



Tyson



Consumer Analyst Group of New York

February 19, 2020



# Noel White

Chief Executive Officer



# 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 2020, 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 African swine fever (ASF), 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 effectiveness of our financial fitness program; (v) the implementation of an enterprise resource planning system; (vi) access to foreign markets together with foreign economic conditions, including currency fluctuations, import/export restrictions and foreign politics; (vii) changes in availability and relative costs of labor and contract farmers and our ability to maintain good relationships with employees, labor unions, contract farmers and independent producers providing us livestock; (viii) issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; (ix) changes in consumer preference and diets and our ability to identify and react to consumer trends; (x) effectiveness of advertising and marketing programs; (xi) our ability to leverage brand value propositions; (xii) risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; (xiii) impairment in the carrying value of our goodwill or indefinite life intangible assets; (xiv) 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; (xv) adverse results from litigation; (xvi) cyber incidents, security breaches or other disruptions of our information technology systems; (xvii) our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; (xviii) risks associated with our commodity purchasing activities; (xix) the effect of, or changes in, general economic conditions; (xx) significant marketing plan changes by large customers or loss of one or more large customers; (xxi) impacts on our operations caused by factors and forces beyond our control, such as natural disasters, fire, bioterrorism, pandemics or extreme weather; (xxii) failure to maximize or assert our intellectual property rights; (xxiii) our participation in multiemployer pension plans; (xxiv) the Tyson Limited Partnership's ability to exercise significant control over the Company; (xxv) effects related to changes in tax rates, valuation of deferred tax assets and liabilities, or tax laws and their interpretation; (xxvi) volatility in capital markets or interest rates; (xxvii) risks associated with our failure to integrate Keystone Foods' operations or to realize the targeted cost savings, revenues and other benefits of the acquisition; 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 28, 2019.

# Uniquely positioned to meet growing protein demand

With our **scale**, diversified **portfolio**, international **footprint** and track record of **growth**, Tyson Foods is uniquely positioned for continued **long-term** growth in an environment of **growing global demand** for protein coupled with **limited global supplies** of beef, pork and chicken.



# Today's Key Takeaways

1

Global demand for protein is growing

2

Our strengths position us to meet the world's need for more protein

3

Our strategy capitalizes on our strengths

## Today's Speakers



**Noel White**  
CEO



**Dean Banks**  
President



**Stewart Glendinning**  
EVP & CFO

We operate in growing spaces

**Product Portfolio**

**Consumer**

**Market**

**Value Chain**

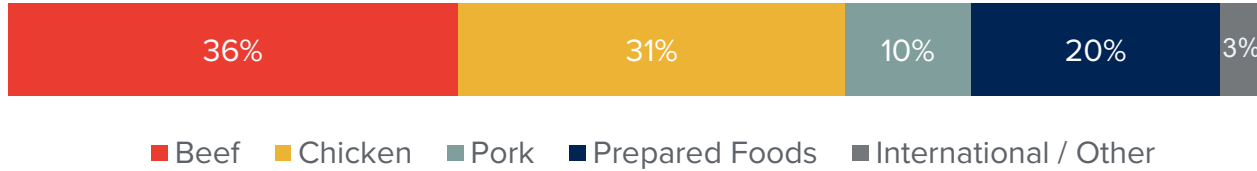
**Channel/Customer**



# We are one of the largest food companies

Fiscal 2019 Sales \$42.4 Billion

Sales by Segment



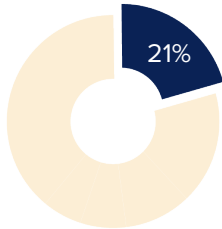
Sales by Distribution Channel



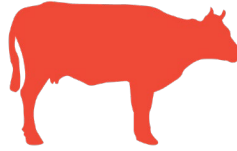
# We know protein – leading market share



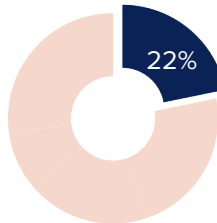
#1



Source: Watt Poultry USA, March 2019. Based on ready-to-cook pounds produced.



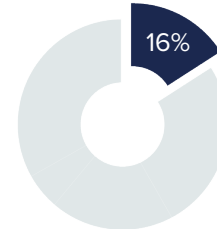
#1



Fed Beef  
Source: Cattle Buyers Weekly, 2018. Based on maximum U.S. capacity (head per day).

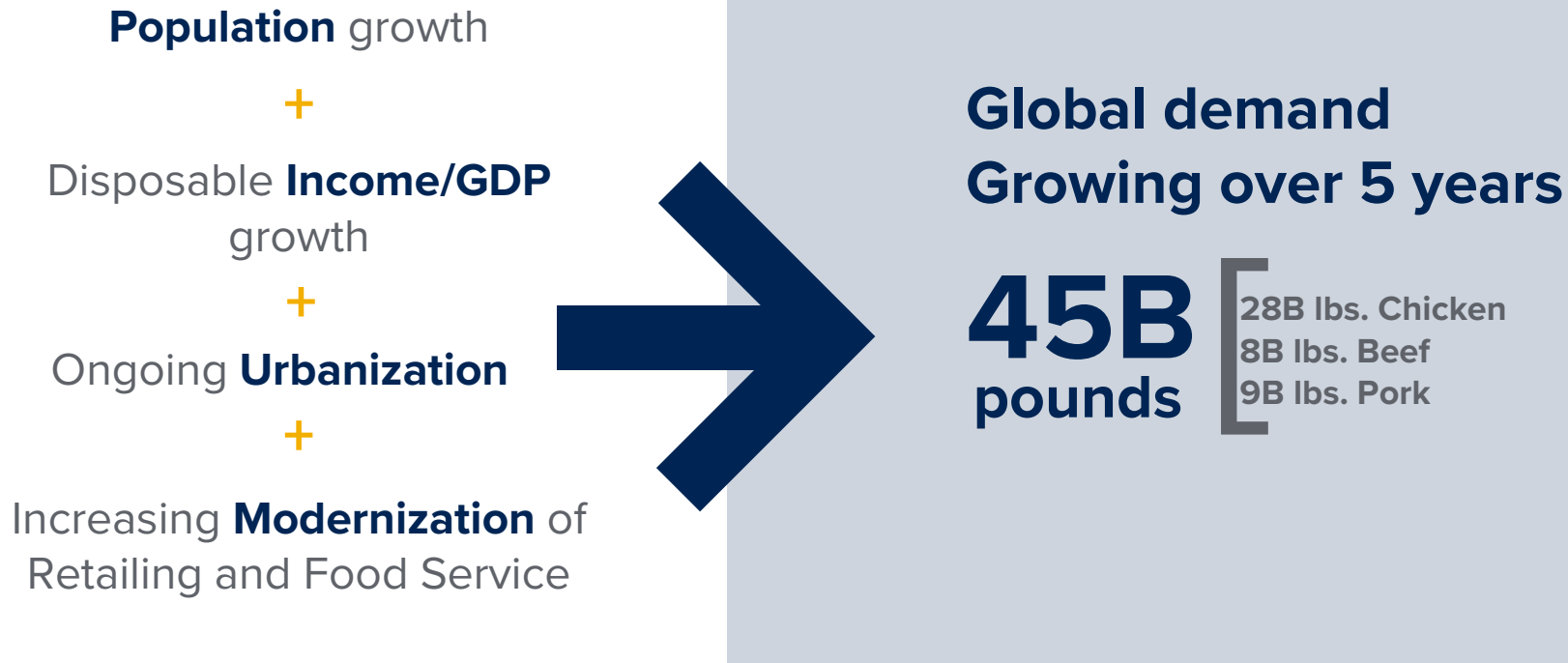


#3



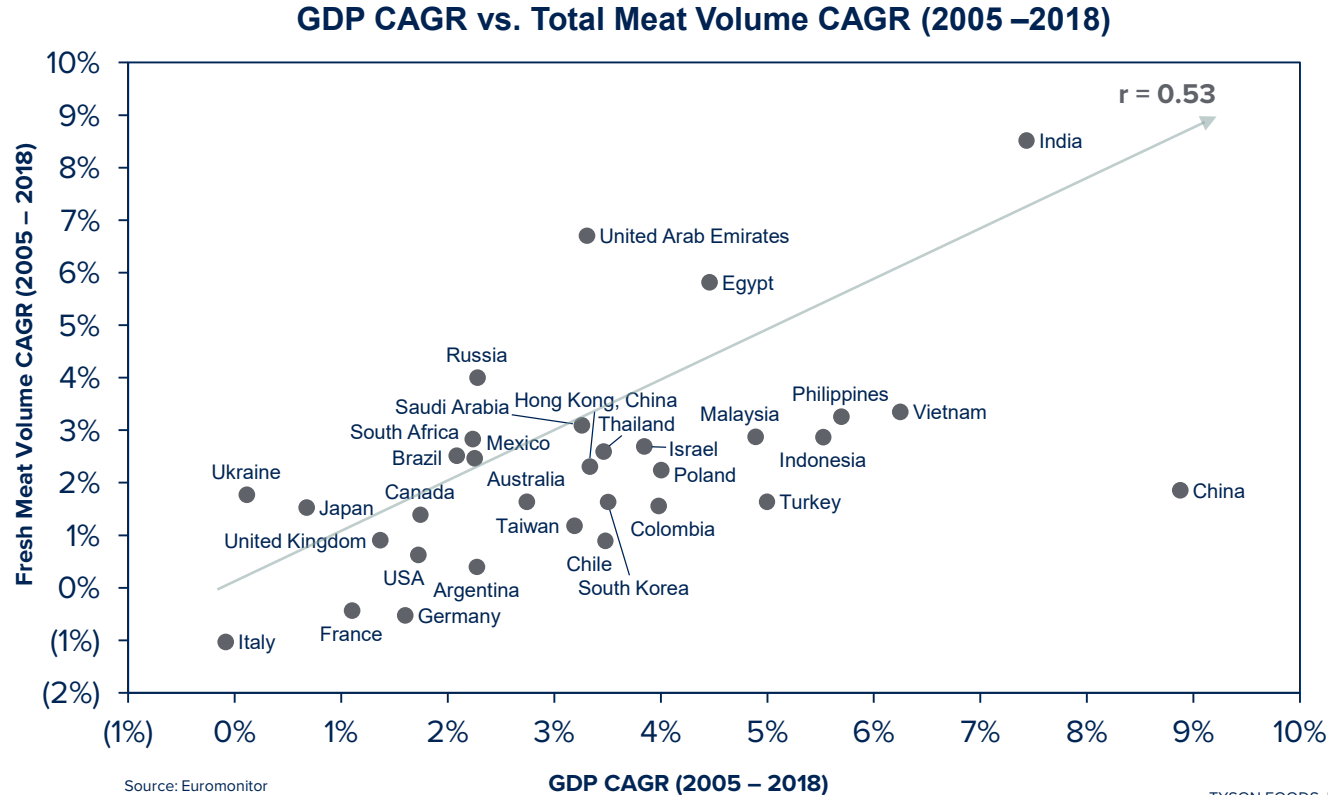
Source: Kerns and Associates, September 2018 as reported in National Pork Board Quick Facts. Based on estimated daily U.S. capacity (head per day).

# Global demand for protein is growing rapidly



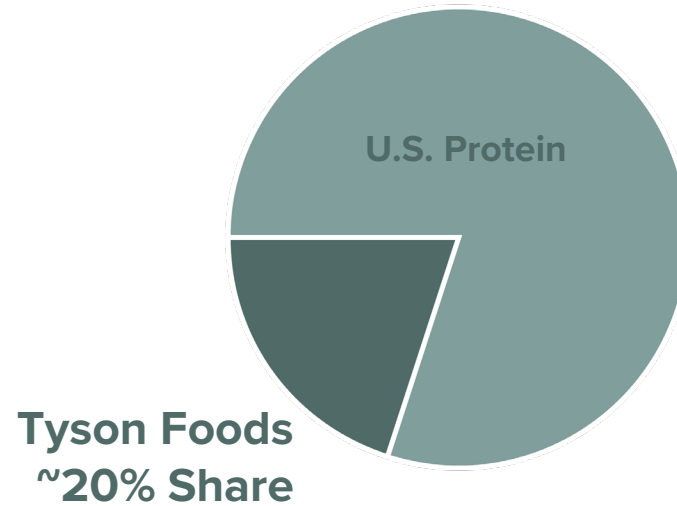


# Global demand opportunity - As GDP rises, so does protein consumption



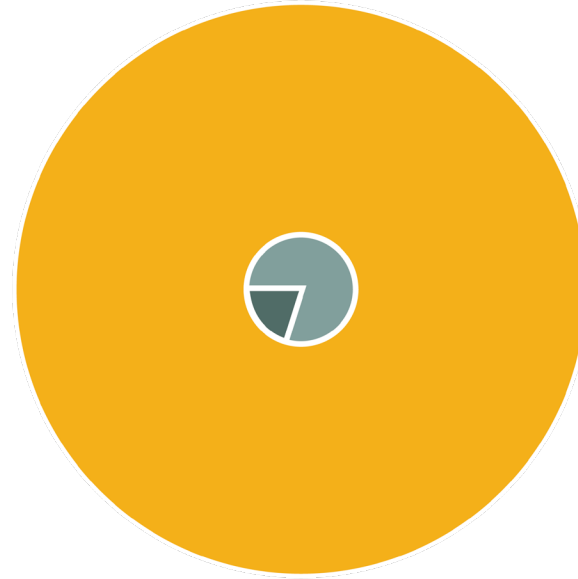
# The opportunity is enormous

**2020**  
**U.S. Protein**  
**Production**  
~75 Billion Pounds



# The opportunity is enormous

**2020**  
**Global Protein**  
**Production**  
568 Billion Pounds

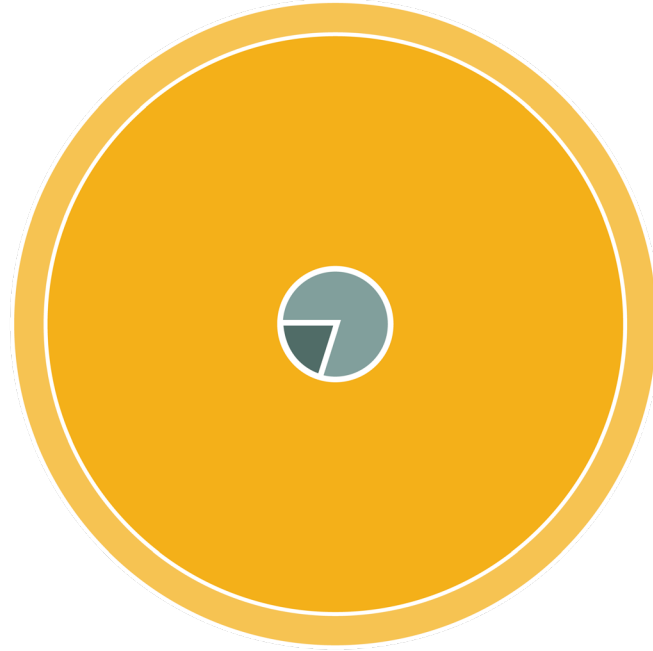


Data Source: Euromonitor



# The opportunity is enormous

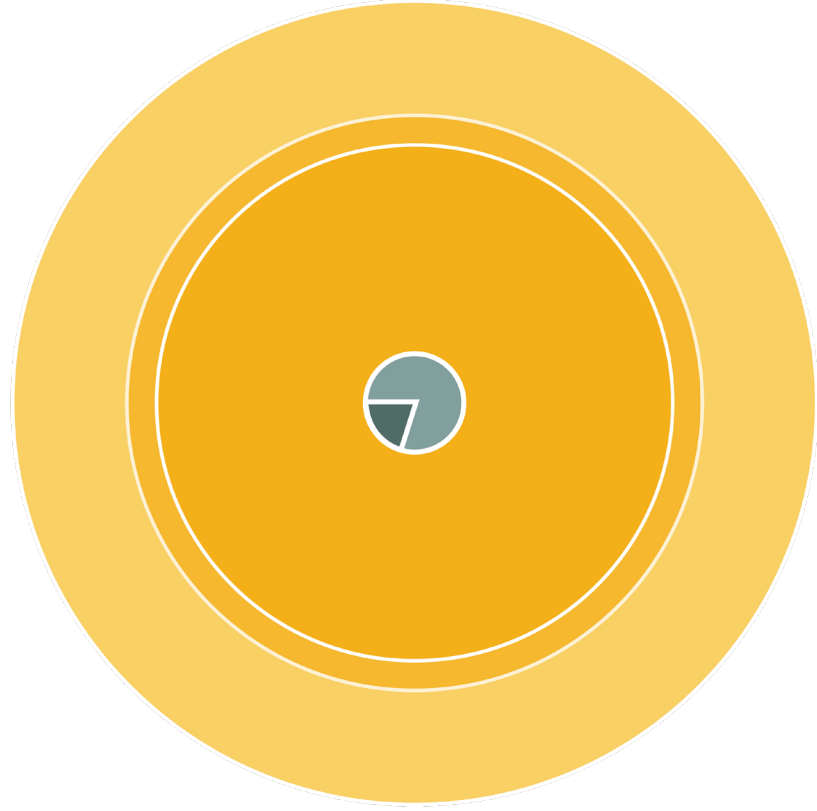
**2025  
Global Protein  
Production**



Data Source: Euromonitor

# The opportunity is enormous

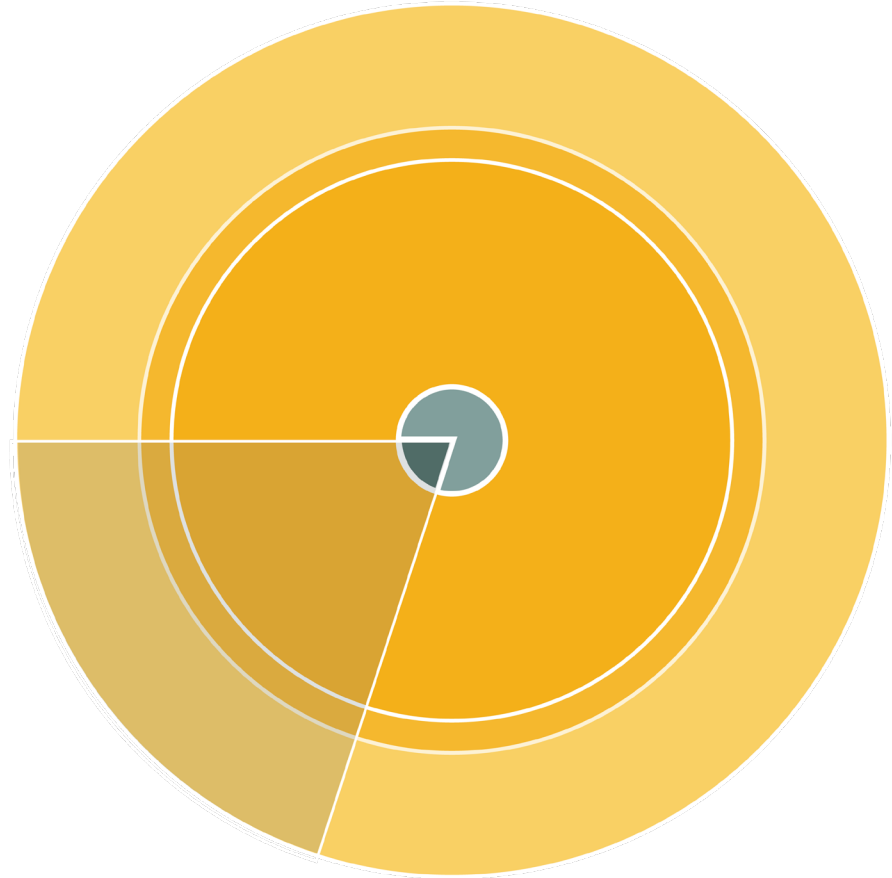
**2050**  
**Global Protein**  
**Production**



Data Source: Euromonitor

# The opportunity is enormous

## 2050 Global Protein Production



Data Source: Euromonitor  
Extrapolated from current U.S. market share  
For illustrative purposes only



# Our strengths position us to meet the world's need for protein

## Strengths

- Diverse protein portfolio
- Scale
- Leading market positions and brands
- Powerful Innovation Platform
- Deep customer relationships
- Growing global footprint
- Strong sustainability platform

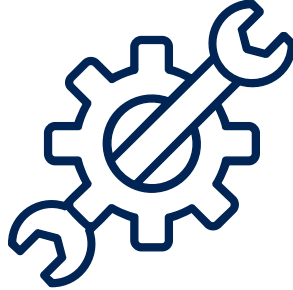
## Opportunity to Differentiate

- Strength across all meal occasions and protein demand
- Achieve low cost production and fulfillment along with superior distribution channel coverage
- Leverage brand equity and trust to win with consumers
- Partner with large customers to leverage our portfolio globally
- Deliver protein at global scale and do it in a sustainable manner

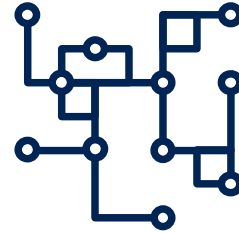
# Our scale allows us to invest in critical capabilities



Insights &  
Innovation



Supply Chain  
Network



Technology

# Insights & innovation support our customers



**2 R&D Centers**

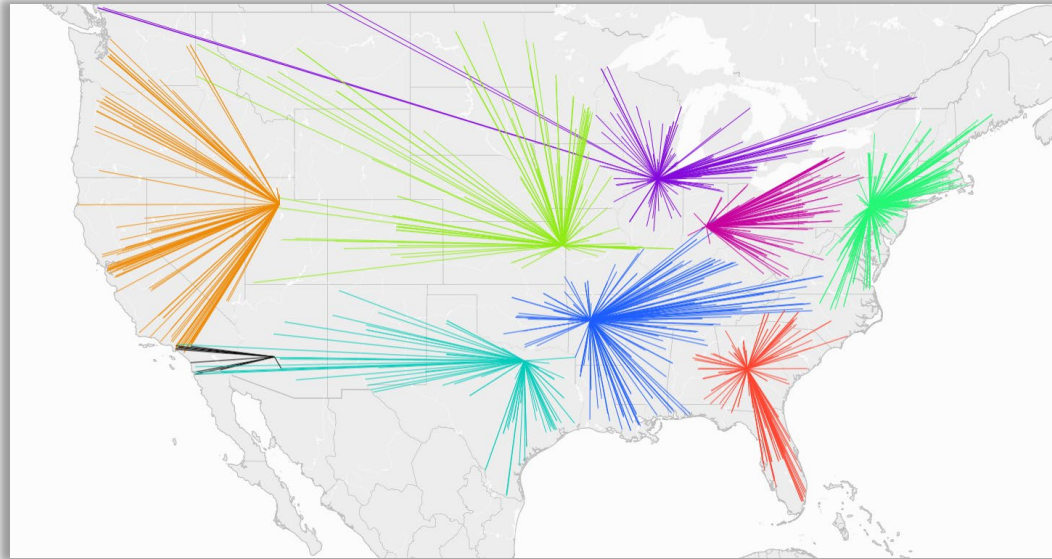
**7 International  
Innovation Centers**

**Pilot Plant**

**Nearly \$2B in  
FY19 Net Revenue  
from innovation launched  
in the past 3 years**

# Our supply chain is a clear differentiator

- **Extensive reach and capability**
- **42 distribution centers and cold storage facilities**
- **241 plants and facilities**
- **Large temperature-controlled trucking fleet**
  - **1,100+ trucks**
  - **3,800 trailers**





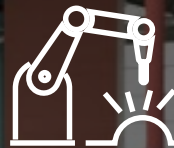
# Scale enables investment in technology



Advanced  
Analytics



Manufacturing  
and Automation  
Center



Robotics &  
Automation



Machine  
Learning

# Iconic leading brands and rapid growth brands

## Iconic Brands



## Emerging Brands



# We have deep customer relationships

## **Consumer Products:**

150+ Category  
captainships

## **Foodservice:**

Leader in new product  
development

**All channels:** consumer  
insights and innovation  
leads to sales growth,  
margin growth and repeat  
business



# Sustainability with a global approach

## ESG Commitments:

- **30% reduction** in GHG emissions by 2030  
*Approved by Science-Based Targets Initiative*
- **12% reduction** in water use intensity by 2020
- Support improved environmental practices on **2 million acres** of corn by the end of 2020
- ProForest partnership on **deforestation** risk assessment across our global agriculture supply chain
- **Coalition for Global Protein™**





# Our strategy

## Grow

Our business by delivering superior value to consumers and customers



## Deliver

Savings for growth and returns through commercial, operational and financial excellence



## Sustain

Our company and our world for future generations





# Dean Banks

President



# Key Takeaways

1

We have a global opportunity, and innovation is the key

2

We're the beef and pork experts

3

Our differentiated chicken business is a competitive advantage

4

Prepared Foods growth has momentum; alternative protein shows tremendous promise

5

We're expanding our international business



# Beef & Pork



# We are the Beef & Pork experts



the beef & pork  
experts™



Trusted leader in the  
meat industry  
for 60 years

The only  
American-owned  
supplier of both  
beef and pork

Differentiators:  
Knowledge  
Expertise  
Production capabilities

Leading  
customer brand  
and private label  
supplier



## Case-ready growth opportunity



*Then*

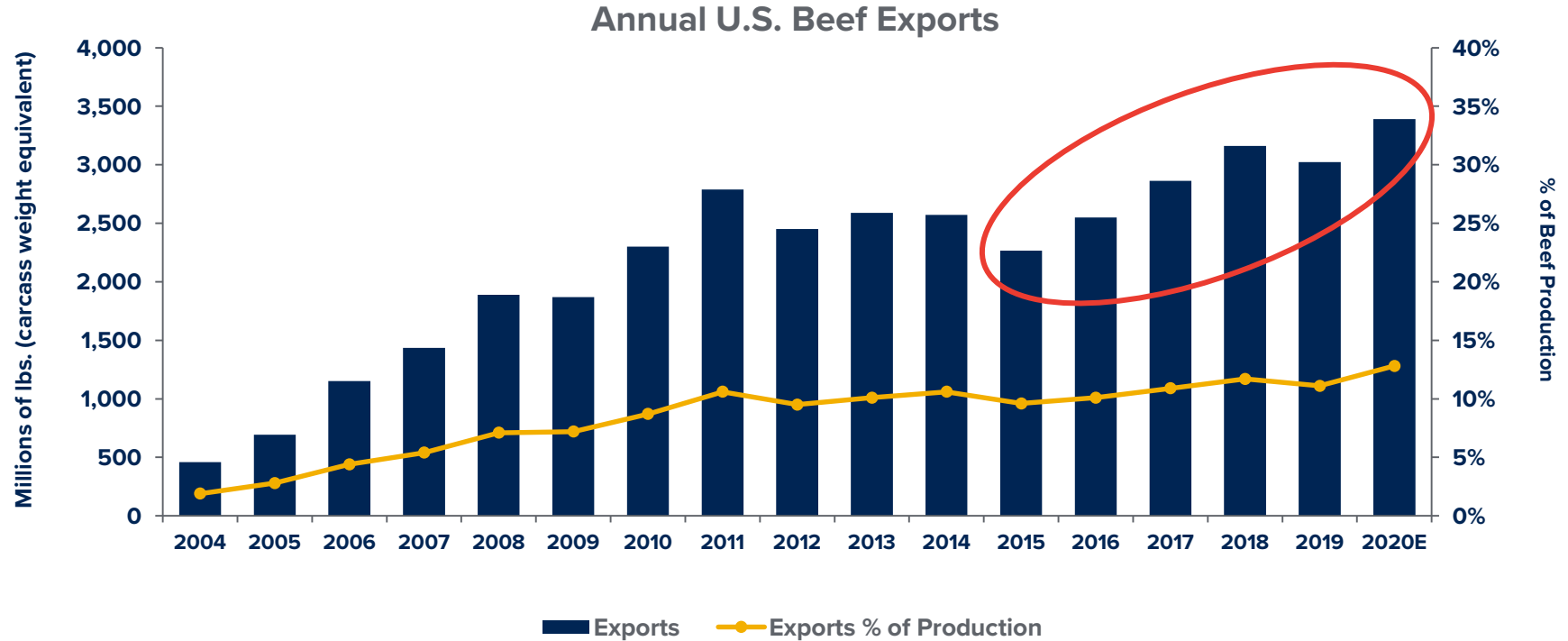


*Now*

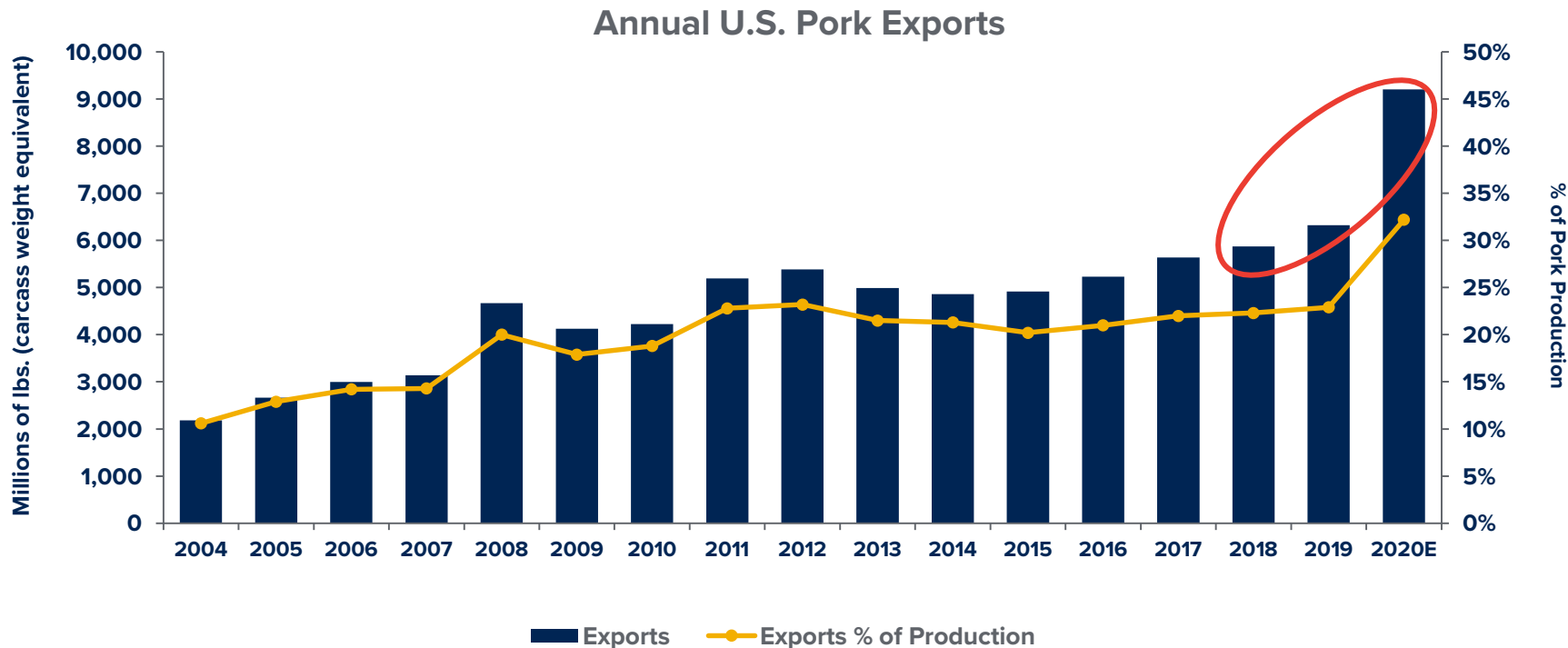
**~50%**  
*of current  
U.S. meat  
sales are  
case-ready  
products*



# We're seeing growth in international beef demand...



...And especially international pork demand



# We're seeing early effects of African Swine Fever

Estimated loss of >35% of the Chinese pork supply ('17 vs. '20)

Wholesale pork prices at record highs in China, EU and Brazil

Global reallocation occurring across all proteins

China now world's largest importer of beef

Tyson pork exports up ~600% in fiscal Q1'20 vs. Q1'19.



**~5% of global protein supply could be eliminated**

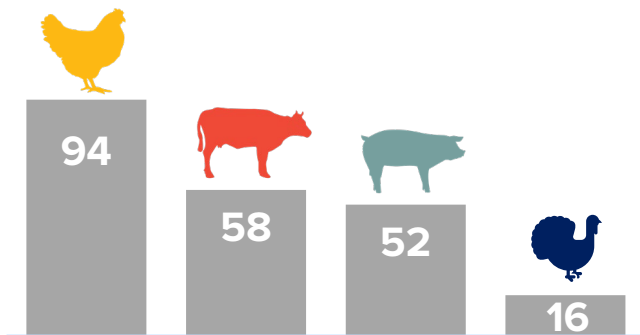
**Likely to be a multi-year event**

# Chicken

# Chicken is well positioned

## Animal Protein Consumption Led By Chicken

U.S. Annual Per Capita Consumption  
(lbs.)



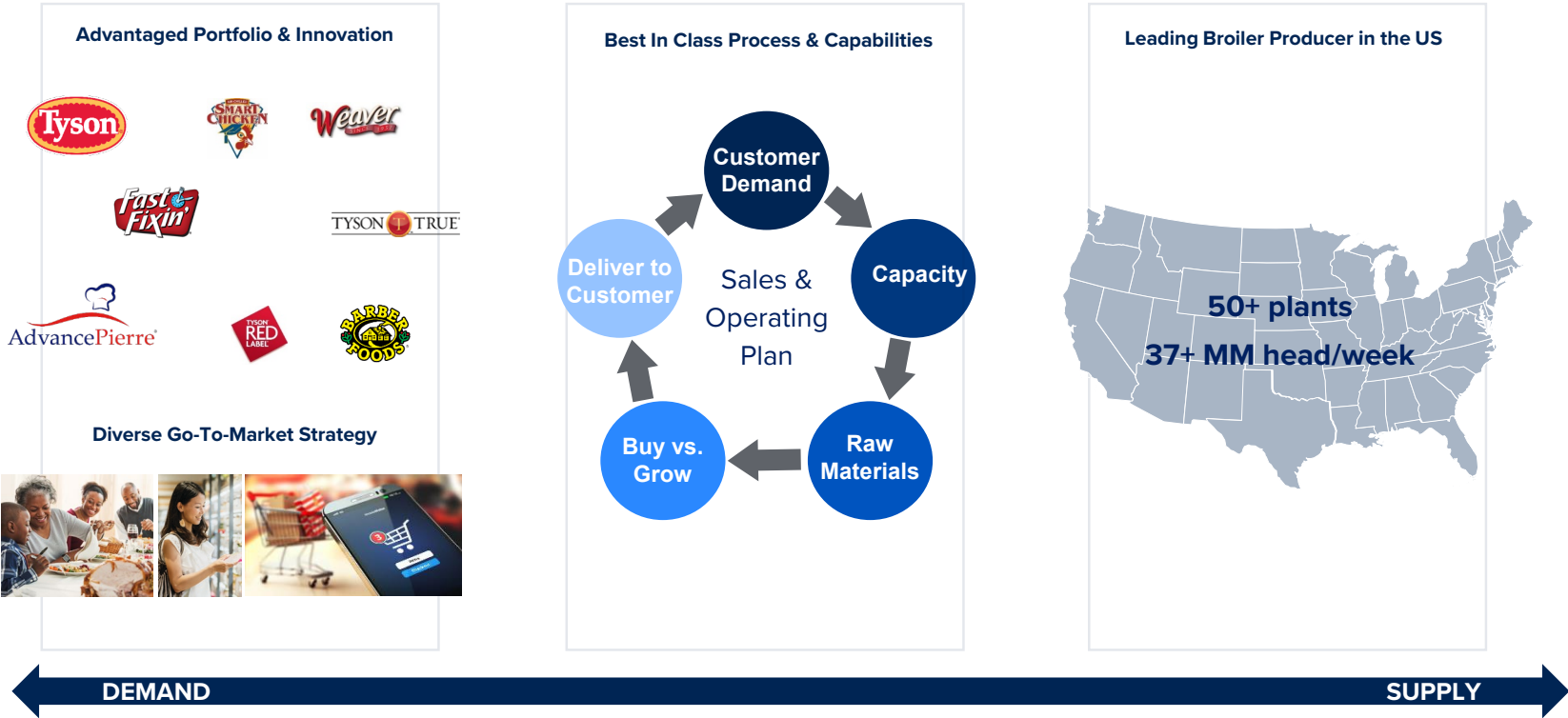
Source: Robert A Brown Inc., USDA data, thru 2019

## Chicken Aligns With Consumer Expectations

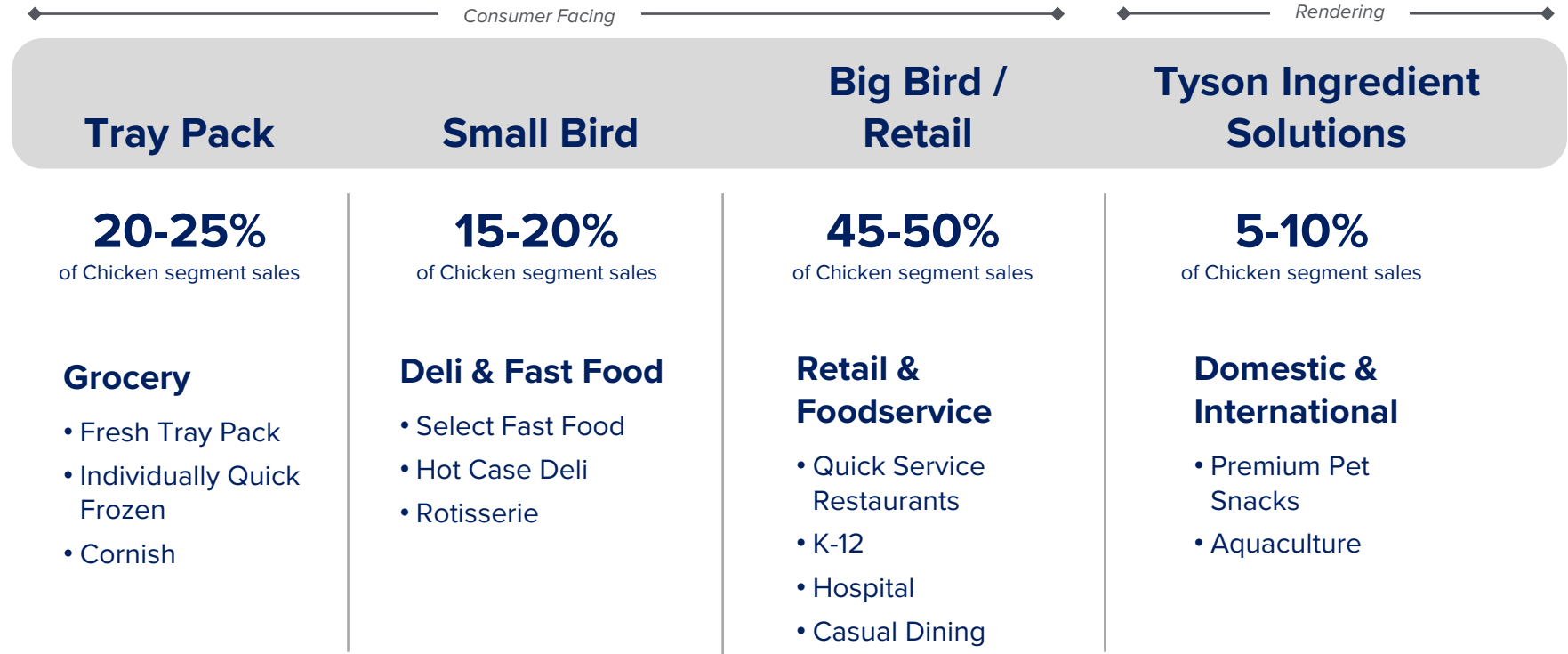
- Freshness
- Convenience
- Health
- Affordable

# Tyson chicken's proven and sustainable business model

Key Metrics: Value-added Volume, Net Sales, Margin Growth, AOI, ROS



# Flexible structure to continually value up





# Tyson chicken portfolio is well balanced and diverse

Product Categories	Tyson	Competitor A	Competitor B	Competitor C
Tray Pack	●	●	●	
Small Bird	●	●		
Big Bird - Value added	●	●	●	●
Ingredient Solutions	●			
Genetics	●			



# New chicken product innovation





# Prepared Foods



# Advantaged spaces, capabilities, and performance

**60%**

actively adding  
**PROTEIN** throughout the  
day<sup>1</sup>

**55%**

of consumers say that  
high **PROTEIN** is important  
in deciding what to buy<sup>2</sup>

1. Hartman
2. Nielsen

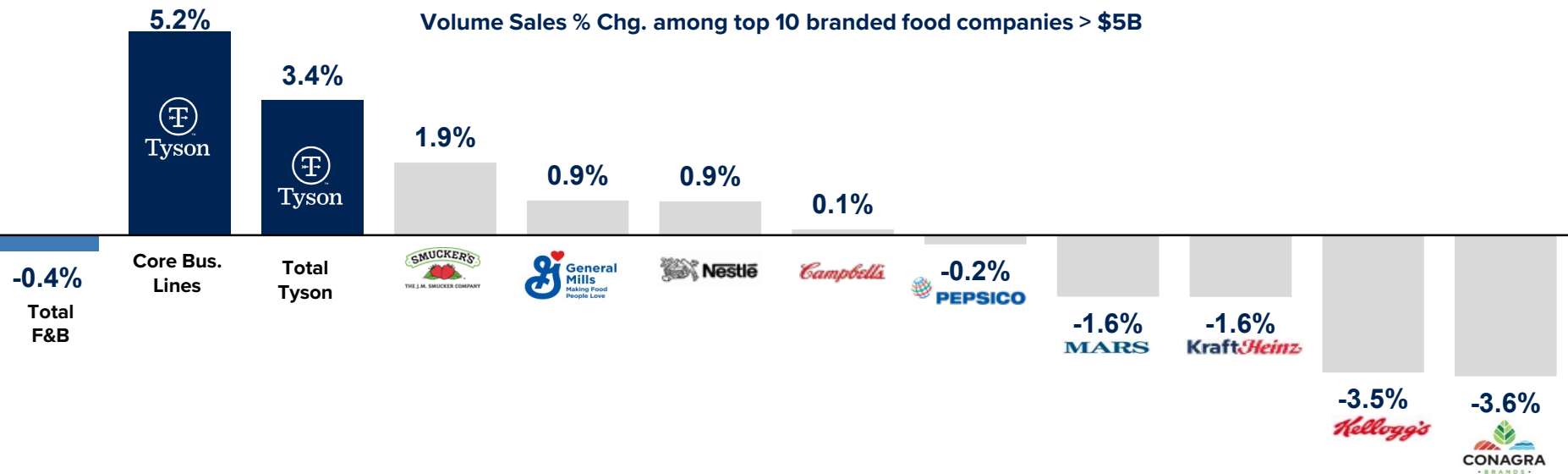




# Tyson leads in retail volume growth

**Tyson has delivered 6 consecutive quarters of growth**

Volume Sales % Chg. among top 10 branded food companies > \$5B



Source: Nielsen Fixed Weight Volume EQ Sales 52 weeks ending 12/28/2019  
Product = Total F&P, Alcohol + Total U.S. xAOC Pet Food

Tyson Core Business Lines = Aidells Dinner Sausage, Hillshire Farm Dinner Sausage, Hillshire Farm Lunchmeat, Ball Park Hot Dogs, Jimmy Dean Frozen Protein Breakfast, Jimmy Dean Breakfast Sausage, Wright/Jimmy Dean/Tyson Bacon, Tyson Frozen Value-Added Poultry, State Fair Corn Dogs, Tyson Pet Treats, Tyson Snacking



# Portfolio of powerhouse brands



Jimmy Dean™



HILLSHIRE®  
— SNACKING —

80%

HOUSEHOLD  
PENETRATION

Source: Nielsen

# Brand strength

1.4x

higher average **unaided awareness** for Tyson leading brands vs. competition<sup>1</sup>

1. Source: Tyson Brand Health Tracking, Q1 FY2020



1.6x

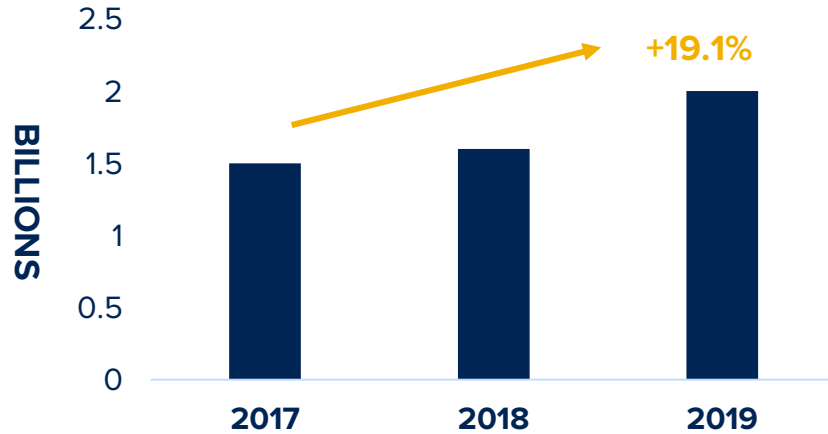
more likely for a Tyson leading brand to be chosen as their **“favorite”** by consumers than competitor brands<sup>2</sup>

2. Source: Tyson Brand Health Tracking, Q1 FY2020

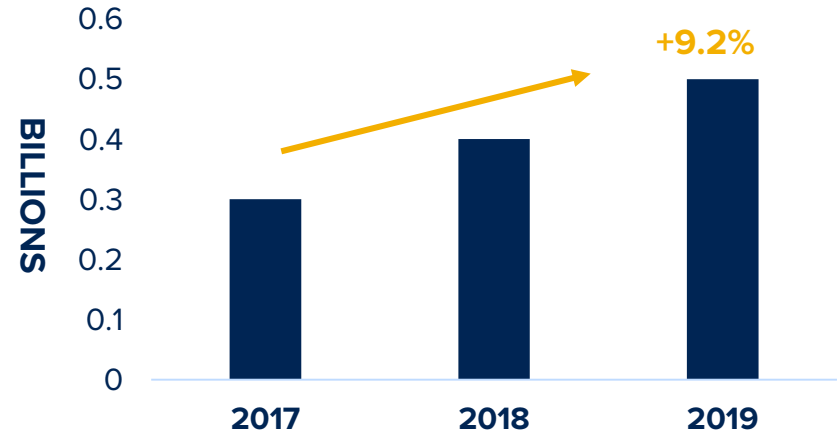


# Brand Growth

## Jimmy Dean Sales \$ Growth

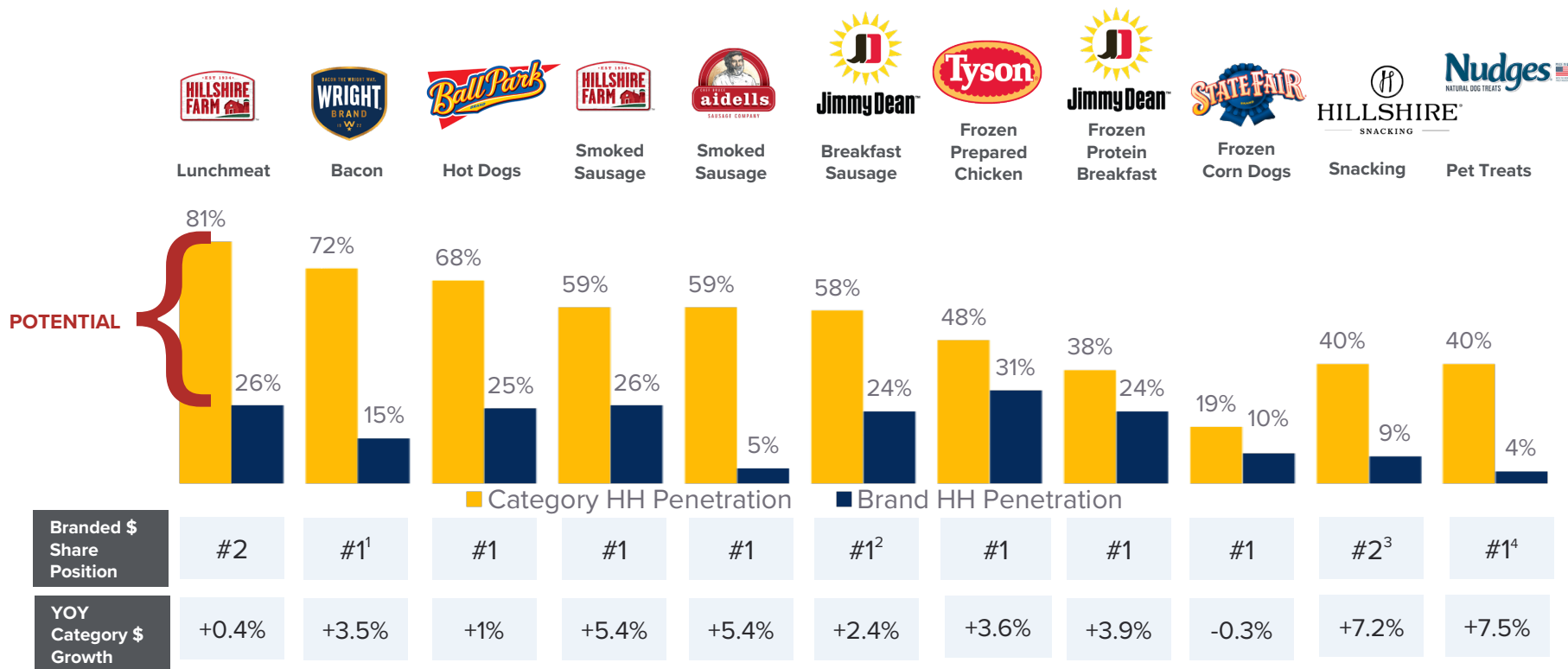


## Hillshire Farm Sales \$ Growth

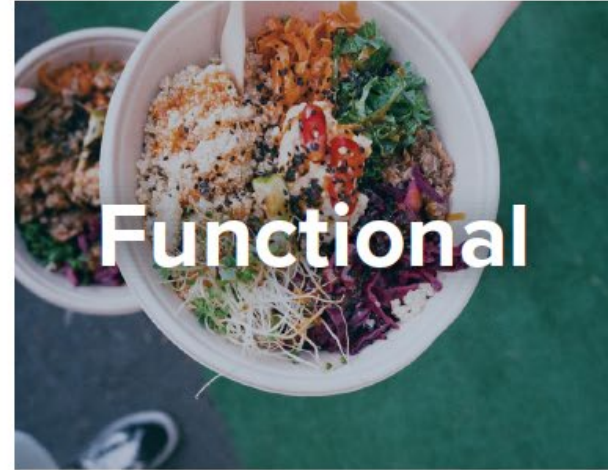


Source: Nielsen, most recent three calendar years, ending 2019

# Room for more growth



# Innovation growth engine



# Innovation in Fresh Food



**2/3**  
OF PEOPLE SAY  
*fresh is important*



Source: Hartman group 2018



# Innovation in Flexible Food

**95%**  
OF ADULTS  
*snacked in the  
last 24 hrs.*



Source: Mintel 2019

# Innovation in Functional Food

# 2/3

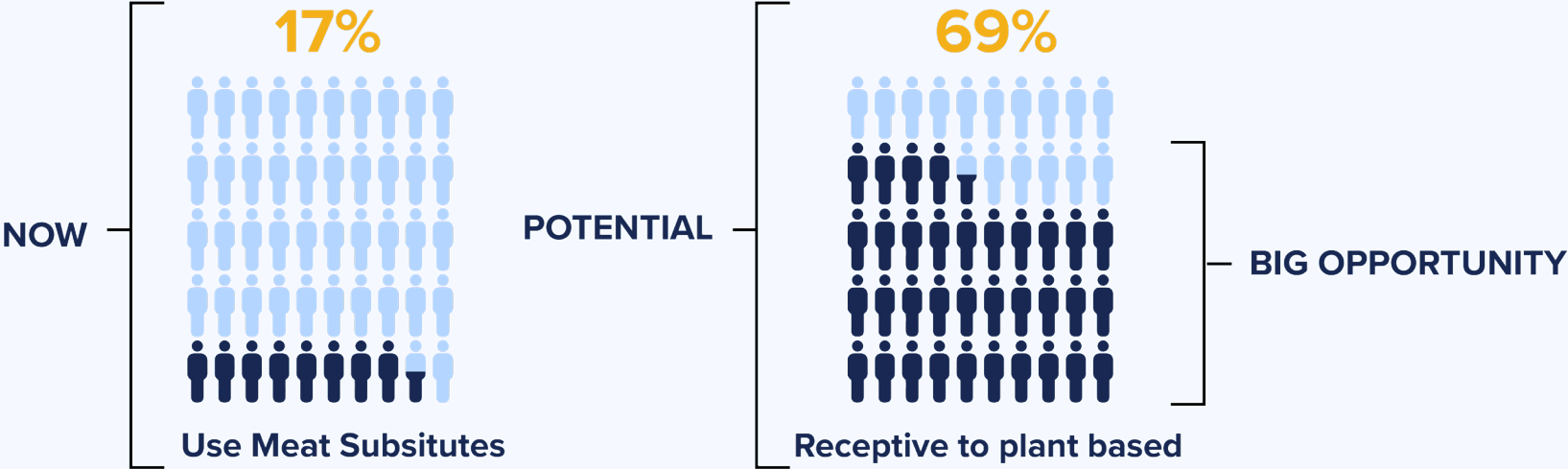
OF PEOPLE SAY  
*seek functional benefits*



Source: Proactive health white paper –  
Kerry Foods 2018

# Beyond the buzz: significant incremental potential in alternative protein

Meat alternatives only capture a small % of the opportunity today





# Raised & Rooted – Tyson advantages in action



Excellent products  
in <1yr



Launched at scale



Available widely







# International

## International strategic purpose

**Drive growth in key demand markets  
with locally relevant products,  
enabled through a strategic supply chain to  
serve our customers as OneTyson**



# International growth model

## OPTIMIZE



existing production  
footprint

## INVEST



for growth through  
acquisition

## LEVERAGE



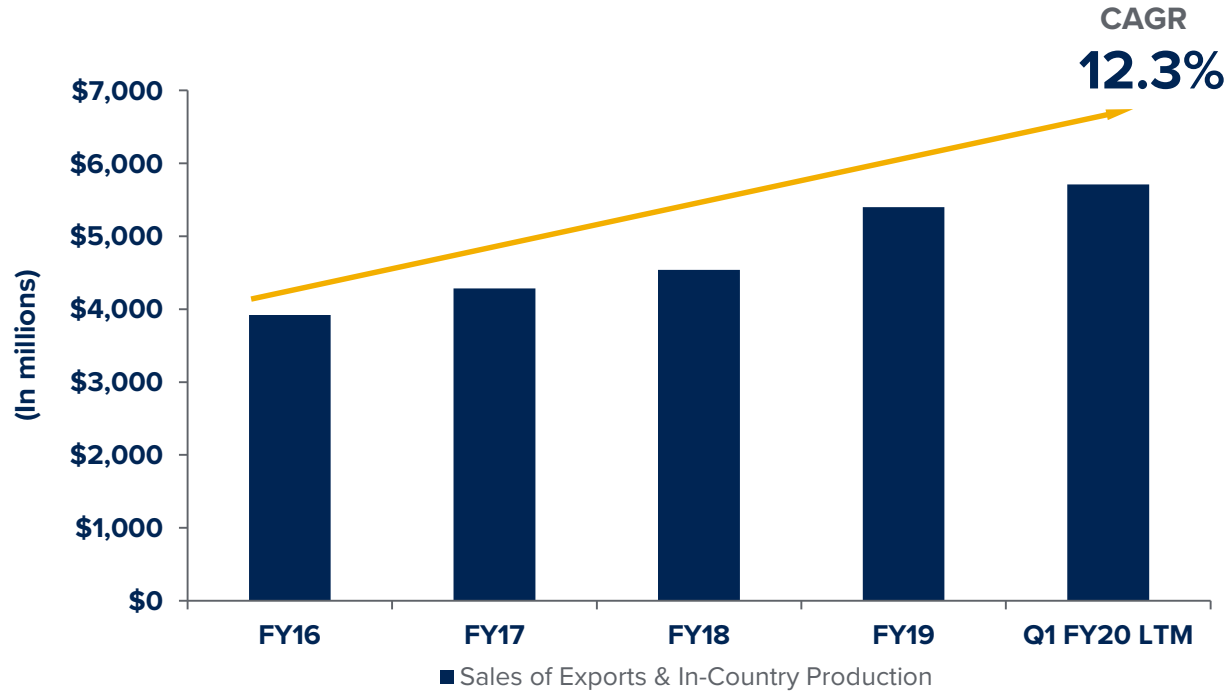
global sourcing  
model



# Trade agreements

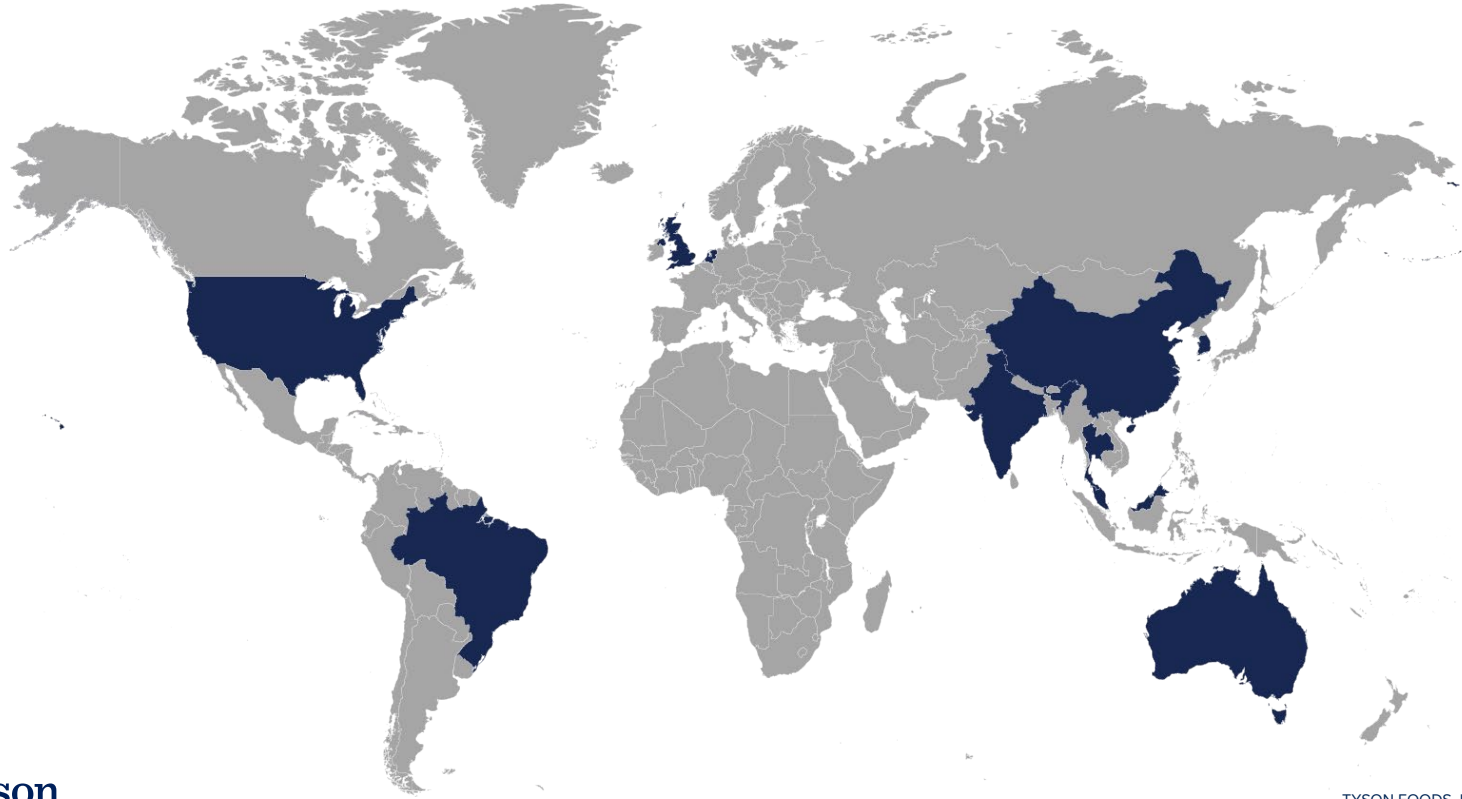


# 5-year International growth

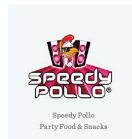
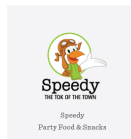
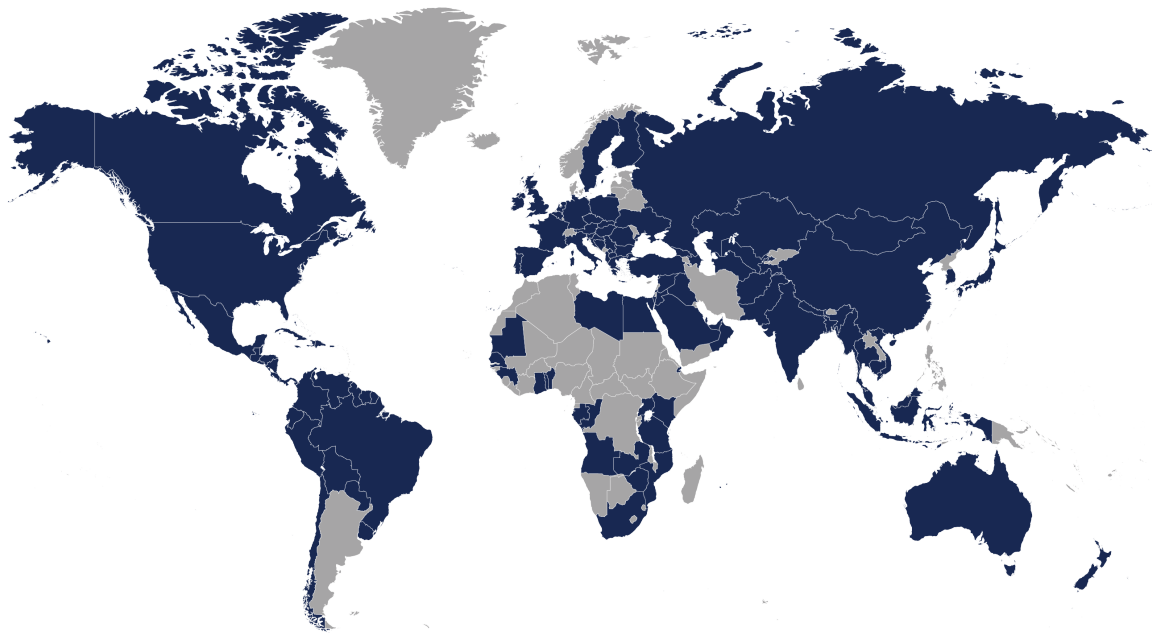




# Global Production Footprint



# Our products are sold in 140+ countries around the world





Tyson

THE PROTEIN COMPANY™



A portrait of Stewart Glendinning, a middle-aged man with short, light brown hair, smiling at the camera. He is wearing a blue button-down shirt. The background is a blurred view of a modern building with large windows and dark structural elements.

# Stewart Glendinning

Executive Vice President  
& Chief Financial Officer

# Key Takeaways

①

History of strong financial performance

②

Significant cash generation

③

Disciplined approach to capital allocation

④

We are focused on our return of capital employed

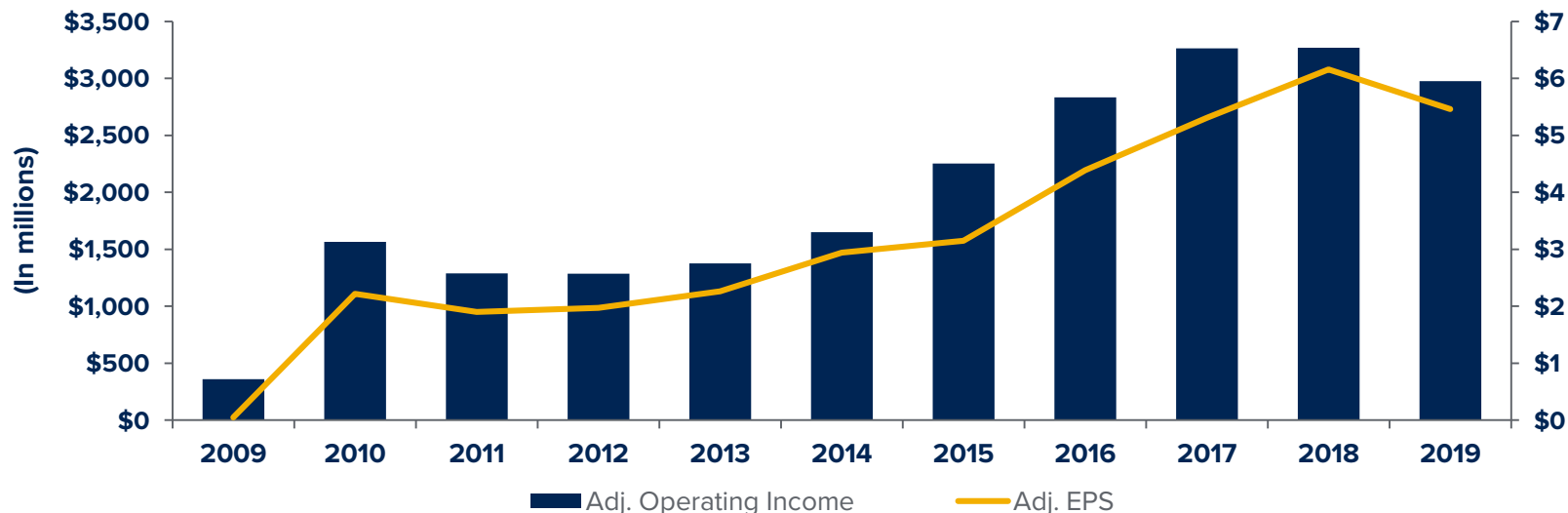


# We have a proven track record of growth...

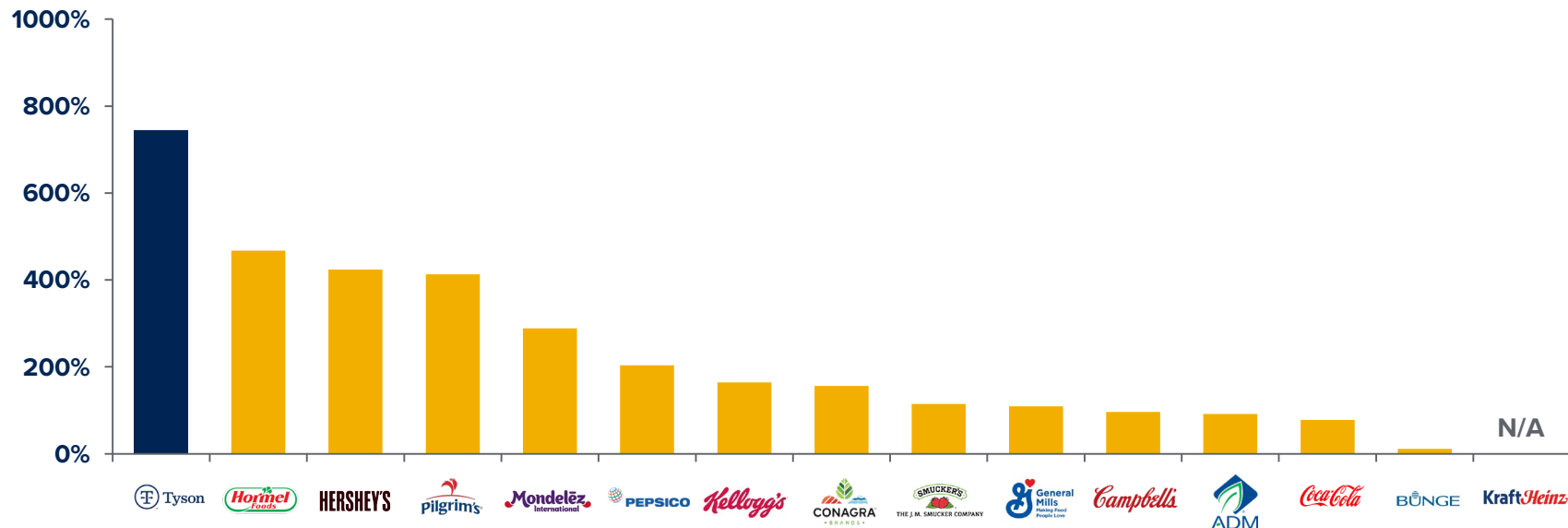
10-Year CAGR

**59.89%**

**23.52%**



# Tyson leads in total shareholder return

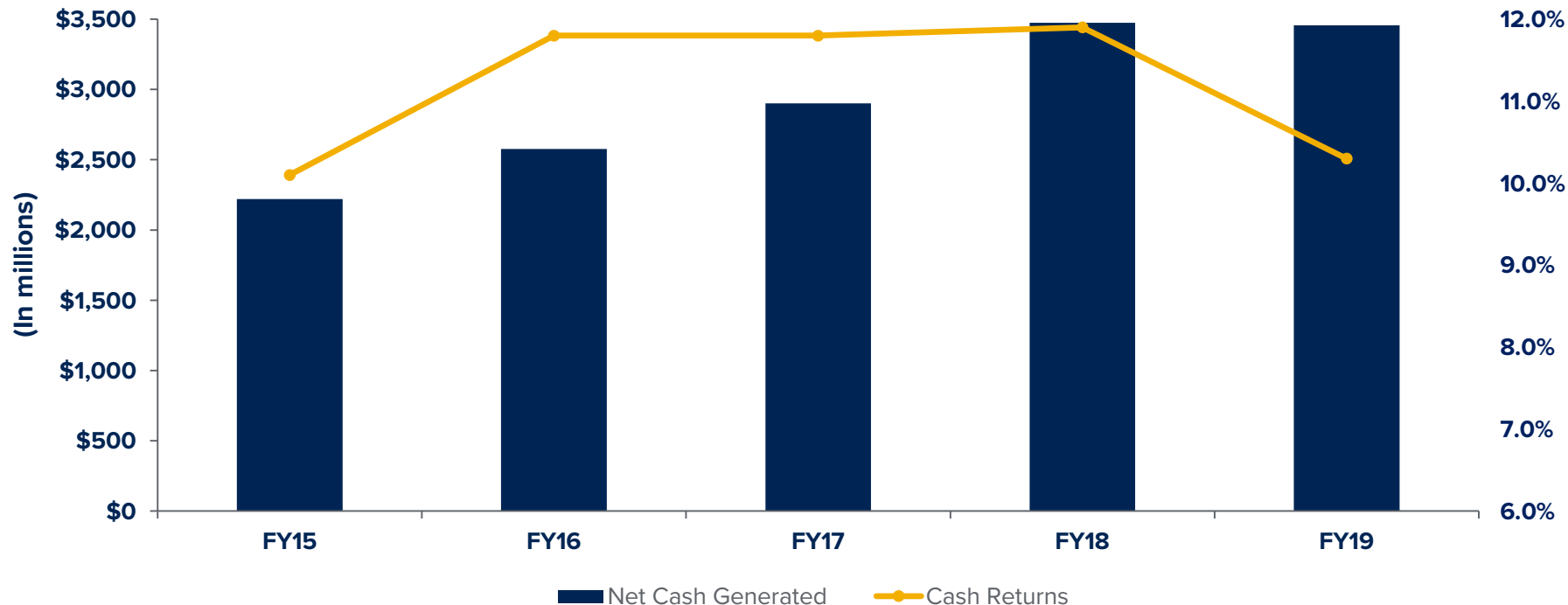


Source: Bloomberg.

TSR = Current Share Price / Beginning Share Price + Accumulated Dividends Per Share Re-Invested  
Reflects activity during the period 12/31/09 to 12/27/19.



# Delivering strong cash returns while investing in our business



Net cash generated and cash returns are non-GAAP measures. See the appendix for calculations and reconciliations to GAAP. FY15 measures were based on a 53-week year while FY16, FY17, FY18 & FY19 were based on 52-week years

# Capital allocation strategy



Reduce /  
maintain  
debt levels



Invest in  
our growth



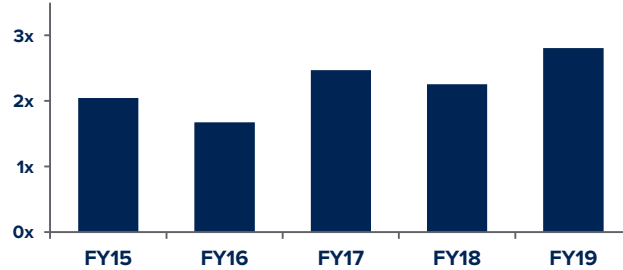
Fund our  
dividend  
commitments



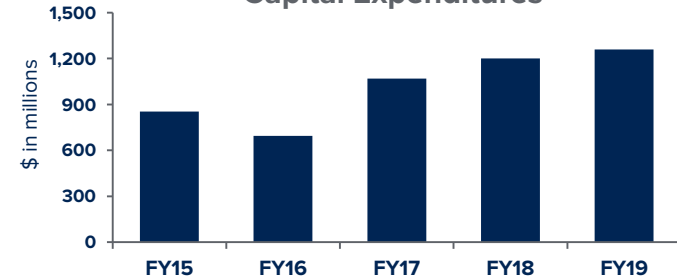
Repurchase  
our shares

# How we use our cash

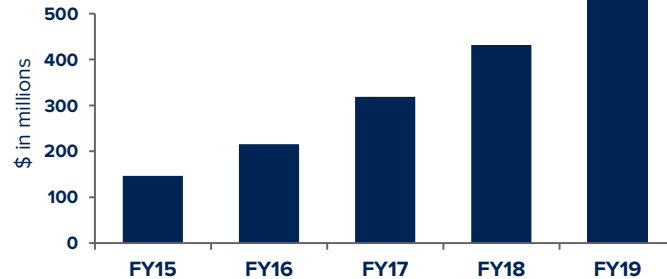
## Net Debt to Adjusted EBITDA



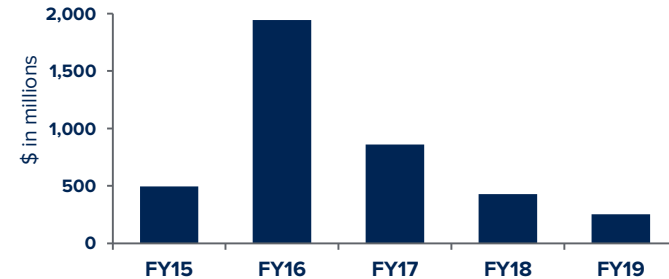
## Capital Expenditures



## Dividends



## Share Repurchases





# We continue to look for strategic acquisitions



**New  
Brands**



**New  
Capabilities**

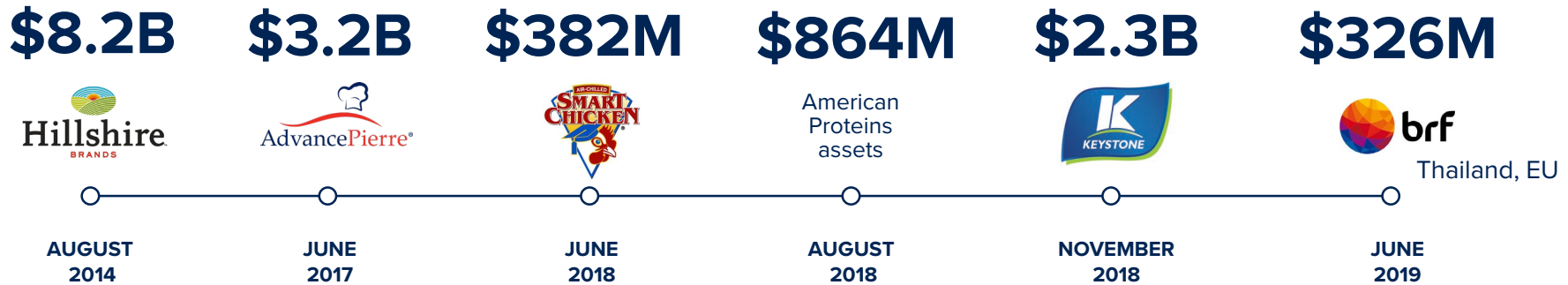


**Scale &  
Synergy**



**New Geographies  
+ New Markets**

# We've consistently demonstrated M&A success





# Financial goals



Investment grade  
credit ratings



Reduce leverage  
to 2.0x



Maintain a strong  
balance sheet  
for optionality



Maintain a  
disciplined  
approach toward  
strategic M&A



Create  
long-term  
shareholder  
value



# Financial goals

Achieve over time:

**High Single Digit**  
Adjusted EPS Growth

**>3%**

Value Added Sales  
Volume Growth



# Investment thesis

With our **scale**, diversified **portfolio**, international **footprint** and track record of **growth**, Tyson Foods is uniquely positioned for continued **long-term** growth in an environment of **growing global demand** for protein coupled with **limited global supplies** of beef, pork and chicken.

Grow. Deliver. Sustain.

# Appendix

# Operating Income & EPS Reconciliations

(\$ in millions, except per share data)  
(unaudited)

	Fiscal Year Ended									
	September 28, 2019		September 29, 2018		September 30, 2017		October 1, 2016		October 3, 2015	
	Operating Income	EPS	Operating Income	EPS	Operating Income	EPS	Operating Income	EPS	Operating Income	EPS
Reported	\$ 2,827	\$ 5.52	\$ 3,032	\$ 8.19	\$ 2,921	\$ 4.79	\$ 2,805	\$ 4.53	\$ 2,180	\$ 2.95
Add: Keystone purchase accounting and acquisition related costs	37	0.08	-	-	-	-	-	-	-	-
Add: Beef production facility fire costs	31	0.06	-	-	-	-	-	-	-	-
Add: Pension plan termination charge	-	0.03	-	-	-	-	-	-	-	-
Less: Gain on sale of investment	-	(0.11)	-	-	-	-	-	-	-	-
Add: One-time cash bonus to frontline employees	-	-	109	0.22	-	-	-	-	-	-
Add: Restructuring and related charges	41	0.08	59	0.12	150	0.26	-	-	-	-
Add: Impairments net of realized gains associated with the divestitures of businesses	41	0.09	68	0.34	45	(0.01)	-	-	-	-
Add: San Diego Prepared Foods operation impairment	-	-	-	-	52	0.09	-	-	-	-
Add: AdvancePierre purchase accounting and acquisition related costs	-	-	-	-	85	0.18	-	-	-	-
Less: Tax benefit from remeasurement of net deferred tax liabilities at lower enacted tax rates	-	-	-	(2.71)	-	-	-	-	-	-
Less: Recognition of previously unrecognized tax benefit and audit settlement	-	(0.29)	-	-	-	-	-	(0.14)	-	(0.06)
Less: Insurance proceeds (net of costs) related to a legacy Hillshire Brands plant fire	-	-	-	-	-	-	-	-	(8)	(0.02)
Less: Gain on sale of equity securities	-	-	-	-	-	-	-	-	-	(0.03)
Less: Gain on sale of the Mexico operation	-	-	-	-	-	-	-	-	(161)	(0.24)
Less: Impact of additional week	-	-	-	-	-	-	-	-	(44)	(0.06)
Add: China Impairment	-	-	-	-	-	-	-	-	169	0.41
Add: Merger and integration costs	-	-	-	-	-	-	-	-	57	0.09
Add: Prepared Foods network optimization charges	-	-	-	-	-	-	-	-	59	0.09
Add: Denison plant closure	-	-	-	-	-	-	-	-	12	0.02
Adjusted	\$ 2,977	\$ 5.46	\$ 3,268	\$ 6.16	\$ 3,253	\$ 5.31	\$ 2,805	\$ 4.39	\$ 2,264	\$ 3.15

Adjusted net income per share attributable to Tyson (Adjusted EPS) and adjusted operating income (Adjusted operated income) are presented as supplementary measures of our financial performance that are not required by, or presented in accordance with, GAAP. We use Adjusted EPS and Adjusted operating income as internal performance measurements and as two criteria for evaluating our performance relative to that of our peers. We believe Adjusted EPS and Adjusted operating income are meaningful to our investors to enhance their understanding of our financial performance and are frequently used by securities analysts, investors and other interested parties to compare our performance with the performance of other companies that report Adjusted EPS and Adjusted operating income. Further, we believe that Adjusted EPS and Adjusted operating income are useful measures because they improve comparability of results of operations from period to period. Adjusted EPS and Adjusted operating income should not be considered substitutes for net income per share attributable to Tyson, operating income 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 and Adjusted operating income may not be comparable to similarly titled measures reported by other companies.



# Operating Income (Loss) & EPS Reconciliations – continued

(\$ in millions, except per share data)  
(unaudited)

	Fiscal Year Ended											
	September 27, 2014		September 28, 2013		September 29, 2012		October 1, 2011		October 2, 2010		October 3, 2009	
	Operating Income	EPS	Operating Income	EPS	Operating Income	EPS	Operating Income	EPS	Operating Income	EPS	Operating Income (Loss)	EPS
Reported from Continuing Operations	\$ 1,430	\$ 2.37	\$ 1,375	\$ 2.31	\$ 1,286	\$ 1.68	\$ 1,289	\$ 1.98	\$ 1,574	\$ 2.09	\$ (215)	\$ (1.47)
Less: Recognition of previously unrecognized tax benefit	-	(0.15)	-	-	-	-	-	-	-	-	-	-
Add: Brazil impairment/Mexico undistributed earnings tax	42	0.16	-	-	-	-	-	-	-	-	-	-
Add: Hillshire Brands acquisition, integration and costs associated with our Prepared Foods improvement plan	137	0.37	-	-	-	-	-	-	-	-	-	-
Add: Hillshire Brands post-closing results, purchase price accounting and costs related to a legacy Hillshire Brands plant fire	40	0.07	-	-	-	-	-	-	-	-	-	-
Add: Hillshire Brands acquisition financing incremental interest costs and share dilution	-	0.12	-	-	-	-	-	-	-	-	-	-
Less: Currency translation adjustment gain	-	-	-	(0.05)	-	-	-	-	-	-	-	-
Add: Loss related to early extinguishment of debt	-	-	-	-	-	0.29	-	-	-	-	-	-
Less: Gain on sale of interests in an equity method investment	-	-	-	-	-	-	-	(0.03)	-	-	-	-
Less: Reversal of reserves for foreign uncertain tax positions	-	-	-	-	-	-	-	(0.05)	-	-	-	-
Less: Gain from insurance proceeds	-	-	-	-	-	-	-	-	(38)	(0.06)	-	-
Add: Impairment of goodwill	-	-	-	-	-	-	-	-	29	0.07	560	1.50
Add: Impairment of equity method investment	-	-	-	-	-	-	-	-	-	0.03	-	-
Add: Losses related to note repurchases	-	-	-	-	-	-	-	-	-	0.09	-	-
Add: Charges related to plant closings	-	-	-	-	-	-	-	-	-	-	15	0.02
Adjusted from Continuing Operations	\$ 1,649	\$ 2.94	\$ 1,375	\$ 2.26	\$ 1,286	\$ 1.97	\$ 1,289	\$ 1.90	\$ 1,565	\$ 2.22	\$ 360	\$ 0.05

Adjusted net income (loss) from continuing operations per share attributable to Tyson (Adjusted EPS) and adjusted operating income (loss) from continuing operations (Adjusted operating income) are presented as supplementary measures of our financial performance that are not required by, or presented in accordance with, GAAP. We use Adjusted EPS and Adjusted operating income as internal performance measurements and as two criteria for evaluating our performance relative to that of our peers. We believe Adjusted EPS and Adjusted operating income are meaningful to our investors to enhance their understanding of our financial performance and are frequently used by securities analysts, investors and other interested parties to compare our performance with the performance of other companies that report Adjusted EPS and Adjusted operating income. Further, we believe that Adjusted EPS and Adjusted operating income are useful measures because they improve comparability of results of operations from period to period. Adjusted EPS and Adjusted operating income should not be considered substitutes for net income (loss) from continuing operations per share attributable to Tyson, operating income (loss) from continuing operations 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 and Adjusted operating income may not be comparable to similarly titled measures reported by other companies.

# Net Cash Generated and Cash Returns Reconciliations

(\$ in millions)

	Fiscal Year Ended				
	September 28, 2019	September 29, 2018	September 30, 2017	October 1, 2016	October 3, 2015 (a)
Net Income	\$ 2,035	\$ 3,027	\$ 1,778	\$ 1,772	\$ 1,224
Less: Interest income	(11)	(7)	(7)	(6)	(9)
Add: Interest expense	462	350	279	249	293
Add: Income tax expense (benefit)	396	(282)	850	826	697
Add: Depreciation	819	723	642	617	609
Add: Amortization (b)	267	210	106	80	92
Add: Total Adjustments to EBITDA (c)	110	236	350	-	107
Less: Adjusted Income Tax Expense derived from Adjusted EBITDA (d)	(618)	(783)	(1,098)	(961)	(792)
Adjusted Net Income Excluding Net Interest, Depreciation and Amortization ("Net Cash Generated")	\$ 3,460	\$ 3,474	\$ 2,900	\$ 2,577	\$ 2,221
Gross Operating Assets (e)	\$ 33,511	\$ 29,190	\$ 24,661	\$ 21,759	\$ 22,006
Adjusted Net Income Excluding Net Interest, Depreciation and Amortization Return on Gross Operating Assets ("Cash Return")	10.3%	11.9%	11.8%	11.8%	10.1%

(a) Fiscal 2015 was based on a 53-week year while fiscal 2019, 2018, 2017 and 2016 were based on a 52-week year.

(b) Excludes the amortization of debt issuance and debt discount expense of \$12 million, \$10 million, \$13 million, \$8 million and \$10 million in fiscal 2019, 2018, 2017, 2016 and 2015, respectively, as it is included in interest expense.

(c) Adjusted EBITDA is a non-GAAP measure. Refer to the Adjusted EBITDA Reconciliation within the appendix.

Continued on next page

# Net Cash Generated and Cash Returns Reconciliations – continued

(\$ in millions)

(d) Adjusted Income Tax Expense derived from Adjusted EBITDA is calculated as follows:

	Fiscal Year Ended				
	2019	2018	2017	2016	2015 (a)
Reported Income Tax Expense (Benefit)	\$ 396	\$ (282)	\$ 850	\$ 826	\$ 697
Adjustments to Income Tax Expense (Benefit):					
Add: Keystone purchase accounting and acquisition related costs	8	-	-	-	-
Less: Gain on sale of investment	(14)	-	-	-	-
Add: Recognition of previously unrecognized tax benefit	105	-	-	53	26
Add: Pension plan termination charge	4	-	-	-	-
Add/(Less): Impairments net of (realized gains) associated with the divestiture of businesses	8	(62)	48	-	-
Add: Beef production facility fire costs	8	-	-	-	-
Add: Restructuring and related charges	10	15	55	-	-
Add: Tax Benefit from Remeasurement of net deferred tax liabilities at lower enacted tax rates	-	1,003	-	-	-
Add: One-time cash bonus to frontline employees	-	28	-	-	-
Add: AdvancePierre purchase accounting and acquisition related costs	-	-	35	-	-
Add: San Diego Prepared Foods operation impairment	-	-	18	-	-
Add: Hillshire Brands merger and integration costs	-	-	-	-	19
Add: Prepared Foods network optimization impairment charges	-	-	-	-	21
Add: Denison plant closure	-	-	-	-	5
Less: Insurance proceeds, net of costs related to a legacy Hillshire Brands plant fire	-	-	-	-	(3)
Less: Gain on sale of the Mexico operation	-	-	-	-	(63)
Less: Gain on sale of equity securities	-	-	-	-	(7)
Total Adjustments to Income Tax Expense	\$ 129	\$ 984	\$ 156	\$ 53	\$ (2)
Adjusted Income Tax Expense	\$ 525	\$ 702	\$ 1,006	\$ 879	\$ 695
Add income tax expense derived from Net Interest Expense (from below)	\$ 93	\$ 81	\$ 92	\$ 82	\$ 97
Adjusted Income Tax Expense derived from Adjusted EBITDA	\$ 618	\$ 783	\$ 1,098	\$ 961	\$ 792

# Net Cash Generated and Cash Returns Reconciliations – continued

(\$ in millions)

	Fiscal Year Ended				
	2019	2018	2017	2016	2015 (a)
Adjusted Effective Tax Rate is calculated by dividing Adjusted Income Tax Expense by Adjusted Income Before Income Taxes as follows:					
Net Income	\$ 2,035	\$ 3,027	\$ 1,778	\$ 1,772	\$ 1,224
Add: Income Tax Expense (Benefit)	396	(282)	850	826	697
Add: Total Adjustments to EBITDA (c)	110	236	350	-	107
Adjusted Income Before Income Taxes	\$ 2,541	\$ 2,981	\$ 2,978	\$ 2,598	\$ 2,028
Adjusted Income Tax Expense (from above)	\$ 525	\$ 702	\$ 1,006	\$ 879	\$ 695
Adjusted Effective Tax Rate	20.7%	23.5%	33.8%	33.8%	34.3%
Income tax expense derived from Net Interest Expense is calculated by multiplying Net Interest Expense by the Adjusted Effective Tax Rate as follows:					
Interest Expense	\$ 462	\$ 350	\$ 279	\$ 249	\$ 293
Interest Income	(11)	(7)	(7)	(6)	(9)
Total Net Interest Expense	\$ 451	\$ 343	\$ 272	\$ 243	\$ 284
Adjusted Effective Tax Rate (from above)	20.7%	23.5%	33.8%	33.8%	34.3%
Income tax expense derived from Net Interest Expense	\$ 93	\$ 81	\$ 92	\$ 82	\$ 97



# Net Cash Generated and Cash Returns Reconciliations – continued

(\$ in millions)

(e) Gross Operating Assets is calculated as follows:

	Fiscal Year Ended September 28, 2019			
	Three Months Ended			
	December 29, 2018	March 30, 2019	June 29, 2019	September 28, 2019
Total Assets	\$ 32,335	\$ 32,498	\$ 33,665	\$ 33,097
Less: Cash	(400)	(360)	(406)	(484)
Add: Accumulated Depreciation	7,007	7,174	7,345	7,368
Add: Accumulated Amortization	599	667	737	727
Less: Current Liabilities	(7,430)	(4,614)	(5,597)	(5,513)
Add: Current portion of Long-Term Debt	3,917	1,564	2,125	2,102
Less: Deferred Income Taxes	(2,330)	(2,278)	(2,338)	(2,356)
Less: Other Non-current Liabilities	(1,241)	(1,238)	(1,128)	(1,172)
Gross Operating Assets	\$ 32,457	\$ 33,413	\$ 34,403	\$ 33,769
Average Quarterly Gross Operating Assets for Fiscal Year				\$ 33,511

	Fiscal Year Ended September 29, 2018			
	Three Months Ended			
	December 30, 2017	March 31, 2018	June 30, 2018	September 29, 2018
Total Assets	\$ 28,046	\$ 28,091	\$ 28,638	\$ 29,109
Less: Cash	(293)	(198)	(170)	(270)
Add: Accumulated Depreciation	6,499	6,641	6,747	6,866
Add: Accumulated Amortization	386	436	481	536
Less: Current Liabilities	(3,978)	(3,838)	(4,112)	(5,031)
Add: Current portion of Long-Term Debt	811	1,128	1,308	1,911
Less: Deferred Income Taxes	(2,013)	(2,039)	(2,050)	(2,107)
Less: Other Non-current Liabilities	(1,206)	(1,186)	(1,187)	(1,198)
Gross Operating Assets	\$ 28,252	\$ 29,035	\$ 29,655	\$ 29,816
Average Quarterly Gross Operating Assets for Fiscal Year				\$ 29,190

Continued on next page

# Net Cash Generated and Cash Returns Reconciliations – continued

(\$ in millions)

	Fiscal Year Ended September 30, 2017			
	Three Months Ended			
	December 31, 2016	April 1, 2017	July 1, 2017	September 30, 2017
Total Assets	\$ 22,257	\$ 22,596	\$ 28,063	\$ 28,066
Less: Cash	(307)	(243)	(231)	(318)
Add: Accumulated Depreciation	6,114	6,217	6,275	6,374
Add: Accumulated Amortization	290	309	334	335
Less: Current Liabilities	(2,972)	(3,106)	(3,865)	(4,032)
Add: Current portion of Long-Term Debt	66	543	1,017	906
Less: Deferred Income Taxes	(2,538)	(2,516)	(2,989)	(2,979)
Less: Other Non-current Liabilities	(1,279)	(1,280)	(1,265)	(1,199)
Gross Operating Assets	\$ 21,631	\$ 22,520	\$ 27,339	\$ 27,153
Average Quarterly Gross Operating Assets for Fiscal Year				\$ 24,661

	Fiscal Year Ended October 1, 2016			
	Three Months Ended			
	January 2, 2016	April 2, 2016	July 2, 2016	October 1, 2016
Total Assets	\$ 23,290	\$ 22,511	\$ 22,410	\$ 22,373
Less: Cash	(1,187)	(254)	(197)	(349)
Add: Accumulated Depreciation	5,757	5,826	5,954	5,997
Add: Accumulated Amortization	211	231	252	271
Less: Current Liabilities	(3,668)	(2,610)	(2,713)	(2,762)
Add: Current portion of Long-Term Debt	717	79	79	79
Less: Deferred Income Taxes	(2,514)	(2,516)	(2,486)	(2,545)
Less: Other Non-current Liabilities	(1,343)	(1,308)	(1,306)	(1,242)
Gross Operating Assets	\$ 21,263	\$ 21,959	\$ 21,993	\$ 21,822
Average Quarterly Gross Operating Assets for Fiscal Year				\$ 21,759

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# Net Cash Generated and Cash Returns Reconciliations – continued

(\$ in millions)

	Fiscal Year Ended October 3, 2015			
	Three Months Ended			
	December 27, 2014	March 28, 2015	June 27, 2015	October 3, 2015
Total Assets	\$ 23,758	\$ 23,526	\$ 23,443	\$ 22,969
Less: Cash	(381)	(223)	(471)	(688)
Add: Accumulated Depreciation	5,364	5,475	5,559	5,640
Add: Accumulated Amortization	156	179	202	192
Less: Current Liabilities	(3,954)	(4,051)	(4,028)	(3,535)
Add: Current portion of Long-Term Debt	596	1,236	1,205	715
Less: Deferred Income Taxes	(2,473)	(2,452)	(2,447)	(2,449)
Less: Other Non-current Liabilities	(1,263)	(1,215)	(1,256)	(1,304)
Gross Operating Assets	\$ 21,803	\$ 22,475	\$ 22,207	\$ 21,540
Average Quarterly Gross Operating Assets for Fiscal Year				\$ 22,006

Adjusted Net Income Excluding Net Interest, Depreciation and Amortization ("Net Cash Generated") and Adjusted Net Income Excluding Net Interest, Depreciation and Amortization Return on Gross Operating Assets ("Cash Return") are presented as supplementary measures of our financial performance that are not required by, or presented in accordance with, GAAP. Net Cash Generated is defined as Net Income, as adjusted, less Net Interest, Depreciation and Amortization. Cash Return represents the ratio of our Net Cash Generated to Gross Operating Assets. Gross Operating Assets is defined as Total Assets less Cash, Current Liabilities, Deferred Income Taxes and Other Non-Current Liabilities, plus Accumulated Depreciation, Accumulated Amortization and Current Portion of Long-Term Debt. We use Net Cash Generated and Cash Return to measure financial performance of economic profit and to make capital allocation decisions.

We believe the presentation of Net Cash Generated and Cash Return aids management in decision making utilizing performance measures that are not solely based on or driven by depreciation and amortization. Additionally, Net Cash Generated and Cash Return helps management and investors to assess our ability to generate after-tax earnings before Net Interest, Depreciation and Amortization relative to our Gross Operating Assets. The measurements of Net Cash Generated and Cash Return for the fiscal years presented may not be comparable to those of other companies, which limits their usefulness as comparative measures. Net Cash Generated and Cash Return for the fiscal years presented are not measures required by or calculated in accordance with GAAP and should not be considered as substitutes for net income or any other measure of financial performance reported in accordance with GAAP or as a measure of operating cash flow or liquidity. Investors should rely primarily on our GAAP results and use non-GAAP financial measures only supplementally in making investment decisions.

# Adjusted EBITDA Reconciliations

(\$ in millions)  
(unaudited)

	Fiscal Year Ended				
	2019	2018	2017	2016	2015 (b)
Net income	\$ 2,035	\$ 3,027	\$ 1,778	\$ 1,772	\$ 1,224
Less: Interest income	(11)	(7)	(7)	(6)	(9)
Add: Interest expense	462	350	279	249	293
Add: Income tax expense (benefit)	396	(282)	850	826	697
Add: Depreciation	819	723	642	617	609
Add: Amortization (a)	267	210	106	80	92
EBITDA	<u>\$ 3,968</u>	<u>\$ 4,021</u>	<u>\$ 3,648</u>	<u>\$ 3,538</u>	<u>\$ 2,906</u>
Adjustments to EBITDA:					
Add: Keystone purchase accounting and acquisition related costs (c)	\$ 37	\$ -	\$ -	\$ -	\$ -
Add: Beef production facility fire costs	31	-	-	-	-
Add: Pension plan termination charge	15	-	-	-	-
Less: Gain on sale of investment	(55)	-	-	-	-
Add: One-time cash bonus to frontline employees	-	109	-	-	-
Add: AdvancePierre purchase accounting and acquisition related costs (d)	-	-	103	-	-
Add: Impairments net of realized gains associated with the divestiture of businesses (e)	41	68	45	-	-
Add: Restructuring and related charges	41	59	150	-	-
Add: San Diego Prepared Foods operation impairment	-	-	52	-	-
Add: China Impairment	-	-	-	-	169
Add: Hillshire Brands merger and integration costs	-	-	-	-	57
Add: Prepared Foods network optimization impairment charges	-	-	-	-	59
Add: Denison plant closure	-	-	-	-	12
Less: Insurance proceeds, net of costs related to a legacy Hillshire Brands plant fire	-	-	-	-	(8)
Less: Gain on sale of the Mexico operation	-	-	-	-	(161)
Less: Gain on sale of equity securities	-	-	-	-	(21)
Total Adjustments to EBITDA	<u>\$ 110</u>	<u>\$ 236</u>	<u>\$ 350</u>	<u>\$ -</u>	<u>\$ 107</u>
Adjusted EBITDA	<u>\$ 4,078</u>	<u>\$ 4,257</u>	<u>\$ 3,998</u>	<u>\$ 3,538</u>	<u>\$ 3,013</u>
Total gross debt	\$ 11,932	\$ 9,873	\$ 10,203	\$ 6,279	\$ 6,690
Less: Cash and cash equivalents	(484)	(270)	(318)	(349)	(688)
Less: Short-term investments	(1)	(1)	(3)	(4)	(2)
Total net debt	<u>\$ 11,447</u>	<u>\$ 9,602</u>	<u>\$ 9,882</u>	<u>\$ 5,926</u>	<u>\$ 6,000</u>
Ratio Calculations:					
Gross debt/EBITDA	3.0x	2.5x	2.8x	1.8x	2.3x
Net debt/EBITDA	2.9x	2.4x	2.7x	1.7x	2.1x
Gross debt/Adjusted EBITDA	2.9x	2.3x	2.6x	1.8x	2.2x
Net debt/Adjusted EBITDA	2.8x	2.3x	2.5x	1.7x	2.0x

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# Adjusted EBITDA Reconciliations – continued

(a) Excludes the amortization of debt issuance and debt discount expense of \$12 million, \$10 million, \$13 million, \$8 million and \$10 million fiscal 2019, 2018, 2017, 2016 and 2015, respectively, as it is included in interest expense.

(b) Fiscal 2015 was based on a 53-week year while fiscal 2019, 2018, 2017 and 2016 were based on a 52-week year.

(c) Keystone acquisition and integration costs for the fiscal year 2019 included \$11 million of purchase accounting adjustments and \$26 million acquisition related costs.

(d) AdvancePierre acquisition and integration costs included \$36 million of purchase accounting adjustments, \$49 million acquisition related costs and \$18 million of acquisition bridge financing fees.

(e) Fiscal year ended September 28, 2019, included a \$41 million impairment associated with the planned divestiture of a business. Fiscal year ended September 29, 2018, included \$101 million of impairments, net of \$33 million realized gains, related to the divestiture of non-protein businesses. Fiscal year ended September 30, 2017, included an impairment related to the expected sale of a non-protein business of \$45 million.

EBITDA is defined as net income before interest, income taxes, depreciation and amortization. Net debt to EBITDA (Adjusted EBITDA) represents the ratio of our debt, net of cash and short-term investments, to EBITDA (and to Adjusted EBITDA). EBITDA, Adjusted EBITDA, net debt to EBITDA and net debt to Adjusted EBITDA are presented as supplemental financial measurements in the evaluation of our business. Adjusted EBITDA is a tool intended to assist our management and investors in comparing our performance on a consistent basis for purposes of business decision-making by removing the impact of certain items that management believes do not directly reflect our core operations on an ongoing basis.

We believe the presentation of these financial measures helps management and investors to assess our operating performance from period to period, including our ability to generate earnings sufficient to service our debt, enhances understanding of our financial performance and highlights operational trends. These measures are widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the measurements of EBITDA (and Adjusted EBITDA) and net debt to EBITDA (and to Adjusted EBITDA) for the fiscal years presented may not be comparable to those of other companies, which limits their usefulness as comparative measures. EBITDA (and Adjusted EBITDA) and net debt to EBITDA (and to Adjusted EBITDA) for the fiscal years presented are not measures required by or calculated in accordance with generally accepted accounting principles (GAAP) and should not be considered as substitutes for net income or any other measure of financial performance reported in accordance with GAAP or as a measure of operating cash flow or liquidity. EBITDA (and Adjusted EBITDA) is a useful tool for assessing, but is not a reliable indicator of, our ability to generate cash to service our debt obligations because certain of the items added to net income to determine EBITDA (and Adjusted EBITDA) involve outlays of cash. As a result, actual cash available to service our debt obligations will be different from EBITDA (and Adjusted EBITDA). Investors should rely primarily on our GAAP results and use non-GAAP financial measures only supplementally in making investment decisions.