

TYSON FOODS INC-CL A (New York: TSN, Currency: USD) Purchased on 7/14/22 at \$81.62
 Bloomberg Rating: IG1 Sector: Consumer Staples Industry: Food Products Sub-Industry: Packaged Foods & Meats

Description
 Tyson Foods, Inc. produces, distributes, and markets chicken, beef, pork, prepared foods, and related allied products. The Company's products are marketed and sold to national and regional grocery retailers, regional grocery wholesalers, meat distributors, warehouse club stores, military commissaries, and industrial food processing companies.

Business Segments (FY: Sep-21)	Revenue
Chicken	13,665.00
Prepared Foods	8,853.00
Beef	17,544.00
Other	1,990.00
Pork	4,997.00
Reconciliation	

Key Statistics	
52-Week Range	74 - 100.72
Avg Daily Vol (3 Mo)	1,891,804
Market Value	28,806.1
Current Enterprise	36,212.15
Shares Outstanding	289.62 M
Dividend Yield	2.3%
Floater %	98.4%
Institutional %	92.0%
Analyst Coverage	13 Analysts
Target Price	94.91
LT Growth Rate	-
Consensus Rating	3.92
Return on Equity	22.6%

Actual and Estimate Data			
	LTM	09/2022	09/2023
Revenue	52,356.00	52,777.17	53,921.50
% change y/y		12.2%	2.2%
EBITDA	6,753.00	5,871.25	5,272.00
% Margin		6.6%	-10.2%
EPS	9.400529	9.041	7.763
% change y/y		9.2%	-14.1%
EV/Sales	0.7x	0.7x	0.7x
EV/EBITDA	5.6x	6.2x	6.9x
P/Sales	0.5x	0.5x	0.5x
P/Earnings	8.5x	8.9x	10.3x
P/Book	1.5x	1.5x	1.4x

Relative Comps	Mkt Cap	PE (NTM)
Tyson Foods Inc	28.81 B	10.5x
Pilgrim's Pride Corp	7.25 B	8.2x
Hormel Foods Corp	26.77 B	25.1x

Recommendation

We recommend purchase of shares in Tyson Foods Inc. (TSN) based upon its strong near term fundamental trends, numerous industry and company specific catalysts and compelling valuation metrics. Our conservative 12 month price target of \$98, represents 20% upside from our recent purchase price of \$82. We believe significant additional upside (50%+) exists if the company's ongoing business model transformation gains traction over the next few years.

Fundamentals / Catalysts

We see Tyson's (TSN) revenues growing at a low to mid-single digit pace over the next several years driven by strengthening secular demand for its core chicken, beef and pork based products. Historically, in emerging economies, demand for protein increases rapidly due to rising personal incomes and urbanization. We believe accelerating international sales growth, especially from China, is a key catalyst for Tyson's shares going forward. Operating income should grow faster than sales, due to the company's ongoing organizational shift from commodity meat producer to branded / packaged goods company which should enhance profit margins longer term. Additionally, TSN expects \$1b in cost savings by 2024 due to recent investments in automation technology. High feed prices, which have constrained near-term profitability, seem poised to reverse, providing a tailwind to margins over the next several quarters. Ongoing share repurchases should further leverage EPS growth towards the company's long term high-single digit target rate.

Balance Sheet / Cash Flow

Tyson's debt to capital (29%) and interest coverage ratios (Ebitda / Int 10x) are conservative relative to industry peers. Tyson has consistently generated strong Free Cash Flow (FCF) over the past decade. Following two medium size acquisitions in 2017 and 2019, Tyson has deployed its FCF towards debt repayment, investments for brand building initiatives, increasing stock dividends and to a lesser extent, share repurchases.

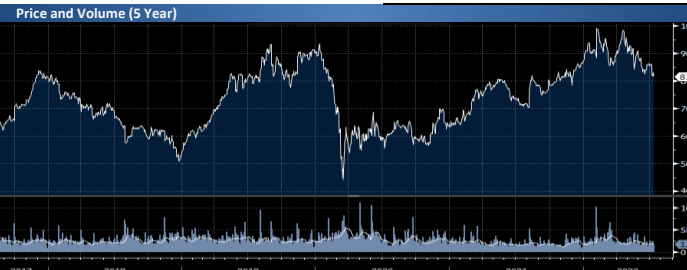
Valuation

Currently priced at \$82 per share, shares in Tyson Foods Inc. (NYSE:TSN) present a compelling valuation opportunity. TSN trades at 10x next years earnings, representing a 40% discount to the overall market (S&P 17x), a near 50% discount to peers in the packaged food industry (19x), and the lower end of the company's 10 year P/E range (8-16x). TSN is equally attractive on additional measures of valuation including EV/Sales, EV/ Ebitda and Free Cash Flow Yield. Based upon our 3-stage discounted cash flow (DCF) model, using conservative inputs, we derive intrinsic value estimate of \$98 per share. Significant valuation upside to our \$98 target is possible if Tyson can successfully execute on its plan to transition its business from a commodity protein processor towards a faster growing / higher margin, branded packaged foods company. For example, its competitor, Hormel (HRL) trades at 23x earnings.17x Ebitda, and 2.3x sales more than double TSN current valuations.

Risks

Key risks to our investment recommendation include: a resurgence of Covid, higher feed and labor prices, a likely near term peaking of beef margins, growing demand for plant-based meat alternatives, animal disease outbreaks such as swine fever and bird flu, food contamination and product recalls and increased government regulations. Furthermore, our best case upside scenario envisions China becoming a large export market over the

Measure:	Revenues			
	2020	2021	2022	2023
Q1 Dec	10815.00	10460.00	12933.00	13273.56
Q2 Mar	10888.00	11300.00	13117.00	13522.56
Q3 Jun	10022.00	12478.00	13495.00	13562.57
Q4 Sep	11460.00	12811.00	13562.70	13730.29
Year	43185.00	47049.00	52777.17	53921.50
Cal Yr	42830.00	49522.00	53448.26	54230.61
Revision				
	1 Week	4 Weeks	3 Months	6 Months
Qtr End 09/22	0.3%	0.5%	0.6%	3.6%
Qtr End 12/22	0.3%	0.3%	0.3%	1.2%
FY End 09/22	0.0%	-0.1%	0.0%	2.6%
FY End 09/23	0.1%	0.0%	0.1%	3.2%



Prices/Volume	
YTD Change	-8.10%
6 Month Change	-2.98%
3 Month Change	-9.7%
1 Year Change	10.2%
Daily Volume	9,666,416
Average Volume 30 Day	1,586,751
Average Volume 3 Month	1,891,804
Average Volume 6 Month	4,283,261
Dividend Yld	2.8%
52 Week Beta	0.47

Measure:	EPS			
	2020	2021	2022	2023
Q1 Dec	1.38	1.28	3.07	1.98
Q2 Mar	1.03	1.30	2.28	1.80
Q3 Jun	1.45	2.05	2.07	1.93
Q4 Sep	1.79	3.71	1.94	1.91
Year	5.64	8.34	9.04	7.76
Cal Yr	5.62	10.13	8.27	7.65
Revision				
	1 Week	4 Weeks	3 Months	6 Months
Qtr End 09/22	-0.6%	-2.6%	-3.2%	-
Qtr End 12/22	-1.3%	-1.7%	-2.0%	-
FY End 09/22	0.0%	-0.2%	-0.4%	-
FY End 09/23	-0.4%	-2.6%	-3.2%	-

Performance		2013	2014	2015	2016	2017	2018	2019	2020	2021	5 Yr Avg
Price Change		78.5%	32.0%	17.6%	68.2%	-5.7%	-15.5%	43.1%	-30.4%	32.0%	4.7%
S&P 500 INDEX		29.6%	11.4%	-0.7%	9.5%	19.4%	-6.2%	28.9%	16.3%	26.9%	17.0%
Industry (INDU Index)		26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	18.7%	13.6%
Div Yield		0.9%	0.8%	0.8%	1.1%	1.2%	2.4%	1.7%	5.1%	3.9%	2.9%
Financials		09/13 Y	09/14 Y	09/15 Y	09/16 Y	09/17 Y	09/18 Y	09/19 Y	09/20 Y	09/21 Y	5 Yr CAGR
Sales		34,374.0	37,580.0	41,373.0	36,881.0	38,260.0	40,052.0	42,405.0	43,185.0	47,049.0	5.0%
EBITDA		1,894.0	1,960.0	2,880.0	3,538.0	3,682.0	3,975.0	3,925.0	4,399.0	5,793.0	10.4%
EBIT		1,375.0	1,430.0	2,169.0	2,833.0	2,921.0	3,032.0	2,827.0	3,008.0	4,396.0	9.2%
Net Income		778.0	864.0	1,220.0	1,768.0	1,774.0	3,024.0	2,022.0	2,061.0	3,047.0	11.5%
EPS (Diluted)		2.12	2.37	2.95	4.53	4.79	8.20	5.52	5.64	8.34	13.0%
Dividends per Share		0.31	0.33	0.43	0.65	0.98	1.28	1.58	3.28	3.43	39.5%
Shares for Fully Diluted		367.0	364.0	413.0	390.0	370.0	369.0	366.0	365.0	365.0	-1.3%
Book Value per Share		18.03	23.64	26.26	26.62	28.64	34.98	38.58	41.79	48.56	12.8%
Cash & Near Cash		1,145.0	438.0	688.0	349.0	318.0	270.0	484.0	1,420.0	2,507.0	48.3%
Total Assets		12,177.0	23,956.0	23,004.0	22,373.0	28,066.0	29,109.0	33,097.0	34,456.0	36,309.0	10.2%
Working Cap		2,594.0	2,424.0	1,846.0	2,126.0	2,226.0	657.0	1,656.0	3,364.0	3,497.0	10.5%
LT Debt		1,895.0	7,535.0	6,010.0	6,200.0	9,297.0	7,962.0	9,830.0	11,159.0	8,649.0	6.9%
Cash Flow-Oper Activiti		1,314.0	1,178.0	2,570.0	2,716.0	2,599.0	2,963.0	2,513.0	3,874.0	3,840.0	7.2%
Capital Expenditures		558.0	632.0	854.0	695.0	1,069.0	1,200.0	1,259.0	1,199.0	1,209.0	11.7%
Free Cash Flow		756.0	546.0	1,716.0	2,021.0	1,530.0	1,763.0	1,254.0	2,675.0	2,631.0	5.4%
Ratios		09/13 Y	09/14 Y	09/15 Y	09/16 Y	09/17 Y	09/18 Y	09/19 Y	09/20 Y	09/21 Y	5 Yr Avg
Gross Margin		6.9%	7.1%	9.5%	12.7%	13.2%	12.7%	11.8%	12.5%	13.9%	12.8%
EBITDA Margin		5.5%	5.2%	7.0%	9.6%	9.6%	9.9%	9.3%	10.2%	12.3%	10.3%
EBIT Margin		4.0%	3.8%	5.2%	7.7%	7.6%	7.6%	6.7%	7.0%	9.3%	7.6%
Profit Margin		2.3%	2.3%	2.9%	4.8%	4.6%	7.6%	4.8%	4.8%	6.5%	5.6%
Return on Assets		6.5	4.8	5.2	7.8	7.0	10.6	6.5	6.1	8.6	7.8
Return on Com Eqty		12.7	11.5	13.1	18.3	17.6	25.9	15.0	14.1	18.5	18.2
Asset Turnover		2.9	2.1	1.8	1.6	1.5	1.4	1.4	1.3	1.3	1.4
Assets/Equity		2.0	2.7	2.4	2.3	2.7	2.3	2.3	2.2	2.0	2.3
Net Inc per 1000 Employ		6.8	7.0	10.8	15.5	14.5	25.0	14.3	14.8	22.2	18.2
Days Sales Out (DSO)		15.2	15.4	14.8	15.6	15.3	15.4	16.7	17.7	16.8	16.4
Acc Pay Turn Days (DPO)		15.5	16.3	17.4	18.0	17.3	17.5	17.3	18.8	18.2	17.8
Current Ratio		1.9	1.6	1.5	1.8	1.6	1.1	1.3	1.8	1.6	1.5
Quick Ratio		0.9	0.6	0.7	0.7	0.5	0.4	0.5	0.8	0.8	0.6
Total Debts/Total Capita		27.9	47.9	40.9	39.5	49.1	43.5	45.6	43.5	35.6	43.5
Total Debt/Total Equity		38.6	91.8	69.3	65.2	96.6	77.1	83.9	77.1	55.3	78.0

Growth Rate (CAGR) Summary				
	1Yr	3Yr	5Yr	10Yr
Sales	8.9%	5.5%	5.0%	3.8%
EBIT	46.1%	13.2%	9.2%	13.1%
EBITDA	31.7%	13.4%	10.4%	12.5%
Net Income	47.8%	0.3%	11.5%	15.0%
EPS (Diluted)	47.9%	0.6%	13.0%	15.5%
Dividends	4.6%	39.1%	39.5%	35.9%
BVPS	16.2%	11.6%	12.8%	12.2%
Free Cash Flow	-1.6%	6.6%	2.5%	21.0%
Valuation Summary				
Current	5 Years			
	High	Low	Avg	
P/E (LTM)	9.5x	16.2x	8.2x	11.9x
P/E (NTM)	10.1x	13.9x	8.8x	11.4x
PEG (NTM)	9.3x	9.3x	1.3x	3.1x
P/Bk	1.6x	2.8x	1.5x	2.0x
P/CF	7.4x	10.6x	5.3x	7.8x
P/Sales	0.6x	0.7x	0.4x	0.6x
EV/EBITDA	6.2x	10.9x	6.2x	8.4x
EV/Sales	0.8x	1.0x	0.7x	0.8x
Div Yield	4.4%	5.1%	1.2%	3.1%