

Tyson Foods, Inc.

2019 Shareholders Meeting

Thursday, February 7, 2019, 11:00 AM

**CORPORATE PARTICIPANTS**

**John Tyson** - Chairman

**Read Hudson** - *Secretary*

**Stewart Glendinning** - *Chief Financial Officer*

**Noel White** - *President, Chief Executive Officer*

## **PRESENTATION**

### **John Tyson**

Good morning, everybody, and welcome again. As I look outside, I think about my father and I once used to ask him, I said, "Well Dad, why do we do our shareholders meeting at this time of year?" and he said, "Well, it's the end of the year," and he says, "You'll know who your true friends are in February because the weather is usually bad." And, so to all of our true friends that are here today, we thank you for coming.

This is our 56<sup>th</sup> annual shareholders meeting and we do appreciate the opportunity to reflect on what we've accomplished together in the past year. I think to a person in this room, to those that know me, we have tremendous pride in being part of this Northwest Arkansas community and where we started.

But, we're growing and we're growing as an innovative and sustainable global food company. We're expanding our business in chicken, beef, pork, and turkey while accelerating our house of brand growth, such as Tyson, Jimmy Dean, Hillshire, Ball Park, State [Fair], Aidells. So, if you think about the activities that have happened over the three years and our commitment to take our four-legged stool, set a great house of brands on top of it, which improves and enhances our margins, I think we've done a very good job about producing food in a responsible way from farm to table.

We do believe that feeding someone is one of the most honorable things a person can do. We care about our families. We began as a family business and while we've grown, we still think of our...company as a family business. We see our team members, farmers, customers, and communities as part of that extended family.

I can tell you I'm excited about the future. I can tell you the leadership team is excited about the future. We've thrived for more than 80 years because we've always been eager to take care of our customers first while looking ahead to the future and to tomorrow. We do dream big around here and we believe we can take those meaningful steps into the future while staying connected to our past.

Today, you're going to hear about our plans, about our vision, and about our resorts from Stewart, our CFO, and from Noel, our President and CEO. But, before we get to there, we do have the business part of our business.

The bylaws of the company specify that the Chairman and the Secretary of the company are Chairman and the Secretary of our annual meeting, at this time the chair recognizes Read Hudson, who will report on the preparations for this meeting. Read?

### **Read Hudson**

Mr. Chairman. All shareholders were sent a notice of annual meeting and proxy on or about December 20<sup>th</sup>, 2018, which is evidenced by an affidavit from our mail agent. As required by Delaware law, a certified list of shareholders as of the record date of December 10<sup>th</sup>, 2018 is available for inspection in the lobby.

Additional voting cards are available for those who wish to overrule their previous proxy cards or who might wish to vote if they have not already. If you would like a voting card, please raise your hand. The bylaws of the company also provide for a proxy committee of one or more

persons designated by the Board of Directors. The Board of Directors has appointed John Tyson and Kevin McNamara as members of the proxy committee.

Mr. Chairman, I am reporting at the direction of the proxy committee that of the total possible shares of 356,640,060 as of December 10<sup>th</sup>, 2018, 324,919,062 were voted and represent a quorum at this meeting.

**John Tyson**

Based upon the report of the company's Secretary, I hereby declare that this shareholders meeting has been properly called and we do have quorum present. I ask that any questions from shareholders be submitted in writing. If you have a question, raise your hand. We will bring you a notepad. When finished, raise the notepad. We will collect it. And, as always, if we can answer the question without research and if time permits, we will do so at this meeting. Otherwise, we will give you a written answer within seven days.

I hereby appoint Don McDonald as Sergeant at Arms and authorize him to appoint deputies to enforce the rules of this meeting, which are in your program.

I do need a motion regarding the minutes of the last annual shareholders meeting.

**Nate Hodne**

I move that this be waived.

**Brett Worlow**

I second.

**John Tyson**

It has been moved and seconded and we waive the reading of the minutes of the 2018 shareholders meeting. All those in favor please signify by a voice vote of yay.

**All**

Yea.

**John Tyson**

All opposed, nay. The reading of the minutes of the last annual shareholders meeting will be waived. The next item on the order of business is the election of your directors. The nominees are set forth in the proxy statement and I'd like to introduce the nominees for the ensuing year, ask each one of them to stand, and would you hold your applause to the end?

Gaurdie Banister, our lead independent director, Dean Banks, Mike Beebe, Mikel Durham, Kevin McNamara, Cheryl Miller, Jeff Schomburger, Robert Thurber, Barbara Tyson, Noel White, and myself, John Tyson. Thank you all for helping lead our company.

The slate of directors has been nominated as presented. Would the Secretary please read the report of the results of the vote regarding the election of your directors?

**Read Hudson**

Mr. Chairman, there were at least 851,831,933 votes cast favoring the election of each nominee presented, representing 91.63 percent of the votes cast. The clear majority votes for the election of the nominees as directors.

**John Tyson**

With 91.63 percent of votes cast favoring the election of the nominees, I do declare this slate of directors elected as nominated. The next item of business is a proposal to ratify the selection of PricewaterhouseCoopers, LLP as the company's independent registered and public accountant for the fiscal year ending September 28, 2019. And, once again, would the Secretary please report the results of the vote regarding the ratification?

**Read Hudson**

Mr. Chairman, there were 950,388,244 votes cast favoring ratification of selection of PricewaterhouseCoopers, LLP as independent register public accountant, representing 99.55 percent of the votes cast. There were 4,280,321 votes cast against ratification, representing 0.44 percent of the votes cast. A clear majority votes for the ratification of PricewaterhouseCoopers, LLP as the company's independent registered public accountant.

**John Tyson**

With 99.55 percent of the votes cast for ratification, I declare the selection of PricewaterhouseCoopers, LLP as the company's independent registered public accountant ratified.

The next item of business is a shareholder proposal concerning corporate lobbying. At this time, the chair recognizes a representative of the proposal to present the proposal.

**Tim Nichols**

Thank you, Mr. Tyson. Fellow share owners and members of the board, my name is Tim Nichols and on behalf of Mercy Investments and the International Brotherhood of Teamsters General Fund, I move Item 3, asking our company to report on its state and federal lobbying expenditures, including indirect funding of lobbying through trade associations, lobbying oversight as a board responsibility, and our proposal asks for a description of the board oversight process for lobbying. We find it troubling that our company fails to even disclose whether the board oversees its lobbying.

Since 2010, Tyson spent over \$14 million on federal lobbying activities, according to federal disclosure reports, and there's incomplete disclosure about spending at the state level where our company also lobbies. Tyson is required to report its lobbying and already has the information, so it could easily provide more complete information to shareholders.

Corporations contribute millions to trade associations that lobby indirectly on their behalf without specific disclosure or accountability. Tyson has previously been identified as a member of the US Chamber of Commerce, which is the largest lobbying group in Washington, spending more than \$1.5 billion on lobbying since 1998. And, according to his biography, our CEO, Noel White, is a member of the Business Round Table, which is lobbying against the right of shareholders to file resolutions. And Tyson also serves on the Board of the North American Meat Institute, but the company does not disclose its trade association memberships and payments, nor the portions of these payments used for lobbying.

So, Tyson shareholders currently have no way to comprehensively know its trade association membership nor the amount of contributions being used to lobby on its behalf. We're deeply concerned that industry lobbying groups' positions on increasing line speed and calling for more self-inspection of containments is contrary to company goals for workplace and consumer safety and health. The ISS supports this proposal, noting that Tyson does not provide a lobbying

expenditure policy, does not list its trade association memberships, nor does it disclose board level oversight of its direct and indirect lobbying activities.

Y'all, bear with me. I didn't write this, and it is redundant. So, at this time, I'll take the liberty to say we ask shareholders to vote for this proposal. Thank you, Mr. Tyson. Thank you, Board.

**John Tyson**

And, we respect the proposal, but at this time, the Board of Director's statement with respect to the shareholder proposal was set forth in the proxy statement and it does speak for itself. Would the Secretary please repeat the votes regarding the proposal?

**Read Hudson**

Mr. Chairman, there were 103,798,537 votes cast favoring the shareholder proposal, representing 11.17 percent of the votes cast. There were 824,879,498 votes cast against this shareholder proposal, representing 88.82 percent of the votes cast. A clear majority votes against the adoption of this shareholder proposal.

**John Tyson**

With 88.82 percent of the votes cast against this shareholder proposal, I declare that this shareholder proposal has been defeated. The next item of business is the shareholder proposal to prepare a report on human rights due diligence. At this time, the chair recognizes a representative of the proposal to present it.

**Gina Filata**

Good morning to all Tyson shareholders, board members, and employees. My name is Gina Filata [sp] and I'm here today to move the shareholder proposal filed by the American Baptist Mission Society and ten co-filers from the Interfaith Center on Corporate Responsibility.

We have engaged in constructive dialogue with the company for many years on water stewardship and filed this resolution to prompt more robust engagement around Tyson's responsibility to respect human rights. We encourage all shareholders to support this resolution.

We are concerned about how Tyson's business activities affect the human dignity of workers, community members, and consumers. For worker health and safety, Tyson's past violations of OSHA standards have included cases of amputation, chemical exposure, failure to compensate workers for time spent donning safety gear, and discrimination. Poultry workers also face increased risks of injury as line speeds increase.

For community impacts, nutrient pollution from animal waste and fertilizer runoff threaten communities' rights to access clean water. Failure to comply with standards that impact food safety also pose health risks to consumers. Tyson has a responsibility to address its human rights impacts under the UN Guiding Principles on Business and Human Rights.

We urge Tyson to be more transparent about its salient human rights risks and processes for mitigating impacts. This requires demonstrating the effectiveness of the code of conduct, team member promise, and commitments to land stewardship and worker rights at reducing harm that may result from Tyson's business activities.

Historical and ongoing controversy suggests that existing commitments are insufficient to address Tyson's human rights impacts across the value chain. Meaningful stakeholder

engagement with effective workers and communities is essential, especially as Tyson seeks to expand its footprint domestically and globally.

Failure to conduct effective human rights due diligence has had a negative financial impact on Tyson in the past in the form of fines for regulatory violations, lawsuit settlements, and loss of social license to operate. More robust due diligence can lead to better risk management, prevent business disruption, strengthen brand reputation, and improve employee retention and recruitment.

On behalf of the proponents, I again urge all Tyson shareholders to support the human rights due diligence resolution and encourage the company to implement the requests of the proposal. Thank you.

**John Tyson**

We thank you for your proposal and your statement. The Board of Directors' statement with respect to this shareholder proposal is set forth in the proxy statement and speaks for itself. Once again, would the Secretary read the results?

**Read Hudson**

Mr. Chairman, there were 51,208,220 votes cast favoring the shareholder proposal, representing 5.54 percent of the votes cast. There were 872,950,533 votes cast against this shareholder proposal, representing 94.45 percent of the votes cast. A clear majority votes against the adoption of this shareholder proposal.

**John Tyson**

With 94.45 percent of the votes cast against this shareholder proposal, I declare that this shareholder proposal has been defeated.

At this time, this concludes our portion of the business portion of our meeting and there being no further business, do I hear a motion to adjourn?

**Billy Pharis**

I so move.

**John Tyson**

A second?

**Blain Overstreet**

I second

**John Tyson**

I declare the business portion of the 56<sup>th</sup> annual shareholder meeting adjourned.

Before we move forward with Stewart and Noel, I want to take a moment to acknowledge the great team members here supporting us. Thank you all for being here and the more than 120,000 team members for all they do for our company. To my family that supports me that's here in the room, I thank you for being here.

But, our company and our leadership team led by Noel has a very sound strategy. We continue to execute on that strategy. We continue to move that forward.

But, at this time, I'd like to introduce our CFO, Stewart, and he'll share more about our continued growth of this great company. Stewart?

**Stewart Glendinning**

Thank you, John.

[Applause]

Thank you, Mr. Chairman. I'd like to remind everyone that today's remarks include forward-looking statements. I encourage you to go to [IR.Tyson.com](http://IR.Tyson.com) for this morning's earning release and 10-Q to review a discussion of the risks that can affect our business.

I'll preface my remarks by saying that all references to earnings per share, operating income, and operating margin are on an adjusted basis unless otherwise noted. For reconciliations to US GAAP, please refer to our earnings releases.

So, we had great news last night and I hope that you saw. Our company is growing. We've reached an agreement to acquire BRF's operations in Thailand and Europe. The purchase will add to our company's four processing facilities in Thailand, one in the United Kingdom, and one in the Netherlands. The deal advances our growth strategy by increasing our value added protein capabilities in global markets.

Our acquisition of Keystone Foods gave us a scalable platform in Asia to grow our poultry business and now coupled with the BRF facilities, we will strengthen our presence in Thailand's poultry industry to serve this high growth region. And BRF's assets in the United Kingdom and in the Netherlands will provide new opportunities across Europe.

I'm glad to share that bit of news, but my primary role today is to recap our 2018 fiscal year. Earnings were \$6.16 per share, up 16 percent, including 78 cents from tax reform. Sales were up \$40 billion and operating income was approximately \$3.3 billion, with an operating margin of 8.2 percent.

Operating cash flows for the year were just under \$3 billion, which is up about 14 percent over fiscal 2017. Capex was \$1.2 billion, as we continue to invest in growth and efficiency projects with returns expected to be greater than the cost of capital.

Including cash of \$270 million, our net debt was \$9.6 billion and total liquidity was \$1.4 billion as of yearend. For the year, we repurchased approximately 5.9 million shares for \$427 million. And, in case you missed our report earlier this morning on the first quarter of 2019, EPS was \$1.58, which was down 13 percent compared to last year's record first quarter. Acquisitions and divestitures affected volume and pricing, with volume up 3.3 percent and average price down 3.7 percent. Operating income was \$841 million, down 11 percent.

Overall, it was a strong quarter with a total company operating margin of 8.3 percent and operating cash flows of \$868 million. We repurchased approximately 1.4 million shares for \$83 million. And, this morning, we reaffirmed our earnings guidance of \$5.75 to \$6.10 per share, which is comparable to fiscal 2018 results excluding the 13 cents generated by the businesses that we divested last year.

We're maintaining our capital allocation priorities to pay down debt, deploy cash for organic growth, and to repurchase shares, and soon we'll be in the bond market to fund both the BRF

and Keystone acquisitions. We'll continue our trend of dividend growth and in November, the Board of Directors increased the annual dividend for fiscal 2019. That's worth noting. It's currently expected to be \$1.50 for Class A shares, a 25 percent increase of 2018.

2019 is lining up to be another solid year, although Q2 typically presents some seasonal challenges. We will stay focused on driving growth, integrating acquisitions, and generating cash, and creating shareholder value.

And, finally, it's been just over a year since I came to Tyson Foods. I wanted to be here because I saw a company with a great history in protein production and well on its way to becoming a modern food company for the future.

I saw a company focused on value-added and international growth. I saw a company with tremendous opportunities and I wanted to be part of it. It was right to come here, although I was wrong about the amount of opportunity. There's a lot more than I realized. The people of Tyson have a drive to succeed and a deep belief in our strategy, our strategy to sustainably feed the world with the fastest growing protein brands.

I've been really energized by the last year I've been at Tyson, a great group of team members, a great company, with a very strong future. And, now I'd like to introduce the person who's leading us in executing that strategy, our President and CEO, Noel White. Noel?

[Applause]

**Noel White**

Thank you, sir.

**Stewart Glendinning**

You're welcome.

**Noel White**

Good morning, everyone. I, too, believe that our future is very bright. With changing customer needs and consumer tastes, plus new channels and markets, there's never been a more exciting time to work in food. We're committed to building our strong foundation to even better serve our customers and consumers.

As Stewart shared, we had a solid year in 2018, even with some of the challenges that we faced, and we're off to a solid start in 2019. As we evolve from a protein producer to a global food company, we're seeing the benefits of our diversified business model. We sell a variety of proteins, chicken, beef, pork, prepared foods, and we serve consumers both at retail and through our food service customers.

Those combinations give us balance in our business. As John said, we're doing business the right way and it's being recognized by others. For the third year in a row, Fortune Magazine named us the number one company in the food industry of the World's Most Admired list. I'm so proud of our team, especially since the rankings are based on attributes such as social responsibility, financial soundness, and global competitiveness. This recognition is a great testament to the work of our 121,000 team members that do their work every single day.

Looking ahead, our biggest opportunities for growth are in two pieces. One is our international business, Stewart spoke about the acquisition we made last night, and in our value-added

businesses. Demand for protein is continuing to increase in both developing and established markets, and we're putting ourselves in a place to serve that demand as an example acquiring Keystone Foods, as well as the announcement that we made last night with BRF's operations in Thailand and Europe. Add to that the innovation that's happening across our \$3 billion brands and our smaller nimbler brands, and we have a long term path for growth.

At the same time, sustainability will remain at the core of all that we do. We'll continue getting better across our traditional businesses and making progress on the targets that we have outlined last year 2018. That includes reducing greenhouse gas emissions by 30 percent by 2030, and we'll keep pursuing new opportunities for disruption, such as the investments that we're making through the Tyson ventures and the work that we're doing to tackle social issues through product innovation and our innovation lab.

Doing good is good business, and better yet, it's the right thing to do. That's why we'll also continue to invest in our people by expanding our workforce education program, Upward Academy.

Mr. Chairman, I'll turn it back to you. I'm glad to be with you today and I'm also looking forward to joining you in Little Rock tomorrow. It's an exciting day for the Tyson family as your grandfather and Tyson Foods founder, John W. Tyson is inducted into the Arkansas Business Hall of Fame, a well-deserved honor.

[Applause]

### **John Tyson**

Well, thanks, Noel. As I look around the room here and I remember as a young kid, coming down here when my dad and grandad would be in their small offices back there, I think Grandad would be pretty proud of how far the company he started with a truck and a desire to take care of his family and his community, and especially the way that team members have taken care of the communities where he started and those in need, wherever they may be. So, I'm looking forward to tomorrow, to going with my children and my family to say thank you for getting us started, Grandad, because we might have had a job, but it's real nice to have a family business. I can tell you that.

We do care for our team members and as a result of our efforts in such areas of safety and training, and as well as the life skill program that Noel mentioned, too, called Upward Academy, we're seeing more members stay longer with our company. We continue to invest in our communities.

We're glad to be back on Emma Street again for this year's shareholder meeting and we've started to work on our third building here on Emma Street. It's out back. It's called our Tyson Manufacturing Automation Center and it originally had our truck shop there. TMAC, as the team is calling it, will be a first of a kind facility where we will develop, test robotics, and add automation technology into our business.

My father taught me that if we can take a set of activities and enhance the ability to do it in a way that's safer, in a way that allows our team members to manage the equipment, and take jobs that are somewhat difficult and transfer them in a way that creates a better experience to produce quality and safe food, we should always do that. And, this TMAC center represents a continuous step in that process.

And, I also want to take time to welcome several new locations to Tyson Foods. This includes the team members and the communities that have joined us through our acquisitions of Keystone Foods, Smart Chicken in Nebraska, American Proteins out of Georgia, expanding poultry operations in Tennessee, distribution centers in Georgia and Pennsylvania, and of course to all of our team members who have joined us from around the world, whether it's in China, Thailand, Australia, the UK, and the Netherlands. We say welcome to the Tyson team.

We're also proud of our team's commitment to pitching in when there's help needed. Last year, we provided almost 2 million meals to people in need in the aftermath of two major hurricanes last year. Nineteen different locations went and participated to help those when those incidents happened.

I say that because that's part of living up to our purpose and it's part of living up to our core values, which call on us to strive to be honorable, to operate with integrity, to be inclusive, to be good stewards of what we've been given, and to provide a safe environment. We have a great company with wonderful folks from our consumer products group in Chicago to our fresh meats team in Dakota Dunes, to our international team around the world, and to our poultry team here in Springdale, where it all got started.

We're a good company. We do a lot of good things. Each and every day, we step up to try to do better. That's why we use the word striving, striving to make a better product, striving to create a better environment, striving to accept the responsibility of all the obligations that have been given to us and all the obligations to create safe food, quality food, sustainable food, and the last word, affordable food.

We thank you all for being here today and for the role that you all play in our growth story. Once again, I say thank you, travel safely, and I do hope to see each and every one next year. Bye-bye.