

TYSON FOODS INC

Form 10-Q

May 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2018

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

001-14704

(Commission File Number)

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TYSON FOODS, INC.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization)

71-0225165

(I.R.S. Employer Identification No.)

2200 West Don Tyson Parkway, Springdale, Arkansas

(Address of principal executive offices)

72762-6999

(Zip Code)

(479) 290-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 2018.

Class	Outstanding Shares
Class A Common Stock, \$0.10 Par Value (Class A stock)	297,600,358
Class B Common Stock, \$0.10 Par Value (Class B stock)	70,010,355

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## TYSON FOODS, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(In millions, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Sales	\$9,773	\$9,083	\$20,002	\$18,265
Cost of Sales	8,753	8,036	17,531	15,735
Gross Profit	1,020	1,047	2,471	2,530
Selling, General and Administrative	522	476	1,046	977
Operating Income	498	571	1,425	1,553
Other (Income) Expense:				
Interest income	(2)	(1)	(4)	(3)
Interest expense	86	56	174	114
Other, net	(9)	(3)	(10)	11
Total Other (Income) Expense	75	52	160	122
Income before Income Taxes	423	519	1,265	1,431
Income Tax Expense (Benefit)	107	178	(683)	496
Net Income	316	341	1,948	935
Less: Net Income Attributable to Noncontrolling Interests	1	1	2	2
Net Income Attributable to Tyson	\$315	\$340	\$1,946	\$933
Weighted Average Shares Outstanding:				
Class A Basic	296	295	296	296
Class B Basic	70	70	70	70
Diluted	370	370	371	371
Net Income Per Share Attributable to Tyson:				
Class A Basic	\$0.88	\$0.95	\$5.42	\$2.59
Class B Basic	\$0.78	\$0.86	\$4.87	\$2.35
Diluted	\$0.85	\$0.92	\$5.25	\$2.51
Dividends Declared Per Share:				
Class A	\$0.300	\$0.225	\$0.675	\$0.525
Class B	\$0.270	\$0.203	\$0.608	\$0.473

See accompanying Notes to Consolidated Condensed Financial Statements.

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TYSON FOODS, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months		Six Months	
	Ended		Ended	
	March 31,	April 1,	March 31,	April 1,
	2018	2017	2018	2017
Net Income	\$316	\$ 341	\$1,948	\$ 935
Other Comprehensive Income (Loss), Net of Taxes:				
Derivatives accounted for as cash flow hedges	3	(3 )	2	—
Investments	—	1	—	—
Currency translation	5	9	6	(5 )
Postretirement benefits	(6 )	2	(4 )	(1 )
Total Other Comprehensive Income (Loss), Net of Taxes	2	9	4	(6 )
Comprehensive Income	318	350	1,952	929
Less: Comprehensive Income Attributable to Noncontrolling Interests	1	1	2	2
Comprehensive Income Attributable to Tyson	\$317	\$ 349	\$1,950	\$ 927

See accompanying Notes to Consolidated Condensed Financial Statements.

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TYSON FOODS, INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(In millions, except share and per share data)  
(Unaudited)

	March 31, 2018	September 30, 2017
Assets		
Current Assets:		
Cash and cash equivalents	\$ 198	\$ 318
Accounts receivable, net	1,594	1,675
Inventories	3,328	3,239
Other current assets	228	219
Assets held for sale	642	807
Total Current Assets	5,990	6,258
Net Property, Plant and Equipment	5,755	5,568
Goodwill	9,404	9,324
Intangible Assets, net	6,231	6,243
Other Assets	711	673
Total Assets	\$28,091	\$ 28,066
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	\$ 1,128	\$ 906
Accounts payable	1,485	1,698
Other current liabilities	1,217	1,424
Liabilities held for sale	8	4
Total Current Liabilities	3,838	4,032
Long-Term Debt	8,872	9,297
Deferred Income Taxes	2,039	2,979
Other Liabilities	1,186	1,199
Commitments and Contingencies (Note 17)		
Shareholders' Equity:		
Common stock (\$0.10 par value):		
Class A-authorized 900 million shares, issued 378 million shares	38	38
Convertible Class B-authorized 900 million shares, issued 70 million shares	7	7
Capital in excess of par value	4,362	4,378
Retained earnings	11,479	9,776
Accumulated other comprehensive gain	20	16
Treasury stock, at cost – 80 million shares at March 31, 2018 and September 30, 2017	(3,770 )	(3,674 )
Total Tyson Shareholders' Equity	12,136	10,541
Noncontrolling Interests	20	18
Total Shareholders' Equity	12,156	10,559
Total Liabilities and Shareholders' Equity	\$28,091	\$ 28,066
See accompanying Notes to Consolidated Condensed Financial Statements.		

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TYSON FOODS, INC.

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Six Months Ended	
	March 31, 2018	April 1, 2017
Cash Flows From Operating Activities:		
Net income	\$ 1,948	\$ 935
Depreciation and amortization	459	356
Deferred income taxes	(938 )	(28 )
Other, net	132	88
Net changes in operating assets and liabilities	(462 )	(369 )
Cash Provided by Operating Activities	1,139	982
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(559 )	(467 )
Purchases of marketable securities	(22 )	(30 )
Proceeds from sale of marketable securities	21	29
Acquisition, net of cash acquired	(226 )	—
Proceeds from sale of business	125	—
Other, net	(25 )	(10 )
Cash Used for Investing Activities	(686 )	(478 )
Cash Flows From Financing Activities:		
Payments on debt	(432 )	(45 )
Borrowings on revolving credit facility	1,420	1,680
Payments on revolving credit facility	(1,420 )	(1,977)
Proceeds from issuance of commercial paper	10,837	725
Repayments of commercial paper	(10,615)	(225 )
Purchases of Tyson Class A common stock	(237 )	(733 )
Dividends	(216 )	(158 )
Stock options exercised	87	83
Other, net	—	41
Cash Used for Financing Activities	(576 )	(609 )
Effect of Exchange Rate Changes on Cash	3	(1 )
Decrease in Cash and Cash Equivalents	(120 )	(106 )
Cash and Cash Equivalents at Beginning of Year	318	349
Cash and Cash Equivalents at End of Period	\$ 198	