Casey Flynn

Strategic Analysis

Company: Tyson Foods

Note to reader: APA 6 formatting not originally required by professor

The Food Processing Industry

The food processing industry has been known for consistent returns namely because food is a basic human resource. The industry on average is of low volatility and returns are often in the high single-digits for any stockholders or dividends collectors. Investing in a food processing company or the industry on average ensures portfolio stability in times of economic trouble and prosperity. Such companies are direct benefactors of population growth since everyone needs to eat and demographics that include more expensive diets serve respective producers well. Downturns are less beneficial to larger labels, but still serve private labels well as financial shortcomings leave consumers looking for cheaper alternatives and seasonal weather changes and weather forecasting/modeling are accounted for, but still have financial impact. Economies of scale serves best by definition for larger entities, but even more so for this industry as large portfolios can serve a variety of customers.

Tyson Foods' Humble Beginnings

Food processing award winner and market leader, Tyson Foods (TSN) is a titan when it comes to processed products with over $38.2B in sales in 2017 alone. Tyson Foods' products are segmented into chicken, beef, pork, and other prepared foods. Founded during the Great Depression in Springdale, Arkansas, the company was originally known for being a chicken supplier to the Midwest region of the States. Owner and operator, John Tyson was keen to notice a growing demand in unrationed food and sought out continuing his business of raising and selling chickens. Expanding on opportunity, John added to his products and services by offering the sale of baby chicks and feed in the 1940's. As business boomed John's son, Don, eventually came on board and helped his father with vertical integration by setting up the company’s own processing plant. Soon after opening the plant the company went public and acquisitions followed suit. During the 1960’s tragedy struck the Tyson family, and with the unsuspecting loss of his parents Don became chairman and CEO. The company continued to grow and even experienced prosperity during tough economic times in the 1980’s. Within the same decade the company further expanded by purchasing a major flour and tortilla processing plant in Arkansas. By the start of the 1990 Tyson Foods was well underway into international expansion and became “…the world’s largest fully-integrated producer, processor, and marketer of poultry-based food products” (TYSON HISTORY WEBSITE). The end of the 20th century was filled with multiple establishments in foreign markets including Central and South America, Asia, the Caribbean, Moscow, the Pacific Rim, Hong Kong, Japan, Singapore, and Canada. The start of the 21st century, now lead by the 3rd generation of Tyson, continued expansion and vertical integration through purchase of IBP, Inc. This acquisition makes Tyson Foods not only a market and processor of chicken, beef, and pork, but also the world’s largest. In 2009, Donnie Smith became the now CEO of Tyson Foods. His current successes include continuation of Share our Strength, a large philanthropic movement donating over 75 million pounds of products to the less fortunate, furthering sustainability efforts, and a massive merger with Hillshire Brands. Ultimately, Tyson Foods now averages over $40 billion in sales annually and owns numerous well recognized brands.

Company Vision, Mission, Core Values, and Strategy

Tyson Foods’ vision is to be a world leader in protein solutions and maximize shareholder value. They understand corporate citizenship and are thus dedicated to maximizing company sustainability through economic, environmental, and social means. Ultimately, they want to develop good products, and treat animals, land, the environment, and people well. Their listed core values include being a company that operates with integrity, is fait-friendly and inclusive, is a steward of their resources, and provides a safe environment to work at. TSN's core objective is to deliver sustainable protein for the world.

Strategically, Tyson Foods claims to be diversified in their products and distribution channels. TSN's strategic intent has evolved throughout the years, but is largely centered around company growth, financial improvement, and sustainability. Ten years ago, the company publicly described their strategy in a mix of semi-ambiguous statements. First, they declared to create innovate food solutions through joint-value creation to win in retail and food service channels. Second, they vowed to optimize commodity businesses and margins by following the best cost provider strategy. Third, TSN wanted to expand their multinational enterprise with specific mention of Mexico, South America, and Asia. Lastly, they wanted to be a technological leader for raw material and by-product conversions to reusable resources. Since then, their public strategy has been simplified to three words: grow, deliver, and sustain. TSN wants to grow through differentiation, deliver financially, and sustain the company and future world.

Value Chain

The value chain for the food processing industry typically follows the below schema:

Inputs → Production → Processing & Distribution → Marketing

Inputs might break down to feed, animal services, genetic modification/breeding. Production could consist of animal operations, production systems such as stockers and backgrounding, and feedlots. Processing and distribution then packs and processing the produce and further reprocesses the food. Then it is shipped to wholesalers. Lastly, marketing involves interactions with supermarkets, restaurants, and food service suppliers that sell the product.

Tyson Foods is made up of four segments which includes, chicken, beef, pork, and other processed foods. The only livestock of the three that is wholly integrated is chicken.

Figure 1: Tyson Foods Value Chain

Step	Chicken	Beef	Pork
1	Breeder flock	Cow/calf operation	Sow/farrowing barns
2	Pullet farm	Stocker operation	Nurseries
3	Breeder house	Feedlot operation	Finishing farms
4	Hatchery	Packer/Processor	Packer/processor
5	Broiler farm	N/A	N/A
6	Processing/further-processing	N/A	N/A
7	Distribution	N/A	N/A
Note	Vertically integrated More efficient Better quality	Not vertically integrated	Not vertically integrated

Industry Analysis

KSF

Key success factors include any factor that is necessary for a company to survive in their industry. Since this is particular to an industry, key success factors will vary from company to company, but be consistent across direct competitors. There are numerous factors for the food processing industry, but the four that stick out include having efficiency in production, maintain a positive procurement culture, ability to adapt to government regulations, and appropriate marketing and distribution strategies. Efficient production stems from having the right technology to do the job and in a constantly evolving technological world, this can be very difficult for any company to maintain. Positive procurement culture means simply producing quality foods that abide by FDA standards and are safe for not only the consumers, but also livestock. Any industry in the food sector that deals with importing and exporting raw materials, wholefoods, and processed products must be cautious of government regulations, which has most recently been realized with President Trump's tariff imposition. Lastly, ensuring marketing and distribution strategies are effective and efficient ensures safe delivery of foods.

PESTEL

PESTEL is one way to measure the external environment. It focuses on assessing the macro-economic effects on a particular industry. In the PESTEL analysis below, the focus is on the food processing industry. The analysis is broken down into different effects that could potentially play a role in the industry. Such effects include those from political, economical, social, technological, environmental, and legal influences. Since not all contribute equally, they are weighted differently by how much of an importance each effect has on individual factors. As an example, for political influences, tax policy, fiscal policy and tariffs may play a role in the industry. This was scored as having the highest importance in the current environment and such factors include tariffs, implementation of policies on import countries, and food additive policies. Each factor is given a score from low (5) to high (1) as well and then a weighted sum is performed on all factors and effects. In the analysis, the lowest possible score for this configuration was 36 and the highest was 180. The industry itself was calculated to be right around the average of 108 (coming in at 105). It is fairly well balanced across all six effects.

Figure 2: Food Processing Industry PESTEL Analysis

PESTEL	External Factors to Consider	Factors Important in Food Processing Industry	Factor Score (5-low, 1-high)	Overall Importance (5-low, 1-high)	Total Score
Political	**Tax policy, fiscal policy, tariffs, political climate**	• **Tariffs** • **Food processing policies on import countries** • **Food additive policies**	• **1** • **3** • **2**	**1**	**(1*1)+(3*1)+(2*1)=6**
Economical	**Interest rates, exchange rates, inflation rate, unemployment rate, rate of economic growth**	• **Unemployment decreasing** • **Economic growth increasing**	• **3** • **3**	**4**	**(3*4)+(3*4)=24**
Social	**Societal values, attitudes, cultural influences, lifestyles, impact demand for goods/services**	• **Shift to health-conscious food consumption** • **Increase demand for organic food** • **Growth of global health and wellness market**	• **1** • **1** • **1**	**2**	**(1*2)+(1*2)+(1*2)=6**
Technological	**Genetic engineering, nanotech, R&D**	• **Uncertainty of GMCs alleviated by mandatory labels/US DoAg preparing guidelines**	• **3**	**3**	**(3*3)=9**
Environmental	**Weather, climate change, water shortages**	• **Climate change has more effect on crops**	• **5**	**6**	**(5*6)=30**
Legal	**Consumer laws, labor laws, antitrust laws, minimum wage**	• **Minimum wage would cut into profits** • **Pension plans**	• **2** • **4**	**5**	**(2*5)+(4*5)=30**

Lowest possible score (Number of measures*(Highest factor score*Importance))= (3*(1*1))+(2*(1*4))+(3*(1*2))+(1*(1*3))+(1*(1*6))+(2*(1*5)) = 3 + 8 + 6 + 3 + 6 + 10 =
36
Highest possible score (Number of measures*(Lowest factor score*Importance))=
(3*(5*1))+(2*(5*4))+(3*(5*2))+(1*(5*3))+(1*(5*6))+(2*(5*5)) = 15 + 40 + 30 + 15 + 30 + 50 = **180**
Industry Score = 105
108 Average high and low possible scores

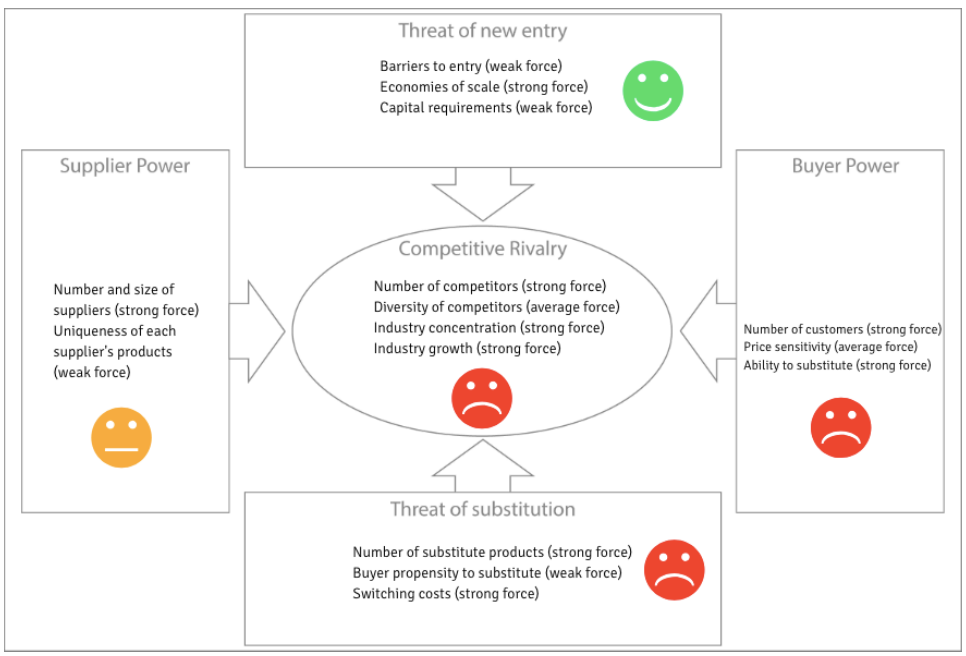
Tariffs play an important role in the industry now as President Trump has raised impositions for tariffs on international trade. This will likely cut into profits unless costs are cut.

The American Academy of Pediatrics (AAP) released a policy concerning food additives and child safety asking for more oversight on food additives so political stresses are high in the industry. Economically, unemployment is decreasing so this is good for the labor force and economic growth is increasing (5% GDP Q3 2018) so this is good for everyone, but ultimately it will not have a major negative or positive impact on the industry. With respect to social, societal values are changing and the world (with the United States in particular) is shifting to a more health conscious attitude. There is an increase in demand for organic foods, which in 2016, contributed to 5% of the nation's food sales totaling $47 billion. Overall, analysts predict the global health and wellness food market to grow at a CAGR of 6% so this is extremely important to the industry and could prove to hurt those not keeping up with a changing. As the world embraces technological change, advances and further recognition of genetic engineering is imminent. A study in Vermont that incorporated proper labeling of foods increased consumer confidence by 19% in the purchase of genetically modified crops (GMCs) compared to the rest of the States. This is of moderate importance. Environmental effects are only pertinent to those producing and selling crops so the effect overall is minimal. Legally, minimum wage would likely cut into profits like tariffs, but nationwide minimum wage seems unlikely at this current time.

Five Forces

The five forces framework is a way to identify the competitive pressures that a company within an industry will face. It is also a good way to determine how easy it would be to join the market as a new entrant. It is indicative of five forces from threat of new entrants, buyer power, threat of substitutive products/services, supplier power, and competitive rivalry. Each measure within each force is rate as relative force (i.e. weak force, average force, and strong force). For example, within “Threat of Competitive Rivalry,” industry concentration is strong because there are a small number of providers that make up most of the market. Further, industry growth is predicted to have a CAGR of 4.5% from 2015 to 2020. The global industry is also expected to be valued at $3.3 trillion by 2020, which also indicates a strong force. Thus, most forces are strong in this force (hence the red frowny face) so it would be tough for a competitor. After each force is considered, the sum of the individual forces within each force are combined to give an overall picture of the strength of the forces.

Figure 3: Five Forces Framework for the Food Processing Industry



The framework above tells us that for the food processing industry, threats of new entrants is weak, and suppliers have relatively average power, but buyer power, substitutive power, and competitive rivalry are all relative strong forces. Considering all of these forces together means getting into this industry is rather challenging, but not impossible.

Driving Forces

Driving forces across the industry century are much different then were five years ago. Recent trends in consumer consumption and demands demonstrate strong desires for quality foods that also fit into dietary trends and are associated with trendy words like "organic." Three key driving forces for the next decade are an increased demand for higher-value foods, dietary changes in consumers and the health-conscious, and increased demand for convenience food.

Company Specific Analysis

VRIN

VRIN (valuable, rare, inimitable, non-substitutable) score is a way to measure competitive advantage sustainability. It is broken down into four measurements and can be evaluated against tangible and intangible resources. Each measurement asks if it is true or not for each resource (i.e. is labor at TSN valuable? Yes). Going across the board for each measurement at each type of resource allows someone to conclude if that resource provides a competitive advantage. Summing all of the strengths of the competitive advantage tells whether or not the company has a competitive advantage.

Figure 4: TSN VRIN Score

Resource	Valuable?	Rare?	Inimitable?	Non-Substitutable?	Competitive Advantage Offered
Labor	Yes	No	Yes	No	Partial
Ingredients/Quality	Yes	No	Yes	No	Partial
Supplier/Distribution Relations	Yes	Yes	No	Yes	Temporary Sustainability
Innovation	Yes	No	No	No	Very Uncompetitive

From the VRIN analysis, it is easy to conclude that Tyson Foods does not have a great competitive advantage with respect to their resources. Labor is largely dependent on a blue-collar workforce. There are only two buildings dedicated to R&D which is much more technical and harder to copy. However, it is a large labor force of over 100,000 and that in itself would be difficult to amass so labor offers partial competitive advantage. Ingredients and quality also offer a slight competitive advantage because they do produce quality meats, but competitors can and have made substitutable products which are immediately available to the consumer. Supplier/distribution relations is temporarily sustainable. Their relations are valuable and harder to substitute as well as rare because they are able to work with quality suppliers for some of their meats (non-poultry, which is vertically integrated). They also work with Walmart, which contributes significantly to their market share, but also makes this advantage only temporarily sustainable because their contract is limited. Lastly, their innovation front appears lacking as their products are just different types of meat. However, they are incorporating Blockchain technology, which advances their accounting and finance departments as well as auditing and improves the supply chain. This is ultimately very valuable, but a lot of companies are starting to adopt this ledger-based technology to manage transactions. Overall, as previously stated, Tyson Foods does not have enough competitive advantage to stay afloat of the competition. They will need to seek alternative operations to improve their advantage.

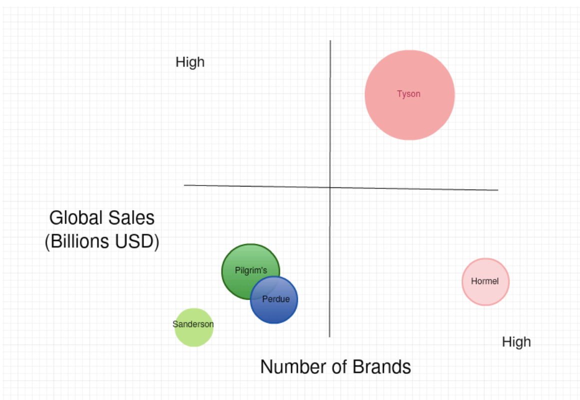
Competitors and Strategic Group Map

Tyson Foods serves several segments in the food processing industry including, beef, pork, chicken, and other prepared foods. Food Processing ranked Tyson Foods 2nd overall in 2017, only falling short to PepsiCo of all food and beverage companies in North America. In 2016, the company was ranked #1 overall. Nasdaq places the company in the Consumer Non-Durables industry and places their publicly listed competitors as those producing and/or selling meat, poultry, and fish. From largest to smallest (according to market capitalization) the companies are Hormel Foods Corporation, Jeffries Financial Group, Pilgrim's Pride Corporation, Sanderson Farms, Inc., and BRF S.A. with Tyson Foods having the second largest market capitalization of the bunch. Nasdaq also listed Tyson Foods as having a lower P/E than most of its competitors which suggests investors think it was have slower growth, and more so that it is in its maturity. Although Nasdaq lists the previously mentioned companies as competitors, direct (non-holdings) competitors would actually include Hormel Foods Corporation, Pilgrim's Pride Corporation, Sanderson Farms, Inc., and Perdue Farms.

The strategic group map below is a way to visually describe the relationships between competitors. Most any values can be used to discuss how one company compares to another.

In the example below, number of brands falls on the x-axis and global sales (in billions USD) falls on the y-axis. A third dimension was added to show the relative size of the company by number of employees with each company scaled to the company with the largest number of employees (in this case TSN with 113,000 employees). Like any graphical representation, adjusting the scales as well as the axes will create a different visual representation of the companies.

Figure 5: Tyson Foods and Competitors Strategic Group Map



Company	Number of Brands	Revenue (in B. USD)	Number of Employees (in 1000's)
Tyson Foods	47	38.15	113
Hormel Foods Corp.	54	9.17	20
Pilgrim's Pride Corp.	7	10.77	37.5
Sanderson Farms, Inc.	1	3.34	15
Perdue Farms	10	6.5	20

SWOT

SWOT analysis is a great tool for highlighting company strengths and weaknesses. It is broken down into strengths, weaknesses, opportunities, and threats. Strengths simply refers to the best features of the company and suggest how it is turning a profit. Weaknesses disclose the opposite of strengths and suggest where it is coming up short. Opportunities tell the observer where the company should look and take advantage of for improvement. Lastly, threats are those that might lead to a company downfall (worst case scenario) or any shortcomings. Specifically, for Tyson Foods, their strengths lie in having large market shares, which helps with economies of scale. They also benefit from economies of scope because they are vertically integrated, and this allows them to share resources within the value chain. They also have distribution power and are segmented fairly well. Their weaknesses include international presence and exposure to political threats. This comes in the form of tariffs, which after an official press release caused their stock to drop 7%. The biggest opportunity is in the organic space. They recently acquired Tecumseh Poultry LLC, which leads in the organic chicken market. There is room to expand here with their other meats, though. Most threats may appear to be external, but internal threats also exist. The company is currently under majority control by one group of owners who also to be members of the Tyson family. This could be problematic if decision making is somewhat homogenous.

Financial Analysis

Horizontal and vertical analysis sheets are located in the Appendix.

Vertical Analysis

Sales have increased 4% in the last year but are still down 8% since 2015. Cost of sales has also increased, but is overall, down 11%. Gross profit has increased across the board by 30% from 2015-2017. Net income is hovering around $1.7 billion.

Total assets have increased in the past year by 25%, but nearly 1/3 of total assets is due to Goodwill (from acquisition). Current debt has skyrocketed over 1000% to $900 million since 2016 and long-term debt has doubled, which is concerning.

Cash provided by operating activities is around $2.5 billion and cash out for investment activities is almost twice as much, a 1400% increased from 2015.

Horizontal Analysis

TSN's current ratio has decreased by 12% since 2016 to 1.55, but this still is above the industry average suggesting they have more assets than liabilities. Since there is a lot of inventory, the quick ratio is also effective to look at which was about 0.75 in 2017, a slight decrease since 2016. This is healthy as well and outperforming the industry average. Total debt ratio has increased by 19% and the D/E has also increased by 36%. The industry is outperforming in terms of D/E. The low (0.47) debt ratio tells us that most assets are fully owned which is positive. Their interest coverage ratio is also good and suggests the operating income is over 12 times annual interest expenses. Inventory turnover, day sales in inventory, A/R turnover, and average collection period are all relative to the industry. For TSN, their ratios suggest inventory turns over every 11.11 days and the average number of days to sell their inventory is 32.85 days. Since 2016, inventory turnover has increased while day sales have decreased. A/R turnover has increased to 23.79 which says how many times they collected throughout the year. Average collection period is 15.35 and anything below 60 is decent. Profit margins have slightly decreased and in 2017 was 0.05 to the dollar. ROA and ROE did not see significant change since 2016, and suggest 0.07 and 0.18 to the dollar, respectively. EPS decreased slightly since 2016, but it depends on when the stock is measured (i.e. at open, close, etc.). P/E increase by 4% to 14.69, which is just below average (about 15-20). The M/B ratio decreased by 5% and today is down even more since their stock price has been on a downturn due to recent trends and the tariff announcement. Lastly, earnings yield was about 7% for 2016 and 2017.

General Observations

Overall, while beating industry averages, analysis suggests some troubling times for Tyson Foods. Asset management seems appropriate, but debt management shows an uptick in increased use of liabilities. Profitability is slightly down with emphasis on a decrease in their profit margins and market value is also down overall. These downturns are probably in direct relation to recent political changes and consumer preferences.

Management's Concerns

Outlined in the company's most recent 10K, management shared 30 different concerns ("Risk Factors") for the company as well as the industry. 20 of the 30 concerns were more controllable by management and outside of the realm of concerns that most businesses face.

1. Fluctuations in commodity pricing bad for bottom line.
2. Adverse pricing due to competition negatively affecting margins.
3. Outbreaks of livestock disease resulting in failure to control operations.
4. Integration of recent acquisition AdvancePierre, a packaged sandwich supplier good for convenience market, but bad for growing health conscious market.
5. Financial Fitness program might become a distraction and lead to too much overhead.
6. Subject to international activity-related risks which includes currency exchange fluctuations, trade sanctions enforced by US, and tariffs (a current dilemma for international trade).
7. 29% of labor is unionized so maintain good employee relations are mandatory.
8. Ability to hire the right employees.
9. Dependency on contract growers and independent producers to supply TSN with livestock such as chickens, turkeys, cattle, and hogs.
10. Quality control is an issue due to little control over handling procedures once products are shipped for distribution.
11. Ability to maintain perception of brands due to changing attitudes of healthy eating.
12. Failure to continually innovate and maintain brand image.
13. Failure to leverage brand value proposition to compete against private label products.
14. Level of indebtedness, which could hinder future financing, credit ratings, and interest payments, ultimately restricting dividend payments.

15. Susceptibility to data loss or data breach due to Increasing dependency on information technology.
16. Large position holdings in grain and livestock futures which are not hedged can adversely affect financials due to commodity pricing fluctuations.
17. Walmart is TSN's largest customer with 17.3% of sales in fiscal 2017. TSN's retail customers don't usually enter into written contracts The ones that do enter contracts are limited in capacity and duration. TSN's other channels have increased market share, which includes convenience stores, dollar stores, drug stores, club stores, and internet-based retailers. Many of TSN's customers such as supermarkets, warehouse clubs, and food distributors have consolidated. This has increased their buying power due to ability to operate with reduced inventories, opposing price increases, lower pricing demands, increased promotional programs and specifically tailored products. Tyson Foods' products also have to compete with retailer products/substitutes.
18. Livestock under duress from uncontrollable extreme weather would halt business.
19. One of their wholly owned subsidiaries, Hillshire Brands, still participates in a pension plan and due to a decrease in contributions to pensions across the board could require TSN to step up.
20. General partners own most of the stock (represented as Tyson Limited Partnership) and have most of the control of the company (eligible for "controlled company" exemptions: group owns more than 50%).

Suggestions

Considering the aforementioned meta-analysis, both qualitative and quantitative, the following are three directions the company could go to improve margins, shareholder value, and market share.

1. Fully integrate pork and beef (missing out on economies of scope).
2. Acquire Sprouts Farmers Market.
3. Acquisition of fresh produce food company → strategic alliance with Amazon.

Strategy 1: Fully integrate pork and beef products

Feasibility: Compared to the alternative strategies, integrating pork and/or beef products would require much more overhead because the success falls more on the company's shoulders that it would otherwise. However, it is still feasible because Tyson can rely on economies of scope and use resources from their existing value chain to create efficiencies when attempting to fully integrate another meat like chicken.

Risk/Reward: The risk is lower and equally the reward might ultimately be lower. While this would help cut costs, it would not add to their market share.

Impact on bottom line: This integration would eliminate middle men and the increase efficiency in the start of their value chain and alter the start of their supply chain. Cost of sales would conservatively decrease by 10% saving the company nearly $3B up front.

Strategy 2: Acquire Sprouts Farmers Market

Feasibility: Currently, Sprouts is an undervalued stock which lowers its market cap to a bargain sale approximating just over $3B. Sprouts is a direct competitor with Whole Foods, but offers products at a friendlier price, which matches TSN's best cost provider strategy. TSN does not have nearly enough cash on hand to just buy out the company, but it can dig a little deeper into its debts to seek future ROI.

Risk/Reward: The risk is higher than the other two strategies because it is a significant buy, but the payout will be worth it. Consumer purchasing habits are moving toward a health-conscious environment and TSN should be observant of this trend if they want to maintain market share. Diversification through this strategy also means less overhead from TSN because they can keep most of Sprout's management and executives in place. They are doing a fine job as it is. Further, Tyson can leverage their resources to expand and possibly rebrand Sprouts to match Tyson's and create more brand loyalty and trust.

Impact on bottom line: This strategy is thinking forward. Tyson might lose initially on profits and cut into margins to fulfill the acquisition, but stock- and shareholders will be happy with the forward thinking.

Strategy 3: Acquire fresh produce food company → do a strategic alliance with Amazon

Feasibility: This is a very feasible option granted Amazon is on the same page. Tyson very recently acquired Tecumseh Poultry LLC, a leading organic chicken brand. Since it is a sunk cost, then from a management perspective the next step is to establish a strong relationship with Amazon so they can utilize Whole Foods to sell their organic produce.

Risk/Reward: The risk is rather low, but the reward would be moderate. Whole Foods is a king in the organic foods industry and Tyson needs to think outside the box to adapt to the changing market.

Impact on bottom line: This would already reflected one the bottom line for Q3 2018. One can expect immediate gains by the end of the fiscal year of at least a few $100M.

Final Decision

Strategy 2

Strategy 2 is the most opportune and forward-thinking strategy and would likely lead to long-term revenue growth. Strategy 1 falls short if consumer preferences keep shifting and trending toward organic wholefoods like fruits and vegetables. Strategy 3 falls short as soon as Amazon says no. It also falls short assuming the chicken does not sell well and subsequently Amazon decides to pull out on the deal. Strategy 2 is least likely to head the company in the wrong direction or halt sales.

Appendix

Consolidated Statements of Income

Consolidated Statements of Income (in millions, except per share data)

	2017	2016	2015	16-15	17-16	17-15
Sales	$ 38,260	$ 36,881	$ 41,373	-11%	4%	-8%
Cost of Sales	33,177	32,184	37,456	-14%	3%	-11%
Gross Profit	5,083	4,697	3,917	20%	8%	30%
Selling, General and Administrative (SGA)	2,152	1,864	1,748	7%	15%	23%
Operating income	2,931	2,833	2,169	31%	3%	35%
Other (income) Expense						
Interest Income	(7)	(6)	(9)	-33%	17%	-22%
Interest expense	279	249	293	-15%	12%	-5%
Other, net	31	(8)	(36)	-78%	-488%	-186%
Total Other (Income) Expense	303	235	248	-5%	29%	22%
Income before Income Taxes (EBIT)	2,628	2,598	1,921	35%	1%	37%
Income Tax Expense	850	826	697	19%	3%	22%
Net Income	1,778	1,772	1,224	45%	0%	45%
Less: Net Income Attributable to Noncontrolling Interests	4	4	4	0%	0%	0%
Net Income Attributable to Tyson	$ 1,774	$ 1,768	$ 1,220	45%	0%	45%
Weighted Average Shares Outsdaning						
Class A Basic	296	315	335	-6%	-6%	-12%
Class B Basic	70	70	70	0%	0%	0%
Diluted	370	390	413	-6%	-5%	-10%
Net Income Per Share Attributable to Tyson						
Class A Basic	$ 4.94	$ 4.67	$ 3.06	53%	6%	61%
Class B Basic	$ 4.45	$ 4.24	$ 2.79	52%	5%	59%
Diluted	$ 4.79	$ 4.53	$ 2.95	54%	6%	62%
Dividends Declared Per Share						
Class A	$ 0.975	$ 0.650	$ 0.425	53%	50%	129%
Class B	$ 0.878	$ 0.585	$ 0.383	53%	50%	129%

Consolidated State of Comprehensive Income (in millions)

	2017	2016	2015	16-15	17-16	17-15
Net Income	$ 1,778	$ 1,772	$ 1,224	45%	0%	45%
Other Comprehensive Income (Loss), Net of Taxes						
Derivatives accounted for as cash flow hedges	--	(1)	2	-150%		
Investments	(1)	--	(1)			0%
Currency translation	6	4	36	-89%	50%	-83%
Postretirment benefits	56	42	20	110%	33%	180%
Total Other Comprehensive Income (Loss), Net of Taxes	61	45	57	-21%	36%	7%
Comprehensive Income	1,839	1,817	1,281	42%	1%	44%
Less: Comprehensive Income Attributable to Noncontrolling Interests	4	4	4	0%	0%	0%
Comprehensive Income Attributable to Tyson	$ 1,835	$ 1,813	$ 1,277	42%	1%	44%

Consolidated Balance Sheets

Consolidated Balance Sheets			in millions, except share and per share data
	2017	2016	17-16
Assets			
Current Assets			
Cash and cash equivalents	$ 318	$ 349	-9%
Accounts receivable, net	1,675	1,542	9%
Inventories	3,239	2,732	19%
Other current assets	219	265	-17%
Assets held for sales	807	--	
Total Current Assets	6,258	4,888	28%
Net Property, Plant and Equipment	5,568	5,170	8%
Goodwill	9,324	6,669	40%
Intangible Assets, net	6,243	5,084	23%
Other Assets	673	562	20%
Total Assets	$ 28,066	$ 22,373	25%
Liabilities and Shareholders' Equity			
Current Liabilities			
Current debt	$ 906	$ 79	1047%
Accounts payable	1,698	1,511	12%
Other current liabilities	1,424	1,172	22%
Liabilities held for sale	4	--	
Total Current Liabilities	4,032	2,762	46%
Long-Term Debt	9,297	6,200	50%
Deferred Income Taxes	2,979	2,545	17%
Other Liabilities	1,199	1,242	-3%
Commitments and Contingencies (Note 20)			
Shareholders' Equity			
Common stock ($0.10 per value)			
Class A-authorized 900 million shares, issued 378 million shared in 2017 and 364 million shares in 2016	38	36	6%
Convertible Class B-authorized 900 million shares, issued 70 million shares	7	7	0%
Capital in excess of par value	4,378	4,355	1%
Retained earnings	9,776	8,348	17%
Accumulated other comprehensive gain (loss)	16	(45)	-136%
Treasury stock, at cost - 80 million shares in 2017 and 73 million shares in 2016	(3,674)	(3,093)	19%
Total Tyson Shareholders' Equity	10,541	9,608	10%
Noncontrolling Interests	18	16	13%
Total Shareholders' Equity	10,559	9,624	10%
Total Liabilities and Shareholders' Equity	$ 28,066	$ 22,373	25%

Inventories (expanded)		in millions	
	2017	2016	0%
Processed product	$ 1,947	$ 1,530	27%
Livestock	874	772	13%
Supplies and other	418	430	-3%
Total inventory	$ 3,239	$ 2,732	19%

Statements of Shareholder’s Equity

Consolidated Statements of Shareholders' Equity						in millions						
	2017		2016		2015		16-15		17-16		17-15	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Class A Common Stock												
Balance at beginning of year	364	$ 36	346	$ 35	346	$ 35	0%	0%	5%	3%	5%	3%
Issuance of Class A common stock	14	2	18	1	--	--			-22%	100%		
Balance at end of year	378	38	364	36	346	35	5%	3%	4%	6%	9%	9%
Class B Common Stock												
Balance at beginning of year	70	7	70	7	70	7	0%	0%	0%	0%	0%	0%
Capital in Excess of Par Value												
Balance at beginning of year		4,355		4,307		4,257		1%		1%		2%
Stock-based compensation		23		48		50		-4%		-52%		-54%
Balance at end of year		4,378		4,355		4,307		1%		1%		2%
Retained Earnings												
Balance at beginning of year		8,348		6,813		5,748		19%		23%		45%
Net income attributable to Tyson		1,774		1,768		1,220		45%		0%		45%
Dividends		(346)		(233)		(155)		50%		48%		123%
Balance at end of year		9,776		8,348		6,813		23%		17%		43%
Accumulated Other Comprehensive Income (loss), Net of Tax												
Balance at beginning of year		(45)		(90)		(147)		-39%		-50%		-69%
Other Comprehensive Income (Loss)		61		45		57		-21%		36%		7%
Balance at end of year		16		(45)		(90)		-50%		-136%		-118%
Treasury Stock												
Balance at beginning of year	73	(3,093)	47	(1,381)	40	(1,010)	18%	37%	55%	124%	83%	206%
Purchase of Class A common stock	14	(860)	32	(1,944)	12	(495)	167%	293%	-56%	-56%	17%	74%
Stock-based compensation	(7)	279	(6)	232	(5)	124	20%	87%	17%	20%	40%	125%
Balance at end of year	80	(3,674)	73	(3,093)	47	(1,381)	55%	124%	10%	19%	70%	166%
Total Shareholders' Equity Attributable to Tyson		$ 10,541		$ 9,608		$ 9,691		-1%		10%		9%
Equity Attributable to Noncontrolling Interests												
Balance at beginning of year		$ 16		$ 15		$ 14		7%		7%		14%
Net income attributable to noncontrolling interests		4		4		4		0%		0%		0%
Contributions to noncolling interest		--		--		--						
Distirbutions to noncontrolling interest		(2)		(3)		(1)		200%		-33%		100%
Net foreign currency translation adjustment and other		--		--		(2)						
Total Equity Attributable to Noncontrolling Interests		$ 18		$ 16		$ 15		7%		13%		20%
Total Shareholders' Equity		$ 10,559		$ 9,624		$ 9,706		-1%		10%		9%

Statements of Cash Flows

Consolidated Statements of Cash Flows			in millions			
	2017	2016	2015	16-15	17-16	17-15
Cash Flows From Operating Activities						
Net Income	$ 1,778	$ 1,772	$ 1,224	45%	0%	45%
Adjustments to reconcile net income to cash provided by operating activities						
Depreciation	642	617	609	1%	4%	5%
Amortization	119	88	102	-14%	35%	17%
Deferred income taxes	(39)	84	38	121%	-146%	-203%
Loss on dispositions of business	--	--	(177)			
Impairment of assets	214	45	285	-84%	376%	-25%
Share-based compensation expense	92	81	69	17%	14%	33%
Other, net	(57)	(34)	71	-148%	68%	-180%
(Increase) decrease in accounts receivable	(55)	73	66	11%	-175%	-183%
(Increase) decrease in inventories	(246)	148	220	-33%	-266%	-212%
Increase (decrease) in accounts payable	61	(130)	(162)	-20%	-147%	-138%
Increase (decrease) in income taxes payable/receivable	55	(19)	177	-111%	-389%	-69%
Increase (decrease) in interest payable	16	(1)	(23)	-96%	-1700%	-170%
Net changes in other operating assets and liabilities	19	(8)	71	-111%	-338%	-73%
Cash Provided by Operating Activities	2,599	2,716	2,570	6%	-4%	1%
Cash Flows from Investing Activities						
Additions to property, plant and equipment	(1,069)	(695)	(854)	-19%	54%	25%
Purchases of marketable securities	(79)	(46)	(38)	21%	72%	108%
Proceeds from sale of marketable securities	61	37	52	-29%	65%	17%
Acquisitions, net of cash acquired	(3,081)	--	--			
Proceeds from sale of businesses	--	--	539			
Other, net	4	20	31	-35%	-80%	-87%
Cash Used for Investing Activities	(4,164)	(684)	(270)	153%	509%	1442%
Cash Flows from Financing Activities						
Payments on debt	(3,159)	(714)	(1,995)	-64%	342%	58%
Proceeds from issuance of long-term debt	5,444	1	501	-100%	544300%	987%
Borrowings on revolving credit facility	1,810	1,065	1,345	-21%	70%	35%
Paymenents on revolving credit facility	(2,110)	(765)	(1,345)	-43%	176%	57%
Proceeds from issuance of commercial paper	8,138	--	--			
Repayments of commercial paper	(7,360)	--	--			
Payment of AdvancePierre TRA liability	(223)	--	--			
Purchases of Tyson Class A common stock	(860)	(1,944)	(495)	293%	-56%	74%
Dividends	(319)	(216)	(147)	47%	48%	117%
Stock options exercised	154	128	84	52%	20%	83%
Other, net	15	68	17	300%	-78%	-12%
Cash Provided by (Used for) Financing Activities	1,530	(2,377)	(2,035)	17%	-164%	-175%
Effect of Exchange Rate Change on Cash	4	6	(15)	-140%	-33%	-127%
Decrease in Cash and Cash Equivalents	(31)	(339)	250	-236%	-91%	-112%
Cash and Cash Equivalents at Beginning of Year	349	688	438	57%	-49%	-20%
Cash and Cash Equivalents at End of Year	$ 318	$ 349	$ 688	-49%	-9%	-54%

References

Food Processing Top 100
https://www.foodprocessing.com/top100/top-100-2017/

Quick facts
https://www.foodprocessing.com/manufacturer/tyson-foods/

Nasdaq competitors
https://www.nasdaq.com/symbol/tsn/competitors

Effectiveness vs competitors (management/growth/etc.)
https://csimarket.com/stocks/competitionNO6.php?&code=TSN

Strategy
https://www.tysonfoods.com/who-we-are/our-story/purpose-values

History
https://www.tysonfoods.com/who-we-are/our-story/where-we-came

Vision
https://www.tysonfoods.com/sites/default/files/2017-12/SR2005.pdf

Driving forces for the industry
https://www.mckinsey.com/industries/advanced-electronics/our-insights/whats-ahead-for-food-processing-and-handling

KSF
http://itfactorexperience.com/4-ways-to-grow-your-food-processing-business/

10K 2017
http://s1.q4cdn.com/900108309/files/doc_financials/2017/Q4/Tyson-2017-10K.pdf

10K 2016
http://s1.q4cdn.com/900108309/files/doc_financials/2016/Annual/TSN-FY16-Form-10-K.pdf

Tariffs Impact
https://www.cnbc.com/2018/07/30/tyson-shares-dip-after-highlights-trade-policies-for-gloomier-outlook.html

Current analysis
https://www.gurufocus.com/financials/TSN

AAP food additives policy
http://blogs.edf.org/health/2018/07/23/aap-needed-reforms-broken-food-additive-regulatory-system/

Unemployment rates
https://data.bls.gov/timeseries/LNS14000000

Econimc growth increase
https://www.cnbc.com/2018/08/01/atlanta-fed-predicts-5percent-jump-in-economic-growth-for-third-quarter.html

Organic food increase
http://www.startribune.com/americans-are-eating-more-organic-food-than-ever-survey-finds/424061513/

Global health and wellness increase
https://www.businesswire.com/news/home/20180723005413/en/Global-Health-Wellness-Food-Market-2018-2022-Adoption

GMC adoption
https://www.newfoodmagazine.com/news/72015/mandatory-labels-gmo-fears/

Climate change
https://www.livescience.com/57921-climate-change-is-transforming-global-food-supply.html

Industry concentration/market share
https://seekingalpha.com/article/1609422-tyson-foods-the-real-beef

Global CAGR
https://www.idc.com/getdoc.jsp?containerId=prUS42298417

Global sales by segment screenshot
https://www.statista.com/statistics/375723/sales-of-tyson-foods-by-segment/

Five Forces template
https://board.tuzzit.com/try/porter_five_forces#/

Value Chain Industry Example
https://www.researchgate.net/publication/237616007_A_Value_Chain_Analysis_of_the_US_Beef_and_Dairy_Industries_Report_Prepared_for_Environmental_Defense_Fund

TSN Value Chain
https://www.slideshare.net/finance9/tyson-foods-investor-fact-book

Tyson Marketing Materials: The market
http://ir.tyson.com/investor-relations/investor-overview/tyson-factbook/default.aspx

Major foods affected by tariffs so far
https://www.foodandwine.com/trump-tariffs-food

Food processing industry
http://www.valueline.com/Stocks/Industries/Industry_Overview__Food_Processing.aspx

Sprouts analysis
https://www.fool.com/investing/2018/04/20/sprouts-farmers-market-is-growing-but-the-stock-is.aspx

Tyson acquisition
https://www.tysonfoods.com/news/news-releases/2018/6/tyson-foods-acquires-one-leading-brands-organic-chicken