. We are expecting a typical increase in numbers as we come into late September, October, November, and that's on a six-day basis. And I would tell you, Ken, that there's been somewhat of a change within the industry with labor supply being as tight as it is, most plants would prefer to only run five days rather than six days, that when you run six days week after week after week, there's a price that you pay in doing that from a team member standpoint, where people simply don't want to work six days on an ongoing basis. So – but

even at six days, if the industry did run six days I think that we're going to be somewhat stretched in what the capacities -current capacities are despite the fact that capacities are greater today than they were a year ago.

Kenneth B. Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

So your hogs will be enough to supply the pork, so you would expect to see a reverse of the Pork packer margins? Just to make sure I understood what you were saying.

Noel W. White

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

A

I think, well, typically, as we go into fourth quarter calendar year, margins typically do expand. And I do believe there's been some contraction in margin, everything else being held equal, because slaughter capacity has gone up and hog production rates have not at the same rate. So if as we see hog production numbers continue to increase, which we do, over the course of the next two to three years, the numbers grow at a 2% to 3% rate year-over-year. By the end of 2021 or so, we will be back in closer equilibrium to what we saw two years ago with slaughter capacity relative to hog production numbers. I do think there's been some contraction; and over the course of the next couple years, it will equilibrate back to where it was couple years ago.

Kenneth B. Zaslou

*Analyst, BMO Capital Markets (United States)*

Q

I really appreciate it. Thanks, guys.

Noel W. White

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

A

Yeah. Thank you, Ken.

**Operator:** And our next question today is a follow-up from Rob Moskow of Credit Suisse. Please go ahead.

Robert Moskow

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Hi. Thanks. Just a couple clarifications. The mark-to-market benefit you had in third quarter in Chicken from the corn, does that rollover in fourth? Like, how should we think about your – the positioning of commodities on that? And then, one...

Noel W. White

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

A

Yeah.

Robert Moskow

*Analyst, Credit Suisse Securities (USA) LLC*

Q

...just general follow-up. Like, why not give kind of an EPS range for 2020 at this point? You've given us growth for each of the segments. Why not give an EPS range too?

Stewart F. Glendinning

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

A

Okay. Let me give you the answer to both of those questions. So first of all, on the mark-to-market on corn, the \$40 million benefit in the fourth quarter for Chicken, yes, you should expect that to come back. It depends a little bit, of course, on the prices of where the futures market goes, but I think you've seen in the last couple weeks, some of the benefit we ended up within the third quarter as a lot of it's unwound. But either way it took the benefit in last quarter and you need to buy the corn in this quarter. So you will see an impact. That's the answer to your first question.

The second piece, on the guidance for next year is, we'd prefer to get closer to the end of our year, so we got a better perspective on next year before giving you that guidance. It's consistent with what we did last year. There are lot of factors that are moving around. Noel pointed to the fact that we're sitting on sort of \$150 million or \$200 million of grain year-over-year, just where we are at the moment. So as that moves around, we'd rather be at the year-end giving you that guidance. We've given you the percentages so that you can start to shape the year yourself. We've given you the top line, I think that'll at least give you a head start.

Robert Moskow

*Analyst, Credit Suisse Securities (USA) LLC*

Great. Thanks. Yeah.

Q

Noel W. White

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

Rob, let me add that our hedging policy has not changed from what it's always been. We, in fact, do hedge products. We do not speculate. So the numbers that you're hearing coming from us, we've mentioned it last quarter, you've heard it this quarter. The only reason we're talking about it is because the numbers are meaningful enough that it has impacted earnings, but otherwise it's the normal course of business for us in us hedging product for our customer sales. I just wanted to make sure there's a clear understanding, there's nothing that has changed from past practices.

A

Robert Moskow

*Analyst, Credit Suisse Securities (USA) LLC*

Got you. Thank you.

Q

Noel W. White

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

Yeah. Thank you, Rob.

A

**Operator:** And today's final question is also a follow-up from Heather Jones of Heather Jones Research, LLC. Please go ahead.

Heather Jones

*Analyst, Heather Jones Research, LLC*

Thanks for taking the follow-up. Going back to an earlier question about the kind of cost inflation we could anticipate in Prepared Foods, do you think we could see a move in those raw material prices to the levels we saw briefly for PED, but yet on a sustained basis? Just trying to get a sense of what you're anticipating there.

Q

Noel W. White

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

A

Boy, Heather, that's difficult to forecast, because it's not only what China or Asia might be buying for materials, but the type of products and then that has an impact on our specific products. So, as an example, historically, there's not been a lot of bellies, as an example, shipped to China. Bellies, therefore, in the United States, obviously it would impact our bacon prices. On the other hand, if they would take – if they would end up buying carcasses as an example, well, then everything disappears. So it purely would be speculation, Heather, for me to try and quantify what that might be by specific products.

Heather Jones

*Analyst, Heather Jones Research, LLC*

Q

Okay. That's helpful. Thank you so much.

Noel W. White

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

A

Okay. Thank you, Heather.

**Operator:** And, ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn the conference back over to Noel White for any closing remarks.

Noel W. White

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

Thank you for your time today and your interest in Tyson Foods. We're looking forward to finishing 2019 strong and deliver substantial growth across all segments of our fiscal 2020.

**Operator:** Thank you. This concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.

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