

TYSON FOODS INC

Form 10-Q

August 08, 2016

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 July 2, 2016

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)

TYSON FOODS, INC.

(Exact name of registrant as specified in its charter)

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)

(479) 290-4000

(Registrant's telephone number, including area code)

72762-6999

(Zip 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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 2, 2016.

Class

Outstanding Shares

Class A Common Stock, \$0.10 Par Value (Class A stock) 297,446,228

Class B Common Stock, \$0.10 Par Value (Class B stock) 70,010,755

TYSON FOODS, INC.

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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		Nine Months	
	Ended		Ended	
	July 2,	June 27,	July 2,	June 27,
	2016	2015	2016	2015
Sales	\$9,403	\$10,071	\$27,725	\$30,867
Cost of Sales	8,179	9,085	24,117	27,936
Gross Profit	1,224	986	3,608	2,931
Selling, General and Administrative	457	423	1,361	1,312
Operating Income	767	563	2,247	1,619
Other (Income) Expense:				
Interest income	(2)	(3)	(5)	(6)
Interest expense	60	73	191	221
Other, net	(2)	(25)	(6)	(32)
Total Other (Income) Expense	56	45	180	183
Income before Income Taxes	711	518	2,067	1,436
Income Tax Expense	226	174	687	471
Net Income	485	344	1,380	965
Less: Net Income Attributable to Noncontrolling Interests	1	1	3	3
Net Income Attributable to Tyson	\$484	\$343	\$1,377	\$962
Weighted Average Shares Outstanding:				
Class A Basic	312	335	318	335
Class B Basic	70	70	70	70
Diluted	388	414	394	414
Net Income Per Share Attributable to Tyson:				
Class A Basic	\$1.29	\$0.86	\$3.61	\$2.41
Class B Basic	\$1.17	\$0.78	\$3.28	\$2.20
Diluted	\$1.25	\$0.83	\$3.50	\$2.32
Dividends Declared Per Share:				
Class A	\$0.150	\$0.100	\$0.500	\$0.325
Class B	\$0.135	\$0.090	\$0.450	\$0.293

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 Ended July 2, 2016		Nine Months Ended July 2, 2015	
Net Income	\$485	\$ 344	\$1,380	\$ 965
Other Comprehensive Income (Loss), Net of Taxes:				
Derivatives accounted for as cash flow hedges	2	1	2	1
Investments	—	(12)	—	(1)
Currency translation	(2)	2	3	(17)
Postretirement benefits	(2)	—	(5)	7
Total Other Comprehensive Income (Loss), Net of Taxes	(2)	(9)	—	(10)
Comprehensive Income	483	335	1,380	955
Less: Comprehensive Income Attributable to Noncontrolling Interests	1	1	3	3
Comprehensive Income Attributable to Tyson	\$482	\$ 334	\$1,377	\$ 952

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)

	July 2, 2016	October 3, 2015
Assets		
Current Assets:		
Cash and cash equivalents	\$197	\$688
Accounts receivable, net	1,599	1,620
Inventories	2,918	2,878
Other current assets	167	195
Total Current Assets	4,881	5,381
Net Property, Plant and Equipment	5,157	5,176
Goodwill	6,669	6,667
Intangible Assets, net	5,104	5,168
Other Assets	599	612
Total Assets	\$22,410	\$23,004
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current debt	\$79	\$715
Accounts payable	1,466	1,662
Other current liabilities	1,168	1,158
Total Current Liabilities	2,713	3,535
Long-Term Debt	6,099	6,010
Deferred Income Taxes	2,486	2,449
Other Liabilities	1,306	1,304
Commitments and Contingencies (Note 16)		
Shareholders' Equity:		
Common stock (\$0.10 par value):		
Class A-authorized 900 million shares, issued 363 million shares	36	35
Convertible Class B-authorized 900 million shares, issued 70 million shares	7	7
Capital in excess of par value	4,343	4,307
Retained earnings	8,010	6,813
Accumulated other comprehensive loss	(90)	(90)
Treasury stock, at cost – 65 million shares at July 2, 2016, and 47 million shares at October 3, 2015	(2,515)	(1,381)
Total Tyson Shareholders' Equity	9,791	9,691
Noncontrolling Interests	15	15
Total Shareholders' Equity	9,806	9,706
Total Liabilities and Shareholders' Equity	\$22,410	\$23,004
See accompanying Notes to Consolidated Condensed Financial Statements.		

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TYSON FOODS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine Months Ended	
	July 2, 2016	June 27, 2015
Cash Flows From Operating Activities:		
Net income	\$ 1,380	\$ 965
Depreciation and amortization	526	524
Deferred income taxes	61	16
Other, net	45	57
Net changes in operating assets and liabilities	(139)	110
Cash Provided by Operating Activities	1,873	1,672
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(515)	(636)
Purchases of marketable securities	(30)	(24)
Proceeds from sale of marketable securities	28	43
Proceeds from sale of businesses	—	165
Other, net	15	26
Cash Used for Investing Activities	(502)	(426)
Cash Flows From Financing Activities:		
Payments on debt	(694)	(1,485)
Proceeds from issuance of long-term debt	1	501
Borrowings on revolving credit facility	675	1,345
Payments on revolving credit facility	(525)	(1,345)
Purchases of Tyson Class A common stock	(1,293)	(197)
Dividends	(162)	(110)
Stock options exercised	89	71
Other, net	42	17
Cash Used for Financing Activities	(1,867)	(1,203)
Effect of Exchange Rate Changes on Cash	5	(10)
Increase (Decrease) in Cash and Cash Equivalents	(491)	33
Cash and Cash Equivalents at Beginning of Year	688	438
Cash and Cash Equivalents at End of Period	\$ 197	\$ 471

See accompanying Notes to Consolidated Condensed Financial Statements.

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TYSON FOODS, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: ACCOUNTING POLICIES

Basis of Presentation

The consolidated condensed financial statements are unaudited and have been prepared by Tyson Foods, Inc. (“Tyson,” “the Company,” “we,” “us” or “our”). Certain information and accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations of the United States Securities and Exchange Commission. Although we believe the disclosures contained herein are adequate to make the information presented not misleading, these consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended October 3, 2015. Preparation of consolidated condensed financial statements requires us to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We believe the accompanying consolidated condensed financial statements contain all adjustments, which are of a normal recurring nature, necessary to state fairly our financial position as of July 2, 2016, and the results of operations for the three and nine months ended July 2, 2016, and June 27, 2015. Results of operations and cash flows for the periods presented are not necessarily indicative of results to be expected for the full year.

Consolidation

The consolidated condensed financial statements include the accounts of all wholly-owned subsidiaries, as well as majority-owned subsidiaries over which we exercise control and, when applicable, entities for which we have a controlling financial interest or variable interest entities for which we are the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Recently Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued guidance which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows and impact on earnings per share. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2016, our fiscal 2018. Early adoption is permitted and the application of the guidance re