

HILLSHIRE BRANDS CO

Filed by
TYSON FOODS INC

FORM SC TO-C

(Written communication relating to an issuer or third party)

Filed 06/09/14

Address	400 SOUTH JEFFERSON STREET CHICAGO, IL 60607
Telephone	3126146000
CIK	0000023666
Symbol	HSH
SIC Code	2015 - Poultry Slaughtering and Processing
Industry	Food Processing
Sector	Consumer/Non-Cyclical
Fiscal Year	06/30

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE TO
Tender Offer Statement under Section 14(d)(1) or 13(e)(1) of
the Securities Exchange Act of 1934
THE HILLSHIRE BRANDS COMPANY
(Name of Subject Company)
TYSON FOODS, INC.
HMB HOLDINGS, INC.
(Names of Filing Persons — Offeror)

Common Stock, Par Value \$0.01 Per Share
(Title of Class of Securities)

432589109
(Cusip Number of Class of Securities)

David L. Van Bebber
Executive Vice President and General Counsel
Tyson Foods, Inc.
2200 Don Tyson Parkway
Springdale, Arkansas 72762-6999
(479) 290-4000

*(Name, Address and Telephone Number of Person Authorized to Receive Notices
and Communications on Behalf of Filing Persons)*

Copy to:

George R. Bason, Jr.
Marc O. Williams
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Telephone: (212) 450-4000

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee*
N/A	N/A

* A filing fee is not required in connection with this filing as it relates solely to preliminary communications made before the commencement of a tender offer.

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not applicable.
Form or Registration No.: Not applicable.

Filing Party: Not applicable.
Date Filed: Not applicable.

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

third-party tender offer subject to Rule 14d-1.

- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer.

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
 - 99.3 Internal announcement issued by the Company on June 9, 2014
 - 99.4 Transcript of the Company's conference call on June 9, 2014
-

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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Worth Sparkman, 479-290-6358, worth.sparkman@tyson.com

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 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 for \$63 / share in cash

- If the Pinnacle / Hillshire agreement is terminated, Tyson expects that its offer will be promptly accepted by Hillshire, 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 \$8.5 billion transaction
- Includes Hillshire 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....



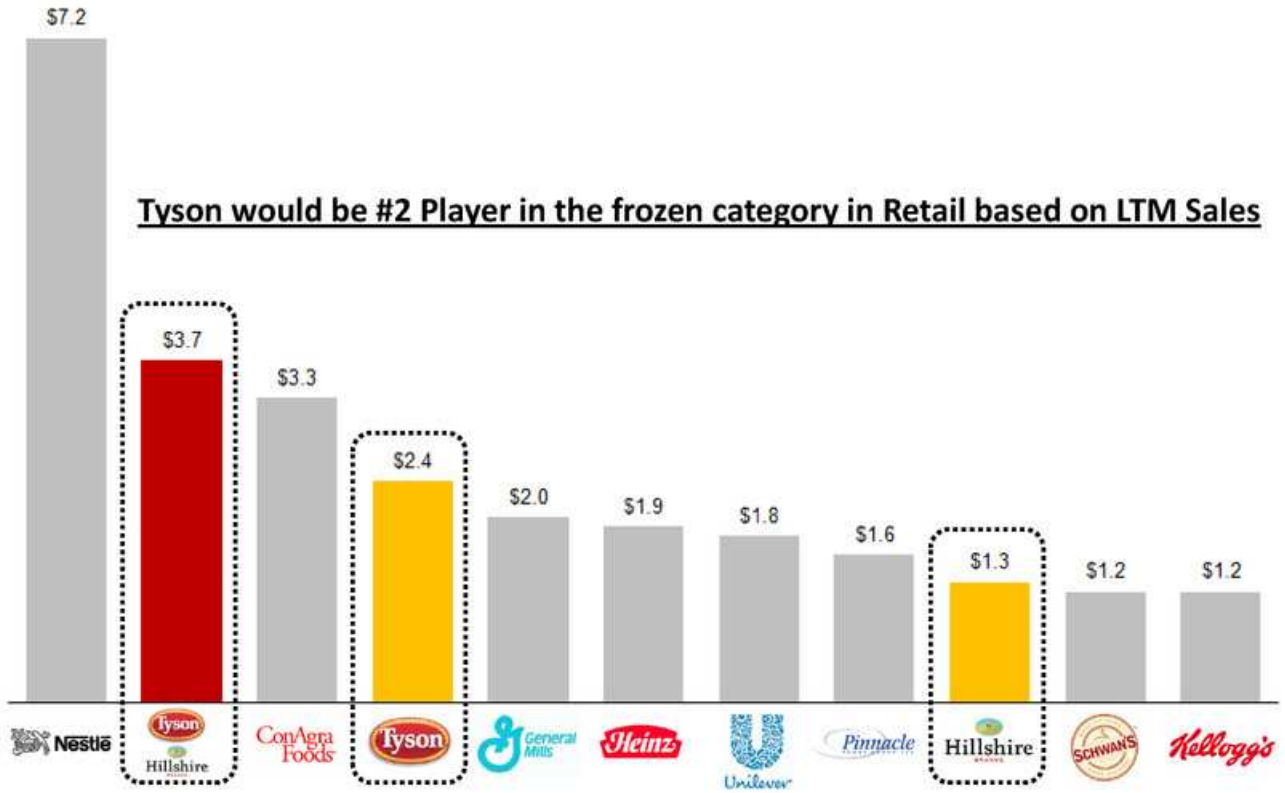
Tyson Brands



Hillshire Brands



INCREASED PRESENCE IN VALUE-ADDED FROZEN CATEGORIES



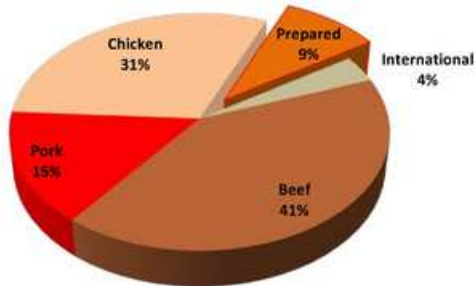
Source: IRI U.S. Multi Outlet frozen category sales data for 52 weeks ending May 26, 2014 / figures in billions.

WOULD BE COMPLEMENTARY TO TYSON'S PORTFOLIO

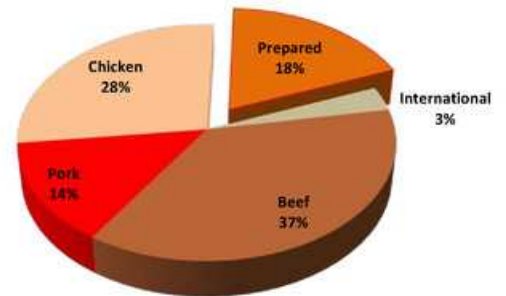


LTM 3/29/14 Revenue Contribution

Tyson (\$35.4Bn)

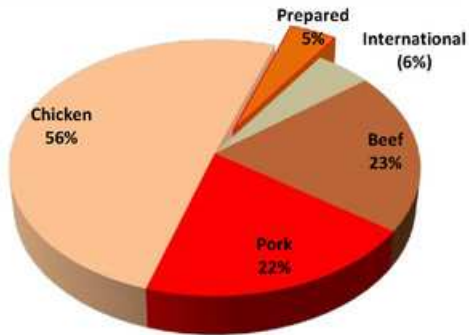


Pro Forma Combined (\$39.4Bn)

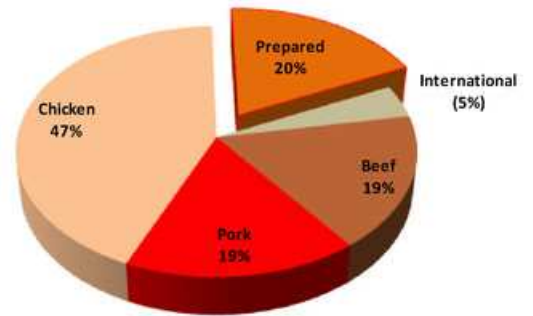


LTM 3/29/14 Operating Income Contribution

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



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



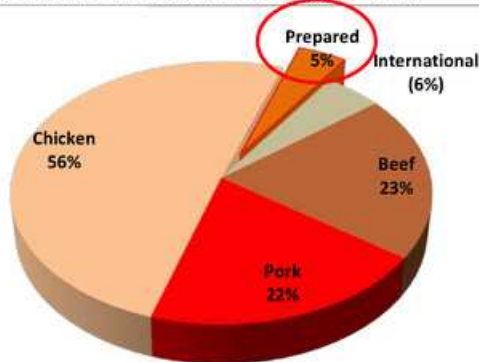
Note: Excludes intersegment sales of \$1.2Bn for segment contribution breakdown.

WOULD PROVIDE SIGNIFICANT LIFT TO PREPARED FOODS' SEGMENT MARGINS

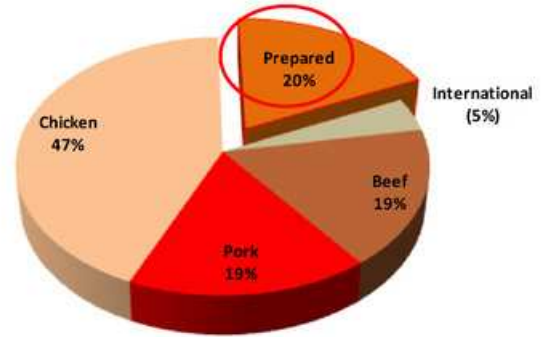


LTM 3/29/14 Operating Income Contribution

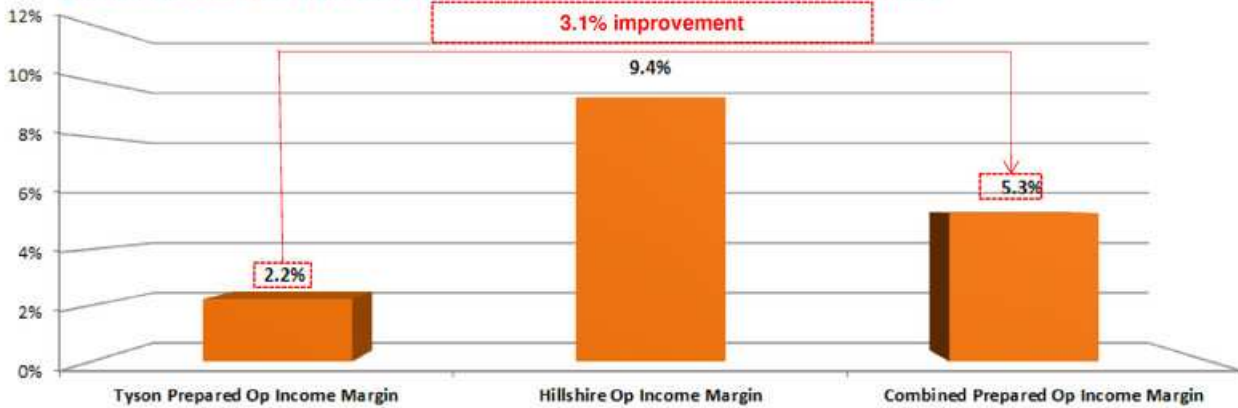
Tyson (\$1,608MM) (Op Income Margin = 4.5%)



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.

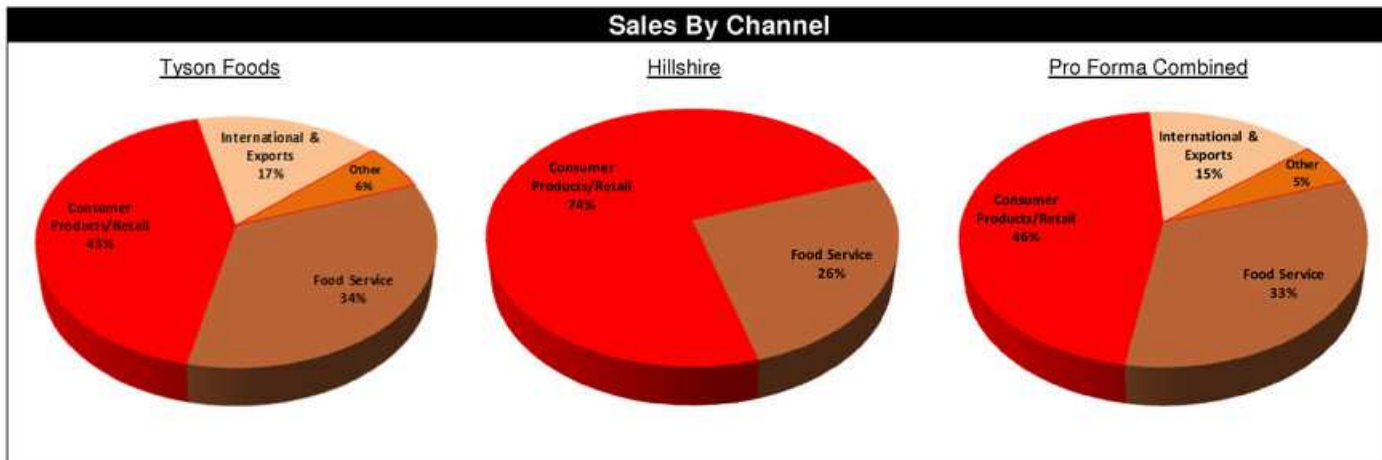
STRONG COMBINED FINANCIALS



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



Growth

Positioning Tyson Foods for the Future

The Hillshire Brands Company

It's our time! Today we announced that we have submitted a binding offer to acquire all outstanding shares of The Hillshire Brands Company, subject to Hillshire being released from its existing agreement to acquire Pinnacle Foods, Hillshire accepting our offer, and Hillshire shareholder acceptance. It's a great business run by talented people that complements our business and would present an immediate boost to our Prepared Foods segment. A copy of the news release is attached.

You'll read in the release that we expect to realize synergies in excess of \$300 million. This will be driven mostly by operational efficiencies, purchasing, distribution, supply chain efficiencies, raw material utilization and, of course, through the combination of talented sales and marketing teams from both companies.

As I've said before, we may not have all the answers to your questions just yet, so please be patient and stay focused as we work through this process. Like we did a couple of weeks ago, I want to meet with you personally to tell you a little more about our vision, so **please join me if you can in the Corporate Auditorium in Springdale, the Dakota Dunes Conference Center, or [live webcast](#) at 2 p.m.**

I want to remind you that if you choose to share our news release or any other news stories about our company through your personal social media channels, you must always disclose you work for Tyson Foods by using the #tysonemployee hashtag.

We'll be talking with analysts this morning at 8:30 a.m. Eastern (7:30 a.m. Central). The conference call is available via webcast at <http://ir.tyson.com>. Listen in if you can at 2 p.m.!



Donnie Smith
President and CEO

Thanks,



Donnie Smith
President and CEO

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09-Jun-2014

Tyson Foods, Inc. (TSN)

Acquisition of The Hillshire Brands Company by Tyson Foods, Inc. Call

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CORPORATE PARTICIPANTS

Jon Kathol

VP-Investor Relations & Assistant Secretary, Tyson Foods, Inc.

Donald J. Smith

President & Chief Executive Officer, Tyson Foods, Inc.

OTHER PARTICIPANTS

Brett M. Hundley

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Diane R. Geissler

Analyst, CLSA Americas LLC

Robert B. Moskow

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Kenneth B. Zaslow

Analyst, BMO Capital Markets (United States)

Adam Samuelson

Analyst, Goldman Sachs & Co.

Akshay S. Jagdale

Analyst, KeyBanc Capital Markets, Inc.

Michael L. Piken

Analyst, Cleveland Research Co. LLC

Farha Aslam

Analyst, Stephens, Inc.

Tim J. Tiberio

Analyst, Miller Tabak + Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Tyson Foods' Conference Call. All participants are in a listen-only mode until the question-and-answer session. [Operator Instructions] Today's call is being recorded. If you have any objections, please disconnect at this time.

I will now turn the call over to Mr. Jon Kathol, Vice President of Investor Relations. You may begin.

Jon Kathol

VP-Investor Relations & Assistant Secretary, Tyson Foods, Inc.

Good morning and welcome to the Tyson Foods' conference call to discuss our offer to acquire The Hillshire Brands Company. The slides we'll reference during this call are available in the Investor Relations section of our website at ir.tyson.com.

Speaking this morning is Donnie Smith, President and Chief Executive Officer. Following Donnie's prepared remarks, we will have a Q&A session. To be fair to others on the call, please limit yourself to two questions, and then get back in the queue for any additional questions.

Our remarks today include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results to differ materially

from our expectations and projections. I encourage you to read our forward-looking statements language on slide 3 for a discussion of the risks associated with the offer.

I'll now turn the call over to Donnie Smith.

Donald J. Smith

President & Chief Executive Officer, Tyson Foods, Inc.

Hey. Good morning, every one. Before I get started, I wanted to let you know that I talked to Dennis' wife this morning, and he has stomach bug or something, and is a bit under the weather, so he's not going to be able to join us on the call today. Hopefully, he'll make it down a little bit later in the morning.

But this is a great day for our company. It's an exciting day for Tyson Foods as we announce an important strategic opportunity for our company to make a huge leap forward in the growth of our Prepared Foods business. With the acquisition of Hillshire Brands, not only would Tyson Foods have the number one brands of chicken and stack-pack bacon, we'd also have the number one brands of sausage, breakfast sandwiches, hotdogs, corn dogs, and super premium sausage.

Sean Connolly is an impressive leader who has assembled an impressive team that is getting impressive results. And we're looking forward to combining Tyson and Hillshire to create a \$40 billion consumer-centric, insights-driven marketing organization that would position us as a clear leader in prepared – retail prepared foods with iconic brands.

And as you can see on slide 11, these two companies together also become the number two player in frozen food. If you'll refer to slide 12, you'll see that based on pro-forma data for the 12 months ended in March, this deal would double our Prepared Foods sales from 18% of revenue and quadruple operating income from Prepared Foods from 5% to 20% of the total.

And if you flip over to slide 13, you can see that our margin grows from 2.2% to 5.3%. Hillshire would aid our ability to stabilize earnings by increasing return on sales and de-commoditizing our business. So, again, this would be a hugely forward in growing our Prepared Foods segment, not to mention the gains to be made in combining our two companies' considerable talents and resources in R&D and innovation, consumer insights and sales and marketing.

And we could see this reaching across brands, across categories and across distribution channels. We believe we can realize significant annual synergies in excess of \$300 million by year three, driven primarily by operational efficiencies, purchasing, distribution, supply chain efficiencies, raw material utilization, aligning shared services and leveraging the sales and marketing teams' talents that I just referred to.

Our team eliminated over \$1 billion of cost in our chicken business over the last few years, while at the same time regaining our position as the number one brand of fresh chicken in the U.S. Our fresh meats team has steadily improved our cost structure as evidenced by our ability to consistently outperform industry indices. We don't think there's a food company today in a better position than Tyson to integrate these businesses and capture the growth potential in these categories.

The point is, although there are sizeable synergies, this deal is about taking a great asset and growing it, not simply eliminating costs. We've been looking at our growth options for months. Although to the outside world this might appear to be happening quickly, I want to assure you that we've been thinking a long time about Hillshire and how it can complement Tyson Foods.

A couple of years ago, we began working with our board and advisors to do a complete assessment of ways to grow our company and that assessment involved a deep dive on what we aspire to be in prepared foods. What we wanted was to have the number one or number two brands at retail because that's really key to maximizing the supply chain and creating the kinds of returns we want, so we cast a wide net and we looked at a number of significant opportunities and put them through various filters, and the company that kept coming out on top was Hillshire.

But two years ago or maybe even a year ago, we weren't ready for it. Now, my confidence in our ability to absorb an acquisition of this size is much higher. We've taken steps to get our organization in line to really grow our prepared foods portfolio, and we put Donnie King in charge of that group. And the financial profile of this offer makes sense based on the level of accretion and the returns that we expect to generate. We can de-lever our balance sheet pretty rapidly and fast forward our growth strategy at the same time, so thankfully when external factors put all this in motion, we were in a position that we could seize on the moment and do what's best for Tyson Foods and our shareholders.

If you'll turn to slide 15, this is a cash transaction for \$63 a share. The aggregate value, including Hillshire's net debt, is approximately \$8.5 billion. This represents a multiple of 16.6 times trailing 12 months adjusted EBITDA, or 10.4 times including the \$300 million in synergies.

Turning to slide 16, we expect that the proposed transaction would be marginally accretive to EPS on a cash basis in the first full year after completion and substantially accretive thereafter. And as a reminder, we believe that we can realize significant annual synergies in excess of \$300 million by year three, driven primarily by operational efficiencies and supply chain optimization.

We have a fully committed bridge facility of \$8.2 billion from Morgan Stanley and JPMorgan. Because maintaining our investment grade credit rating is extremely important to us, we're prepared to issue debt and equity in a combination that will keep us at investment grade. We expect the combined companies to generate considerable cash flow that will allow us to de-lever quickly. And we see attractive, long-term interest rates in the credit markets, and we expect our weighted-average interest cost to be roughly 3.5%.

Let's talk about ROIC. As a company, we're disciplined about capital allocation and returns. In the current low-interest-rate environment, we have a cost of capital of around 6.5% on an after-tax basis, which means our pre-tax breakeven is around 10%. Now, although our ROIC will drop below 20% the first year, the combined companies still create shareholder value in excess of breakeven cost of capital. We're committed to an ROIC target of 20% and we'd expect to approximate that level within five years.

In addition, as we realize synergies and de-lever, we expect EPS to return to an annual growth rate in excess of 10%. As you can probably tell, we're excited about this opportunity. We believe that this strategic transaction will create significant value for Tyson shareholders over time. We are enthusiastic and energized about the opportunities ahead, and we're looking forward to working with the team in Chicago as we put these two great companies together.

So, that concludes our prepared remarks. And now, we're ready for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question today is from Brett Hundley with BB&T Capital Markets.

Brett M. Hundley

Analyst, BB&T Capital Markets

Donnie, good morning.

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

Hi, Brett.

A

Brett M. Hundley

Analyst, BB&T Capital Markets

I just wanted to go to the synergy number that you gave. Can you maybe give us an idea of either dollar percentage amount of what you think you can realize early on? Are the synergies more front-end weighted or will they be more back-end weighted?

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

At this point, we can consider roughly a third, maybe a little better, in the first full year and then we would anticipate, and currently we're projecting the other two-thirds to roll in, in the next couple of years. Certainly, Brett, we'll be, as we get deeper into this, we'll be looking at ways to accelerate that. But we feel pretty comfortable on the front-end of that rate.

A

Brett M. Hundley

Analyst, BB&T Capital Markets

Okay. Thank you. And then my second question, does this deal alter the normalized margin ranges for pork, beef and chicken or does it at least give you confidence that you can operate within the historical ranges that you've given more consistently?

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

Yes to the latter part of the question. On the first part, well, it certainly changes our perspective around our Prepared Foods segment. Our chicken business, because we've carved out now the international segment, there should be a change there, and we'll be talking about that, we think, in the future. But as far as that, when we transfer meat internally, we always do that at the market. And so, we don't anticipate a huge change in the fresh meats margin portfolio, if you would.

A

Brett M. Hundley

Analyst, BB&T Capital Markets

Thank you.

Q

Donald J. Smith
President & Chief Executive Officer, TysonFoods, Inc.
Sure.

A

Operator: Thank you. The next question is from Diane Geissler with CLSA.

Diane R. Geissler
Analyst, CLSAAmericasLLC
Good morning.

Q

Donald J. Smith
President & Chief Executive Officer, TysonFoods, Inc.
Hi, Diane.

A

Diane R. Geissler
Analyst, CLSAAmericasLLC

Q

I wanted to talk to you about the timing. So, this is contingent on Hillshire backing out of the Pinnacle Foods deal, I guess. So, what is the status of – I'm assuming they've accepted your offer, or could you talk a little bit about what would be involved in that and would those penalties accrue to you?

And then my second – I was just asking my follow up. My second questions on – just as a follow-up to the synergy question, can you give us a little bit better idea about how you are allocating the synergies? Are these 50% comes from head count reduction, 30% from margin improvement, 20% from others? Can you just kind of give us an idea about the buckets on the synergies so we can get an idea of how realistic that target is?

Donald J. Smith
President & Chief Executive Officer, TysonFoods, Inc.

A

Sure. Let me tell you what I can tell you about your first question first, okay?

Diane R. Geissler
Analyst, CLSAAmericasLLC

Q

Sure.

Donald J. Smith
President & Chief Executive Officer, TysonFoods, Inc.

A

I'll try to explain what's happened at this stage. So, there was a process that concluded last night involving ourselves and another bidder that was obviously interested in Hillshire Brands. As a result of that process, Tyson submitted a binding offer to acquire Hillshire that we're discussing today. Now, Hillshire is under contract with Pinnacle and is not permitted to accept our offer, unless and until that agreement with Pinnacle is terminated. And that's really all I can say about the process.

So, on the synergy side, as we look at creating – continue to create, by the way, I mean, we still have, in our business, a very, very large temperature-controlled distribution network. And so, as we fold in this very large – both frozen and refrigerated distribution network, we think there's significant opportunities there to be gained from synergies. Also, when you combine these two great companies, we think there's opportunities in the spend

whether it's for the raw materials that we might use in the manufacturing process or if it's in – other spend there is that that revolve around marketing efforts and that type of thing.

So, as we look forward, we really think that in terms of the operational efficiencies, I think we've proven over the last few years that we're pretty good operators and we understand what a good cost structure looks like. And we also understand, in our brief conversations, that the Hillshire Brands' team is very committed to having a lean operation. And we think that we can learn from each other.

Then if you look at different side, we also see that this great marketing and innovation and insights team can bring a lot to the table on the Tyson side around discovering – maybe deeper discovering where opportunities are in categories that when we put these two companies together, we can explore.

If you look at a lot of their portfolio, there's not a lot of raw offerings in that portfolio. So, we think there's an opportunity there. In channels, we think there's great opportunity to combine these two in convenience stores and even perhaps in schools. So, there's just a lot of opportunity going forward. We think in the synergy capture and we'll be putting together an integration team.

By the way, I think it's really important to note here too, and then I'll take a breath, that we think the cultures are very complementary, and we think that will go a long way into making for a really smooth integration, and that will be important to capturing the synergies. Hope that helps.

Diane R. Geissler

Analyst, CLSAAmericasLLC

Q

Well, I guess, not to take another follow up, but I will anyway, how much detail were they able to provide you if they were contractually obligated to Pinnacle? In other words, were they able to – were you able to look through the books in some details in order to determine the \$300 million synergy target?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

No. But we've extensively studied kind of the history since the spin out and a lot of their documentation and a lot of the type of things that they've been talking about in terms of their synergy capture, and with what we know about our business and what we know about our Prepared Foods business and the raw material synergies between the pork segment, for example, and their business, you can put together a pretty decent story with the public information that makes us feel real comfortable about our ability. And then as we get further into the process, of course, we'll learn more and that will probably impact the timing and hopefully allow us to accelerate synergy capture.

Diane R. Geissler

Analyst, CLSAAmericasLLC

Q

Okay. Thank you.

Operator: Thank you. The next question is from Robert Moskow with Credit Suisse.

Robert B. Moskow

Analyst, Credit Suisse Securities(USA) LLC(Broker)

Q

Hi. Thank you. Hey, Donnie, I think that the price of the transaction is a lot higher than what any of us could have imagined it going to. And I was wondering if you could kind of – when this became a strategic priority for you, did

you have a number in mind as to what price you were willing to pay? And to what extent does this go beyond what your original expectations were? It may not be a fair question, but I think it must be something that the shareholders are wondering.

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Sure. So, let me give you some insight into what our thoughts have been throughout this process. So, you can probably imagine that the time commitment, as we completed a very, very thorough review of Hillshire Brands, and came to consensus on both what the strategic and the financial logic of this transaction would hold. So, I think the strategic fit, that should be very easy for any investor to understand. So, let's just go to the financial logic.

So, when we looked both at the synergies but also the growth potential, when you combined those two and looked out in a forward view, that's where we put forth an acquisition at a value that creates shareholder value and significant shareholder value over time. As you know, brands like Hillshire and Jimmy Dean and Ball Park, they don't come available very often.

This acquisition accelerates our growth into Prepared Foods, and we've been very focused on both Prepared Foods and value-added chicken, as the accelerators in our growth strategy. And it really puts us in an opportunity to create significant shareholder return.

So, we're purchasing these assets, not only for what they are today, but for their potential to create additional value over time in our portfolio, they've got a great collection of brands, products, can't brag on their people enough, great assets, and their business is very complementary to ours. And as I mentioned in Diane's question, their culture is very complementary of ours which should make for a really smooth integration. And a lot of times in transactions like this that we read about, it's in the integration that things get gummed up a bit. So, we're really optimistic about how the complementary cultures will aid in the synergy capture.

So, that's what we were thinking about. That's what drove us to the – to our price target. And we believe that this will create shareholder value and a significant shareholder value over time.

Robert B. Moskow

Analyst, Credit Suisse Securities(USA) LLC(Broker)

Q

Okay. Can I ask a quick follow-up?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Sure.

Robert B. Moskow

Analyst, Credit Suisse Securities(USA) LLC(Broker)

Q

When you and Dennis were thinking through sensitivity analysis, say, for next year and you looked at different scenarios, I was thinking of a scenario where grain prices rise a lot, chicken prices fall because of more supplies. And, let's say, the synergies are not there in the first year, they get pushed out for whatever reason, what would that do to your ability to pay down debt, your cash flow and your earnings? How – did you think through like what that might look like and what would...

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Yeah, sure. So, here's how we conducted the sensitivity analysis on that. So, we went back and we took 2010 through 2013 and created an average because that really took us through a complete cycle, right?

Robert B. Moskow

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Yeah.

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

And so, based on that, call it three- to four-year average, what did that do to the – what does that do to the ratios, the EPS, the cash ratios and all of those things over time. And obviously, it dipped a little bit, but it was never in a position to where we could not de-lever the deal, like we planned to, especially since you've got to consider that we'll issue enough equity in this deal to maintain our investment grade rating. So, our interest costs never got to a overburdening position.

So then what we did is we went back and we included 2009 in that average and did that sensitivity analysis, which you can go back and look at our 2009 year and that certainly wasn't a year to brag about. And so, when we did that, then, yeah, it pushed the de-lever a little bit out in front, but still we were able to maintain – it's important for us, in our culture, to do what we say we're going to do, and we were still able to do that.

And we have some strategic options within the portfolio that we could make, too, about how fast we do CapEx and other things. So, there are still plenty of options inside this big business to make sure that we can follow through on our commitment to quickly de-lever, capture these synergies, and maintain our investment grade credit rating with the agencies, which you know is very, very important to us.

Robert B. Moskow

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Great. I'll get back in the queue. Thanks.

Operator: Thank you. The next question is from Ken Zaslow with Bank of Montreal.

Kenneth B. Zaslow

Analyst, BMO Capital Markets (United States)

Q

Hey. Good morning, Donnie.

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Good morning.

Kenneth B. Zaslow

Analyst, BMO Capital Markets (United States)

Q

Just some basic questions. How much equity do you plan on raising?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

We don't have the specific number today. A lot of things will go into play over the next month or two or whatever as we work through that, but enough to keep our investment grade rating.

Kenneth B. Zaslow

Analyst, BMO Capital Markets (United States)

Q

I guess, just – I'm not, hopefully, using up my follow-up here, but why is there any – like, why weren't those numbers figured out? It seems like it's a reasonably relatively basic calculation of how much leverage you want, how much cash you actually have, how much cash you expect to have and low and behold, you're going to raise equity, no?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Yeah. But again, there's potentially other options in our portfolio that we could consider, too. So, we're thinking through this very carefully to make sure that we create the best long-term ability to deliver shareholder value.

Kenneth B. Zaslow

Analyst, BMO Capital Markets (United States)

Q

Can you give us some guidelines to it or anything that helps us out because it looks like it can be around \$1 billion to \$1.5 billion? I don't know if that's entirely low to you.

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

It's too early to say, Ken. That will become more and more evident over the next few weeks or so. The main thing is that equity is an option, and we intend on keeping our investment-grade rating.

Kenneth B. Zaslow

Analyst, BMO Capital Markets (United States)

Q

Okay. My second question, I guess, is what are your basic assumptions in the Hillshire business model? Right? So, we're all talking about synergies, but the real question is, what do you actually see in terms of the Hillshire business model in terms of the margins? Are you looking for growth of a certain percentage there, are you looking for margin expansion? I mean, they obviously have had a grave impact on the PED virus. So, how do you think about the sales growth and the margin assumptions for that business?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Sure. As we look forward and obviously, we think there's a great value to be in, for example, number one in the fastest-growing category at retail and then ability to do a little bit in foodservice but not a whole lot. Both our businesses are pretty underpenetrated in the convenience store with a lot of opportunity there. We think there's a lot of runway for us in schools. We think there's potential for a lot of runway with Hillshire Foods in school.

So, as we look, we still think there's – we do think there's good growth potential in these businesses. As we look forward, we still think the – our business, in total, will grow at 3% to 4% or so like we've been talking about. And we intend to continue to grow the prepared foods and the value-added chicken categories at a faster growth rate than the total. And we think, by combining these two companies, we enhance our ability to do that.

Kenneth B. Zaslou

Analyst, BMO Capital Markets (United States)

Okay, but you don't have margin assumptions for the Hillshire business?

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

Sure. You know, we think – with what we know so far, we think that there's still potential to expand the margins in that business. Hey, being the category leader in great categories like this combined with really, really deep market insights, a really, really strong marketing team, a lot of ability in innovation. We have tremendous resources here and the physical resources in the discovery center, and you combine our great scientific ability in food and their great ability to innovate in food, we think there's a lot of runway to expand and perhaps even create new categories that'll be very, very meaningful to consumers. And that'll help us expand the margins.

A

Kenneth B. Zaslou

Analyst, BMO Capital Markets (United States)

Just a cleanup – just one question just to make sure. I think the multiple that you said versus what was in the press release might have been – there was a small discrepancy. Am I missing something? Did I mis-hear?

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

All right. Hang on. Jon Kathol is giving me the evil eye. He's just told me that what I should have said was 16.7 trailing 12 months and 10.5 on the \$300 million in synergies. Sorry.

A

Kenneth B. Zaslou

Analyst, BMO Capital Markets (United States)

Great. I appreciate it. Thank you.

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

Thanks, Ken.

A

Operator: The next question is from Adam Samuelson with Goldman Sachs. Mr. Samuelson, please check your mute button.

Adam Samuelson

Analyst, Goldman Sachs & Co.

I'm sorry. Can you hear me now?

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

Y up.

A

Adam Samuelson

Analyst, Goldman Sachs & Co.

Q

I wanted to go back to this question on the return hurdles and understand, Donnie, I think you said the company has a 6.5% after-tax cost of capital, so it's a 10% pre-tax ROIC kind of metric, and at what point do you envision this deal exceeding that 10% cost to – effective pre-tax cost of capital?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Immediately. And what we know – what I was referring to is our total business, right? And so, as we look out into the future, getting back to a 20% ROIC for Tyson Foods is an important metric for us. And so, we think, obviously, that we'll take a little dip, but as we march through these synergies and then create this growth potential which, by the way, will be very complementary to our current prepared foods business, then we think we'll be able to see steady growth in our ROIC, and we believe we'll be able to approximate that 20% level for the company within the next five years.

Adam Samuelson

Analyst, Goldman Sachs & Co.

Q

Okay. I mean, maybe I'm missing something there because I look at the Hillshire kind of operating income numbers and even including the \$300 million of synergies, a 10% pre-tax ROIC is over \$800 million of pre-tax income there.

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Okay. I get the question a little better now. So, really what we're looking at is the Prepared Foods segment within the portfolio of Tyson Foods. Because we think combining Hillshire Brands with our current Prepared Foods segment creates a significantly different view of that segment than what we have today. And so, our view forward is the Prepared Foods segment combining our current business and their business as a business, and then the total company which we expect to march back to the 20% target.

Adam Samuelson

Analyst, Goldman Sachs & Co.

Q

Okay. That's helpful. And then just a clean-up question from me, first, I – it hasn't been explicitly stated, but I assume you're stopping all share repurchases, and second, what's the expected cost both capital and OpEx to achieve the synergies you're targeting?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

So, on the share buyback question, we intend to continue to buy back the shares that would be involved in our compensation programs, the options dilution and that type of thing, but certainly de-levering this transaction is very important to us. And so, we'll use our cash accordingly. And so, ask your second question again.

Adam Samuelson

Analyst, Goldman Sachs & Co.

Q

What's the expected cost, both operating cost and capital expenditures, to achieve the \$300 plus million synergies?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Well, okay, we don't – I guess, the right way to say that is we see that coming from a combination of activities involving the operational efficiency, the purchasing, the distribution network and all of that. Now, we do believe that we can get probably a better than a third of that in the first full year and then the rest of the synergies will come on in the next two. It may be helpful to say that we expect the interest cost to be at around 3.5% on this deal. So, hopefully, that helps.

Adam Samuelson

Analyst, Goldman Sachs & Co.

All right. Thanks. I'll leave it there.

Operator: Thank you. The next question is from Akshay Jagdale with Key Banc Capital Markets.

Akshay S. Jagdale

Analyst, KeyBanc Capital Markets, Inc.

Good morning.

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

Hey, Akshay.

Akshay S. Jagdale

Analyst, KeyBanc Capital Markets, Inc.

Hey. Just want to follow up one on the ROIC question, return on invested capital. So, just so I understand that clearly, what do you expect from this transaction itself? I mean you're saying – just to make sure I'm clear, you're saying you'll get to 20% ROIC for the combined company. I think that's what you're saying. You're not saying you're going to get a 20% ROIC on the \$8.5 billion you're spending. Are you saying both of those or as a combined company?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

As a combined company, Tyson Foods, Inc.

Akshay S. Jagdale

Analyst, KeyBanc Capital Markets, Inc.

Okay. And so, that would imply significant positive impact from owning these assets on your current businesses. Is that correct? I mean your Prepared Foods business should benefit from this acquisition and so should your Pork business if I'm understanding it correctly. So, one, is that correct?

And, two, how are they going to benefit, and give us some sense of the magnitude here because clearly, the price you're paying to get the returns back to 20% for the entire company, you're going to have to see a significant benefit to your pork operations and to your prepared foods operations, right? You're showing a chart which is sort of combines the two EBITs. That's a simple math, but what should the return profile look like for your prepared food business and why shouldn't this transaction increase the normalized profitability of your pork business? Because I think that would have to happen in order to get the 20% ROIC back to what you're saying in five years.

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Okay. So, that's a great five questions, let me try to give you a – so, in our pork deal, we do think that putting these together, obviously, the raw material utilization and being able to have access to those raw materials and then drive value up the value chain into both retail and foodservice, is a significant stabilization to the return profile of our pork business. That's in pork.

Now, then if you look at the complementary nature of having a largely foodservice, largely private label prepared foods business, our current business, combined with a largely branded and largely retail prepared foods business, which is what Hillshire brings, this would create a very complementary business that would create, not only good synergies as we go forward inside the combination of the business, but also provide a growth vehicle to be able to explore new categories, new platforms, and take advantage of channels that still provide a lot of value for both of us.

So, we think, as we look forward over the next three to five years, the stabilization in our pork earnings will be important to us. And also, the growth potential in prepared foods, which is an increasingly important category, and these brands are very extendable into other categories. We think that's an important growth vehicle for us. So, that will provide a lot of opportunity.

Akshay S. Jagdale

Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. And then just on short term, again, if I'm understanding this incorrectly, please let me know. But by saying it's marginally accretive, the cash EPS, you're implying it's dilutive to EPS. So, can you talk about – just the short term, you're talking about this transaction being dilutive to EPS and obviously, your growth algorithm short term, you're not going to reach at least 10% growth that you've mentioned.

In light of that and also the fact that you're going to issue equity, how should we think of judging the company in the short term, right? I mean you've given, I guess, all the good news. But it seems like there's a lot could go wrong in a transaction like this. Your EPS trajectory has changed, and it seems like right now, you're paying a pretty hefty price for this asset. So, can you help me understand shorter term where is the upside here? What could you do better on in terms of the variables that are out there?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Okay. So, if you look at page 15 in our deck, you get a pretty clear view of what the short-term look. Factor in a third-ish or so of the synergies in the first full year, you're really good at math, so you can do what the near-term effect is going to be. We still feel great about the current business' potential as has been previously defined in this year. And then you put these two great companies together, and then I think we can estimate the grain cost and that type of thing in multiple different scenarios, but we see that we've done a pretty good job of making sure that we've got a good handle on what our grain cost will be for the rest of the year going into next year.

So, when you put all that together and you look for – the 2015 year and beyond, you'll get back up on top of the 10% EPS growth story beyond that that we're looking for, and that's really the story here is that combining these two companies creates a great long-term view, that's going to create a lot more value than what we would be able to do without it.

Operator: Thank you. The next question is from Michael Piken with Cleveland Research.

Michael L. Piken

Analyst, ClevelandResearchCo.LLC

Q

Good morning. I just want to get a feel for where you guys are going to be in terms of your pork business, like with acquiring Hillshire, you guys could end up becoming a net buyer of pork or do you have enough that you produce internally that that will not be the case?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

I don't see that being the case. I think we've produced enough internally today. Yeah.

Michael L. Piken

Analyst, ClevelandResearchCo.LLC

Q

Okay. Great. And then what does this mean for like your export businesses kind of going forward, particularly on the pork side of the business?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Really, we don't see this impacting. Yeah, really don't see this impacting at all.

Michael L. Piken

Analyst, ClevelandResearchCo.LLC

Q

Okay. So, you would still be – I mean, you would still plan on being a major exporter of red meat as well, despite this acquisition?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Absolutely. Yeah.

Michael L. Piken

Analyst, ClevelandResearchCo.LLC

Q

And then how does this impact potentially your growth plans in international over the next couple of years? Does it sort of slowdown or as you focus on kind of deleveraging and – how do you think about the growth in your international business, which was sort of the other – third key big growth lever?

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

A

Yeah, that's a great question. So, we're reviewing that today. We've slowed down our China business a bit, and frankly, we're glad we've done that. This could slow that down a bit, but we haven't come to any conclusion there yet. We're still investigating our options and what the whole portfolio would look like. And as we get through the next couple of months and get this deal structured, then we'll have a better idea of how we want to project the CapEx and whether or not we'll slow down any capital going to other parts of the business. But we'll look to optimize this big portfolio in a way that'll create the most shareholder value.

Michael L. Piken

Analyst, ClevelandResearchCo.LLC

Q

Okay. Thank you.

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

You bet.

A

Operator: Thank you. The next question is from Farha Aslam with Stephens, Inc.

Farha Aslam

Analyst, Stephens, Inc.

Hi. Good morning.

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

Hi, Farha.

A

Farha Aslam

Analyst, Stephens, Inc.

I wasn't clear on the timing of this transaction. When do you anticipate this deal to close – to be financed and closed?

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

Hey, all I can tell you about the process is what I answered earlier, and I'll go back through that. There was a process that was defined, that was concluded last night, between us and another bidder. And as a result of that, we submitted a binding offer to acquire Hillshire. Hillshire is under contract with Pinnacle, and they're not permitted to accept our offer until and unless that agreement with Pinnacle is terminated. So, that's really all we can comment about the process.

A

Farha Aslam

Analyst, Stephens, Inc.

And then in terms of financing, one, would you sell anything in your portfolio as you review it to fund this transaction? And, two, when you talk about investment grade, was that the 3 times debt-to-EBITDA target that you had that you needed to maintain to be investment-grade kind of – as you talk to your rating agencies, what are they telling you in terms of the leverage you need to maintain? And clearly, I'm trying to back into then, therefore, how much equity would you need to raise?

Q

Donald J. Smith

President & Chief Executive Officer, TysonFoods, Inc.

Yeah, I understand, and a lot of those conversations are – have been happening and continue to happen. And that's a bit fluid as we look at how we're going to structure this. So, everything you've just asked, and I know this will be a little frustrating for you, and I'm sorry, but everything you just asked is on the table, and we're discussing all of that, but I just can't give you the details of where we've landed on that at this point.

A

Farha Aslam
Analyst, Stephens, Inc.

Q

Okay. And then a final question is, are you anticipating Donnie King to lead the combined Tyson Hillshire organization?

Donald J. Smith
President & Chief Executive Officer, TysonFoods, Inc.

A

We put our prepared foods business under Donnie King.

Farha Aslam
Analyst, Stephens, Inc.

Q

Okay, great. Thank you.

Operator: Thank you. The next question is from Tim Tiberio with Miller Tabak.

Tim J. Tiberio
Analyst, MillerTabak+Co. LLC

Q

Good morning. Donnie, you mentioned that the expansion in international protein may slow down a bit potentially as a result of this transaction. I guess I'm thinking a little bit more longer term. Obviously, the near term strategic value is you gain number-one and number-two brands in the packaged meat segment in North America. But can you discuss any thoughts that have gone into this transaction as far as potentially taking the Hillshire Brands and expanding the distribution more aggressively internationally over time?

Donald J. Smith
President & Chief Executive Officer, TysonFoods, Inc.

A

Yeah, that's a great question. And, yes, we have discussed that. We frankly need to spend some time with the Hillshire team about doing that. We're looking forward to having that conversation as soon as we can. So, let me be, maybe, a bit more clear. We do not see the demand for protein contracting in the future. I think demand worldwide for protein is going to continue to grow at about, say, round numbers, around 2% a year. And we think most of that growth is going to come outside of the U.S. So, international is still a very important part of our future.

But timing plays, certainly, a role here and we don't want to, in any way, leverage our future growth in international with a short-term decision. We always keep a long-term approach. But can you slow certain things down to speed certain things up? Sure. That's the great potential within a portfolio as large as Tyson Foods. We spent a lot of money on our domestic businesses over the last three or four years in excess of our depreciation and amortization. And we've got great assets, and we've got great assets in great shape. And so, there's an ability there, if we need to, to take some of CapEx spend and put it towards debt reduction and not slow our growth down a bit.

This thing in China with demand being all for chicken, we've kind of taken our foot off the accelerator in China a bit, and so some capital that we were going to employ and build in chicken houses, we certainly have that available to us now, and that could go towards debt reduction.

So, it's really about just analyzing the portfolio, creating a strategy, which, by the way, we worked with the board to create a great long-term view of where we want to be five, seven years and beyond. And so, as Covey teaches us, to start with the end in mind, when we keep that long-term vision out in place, then we can manage within the

portfolio to create opportunities for ourselves to maximize our – or really optimize our ability to end up where we want to when that time comes.

So, that's really the way we're looking at it. I can't give you the specifics about everything we're going to do over the next year or two inside our portfolio. But the thrust will be in, A, creating shareholder value, and, B, doing what we say we're going to do in terms of staying investment grade and rapidly de-levering this acquisition, so we can be in position to create and take advantage of more opportunities that may come down the road.

Tim J. Tiberio

Analyst, Miller Tabak + Co. LLC

Great. Thanks for your time.

Operator: Thank you. I would now like to turn the conference over to Robert Moskow with Credit Suisse.

Robert B. Moskow

Analyst, Credit Suisse Securities(USA) LLC (Broker)

[Laughter] I'm in charge of the conference call? Great!

I did have one follow-up though. The value of the trimmings and how they're being maximized now is because of you can sell them to Hillshire. The public values, I can see them, they're really, really high. I mean, the price that you're getting already for your trimmings are really high and you have your choice as to who to sell them to, so I guess I was always a little unclear as to why buying Hillshire would then maximize the value of those trimmings further? I mean they're already saying that they're paying a lot. So, how does this create value by combining the two?

Donald J. Smith

President & Chief Executive Officer, Tyson Foods, Inc.

So, it's really not necessarily about the value of any independent item or commodity. It's about being able to balance the entire carcass and the entire portfolio that creates the value opportunity going forward. So, I hope that helps, Rob.

Robert B. Moskow

Analyst, Credit Suisse Securities(USA) LLC (Broker)

Okay. I'll follow up. Thanks.

Donald J. Smith

President & Chief Executive Officer, Tyson Foods, Inc.

Okay.

Operator: Thank you. And I would now like to turn the conference over to Donnie Smith for closing comments.

Donald J. Smith

President & Chief Executive Officer, Tyson Foods, Inc.

So, as we close, I want to reiterate a couple of things. We're very excited about the opportunity to work with Sean Connolly and this fantastic team that he's assembled. And we also want to say a word of appreciation to the Tyson family and to our board for allowing us this opportunity to pursue this great option and position our company well

to create a lot of shareholder value over time. And so, we look forward to this new chapter in our company, and we appreciate the time and the interest you have in our business. Thank you very much.

Operator: Thank you. This does conclude today's conference. Thank you for joining. You may disconnect at this time.

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