Tyson
Investment Thesis

- International Diversification
- Low Cyclicality & Volatility
- Alternative Proteins Demand
- Livestock Investments
Tyson Company Overview

Tyson Segmented Operations

Poultry Production
- Vertically Integrated, seeing chickens hatching through processing
- One of the largest US Chicken Producers
- Processes approximately 42 million Chickens per week
- Accounts for 30% of Tyson’s revenue

Fresh Meats Production
- Consists of Beef and Pork sales
- Purchased on the open market and raised by a third-party
- Partnerships with more than 5,600 Independent US farmers
- Accounts for 50% of Tyson’s revenue

Prepared Foods
- Leader in Protein Based foods, having divested from non-protein products
- Holds more than a dozen distribution centers and 37 facilities
- Leading Brand names for retail food manufacturers
- Accounts for 20% of Tyson’s revenue

Source: Tyson Investor relations
In 1935 John Tyson bought 500 chickens and began transporting them from Arkansas to Chicago to sell.

Remains diversified across poultry and fresh meats while focusing on protein-based products.

1958
- 1st chicken processing plant acquired

1963
- Tyson is brought public as Tyson Foods

1989
- Acquires Holly Farms for beef and pork processing

2001
- Acquired IBP, Inc. one of the largest beef and pork processors

2019
- Purchased BRF plants in UK, Thailand, & Netherlands

Source: Tyson Investor relations
Noel White  
**CEO**  
➢ Began in September 2018  
➢ Previously worked with Tyson for 35 years  
➢ Increase global exposure

Stewart F. Glendinning  
**CFO**  
➢ Joined Tyson in December 2017  
➢ Previous CEO of Molson Coors  
➢ Runs M&A and strategy for organic growth

Noelle O’Mara  
**President of Prepared Foods & CMO**  
➢ Senior GM at Kraft-Heinz  
➢ Focused on modernizing Tyson foods

Donnie King  
**President of International Foods & CAO**  
➢ Joined Tyson in 1982 as a poultry plant manager  
➢ Former board member of National Chicken Council

Source: Tyson Investor relations
Long term growth

➢ Product diversity and innovation

➢ Global exposure and strategic acquisitions

➢ Environmental Sustainability

Source: Tyson Investor relations
Recent Mergers and Acquisitions

$8.2B  Hillshire  AUGUST 2014  Retail sales and protein based products

$3.2B  AdvancePierre  JUNE 2017  Protein based ready-to-go lunch and dinner meals

$382M  Tyson Chicken  JULY 2018  Organic Fresh Chicken and Chicken based sausages

$866M  American Proteins assets  AUGUST 2018  13 Facilities throughout the Southeastern United States

$2.3B  Keystone  NOVEMBER 2018  Supplier to McDonald's, Subway, and Campbell Soups

$340M  brf  JUNE 2019  Operations within the Netherlands, UK, and Thailand

Source: Tyson Investor relations
Increased Operating Efficiency ➔ Financial Fitness Program ➔ Reduce Overhead

**Fiscal 2017**
- Recognized $150 million of restructuring charges

**Fiscal 2018 & 2019**
- Recognized $59 million of restructuring charges (2018)
- $240 million recognized as of June 2019
- Selling, General and Administrative costs
- New Technology and Accelerated Depreciation

Estimated cumulative pre-tax charges of $253 million recognized by end of 2019

Source: Tyson Investor relations
Tyson
Competitive Landscape

**Tyson**
- HQ: Austin, MN
- Revenue: 9,520
- Employees: 18,700
- An American company focusing on the packaging and selling fresh and refrigerated meats
- Founded in 1891

**Hormel Foods**
- HQ: Austin, MN
- Revenue: 9,520
- Employees: 18,700
- An American company focusing on the packaging and selling fresh and refrigerated meats
- Founded in 1891

**General Mills**
- HQ: Golden Valley, MI
- Revenue: 16,773
- Employees: 40,000
- An American multinational manufacturing and marketer of branded consumer foods sold through retail stores
- Founded 1856

**Kraft Heinz**
- HQ: Chicago, IL
- Revenue: 25,639
- Employees: 38,000
- An American food company is the fifth largest food and beverage company in the world.
- Founded in 2015 after merger of Kraft foods and Heinz

Source: Bloomberg
Volume Sales % Change among top 10 branded food companies > $5B in sales

Core Bus. Lines
Tyson

Total Tyson

Kraft Heinz

Total F&B

Nestlé

Campbell

PepsiCo

General Mills

Mars

Conagra

Kellogg's

Source: Nielsen Total U.S. xAOC Fixed Weight Volume EQ Sales 52 weeks ending 06/29/2019
Product = Total F&B, Alcohol + Pet Food

Source: Tyson Investor relations
Macro Trends & Future Outlook

- Increasing global demands for beef and pork products given livestock disease outbreaks
- Emphasis on alternative meat products and sustainability
- Price volatility in commodities trading

Source: Tyson Investor relations
Tyson
Price History

School of Business
Investment Program

Bought Keystone for $2.8 billion

Miss 2Q EPS & hit with lawsuit of poultry prices

$220 Cut in Earnings Forecast

China and Mexico impose import tariffs on American Pork

Source: Bloomberg
Tyson
Geographic Breakdown

Domestic & International Food Operations

- Headquartered in Arkansas, Tyson operates domestically, and internationally in 125 countries.

- Holds an array of companies allowing for both upstream and downstream control of operations.

- Recent acquisitions have resulted in opening up processing facilities in Thailand, Netherlands, & the UK.

Source: Tyson Investor relations
Tyson
Financial Highlights

Price / Sales: .74
EPS (LTM): 1.48
Revenue Growth (3yr): 5.03%

5-Year CAGR: 22.21%
3-Year CAGR: 19.07%

Source: Tyson Investor relations
Tyson Financial Highlights

Quarter Three Operations

Adjusted Operating Income
- $42 million
- $271 million
- $237 million
- $236 million

Return on Sales
- 3.2%
- 6.5%
- 7.1%
- 11.3%

Revenue YoY
- 9.52%
- 3.95%
- 10.75%
- 10.39%

Operating Margin
- 6.50
- 6.10
- 5.40
- 11.6

Notable Quarter Three Events

➢ Record Prepared Foods adjusted operating margin of near 12.0%
➢ Repurchased 1M shares for $79M
➢ Adjusted Operating Income of $2.3B
➢ Adjusted EPS of $4.25
  ▪ Maintaining Adjusted EPS guidance of $5.75-$6.10

Source: Tyson Investor relations
## Tyson

### SWOT Analysis

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
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</thead>
<tbody>
<tr>
<td>➢ Heightened Global Demand for meat &amp; protein</td>
<td>➢ Exposure to volatility in Agriculture specific stocks and commodities</td>
</tr>
<tr>
<td>➢ Product diversification across operated segments</td>
<td>➢ Animal disease outbreaks in areas of production</td>
</tr>
<tr>
<td>➢ Leading position in Chicken Production and Protein-based products</td>
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<table>
<thead>
<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
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<tbody>
<tr>
<td>➢ International growth into emerging markets</td>
<td>➢ Global Trade policies can put pressure on margins in the Poultry and Fresh Meat Segment</td>
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<tr>
<td>➢ Widespread Livestock diseases have caused major shortages of protein in Asia</td>
<td>➢ Store-Brand labels offer a cheaper alternative</td>
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### Tyson

**Valuation - Price Target**

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<tbody>
<tr>
<td>Sales (% growth)</td>
<td>NA</td>
<td>(10.9)</td>
<td>3.7%</td>
<td>4.7%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.3%</td>
</tr>
<tr>
<td>COGS (% sales)</td>
<td>90.3%</td>
<td>67.3%</td>
<td>66.5%</td>
<td>66.7%</td>
<td>67.0%</td>
<td>66.8%</td>
<td>69.5%</td>
<td>67.0%</td>
<td>87.0%</td>
</tr>
<tr>
<td>SG&amp;A (% sales)</td>
<td>4.1%</td>
<td>5.1%</td>
<td>5.1%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>4.8%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization (% sales)</td>
<td>1.7%</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2.4%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.3%</td>
<td>3.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Capital Expenditures (% sales)</td>
<td>2.1%</td>
<td>1.9%</td>
<td>2.8%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>34.4%</td>
<td>33.6%</td>
<td>33.5%</td>
<td>23.8%</td>
<td>19.2%</td>
<td>20.0%</td>
<td>23.0%</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Working Capital (% sales)</td>
<td>N/A</td>
<td>-1.3%</td>
<td>-0.3%</td>
<td>3.9%</td>
<td>1.2%</td>
<td>1.6%</td>
<td>3.3%</td>
<td>4.2%</td>
<td>5.0%</td>
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#### Enterprise Value

- **Cumulative Present Value of FCF**: $6,402.0
- **Terminal Value**: $3,725.3
- **Exit Multiple**: 11.7x
- **Terminal Value**: $43,549.0
- **Discount Factor**: 0.78

- **Present Value of Terminal Value**: $33,922.6
- **% of Enterprise Value**: 84.1%

- **Enterprise Value**: $40,324.6

#### Implied Equity Value and Share Price

- **Enterprise Value**: $40,324.6
- **Less: Total Debt**: (12,586.0)
- **Less: Preferred Securities**: -
- **Less: Noncontrolling Interest**: (213.0)
- **Plus: Cash and Cash Equivalents**: 406.0

- **Implied Equity Value**: $27,931.6
- **Diluted Shares Outstanding**: 294.7

- **Implied Share Price**: $94.79
Mean Price

$90.73
We are proposing buying 211 shares at $80.54 to account for 8.97% of the portfolio
Thank you!
USA Annual Beef Exports

Millions of lbs (carcass weight equivalent)

- Exports
- Exports % of Production

2004 to 2020E
Tyson Share Repurchases

Shares Purchased (Millions)