



**Tyson**

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**Q4 FY2018**

**Supplemental Information**

**November 13, 2018**

# Today's Speakers



**Noel White**  
President & CEO



**Stewart Glendinning**  
EVP & CFO

# Forward- Looking Statements

Certain information in this report constitutes forward-looking statements. Such forward-looking statements include, but are not limited to, current views and estimates of our outlook for fiscal 2019, other future economic circumstances, industry conditions in domestic and international markets, our performance and financial results (e.g., debt levels, return on invested capital, value-added product growth, capital expenditures, tax rates, access to foreign markets and dividend policy). These forward-looking statements are subject to a number of factors and uncertainties that could cause our actual results and experiences to differ materially from anticipated results and expectations expressed in such forward-looking statements. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Among the factors that may cause actual results and experiences to differ from anticipated results and expectations expressed in such forward-looking statements are the following: (i) fluctuations in the cost and availability of inputs and raw materials, such as live cattle, live swine, feed grains (including corn and soybean meal) and energy; (ii) market conditions for finished products, including competition from other global and domestic food processors, supply and pricing of competing products and alternative proteins and demand for alternative proteins; (iii) outbreak of a livestock disease (such as avian influenza (AI) or bovine spongiform encephalopathy (BSE)), which could have an adverse effect on livestock we own, the availability of livestock we purchase, consumer perception of certain protein products or our ability to access certain domestic and foreign markets; (iv) the integration of acquisitions; (v) the effectiveness of our financial fitness program; (vi) the implementation of an enterprise resource planning system; (vii) access to foreign markets together with foreign economic conditions, including currency fluctuations, import/export restrictions and foreign politics; (viii) changes in availability and relative costs of labor and contract growers and our ability to maintain good relationships with employees, labor unions, contract growers and independent producers providing us livestock; (ix) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (x) changes in consumer preference and diets and our ability to identify and react to consumer trends; (xi) effectiveness of advertising and marketing programs; (xii) our ability to leverage brand value propositions; (xiii) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xiv) impairment in the carrying value of our goodwill or indefinite life intangible assets; (xv) compliance with and changes to regulations and laws (both domestic and foreign), including changes in accounting standards, tax laws, environmental laws, agricultural laws and occupational, health and safety laws; (xvi) adverse results from litigation; (xvii) cyber incidents, security breaches or other disruptions of our information technology systems; (xviii) our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; (xix) risks associated with our commodity purchasing activities; (xx) the effect of, or changes in, general economic conditions; (xxi) significant marketing plan changes by large customers or loss of one or more large customers; (xxii) impacts on our operations caused by factors and forces beyond our control, such as natural disasters, fire, bioterrorism, pandemics or extreme weather; (xxiii) failure to maximize or assert our intellectual property rights; (xxiv) our participation in a multiemployer pension plan; (xxv) the Tyson Limited Partnership's ability to exercise significant control over the Company; (xxvi) effects related to changes in tax rates, valuation of deferred tax assets and liabilities, or tax laws and their interpretation; (xxvii) volatility in capital markets or interest rates; and (xxviii) those factors listed under Item 1A. "Risk Factors" included in our Annual Report filed on Form 10-K for the period ended September 29, 2018.



## Our Strategy

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Sustainably feed the world with  
the fastest growing protein brands.

## How We Will Achieve Our Strategy

### Deliver

ongoing financial fitness  
through continuous  
improvement.

### Grow

our businesses  
through differentiated  
capabilities.

### Sustain

our company and  
our world for future  
generations.

# Beef Segment Results

| <b>Adjusted Operating Income<sup>1</sup></b><br>(\$ in millions) |                |             |
|--|----------------|-------------|
|  | <u>Dollars</u> | <u>ROS%</u> |
| Q418   | \$348          | 8.9%        |
| FY18   | \$1,044        | 6.7%        |

**Q418** Sales volume ↑3.4%  
Average price ↓0.6%

**FY18** Sales volume ↑3.1%  
Average price ↑1.2%

**FY19 Outlook**  
Adjusted Operating Margin<sup>1</sup>  
>6%

<sup>1</sup>Represents a non-GAAP financial measure. Adjusted operating income and adjusted operating margin are explained and reconciled to comparable GAAP measures in the Appendix. A further explanation of providing non-GAAP guidance is included in the appendix.

# Pork Segment Results

| <b>Adjusted Operating Income<sup>1</sup></b><br>(\$ in millions) |                |             |
|--|----------------|-------------|
|  | <u>Dollars</u> | <u>ROS%</u> |
| Q418   | \$76           | 6.7%        |
| FY18   | \$374          | 7.7%        |

**Q418** Sales volume ↓2.7%  
Average price ↓14.5%

**FY18** Sales volume ↓2.1%  
Average price ↓4.8%

**FY19 Outlook**  
Adjusted Operating Margin<sup>1</sup>  
Around 6%

<sup>1</sup>Represents a non-GAAP financial measure. Adjusted operating income and adjusted operating margin are explained and reconciled to comparable GAAP measures in the Appendix. A further explanation of providing non-GAAP guidance is included in the appendix.

# Chicken Segment Results

| <b>Adjusted Operating Income<sup>1</sup></b><br>(\$ in millions) |                |             |
|--|----------------|-------------|
|  | <u>Dollars</u> | <u>ROS%</u> |
| Q418   | \$182          | 5.8%        |
| FY18   | \$947          | 7.9%        |

**Q418** Sales volume ↑10.4%  
Average price ↓7.0%

**FY18** Sales volume ↑4.9% &  
Average price ↑0.7%

## **FY19 Outlook**

Adjusted Operating Margin<sup>1</sup>  
Near 8%

<sup>1</sup>Represents a non-GAAP financial measure. Adjusted operating income and adjusted operating margin are explained and reconciled to comparable GAAP measures in the Appendix. A further explanation of providing non-GAAP guidance is included in the appendix.

# Prepared Foods Segment Results

| <b>Adjusted Operating Income<sup>1</sup></b><br>(\$ in millions) |                |             |
|--|----------------|-------------|
|  | <u>Dollars</u> | <u>ROS%</u> |
| Q418   | \$235          | 11.2%       |
| FY18   | \$979          | 11.3%       |

**Q418** Sales volume ↑0.7%<sup>2</sup>  
Average price ↑0.6%

**FY18** Sales volume ↑9.8%<sup>2</sup>  
Average price ↑6.1%

**FY19 Outlook**  
Adjusted Operating Margin<sup>1</sup>  
>11%

<sup>1</sup>Represents a non-GAAP financial measure. Adjusted operating income and adjusted operating margin are explained and reconciled to comparable GAAP measures in the Appendix. A further explanation of providing non-GAAP guidance is included in the appendix.

<sup>2</sup>Excludes divestitures.



# FY18 Highlights

- Record adjusted EPS<sup>1,2</sup> of \$6.16, up 16% from last year
- Record adjusted operating income<sup>1</sup> of \$3.291B
- Adjusted operating margin<sup>1</sup> of 8.2%
- Record operating cash flow of ~\$3B, up 14% from last year
- Record Beef and Prepared Foods operating income

<sup>1</sup> Represents a non-GAAP financial measure. Adjusted EPS, adjusted operating income and adjusted operating margin are explained and reconciled to comparable GAAP measures in the Appendix.

<sup>2</sup> Includes incremental earnings per share of \$0.20 and \$0.78 due to tax reform for Q418 and FY18, respectively

| (\$ in millions, except per share data) | Q418    | FY18     |
|---|---------|----------|
| Sales                                   | \$9,999 | \$40,052 |
| Adjusted Operating Income <sup>1</sup>  | \$831   | \$3,291  |
| Adjusted Operating Margin <sup>1</sup>  | 8.3%    | 8.2%     |
| Adjusted EPS <sup>1</sup>               | \$1.58  | \$6.16   |

| Adjusted Operating Income <sup>1</sup><br>(\$ in millions) |              |             |                |             |
|--|--------------|-------------|----------------|-------------|
|  | Q418         |             | FY18           |             |
|  | Dollars      | ROS%        | Dollars        | ROS%        |
| Beef   | \$348        | 8.9%        | \$1,044        | 6.7%        |
| Pork   | 76           | 6.7%        | 374            | 7.7%        |
| Chicken  | 182          | 5.8%        | 947            | 7.9%        |
| Prepared Foods   | 235          | 11.2%       | 979            | 11.3%       |
| Other  | (10)         | n/a         | (53)           | n/a         |
| <b>Total</b>   | <b>\$831</b> | <b>8.3%</b> | <b>\$3,291</b> | <b>8.2%</b> |

# FY19 Outlook<sup>1</sup>

| SALES                     |           | CAP EX  |                | ADJUSTED EPS <sup>2</sup> |  |
|---------------------------|-----------|---------|----------------|---------------------------|--|
| ~\$41B                    |           | ~\$1.5B |                | \$5.75-6.10               |  |
| ADJUSTED OPERATING MARGIN |           |         |                |                           |  |
| BEEF                      | PORK      | CHICKEN | PREPARED FOODS |                           |  |
| >6%                       | around 6% | near 8% | >11%           |                           |  |

<sup>1</sup> Does not include expected results for the Other segment.

<sup>2</sup> Projected Adjusted EPS as of 11/13/18. Represents a non-GAAP financial measure. Adjusted EPS is explained and reconciled to comparable GAAP measures in the Appendix. A further explanation of providing non-GAAP guidance is included in the Appendix.



## Our Strategy

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## How We Will Achieve Our Strategy

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# Tyson Innovation Focus Areas

Shifts in eating, shopping and macro consumer trends inspired five platform innovation focus areas



## Flexible Eating

Three meals a day is no longer the norm; consumers eat smaller snacks throughout the day



## Real Food. More Fresh.

Fresh, whole foods found in nature are the gold standard for consumers



## Personalized Health

Consumers are looking for foods that meet their own nutrition and health needs



## Valuing the Extremes

Both ends of the value tier are growing faster than the middle; consumers remain spend-conscious yet also look for premium experiences



## Cultural Currency

Food is a form of cultural self expression and exploration

# 2019 Innovation

There is a strong pipeline of innovation planned in FY19 within each of the five focus areas.

FY19 Priority Project Launches

Tyson® Dinner & Entrée Kits



Tyson® Any'tizers® Chicken Bites & Nuggets with Tajin® Seasoning



Tyson® Any'tizers® Chicken Chips



Food Service launch of Jimmy Dean Delights® Egg'wich Sandwich



Any'tizers® Family Value Pack



Food Service Pork Belly



Sara Lee® Premium Meats Grab & Go Test



Food Service Sous Vide Chicken



Tyson Red Label® Wings



Deli Pulled Chicken



Aidells® Whole Blends™ Sausage



Food Service Chicken Twists



Nudges® Simply Sliced Dog Treats



Nashville Hot Chicken



Pulled Rotisserie Grab & Go



True Chews® Meal Makers™ Dog Treats



Deli Grilled Breast



Tyson Foods, Inc.



November 13, 2018

# 2019 Innovation Pipeline Highlights - Prepared Foods

Exciting innovation for 2019

*Jimmy Dean*® Handhelds

Expansion into handheld forms for an easy on the go morning snack or breakfast



*True Chews*® Meal Makers™  
Dog Treats

Meal Toppers to add flavor and variety to everyday dog food



*Hillshire Farm*®  
Hot Sandwich Starters

Capitalize on hot sandwich trends through slow cooked meats that bring warmth to lunchtime sandwiches



Tajin Platform

Leverage *Hillshire Farm*® brand equity with Tajin, Mexico's fastest growing spice brand



*Hillshire*® Snacking Protein Box

Expand *Hillshire* Snacking platform to more substantial protein boxes with premium meats, cheeses and spreads



*Jimmy Dean*®  
Food Service Products

Expand *Jimmy Dean* branded presence in food service through the launch of frittata sandwiches for C-store



*Aidells*® Whole Blends™ Sausage

Target flexitarians with a blend of chicken + plant-based protein



Deli Smoked Entrée Meats

Smoked by *Hillshire Farm*® brand - whole muscle, smoked meats that are ready in minutes



# 2019 Innovation Pipeline Highlights - Chicken

Exciting innovation for 2019

Chicken Chips

Expansion in protein-packed snacking with new snackable forms and bold flavors



Tajin®

Partner with *Tajin*®, an on-trend growth brand, to bring authenticity and flavor



Cooked Sous Vide Chicken

Operators can serve consistent, high quality, juicy No Antibiotics Ever chicken to their patrons - every time

Breast, thigh, and thigh for pulling.



Deli Pulled Rotisserie

Versatile pulled rotisserie chicken in an easy 1lb grab & go bag



Slow Cooker Kits

Modernize and expand Slow Cooker kits



Breaded Chicken Twists

Shareable, fun and Instagram-worthy, these Twists meet the needs of our foodservice operators

Homestyle and Pretzel chosen as key partnership with leading broadline distributor



# Dollar Performance Core 9 and Total Tyson

Dollar Sales % Change Among Top 10 Branded Food Companies >\$5B

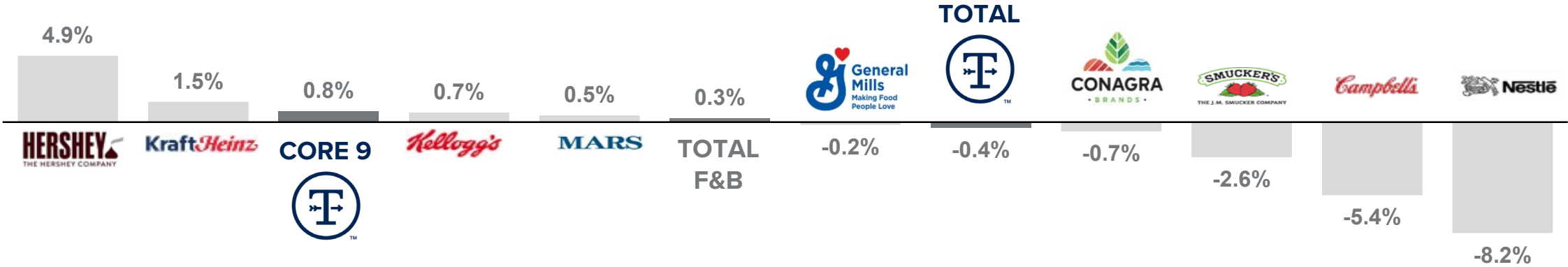


Source: IRI Total U.S. Multi-Outlet (x Costco), Dollar Sales, 52 weeks ending 9/30/2018  
Includes Total Edible + Pet Food, Tyson = Tyson + Nature Raised Farms + AdvancePierre



# Volume Performance Core 9 and Total Tyson

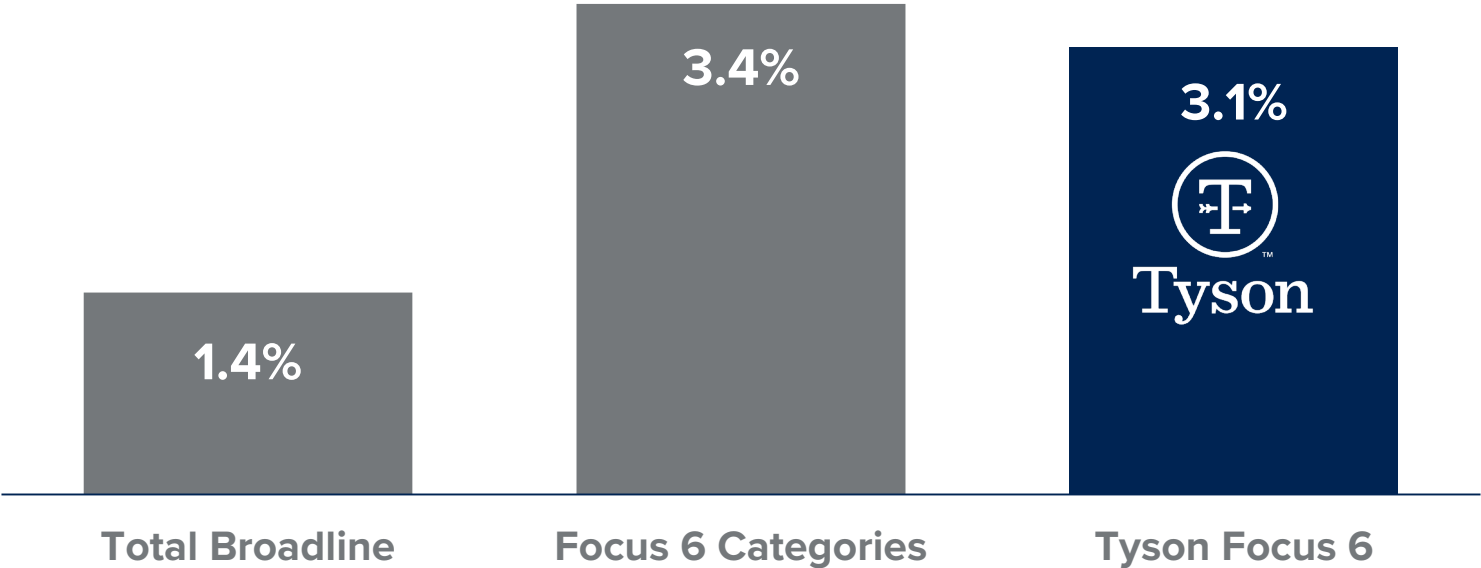
Volume Sales % Change Among Top 10 Branded Food Companies >\$5B



Source: IRI Total U.S. Multi-Outlet (x Costco), Dollar Sales, 52 weeks ending 9/30/2018  
 Includes Total Edible + Pet Food, Tyson = Tyson + Nature Raised Farms + AdvancePierre

# Foodservice Broadline Volume Performance

Volume % Change vs. Prior Year (52 weeks ending August 2018)



Source: NPD SupplyTrack® data, 52 weeks ending August 2018. Excludes Large Chain and Operator Label data  
Focus Six = Chicken Value Added, Breakfast Sausage, Dinner Sausage, Peperoni Pizza Topping, Bacon, Philly Steak  
Tyson = Tyson, AdvancePierre and Original Philly

# Appendix

## **Q4 FY2018 Non-GAAP Reconciliations**

# EPS Reconciliations

In millions, except per share data  
(Unaudited)

|   | Fourth Quarter |      |                |                | Twelve Months Ended<br>September 29, 2018 |      |                |                |
|---|----------------|------|----------------|----------------|---|------|----------------|----------------|
|   | Pretax Impact  |      | EPS Impact     |                | Pretax Impact                             |      | EPS Impact     |                |
|   | 2018           | 2017 | 2018           | 2017           | 2018                                      | 2017 | 2018           | 2017           |
| Reported net income per share attributable to Tyson   |                |      | \$ 1.47        | \$ 1.07        |   |      | \$ 8.19        | \$ 4.79        |
| Add: One-time cash bonus to frontline employees   | -              | -    | -              | -              | 109                                       | -    | 0.22           | -              |
| Add: Restructuring and related charges  | 14             | 150  | 0.03           | 0.26           | 59  | 150  | 0.12           | 0.26           |
| Add: Impairments net of realized gains associated with the divestitures of non-protein businesses (a) | (11)           | 45   | 0.08           | 0.06           | 68  | 45   | 0.34           | (0.01)         |
| Add: San Diego Prepared Foods operation impairment  | -              | -    | -              | -              | -   | 52   | -              | 0.09           |
| Add: AdvancePierre purchase accounting and acquisition related costs (b)                              | -              | 26   | -              | 0.04           | -   | 103  | -              | 0.18           |
| Less: Tax benefit from remeasurement of net deferred tax liabilities at lower enacted tax rates       | -              | -    | -              | -              | -   | -    | (2.71)         | -              |
| Adjusted net income per share attributable to Tyson   |                |      | <u>\$ 1.58</u> | <u>\$ 1.43</u> |   |      | <u>\$ 6.16</u> | <u>\$ 5.31</u> |

(a) EPS impact for the twelve months of fiscal 2018 included \$101 million of impairments related to the expected sale of a non-protein business net of a \$33 million realized pretax gain associated with the sale of non-protein businesses, which combined on an after-tax basis resulted in a \$0.34 impact to EPS. EPS impact for the fourth quarter of fiscal 2018 included a pretax gain, but a post-tax loss, associated with sale of a non-protein business. EPS impact for the twelve months ended fiscal 2017 included a tax benefit related to the expected sale of a non-protein business of (\$0.07) recognized in the third quarter of fiscal 2017.

(b) AdvancePierre purchase accounting and acquisition related costs for the twelve months ended September 30, 2017, included a \$36 million purchase accounting adjustment for the fair value step-up of inventory, \$49 million of acquisition related costs and \$18 million of acquisition bridge financing fees.

Adjusted net income per share attributable to Tyson (Adjusted EPS) is presented as a supplementary measure of our financial performance that is not required by, or presented in accordance with, GAAP. We use Adjusted EPS as an internal performance measurement and as one criterion for evaluating our performance relative to that of our peers. We believe Adjusted EPS is meaningful to our investors to enhance their understanding of our financial performance and is frequently used by securities analysts, investors and other interested parties to compare our performance with the performance of other companies that report Adjusted EPS. Further, we believe that Adjusted EPS is a useful measure because it improves comparability of results of operations from period to period. Adjusted EPS should not be considered a substitute for net income per share attributable to Tyson or any other measure of financial performance reported in accordance with GAAP. Investors should rely primarily on our GAAP results and use non-GAAP financial measures only supplementally in making investment decisions. Our calculation of Adjusted EPS may not be comparable to similarly titled measures reported by other companies.

Adjusted EPS guidance is provided on a non-GAAP basis. The Company is not able to reconcile its full-year fiscal 2019 Adjusted EPS guidance to its full-year fiscal 2019 projected GAAP EPS guidance because certain information necessary to calculate such measure on a GAAP basis is unavailable or dependent on the timing of future events outside of our control. Therefore, because of the uncertainty and variability of the nature of the amount of future adjustments, which could be significant, the Company is unable to provide a reconciliation of this measure without unreasonable effort.

# Segment Operating Income & Operating Margin Reconciliations

In millions, except  
per share data  
(Unaudited)

| Adjusted Segment Operating Income (Loss)  |          |          |          |                |         |                    |          |
|---|----------|----------|----------|----------------|---------|--------------------|----------|
| <i>(for the fourth quarter ended September 29, 2018)</i>                          |          |          |          |                |         |                    |          |
|   | Beef     | Pork     | Chicken  | Prepared Foods | Other   | Intersegment Sales | Total    |
| Sales   | \$ 3,913 | \$ 1,134 | \$ 3,115 | \$ 2,097       | \$ 60   | \$ (320)           | \$ 9,999 |
| Reported operating income (loss)  | \$ 347   | \$ 76    | \$ 174   | \$ 241         | \$ (10) | \$ -               | \$ 828   |
| Less: Realized gain associated with the divestiture of a non-protein business (a) | -        | -        | -        | (11)           | -       | -                  | (11)     |
| Add: Restructuring and related charges  | 1        | -        | 8        | 5              | -       | -                  | 14       |
| Adjusted operating income (loss)  | \$ 348   | \$ 76    | \$ 182   | \$ 235         | \$ (10) | \$ -               | \$ 831   |
| Reported operating margin %   | 8.9%     | 6.7%     | 5.6%     | 11.5%          | n/a     | n/a                | 8.3%     |
| Adjusted operating margin %   | 8.9%     | 6.7%     | 5.8%     | 11.2%          | n/a     | n/a                | 8.3%     |

| Adjusted Segment Operating Income (Loss)  |           |          |           |                |         |                    |           |
|---|-----------|----------|-----------|----------------|---------|--------------------|-----------|
| <i>(for the twelve months ended September 29, 2018)</i>   |           |          |           |                |         |                    |           |
|   | Beef      | Pork     | Chicken   | Prepared Foods | Other   | Intersegment Sales | Total     |
| Sales   | \$ 15,473 | \$ 4,879 | \$ 12,044 | \$ 8,668       | \$ 305  | \$ (1,317)         | \$ 40,052 |
| Reported operating income (loss)  | \$ 1,013  | \$ 361   | \$ 866    | \$ 868         | \$ (53) | \$ -               | \$ 3,055  |
| Add: One-time cash bonus to frontline employees   | 27        | 12       | 51        | 19             | -       | -                  | 109       |
| Add: Restructuring and related charges  | 4         | 1        | 30        | 24             | -       | -                  | 59        |
| Add: Impairments net of realized gains associated with the divestitures of non-protein businesses (a) | -         | -        | -         | 68             | -       | -                  | 68        |
| Adjusted operating income (loss)  | \$ 1,044  | \$ 374   | \$ 947    | \$ 979         | \$ (53) | \$ -               | \$ 3,291  |
| Reported operating margin %   | 6.5%      | 7.4%     | 7.2%      | 10.0%          | n/a     | n/a                | 7.6%      |
| Adjusted operating margin %   | 6.7%      | 7.7%     | 7.9%      | 11.3%          | n/a     | n/a                | 8.2%      |

(a) Operating income impact for fiscal 2018 included \$101 million of impairments related to the expected sale of a non-protein business net of \$33 million realized pretax gains associated with the sale of non-protein businesses. Operating income impact for the fourth quarter of fiscal 2018 included a \$11 million realized pretax gain associated with the sale of a non-protein business.

Adjusted operating income is presented as a supplementary measure of our operating performance that is not required by, or presented in accordance with, GAAP. We use adjusted operating income as an internal performance measurement and as one criterion for evaluating our performance relative to that of our peers. We believe adjusted operating income is meaningful to our investors to enhance their understanding of our operating performance and is frequently used by securities analysts, investors and other interested parties to compare our performance with the performance of other companies that report adjusted operating income. Further, we believe that adjusted operating income is a useful measure because it improves comparability of results of operations from period to period. Adjusted operating income should not be considered as a substitute for operating income or any other measure of operating performance reported in accordance with GAAP. Investors should rely primarily on our GAAP results and use non-GAAP financial measures only supplementally in making investment decisions. Our calculation of adjusted operating income may not be comparable to similarly titled measures reported by other companies.