

TYSON FOODS INC

FORM 8-K (Current report filing)

Filed 05/29/14 for the Period Ending 05/29/14

Address	2200 DON TYSON PARKWAY SPRINGDALE, AR 72762-6999
Telephone	479-290-4000
CIK	0000100493
Symbol	TSN
SIC Code	2015 - Poultry Slaughtering and Processing
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): **May 29, 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 May 29, 2014.

Also attached hereto as Exhibit 99.2 is a presentation referenced during the Company's analyst and investor conference call on May 29, 2014.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

Exhibit No. Description

99.1	Press Release issued by the Company on May 29, 2014
99.2	Presentation referenced during the Company's analyst and investor conference call on May 29, 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: May 29, 2014

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



Tyson Foods Announces \$50.00 per Share All-Cash Proposal to Acquire Hillshire Brands

\$6.8 Billion Proposal Provides 35% Premium to Hillshire Shareholders

Represents Superior Alternative to Hillshire's Announced Agreement to Acquire Pinnacle Foods

*Combination of Well-Recognized Brands Creates a Clear Leader
in the Retail Sale of Branded, Prepared Foods*

SPRINGDALE, Ark., May 29, 2014 -- Tyson Foods, Inc. (NYSE:TSN), ("Tyson") today announced that it proposes to acquire The Hillshire Brands Company ("Hillshire") (NYSE:HSH) for \$50.00 per share in cash.

The Tyson proposal would provide Hillshire shareholders with an immediate and significant return on their investment in Hillshire and constitutes a significantly superior alternative to Hillshire's previously announced agreement to acquire Pinnacle Foods Inc. ("Pinnacle"). Tyson's proposed price represents a 35% premium to the unaffected closing price per share of the Company's common stock on May 9, 2014, the day prior to the announcement of Hillshire's proposed agreement to acquire Pinnacle. At a total value of \$6.8 billion, the Tyson proposal represents a multiple of 13.4x Hillshire's trailing LTM adjusted EBITDA.

- The combination of Tyson and Hillshire would reposition Tyson as a clear leader in the retail sale of prepared foods, with a complementary portfolio of well-recognized brands and private label products, including *Tyson*®, *Wright Brand*®, *Jimmy Dean*, *Ball Park*, *State Fair* and *Hillshire Farm*. In particular, we believe that the strength of Hillshire's products in the breakfast category would allow Tyson to capture opportunities from shifting consumer trends in this attractive and fast-growing daypart where Tyson has little presence today.
- The transaction provides Tyson with the chance to realize significant synergies through the combination of the two companies' talented Sales and Marketing teams, significant Distribution and Supply Chain resources and alignment of Shared Service functions.
- Tyson will realize substantial benefits from full integration of the protein value chain, as stable and consistent demand for protein products will enable Tyson to best utilize its industry-leading position and resources to maximize shareholder value.
- Tyson expects that the proposed transaction would be accretive to EPS in the first full year after completion.

"We believe that there is a strong strategic, financial and operational rationale for the combination of Tyson and Hillshire," said Donnie Smith, Tyson Foods President and Chief Executive Officer. "Our proposal provides Hillshire shareholders with an immediate cash premium for their shares that we believe is both greater and more certain than what can be attained in the near term by the Company either on a standalone basis or in combination with any other food processing company."

Smith continued, "Tyson's shareholders will benefit from the considerable new opportunities that come with this extraordinary strategic fit. We stand ready to work together with Hillshire's leadership to quickly reach an acceptable definitive merger agreement, and look forward to being able to welcome Hillshire's communities, employees and business partners to the Tyson family."

There is no financing condition to the proposal, as Tyson has secured a fully committed bridge facility from Morgan Stanley Senior Funding, Inc., which Tyson expects will be joined by JP Morgan Securities LLC in the very near future. This proposal has the unanimous support of the Tyson Board of Directors and is subject to the termination of Hillshire's merger agreement with Pinnacle.

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

Following is the text of the letter that was sent today to Sean M. Connolly, Hillshire's President and Chief Executive Officer:

May 29, 2014

Mr. Sean Connolly
President and Chief Executive Officer
The Hillshire Brands Company
400 South Jefferson Street
Chicago, IL 60607

Dear Mr. Connolly:

On behalf of Tyson Foods, Inc. ("Tyson"), I am pleased to formally propose to acquire 100% of the issued and outstanding shares of common stock of The Hillshire Brands Company ("Hillshire" or the "Company") for \$50.00 per share in cash. This proposal has the unanimous support of the Tyson Board of Directors.

This price represents a 35% premium to the unaffected closing price per share of the Company's common stock on May 9, 2014, the day prior to the announcement of Hillshire's proposed agreement to acquire Pinnacle Foods Inc. ("Pinnacle"). At a total value of \$6.8 billion, our proposal represents a multiple of 13.4x Hillshire's trailing LTM adjusted EBITDA. We believe that your shareholders would welcome the opportunity to realize an immediate and significant premium for their shares, and accordingly hope to work with you to reach mutual agreement as to a proposed transaction on the basis outlined in this letter.

We have followed Hillshire and its predecessor companies with great interest over the years and have been impressed by the progress your team has made in improving core business fundamentals, managing costs, and increasing operating margins. Moreover, we have great respect for Hillshire's commitment to innovation, and to the strong brand presence the Company has built across all the categories in which it operates.

There is no financing condition to our proposal, as we have secured a fully committed bridge facility from Morgan Stanley Senior Funding, Inc., which we expect will be joined by JP Morgan Securities LLC in the very near future. We expect to maintain our investment grade credit rating following the proposed transaction, and are prepared to issue equity as a financing mechanism if it is determined to be prudent.

We believe that there is a strong strategic, financial and operational rationale for the proposed transaction. Accordingly, our proposed price reflects the considerable value we see in such a combination, providing your shareholders with a higher return on their Hillshire investment than we believe can be attained in the near term by the Company either on a standalone basis or in combination with any other food processing company.

With respect to your agreement to acquire Pinnacle, we believe that our proposed transaction constitutes or is reasonably expected to lead to a Superior Proposal (as defined in the Pinnacle merger agreement). Accordingly, we believe that your board of directors can and should, consistent with its fiduciary duties and its obligations under Section 5.4 of the Pinnacle merger agreement, make a determination to that effect and authorize the Company to provide us with a draft of an Acceptable Confidentiality Agreement (as defined in the Pinnacle merger agreement) as soon as possible. Both Tyson and its lead financial and legal advisors (Morgan Stanley and Davis Polk & Wardwell LLP, respectively) stand ready to engage in discussions regarding the proposed transaction without delay.

Our interest is in the Company on its own, and not as combined with Pinnacle. Accordingly, the termination of the Pinnacle merger agreement would be a condition to our proposed transaction.

Notwithstanding anything to the contrary contained herein, nothing in this letter constitutes or will be deemed to constitute a binding obligation of Tyson to proceed with, or consummate, the proposed transaction. Any potential transaction between Tyson and the Company will be subject to approval by our board of directors of the final terms and conditions of the transaction and the execution and delivery by Tyson of acceptable definitive agreements for the transaction.

We would have preferred to make this proposal to you privately, but in light of current circumstances we believe that it is in the best interests of your and our shareholders to have current and accurate information about our proposal and the reasons we believe that it is a compelling opportunity for both of our companies. For this reason, we are making this letter public simultaneously with my sending it to you.

We are very excited about this opportunity and hope to work with you towards the completion of a successful transaction. Should you have any questions regarding our proposal or wish to discuss it in greater detail, please contact me or our lead financial advisor, Morgan Stanley. As we consider the proposed transaction to be a time-sensitive matter, we would appreciate your timely response.

Very truly yours,

Donnie Smith
President and Chief Executive Officer
Tyson Foods, Inc.

Conference Call Information

Tyson Foods executives will discuss the proposed transaction with analysts on a conference call today at 9 a.m. Eastern (8 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.

Forward Looking Statements

Certain information contained in the press release may constitute forward-looking statements, such as statements relating to the potential benefits of a transaction with The Hillshire Brands Company. These forward-looking statements are subject to a number of factors and uncertainties which could cause our actual results and experiences to differ materially from the anticipated results and expectations expressed in such forward-looking statements, including those factors listed under Item 1A. "Risk Factors" included in our September 28, 2013, Annual Report filed on Form 10-K.

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Contacts

Investors: Jon Kathol, 479-290-4235, jon.kathol@tyson.com

News Media: Gary Mickelson, 479-290-6111, gary.mickelson@tyson.com
Worth Sparkman, 479-290-6358, worth.sparkman@tyson.com

Tyson Foods

\$50 per share Offer to Acquire Hillshire Brands

May 29, 2014



Bringing families together.™

FORWARD LOOKING STATEMENTS



Certain information contained in this presentation may constitute forward-looking statements, such as information relating to expected performance. These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results and experiences to differ materially from the anticipated results and expectations expressed in such forward-looking statements. We caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

Among the factors that may cause actual results and experiences to differ from anticipated results and expectations expressed in such forward-looking statements are the following: **(i)** the effect of, or changes in, general economic conditions; **(ii)** fluctuations in the cost and availability of inputs and raw materials, such as live cattle, live swine, feed grains (including corn and soybean meal) and energy; **(iii)** market conditions for finished products, including competition from other global and domestic food processors, supply and pricing of competing products and alternative proteins and demand for alternative proteins; **(iv)** successful rationalization of existing facilities and operating efficiencies of the facilities; **(v)** risks associated with our commodity purchasing activities; **(vi)** access to foreign markets together with foreign economic conditions, including currency fluctuations, import/export restrictions and foreign politics; **(vii)** outbreak of a livestock disease (such as avian influenza or bovine spongiform encephalopathy), which could have an adverse effect on livestock we own, the availability of livestock we purchase, consumer perception of certain protein products or our ability to access certain domestic and foreign markets; **(viii)** changes in availability and relative costs of labor and contract growers and our ability to maintain good relationships with employees, labor unions, contract growers and independent producers providing us livestock; **(ix)** issues related to food safety, including costs resulting from product recalls, regulatory compliance and any related claims or litigation; **(x)** changes in consumer preference and diets and our ability to identify and react to consumer trends; **(xi)** significant marketing plan changes by large customers or loss of one or more large customers; **(xii)** adverse results from litigation; **(xiii)** risks associated with leverage, including cost increases due to rising interest rates or changes in debt ratings or outlook; **(xiv)** compliance with and changes to regulations and laws (both domestic and foreign), including changes in accounting standards, tax laws, environmental laws, agricultural laws and occupational, health and safety laws; **(xv)** our ability to make effective acquisitions or joint ventures and successfully integrate newly acquired businesses into existing operations; **(xvi)** effectiveness of advertising and marketing programs; and **(xvii)** those factors listed under Item 1A. "Risk Factors" included in our September 28, 2013, Annual Report filed on Form 10-K.

AGENDA



Transaction Overview

Transaction Rationale

Financial Performance



OFFER SUMMARY

Transaction Details

- An all cash offer for Tyson to acquire Hillshire Brands at \$50.00 per share
- Tyson has secured financing commitments for a bridge financing facility
- Assumes no Pinnacle Foods transaction

Financially Compelling Transaction

- Transaction value of \$6.8 Billion including Hillshire net debt
- Offer represents a premium of 35% to Hillshire's unaffected stock price (closing price 5-9-14)
- Multiple of 13.4x LTM Adjusted EBITDA

Value Creation for Tyson Shareholders

- Significant synergy opportunity from the integration of our two complementary market-leading platforms
- Accretive to EPS in the first full year of ownership
- Tyson expects to maintain its investment grade credit rating

Approvals

- Offer has been unanimously approved by Tyson Board of Directors

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



❑ Compelling investment consistent with strategic priorities

- Continues Tyson's shift toward higher margin prepared foods and branded products
- A retail packaged meat business that is highly complementary to existing businesses
- Attractive valuation with significant synergy opportunities in production, logistics and sales
- Tyson expects to maintain its investment grade rating

❑ Creates market leading integrated protein platform

- Optimized supply chain will create competitive advantage
- #1 position across most value-added retail protein categories
- Creates significant scale and profitability in existing prepared foods business across branded and commodity products

❑ Significant synergy opportunity

- High degree of confidence in Tyson's ability to create synergies given track record of operational excellence
- Ability to optimize procurement, logistics, and production across Tyson's market leading platform

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

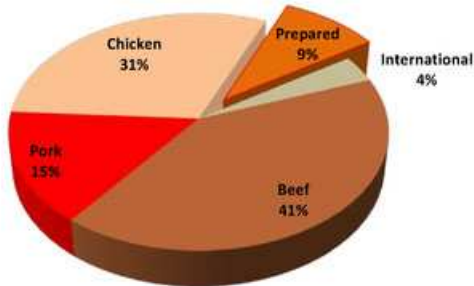
Source: Symphony IRI Group, Total US Multi-Outlet, 52 weeks ending 1/5/14

COMPLEMENTARY TO TYSON'S PORTFOLIO

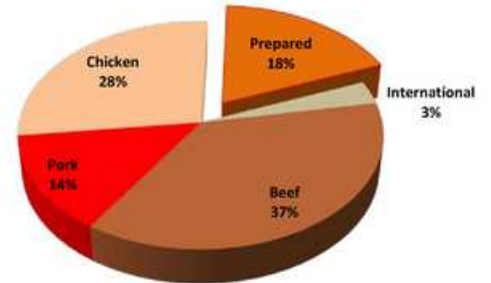


LTM 3/29/14 Revenue Contribution

Tyson (\$35.4Bn)

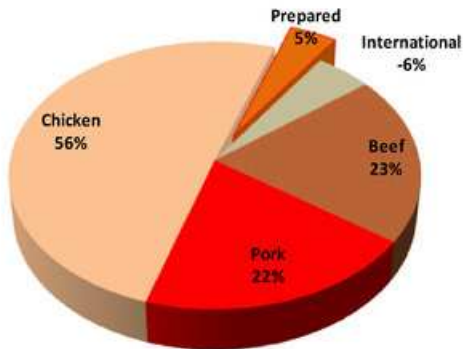


PF Combined (\$39.4Bn)

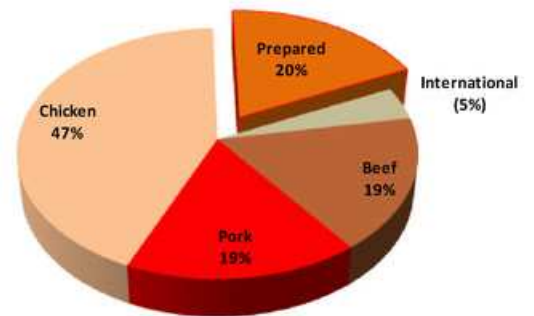


LTM 3/29/14 Operating Income Contribution

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



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



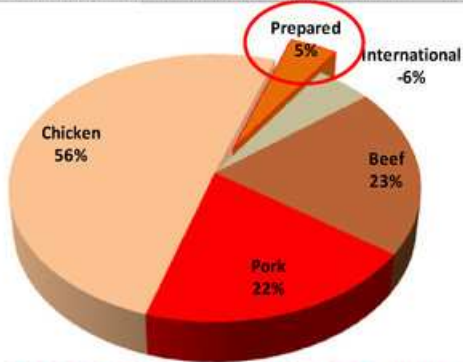
Note: Excludes intersegment sales of \$1.2Bn for segment contribution breakdown

PROVIDES SIGNIFICANT LIFT TO PREPARED FOODS' SEGMENT MARGINS

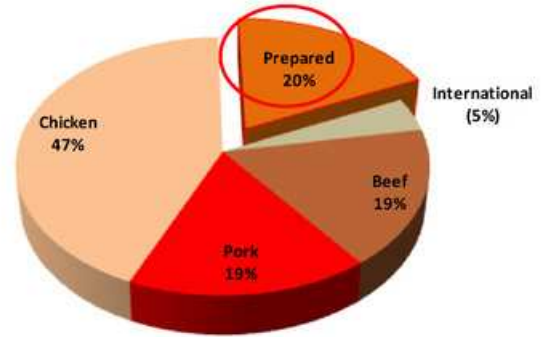


LTM 3/29/14 Operating Income Contribution

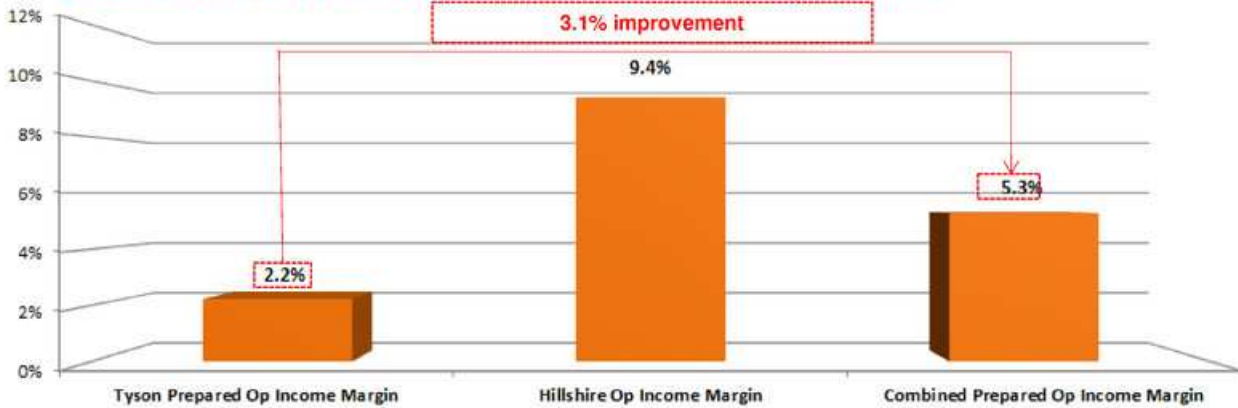
Tyson (\$1,608MM) (Op Income Margin = 4.5%)



PF 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

EXPANSION OF TYSON BRANDED PORTFOLIO



Tyson Brands

Hillshire Brands



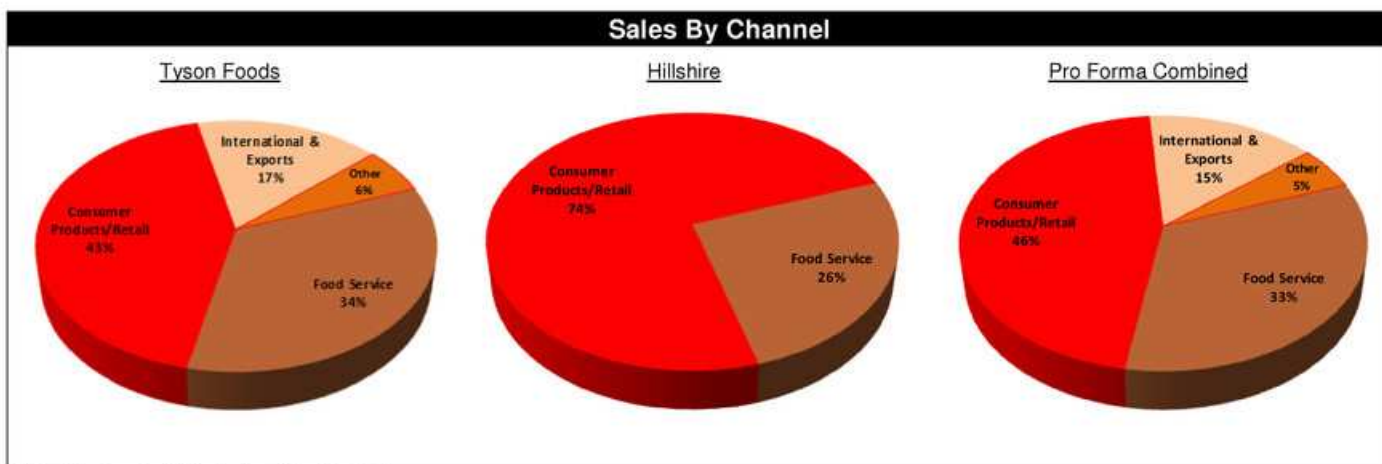
STRONG COMBINED FINANCIALS



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



❑ Compelling investment consistent with strategic priorities

- Continues Tyson's shift toward higher margin prepared foods and branded products
- A retail packaged meat business that is highly complementary to existing businesses
- Attractive valuation with significant synergy opportunities in production, logistics and sales
- Tyson expects to maintain its investment grade rating

❑ Creates market leading integrated protein platform

- Optimized supply chain will create competitive advantage
- #1 position across most value-added retail protein categories
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❑ Significant synergy opportunity

- High degree of confidence in Tyson's ability to create synergies given track record of operational excellence
- Ability to optimize procurement, logistics, and production across Tyson's market leading platform



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

