

TYSON FOODS INC

FORM 8-K (Current report filing)

Filed 06/09/14 for the Period Ending 06/09/14

Address	2200 DON TYSON PARKWAY SPRINGDALE, AR 72762-6999
Telephone	479-290-4000
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Industry	Food Processing
Sector	Consumer/Non-Cyclical
Fiscal Year	09/30

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **June 9, 2014**

Tyson Foods, Inc.

(Exact name of registrant as specified in charter)

Delaware

(State of incorporation or organization)

001-14704

(Commission File Number)

71-0225165

(IRS Employer Identification No.)

2200 Don Tyson Parkway, Springdale, AR 72762-6999

(479) 290-4000

(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01. Regulation FD Disclosure

Attached hereto as Exhibit 99.1 is a press release issued by Tyson Foods, Inc. (the "Company") on June 9, 2014.

Also attached hereto as Exhibit 99.2 is a presentation referenced during the Company's analyst and investor conference call on June 9, 2014.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by the Company on June 9, 2014
99.2	Presentation referenced during the Company's analyst and investor conference call on June 9, 2014

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TYSON FOODS, INC.

Date: June 9, 2014

By: /s/ R. Read Hudson
Name: R. Read Hudson
Title: Vice President, Associate General Counsel & Secretary

Following Conclusion of Bidding Process, Tyson Foods Submits Unilaterally Binding Offer to Acquire Hillshire Brands for \$8.55 Billion in Cash

Combined Company would be a Leader in Retail Prepared Foods

In Excess of \$300 Million in Annual Synergies Expected

SPRINGDALE, Ark., June 9, 2014 – Tyson Foods, Inc. (NYSE: TSN) today announced it has submitted a unilaterally binding offer to acquire all outstanding shares of The Hillshire Brands Company (NYSE: HSH) for a price of \$63 per share in cash. The offer is subject to Hillshire Brands being released from its existing agreement to acquire Pinnacle Foods Inc. (NYSE: PF) in accordance with the terms thereof. It follows a bidding process conducted by Hillshire Brands that concluded Sunday, June 8, 2014. The all-cash transaction is valued at approximately \$8.55 billion, including Hillshire Brands' outstanding net debt, and represents a multiple of 16.7x trailing 12 months adjusted EBITDA or 10.5x including \$300 million in synergies.

“The Hillshire Brands acquisition would represent a defining moment for Tyson Foods,” said Donnie Smith, Tyson’s president and chief executive officer. “Our strategy has been to grow our prepared foods business, and it has been our aspiration to be a leader in retail prepared foods just as we are in chicken. Now we will have those iconic #1 and #2 brands in numerous categories.”

“Tyson Foods has a history of growing through strategic acquisition,” said John Tyson, chairman of the board, “It is the view of the board of directors that this is truly a transformational opportunity and one that best fits with our strategic plan while enhancing our margins and creating long-term shareholder value.” The Tyson family and the board are prepared to issue shares to maintain the company’s investment grade credit rating.

The combination of Tyson and Hillshire Brands would reposition Tyson as a clear leader in the retail sale of prepared foods, with a complementary portfolio of well-recognized brands, including *Tyson®*, *Wright Brand®*, *Jimmy Dean®*, *Ball Park®*, *State Fair®* and *Hillshire Farm®*. In particular, the strength of Hillshire Brands’ products in the breakfast category would allow Tyson to capture opportunities in this attractive and fast-growing day part.

“After a disciplined process to identify ways of growing our Prepared Foods segment, we are convinced that combining Tyson and Hillshire Brands would make strategic, financial and operational sense and would stabilize earnings by increasing return on sales and de-commoditizing our business,” Smith said.

The transaction would be funded by cash on hand and a fully committed bridge facility from Morgan Stanley Senior Funding, Inc. and JP Morgan Securities LLC. Tyson expects to maintain its investment grade credit rating and is prepared to issue debt and equity as is prudent. Tyson anticipates the substantial cash flow from the combined companies will enable it to rapidly pay down debt.

- Tyson would expect to realize annual synergies in excess of \$300 million driven primarily by operational efficiencies, purchasing, distribution, supply chain efficiencies, upgrading raw materials and through the combination of the two companies’ talented sales and marketing teams and alignment of shared service functions. Synergies are expected in the first full fiscal year with the total synergies to be realized by the end of year three.
-

- Tyson's pork processing operations would benefit from stable and consistent demand for its raw materials for use in Hillshire Brands' branded, value-added products.
- Tyson expects that the proposed transaction would be marginally accretive to EPS on a cash basis in the first full fiscal year after completion and substantially accretive thereafter.

The offer was unanimously approved by the Board of Directors of Tyson Foods. The offer will remain in effect until December 12, 2014, the final termination date of the Hillshire Brands/Pinnacle Foods agreement. If that agreement is terminated in accordance with its terms, Hillshire Brands would be able to accept the offer, with the result that binding definitive agreements could become effective. Any transaction would be subject to regulatory approval and other customary closing conditions.

Morgan Stanley and JP Morgan are acting as financial advisors to Tyson Foods, and Davis Polk & Wardwell LLP is acting as its legal counsel.

Conference Call and Webcast Information

Tyson Foods executives will discuss the proposed transaction with analysts on a conference call today, June 9, at 8:30 a.m. Eastern (7:30 a.m. Central). To listen via telephone, call 888-455-8283. International callers dial 1-210-839-8865. The pass code "Tyson Foods" will be required to join the call. The conference call also will be webcast on the company's website at <http://ir.tyson.com>. A replay of the webcast will be available approximately one hour after the completion of the call. Slides referenced during the conference call will be available on the company's website.

About Tyson Foods

Tyson Foods, Inc. (NYSE: TSN), with headquarters in Springdale, Arkansas, is one of the world's largest processors and marketers of chicken, beef and pork, the second-largest food production company in the *Fortune* 500 and a member of the S&P 500. The company was founded in 1935 by John W. Tyson, whose family has continued to be involved with son Don Tyson leading the company for many years and grandson John H. Tyson serving as the current Chairman of the Board of Directors. Tyson Foods produces a wide variety of protein-based and prepared food products and is the recognized market leader in the retail and foodservice markets it serves. The company provides products and services to customers throughout the United States and approximately 130 countries. It has approximately 115,000 Team Members employed at more than 400 facilities and offices in the United States and around the world. Through its Core Values, Code of Conduct and Team Member Bill of Rights, Tyson Foods strives to operate with integrity and trust and is committed to creating value for its shareholders, customers and Team Members. The company also strives to be faith-friendly, provide a safe work environment and serve as stewards of the animals, land and environment entrusted to it.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Among the factors that may cause actual results and experiences to differ from anticipated results and expectations in forward-looking statements are the following: the risk that the recently announced binding offer to acquire The Hillshire Brands Company ("Hillshire") and any related tender offer and merger may not be consummated, or may not be consummated in a timely manner; the risk that a regulatory approval that may be required for the transaction is not obtained, or could only be obtained subject to conditions that are not anticipated; the risk that Hillshire will not be integrated successfully into Tyson following the consummation of any transaction; and the risk that revenue opportunities, cost savings, synergies and other anticipated benefits from the transaction may not be fully realized or may take longer to realize than expected.

ADDITIONAL INFORMATION AND WHERE TO FIND IT

The tender offer (the "Offer") has not yet commenced. Accordingly, this communication is for informational purposes only and does not constitute an offer to purchase or a solicitation of an offer to sell any shares of the common stock of The Hillshire Brands Company ("Hillshire") or any other securities. On the commencement date of any Offer, a tender offer statement on Schedule TO, including an offer to purchase, a letter of transmittal and related materials, will be filed with the United States Securities and Exchange Commission (the "SEC") by Tyson Foods, Inc. ("Tyson") and HMB Holdings, Inc., a wholly owned subsidiary of Tyson, and a solicitation/recommendation statement on Schedule 14D-9 will be filed with the SEC by Hillshire. The offer to purchase shares of Hillshire common stock will only be made pursuant to the offer to purchase, letter of transmittal and related materials filed with the SEC by Tyson as part of its Schedule TO. Investors and security holders are urged to read both the tender offer statement and the solicitation/recommendation statement regarding the Offer, as they may be amended from time to time, when they become available, because they will contain important information about the Offer, including its terms and conditions, and should be read carefully before any decision is made with respect to the Offer. Investors and security holders may obtain free copies of these statements (when available) and other materials filed with the SEC at the website maintained by the SEC at www.sec.gov, or by directing requests for such materials to the information agent for the Offer, which will be named in the tender offer statement.

Contacts

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Tyson Foods

Offer for Hillshire Brands

June 9, 2014



Bringing families together.™

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AGENDA



Transaction Summary

Transaction Rationale

Financial Performance

CURRENT SITUATION



- Hillshire Brands has conducted a bidding process that concluded on Sunday June 8, 2014

- As part of that process, Tyson submitted a binding offer to acquire Hillshire Brands for \$63 / share in cash

- If the Pinnacle / Hillshire Brands agreement is terminated, Tyson expects that its offer will be promptly accepted by Hillshire Brands, with the result that binding agreements will become effective

VALUE CREATION FOR SHAREHOLDERS



- Would create ~\$40B consumer-centric, insights-driven marketing organization with superior supply chain capabilities
- Strong portfolio of iconic, market-leading brands
- Hillshire's branded foods portfolio would transform Tyson's private label prepared foods offering
- Significant synergy opportunity identified— in excess of \$300 million by year 3
- Would create compelling financial opportunities - accretion and ROIC
- Rapid de-leveraging would be expected from significant combined company cash flows

TRANSACTION SUMMARY



Transaction Structure and Consideration

- Would be an \$8.55 billion transaction
- Includes Hillshire Brands outstanding net debt
- Tyson financing through combination of debt and equity
- Effective adjusted LTM EBITDA multiple of 16.7x or 10.5x including \$300 million synergies
- Tyson would expect to maintain its investment grade credit rating

Strategic Implications

- Would turbo charge growth in the Prepared Foods segment
- Protein for breakfast is the fastest growing meal occasion in the prepared foods marketplace
- Immediate presence in convenience foods and snacking areas
- Would allow for further supply chain optimization
- Combination of iconic brands

Expected Financial Benefits

- Would be marginally accretive to EPS (cash basis) in first full fiscal year, substantially accretive thereafter
- Would have significant annual synergy opportunities in excess of \$300 million by year three
- Attractive total company ROIC, given low cost of capital
- Would double revenue and increase margins of Tyson's Prepared Foods offering
- Rapid deleveraging from significant combined company cash flows

GROWTH STRATEGY



Accelerate

- ✓ Grow domestic value-added chicken sales
- ✓ **Grow prepared foods sales**
- ✓ Grow international chicken production

Innovate

- ✓ **Products and services**
- ✓ **Consumer insights**

Cultivate

- ✓ **Talent development to support Tyson's growth and long-term future**

This acquisition would accelerate our growth strategy by growing prepared foods sales, increasing innovation and consumer insight capabilities, and adding a talented group of team members

HILLSHIRE HAS MARKET LEADING BRANDS



Focused Portfolio of Brands...



...with leading share in core retail categories

Market Share in Leading Categories			
Brand	Category	HSB Share Position	Relative Market Share
	Breakfast Sausage	#1	2.8x
	Frozen Protein Breakfast	#1	8.6x
	Smoked Sausage	#1	2.8x
	Branded Lunchmeat	#2	0.3x
	Hot Dogs	#1	1.1x
	Corn Dogs	#1	1.3x
	Super Premium Sausage	#1	1.8x

Source: Symphony IRI Group, Total US Multi-Outlet, 52 weeks ending 1/5/14.

EXPANSION OF TYSON BRANDED PORTFOLIO

- INCLUDES FOUR \$1B+ BRANDS....

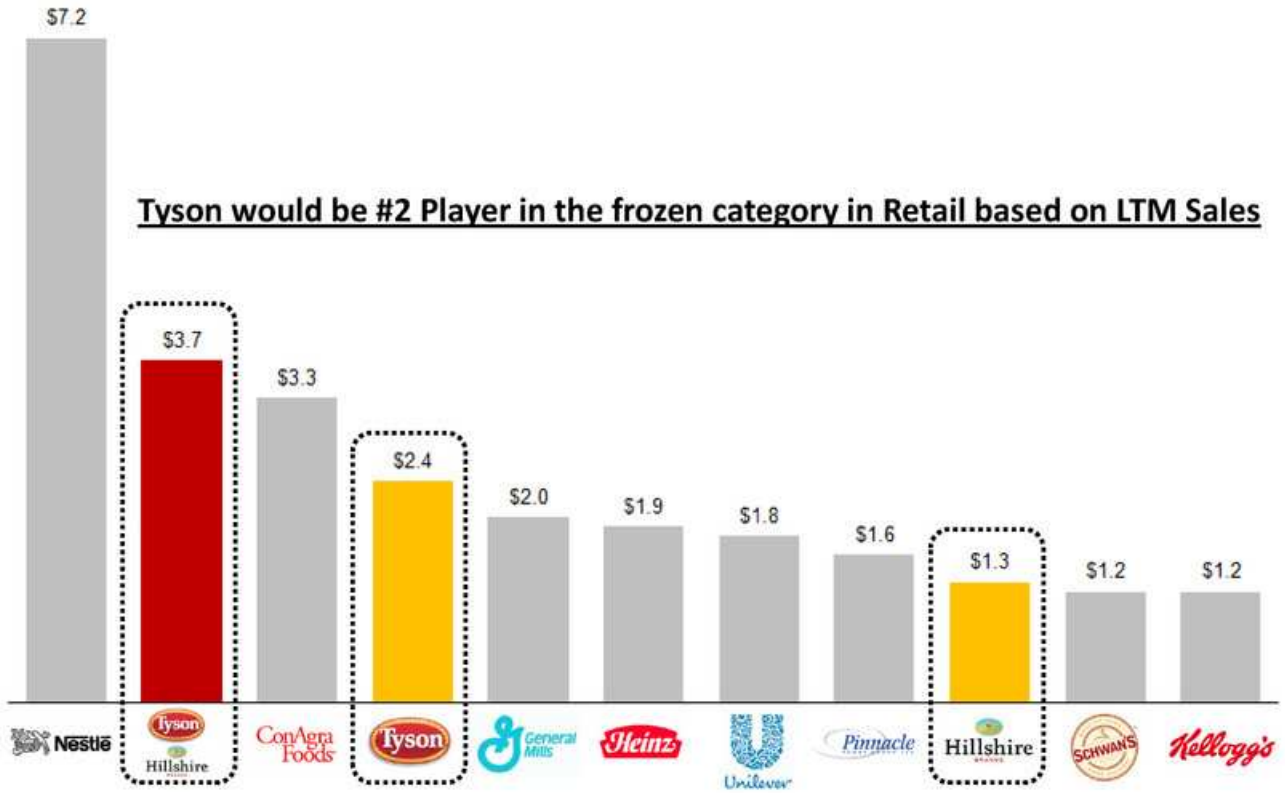


Tyson Brands

Hillshire Brands



INCREASED PRESENCE IN VALUE-ADDED FROZEN CATEGORIES



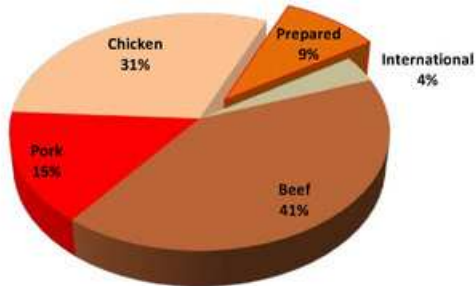
Source: IRI U.S. Multi Outlet frozen category sales data for 52 weeks ending May 26, 2014 / figures in billions.

WOULD BE COMPLEMENTARY TO TYSON'S PORTFOLIO

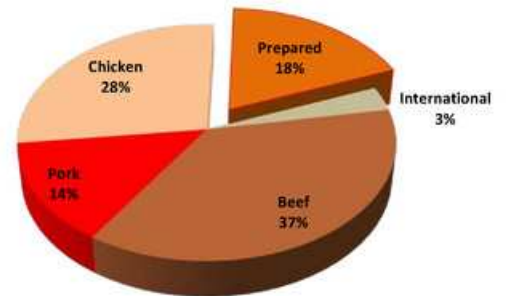


LTM 3/29/14 Revenue Contribution

Tyson (\$35.4Bn)

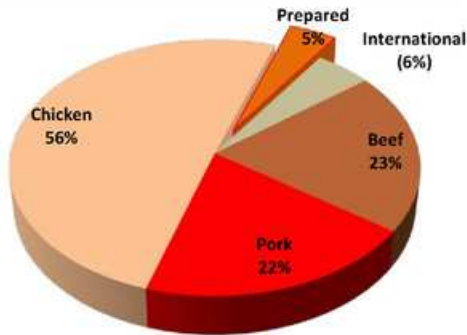


Pro Forma Combined (\$39.4Bn)

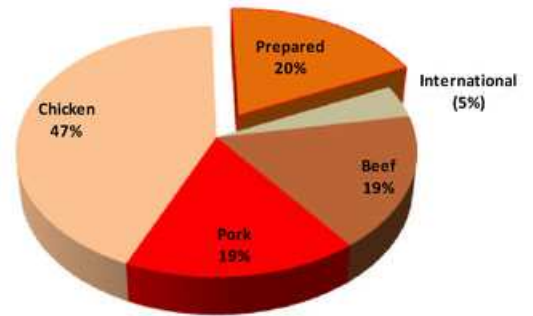


LTM 3/29/14 Operating Income Contribution

Tyson (\$1,608MM) (Op Income Margin = 4.5%)



Pro Forma Combined (Adj.) (\$1,924MM) (Op Income Margin = 4.9%)



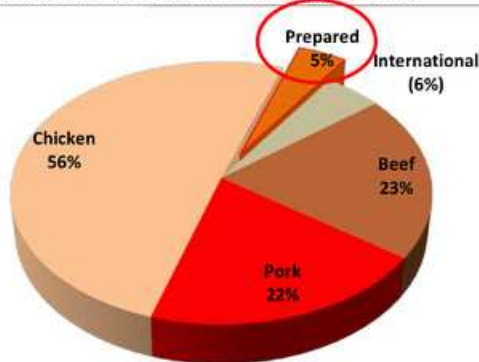
Note: Excludes intersegment sales of \$1.2Bn for segment contribution breakdown.

WOULD PROVIDE SIGNIFICANT LIFT TO PREPARED FOODS' SEGMENT MARGINS

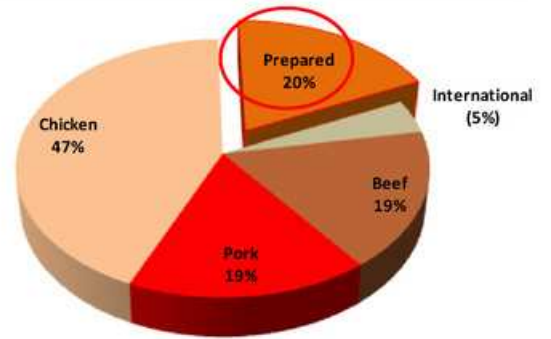


LTM 3/29/14 Operating Income Contribution

Tyson (\$1,608MM) (Op Income Margin = 4.5%)



Pro Forma Combined (Adj.) (\$1,924MM) (Op Income Margin = 4.9%)



LTM 3/29/14 Prepared Foods Segment Operating Income Margin Analysis



Note: Excludes intersegment sales of \$1.2Bn for segment contribution breakdown.

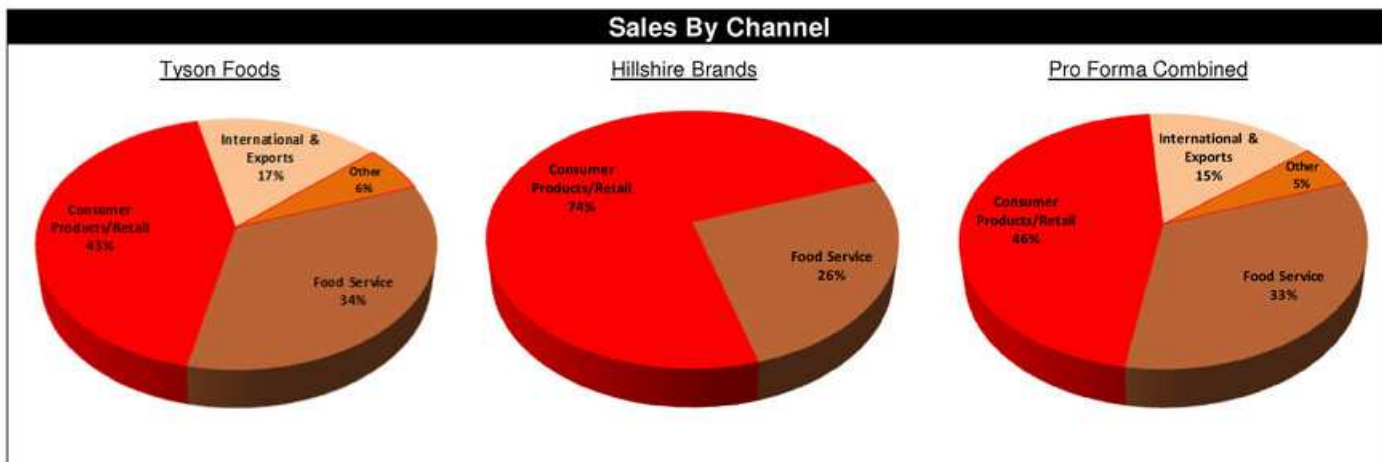
STRONG COMBINED FINANCIALS



LTM 3/29/14

(\$ in millions)	Tyson Foods	Hillshire	Pro Forma Combined
Financials			
Net Sales	\$35,418	\$3,983	\$39,401
EBITDA	\$2,100	\$511	\$2,611
EBITDA %	5.9%	12.8%	6.6%

Sales By Channel



Note: Data based on LTM period as of March 29, 2014.

PURCHASE PRICE AND IMPLIED MULTIPLE



Equity Value ⁽¹⁾	\$7,999
Net Debt	\$553
Aggregate Value	\$8,552

Hillshire Adjusted EBITDA ⁽²⁾	\$511
Estimated Cost Synergies	\$300
Estimated Total Adj. EBITDA with Synergies	\$811

Adj. EBITDA Multiple without Synergies	16.7x
Adj. EBITDA Multiple with Synergies	10.5x

Source: (1) Equity value based on an offer price of \$63 per share and 126.97M fully diluted shares outstanding.
(2) Based on Hillshire Brands LTM 3/29/14 Adjusted EBITDA.

FINANCIAL RATIONALE



❑ Strong Financial Returns

- Marginally accretive (cash basis) in first full fiscal year, substantially accretive thereafter
- Estimated total annual synergies in excess of \$300 million
 - Transaction is expected to generate synergies in the first full fiscal year with the total synergies to be realized by the end of year 3
 - Synergies primarily driven by operational efficiencies and supply chain optimization

❑ Committed Financing

- \$8.2 billion of committed financing
- Long-term capital structure designed to maintain investment grade ratings
- Pro forma company is expected to generate strong combined cash flows to enable rapid deleveraging



APPENDIX

EBITDA RECONCILIATION



(In millions)
(Unaudited)

	Tyson Foods, Inc. Twelve Months Ended March 29, 2014	
Net income	\$	966
Less: Interest income		(9)
Add: Interest expense		125
Add: Income tax expense		522
Add: Depreciation		478
Add: Amortization		18
EBITDA	\$	2,100
	Hillshire Brands Twelve Months Ended March 29, 2014	
Net income	\$	226
Add: Interest expense		43
Add: Income tax expense		35
Add: Depreciation		135
Add: Amortization		22
Total restructuring actions excluding accelerated depreciation		69
Amortization of investment premiums and financing fees		(4)
Other significant items		3
Reimbursed claim proceeds		(2)
Pension settlement/withdrawal/other		1
Tax indemnification accrual adjustment		(10)
Income from discontinued operations		(3)
Gain on sale of discontinued operations		(4)
Adjusted EBITDA		511
Proforma Combined Twelve Months Ended March 29, 2014	\$	2,611

OPERATING INCOME RECONCILIATION



(In millions)
(Unaudited)

Twelve Months Ended
March 29, 2014

Tyson Foods Operating Income	\$	1,608
Hillshire Brands Operating Income		296
Adjustments:		
Total restructuring actions excluding accelerated depreciation		69
Accelerated depreciation		17
Other significant items		3
Reimbursed claim proceeds		(2)
Acquisition advisory & other costs		1
Pension settlement/withdrawal/other		1
Tax indemnification accrual adjustment		(10)
Hillshire Brands Adjusted Operating Income		375
Estimated Incremental Depreciation & Amortization *		(59)
Combined Pro Forma Adjusted Operating Income	\$	1,924

* Proforma does not include synergies

OPERATING INCOME % RECONCILIATION



(In millions) (Unaudited)	Twelve Months Ended March 29, 2014		
	Sales	Operating Income	Operating Margin
Tyson Foods - Prepared Foods	\$ 3,445	\$ 77	2.2%
Hillshire Brands	3,983	296	
Adjustments:			
Total restructuring actions excluding accelerated depreciation		69	
Accelerated depreciation		17	
Other significant items		3	
Reimbursed claim proceeds		(2)	
Acquisition advisory & other costs		1	
Pension settlement/withdrawal/other		1	
Tax indemnification accrual adjustment		(10)	
Hillshire Brands Adjusted Operating Income		375	9.4%
Estimated Incremental Depreciation & Amortization *		(59)	
Combined Proforma (Adjusted Operating Income and Margin)	\$ 7,428	\$ 393	5.3%

* Proforma does not include synergies

