



Tyson Foods, Inc.

Woo Pig Sooie!

Recent earnings for Tyson Foods have led to sharp decreases in the value of the market, but when digging into earnings growth and marketing schemes, we can see that Tyson is primed for steady growth over the next few years. **We initiate a BUY rating with a one-year PT of \$68.**

Leaning on the Staples

Tyson Foods had an extreme down year in 2023 and slowly has been building back up to highs in 2021 and 2022. In the quarterly earnings calls for 2025, it has been cited a number of times of current difficulties and successes within the company's operations. A reason to believe that this stock is due for growth is because of its chicken and prepared food segments. Tyson has come to be a household name for its chicken nuggets along with other items, as well with its Sara Lee Bread brand. In recent earnings calls, a consistent message from executives has been the growth of both of these sectors. The cost of chickens has been down for Tyson and demand has been extremely high, leading to very healthy and growing margins within that sector. Prepared foods such as the Sara Lee Bread and Ballpark buns are also a very stable commodity at this point, leading to growth as well. Both sectors should see increased growth year after year and lead to creating immense value for Tyson.

Sponsorship with the University of Arkansas and Walmart

In September of 2024, Tyson Foods and Walmart extended its sponsorship with the University of Arkansas to include logos on both the school's football field and basketball court. Although normal for professional sports, this addition was a completely new marketing scheme for college sports, the first of its kind. As of today, this change has not affected the market as seen by the price, but with 85% of sales being in the United States, Southeastern Conference games will continue to receive increased viewership in the US over time, leading to positive brand associations with Walmart as well as goodwill for Tyson.

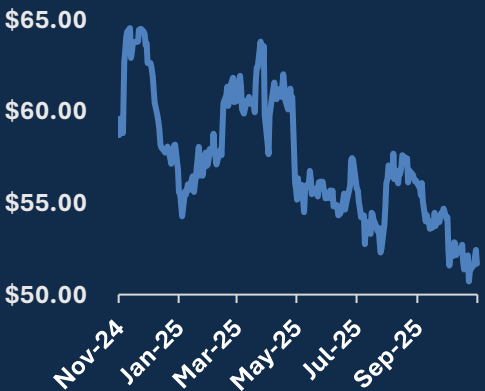
Company Overview

Tyson Foods was founded in 1935 in Springdale, Arkansas and is one of leading food processors in the world. Tyson specializes in the processing of refrigerated and frozen meats sold throughout retail stores as well as being a supplier to chains such as KFC, McDonalds, Wendys, and many more. While Tyson is most well-known for its Tyson Chicken Nuggets, the company also offers products through its subsidiaries Tyson, Jimmy Dean, Hillshire Farm, Ballpark, Sara Lee, among many others. These brands allow Tyson to cover a wide variety of markets for breakfast, lunch, and dinner foods. The large bulk of sales come from the chicken and beef segments derived from the Tyson and Hillshire farm brands, furthermore, other sales come from pork and prepared foods stemming from Jimmy Dean breakfast foods, Ballpark hot dogs and bread, as well as Sara Lee bread. The diversity of brands and production allows Tyson to be the top meat processing brand in United States sales year over year. The company mostly focuses on production and sales within the United States as 96% of sales are tied to the United States. Tyson owns and operates over 120 food processing plants worldwide.

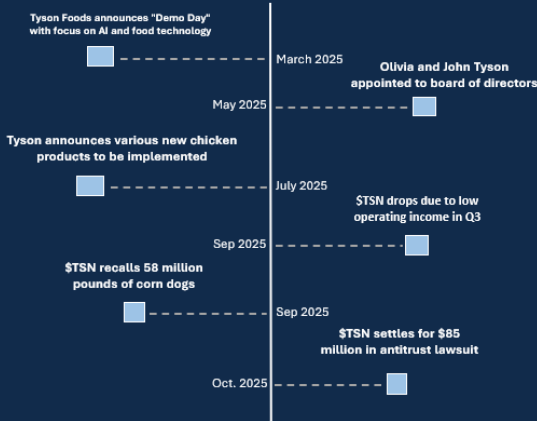


TICKER:	\$TSN
RATING:	BUY
PRICE:	\$51.25
PRICE TARGET:	\$68.00
MARKET CAP:	\$18.3bn
52-W RANGE:	\$50.56-\$68.61
P/E:	23.43x
IMPLIED UPSIDE:	33%

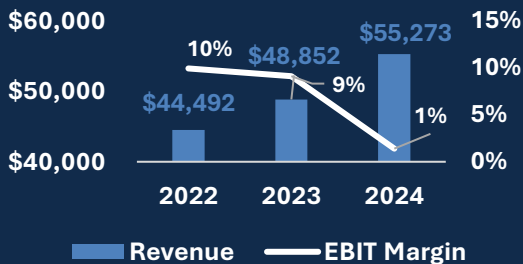
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Risk: Cattle Price Issues

The margins of the beef sector within the collective “meat” segment is one area of risk. Tyson had a few issues with beef margins in 2025, and the struggles continued into Q3. Tyson reported a \$343 million goodwill impairment cost to the fair value of its beef sector. Tyson is having difficulties with cattle itself as prices around the world are high compared to other sectors. If margins and prices remain stagnant and don’t dwindle, the “meat” segment as a whole could be impacted.

Risk: Class-Action Lawsuits

Currently Tyson has a number of lawsuits that they are fighting against. Some of which include suits addressing a corn dog and sausage recall (Hillshire Farms), anti-trust issues, a chicken waste lawsuit (recently expedited) among others that may arise in the future. Although lawsuits are not new for large corporations like Tyson, there are concerns that these cases could cause revenue, margin, and brand image issues for Tyson Foods as a whole.

Catalysts

A possible catalyst for margins growth would be the successful refocus on the chicken sector of the business, especially with the new portable Tyson Chicken Cups. If successfully implemented, this new product should become a new quick way for consumers to pack microwavable chicken for lunch or dinner meals at either work or school. Another possible catalyst could be the increase of the Sara Lee bread brand with its new half loaf bread options as well as buttery Ballpark buns being offered across retail stores. A continued reliance on chicken and prepared foods could be a catalyst for success.

Valuation

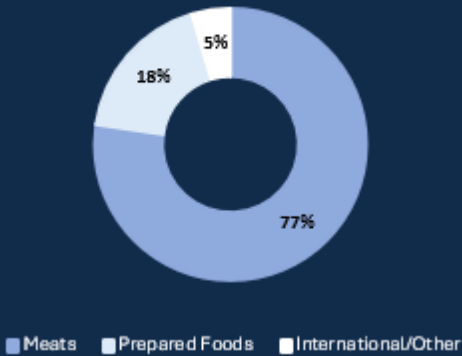
DCF Analysis (\$mm)							
	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Revenue	54,513	54,897	55,380	56,150	57,213	58,583	60,277
Revenue Growth	-1%	1%	1%	1%	2%	2%	3%
Meats	42,153	42,300	42,512	42,990	43,742	44,781	46,124
Prepared Foods	9,845	9,950	10,089	10,251	10,435	10,644	10,878
International/Other	2,515	2,647	2,779	2,909	3,036	3,158	3,275
EBIT	1,762	1,850	1,938	2,035	2,145	2,270	2,411
EBIT Margin	3%	3%	4%	4%	4%	4%	4%
Tax Expense	270	280	291	331	375	426	482
Effective Tax Rate	15%	15%	15%	16%	18%	19%	20%
NOPAT	1,492.00	1,570.00	1,647.56	1,704.67	1,770.03	1,844.45	1,928.88
D&A	1,388	1,400	1,440	1,446	1,459	1,479	1,507
Capex	1,132	1,250	1,274	1,334	1,402	1,479	1,567
Changes in NWC	(199)	(200)	(205)	(212)	(220)	(230)	(241)
UFCF	1,947	1,920	2,019	2,029	2,048	2,074	2,110
PV of FCF		1,912	1,949	1,855	1,772	1,700	1,638

Our base case DCF valuation seems rather optimistic but looking more into the revenue growth and EBIT margins, we actually lean more to the conservative side. Tyson has had wide range of growth numbers this decade, and it is rather difficult to give an accurate estimate of the future. We expect for the company’s staples to drive steady growth over the coming years.

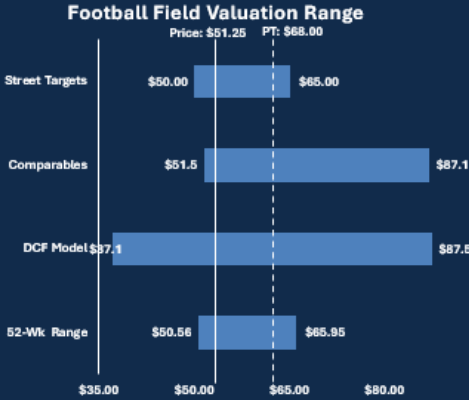
Conclusion

We rate Tyson Foods as a BUY, as we are optimistic regarding margins in the meat segment due to a product line focusing on chicken, along with a strong marginal growth rate in the prepared foods segment. Tyson continues to attempt to rebound from a poor 2023 operating cycle, but it appears that with strong revenue streams continued, and emphasis on its core product lines, Tyson foods may be able to rebound to previous 2021 and 2022 highs. Our \$68 price target implies 33% upside from current levels.

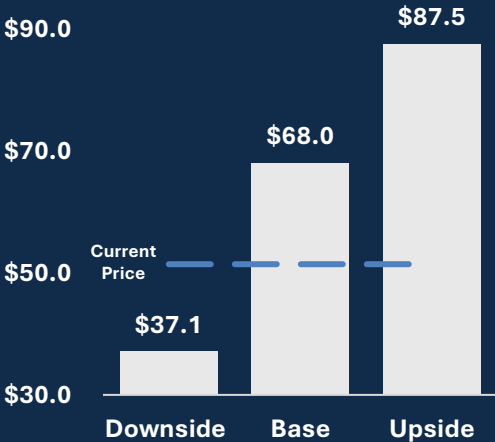
Revenue Segments



Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$3,918
EV/EBITDA Exit Multiple	7.5x
Terminal Value	\$29,385
PV of Terminal Value	\$22,575
PV of Projection Period	\$10,770
PV of Terminal Value	\$22,575
Implied TEV	\$33,344
(-) Debt	\$10,481
(+) Cash	\$1,548
Implied Equity Value	\$24,411
Diluted Shares Outstanding	356
Implied Share Price	\$68.62
Upside/Downside	33.3%



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	54,513	54,897	55,380	56,150	57,213	1.2%
EBITDA	3,150	3,250	3,378	3,481	3,604	3.4%
EBIT	1,762	1,850	1,938	2,035	2,145	5.0%
NOPAT	1,492	1,570	1,648	1,705	1,770	4.4%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	5.8%	5.9%	6.1%	6.2%	6.3%	6.1%
EBIT Margin	3.2%	3.4%	3.5%	3.6%	3.8%	3.5%
Revenue Growth	-1.4%	0.7%	0.9%	1.4%	1.9%	0.7%
EBIT Growth	128.2%	5.0%	4.8%	5.0%	5.4%	29.7%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	9.4x	9.5x	9.1x	9.0x	9.0x	9.2x
EV/Sales	0.5x	0.5x	0.5x	0.5x	0.5x	0.5x
EV/EBITDA	8.7x	8.4x	8.1x	7.8x	7.6x	8.1x
FCF Yield	10.6%	10.5%	11.0%	11.1%	11.2%	10.9%

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Hormel Foods Corporation (NYSE:HRL)	\$13,283	\$15,519	17.6x	\$12,059	\$1,292
Sysco Corporation (NYSE:SYU)	\$37,611	\$51,062	21.1x	\$81,370	\$4,415
Smithfield Foods, Inc. (NasdaqGS:SFD)	\$8,566	\$10,273	10.2x	\$14,844	\$1,548
Performance Food Group Company (NYSE:PI)	\$15,902	\$23,819	46.5x	\$59,899	\$1,534
Tyson Foods, Inc.	\$18,319	\$27,252	24.0x	\$54,146	\$3,322

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LF
Hormel Foods Corporation (NYSE:HRL)	12.0x	16.4%	10.7%	8.5%	0.7%	
Sysco Corporation (NYSE:SYU)	11.6x	18.4%	5.4%	4.3%	3.2%	
Smithfield Foods, Inc. (NasdaqGS:SFD)	6.6x	13.7%	10.4%	8.2%	-	
Performance Food Group Company (NYSE:PI)	15.5x	12.4%	2.6%	1.4%	9.5%	
Tyson Foods, Inc.	8.2x	7.6%	6.1%	3.7%	2.0%	

High	15.53x	18.4%	10.7%	8.5%	9.5%
75th Percentile	12.02x	16.4%	10.4%	8.2%	4.8%
Average	10.79x	13.7%	7.0%	5.2%	3.8%
Median	11.57x	13.7%	6.1%	4.3%	2.6%
25th Percentile	8.20x	12.4%	5.4%	3.7%	1.7%
Low	6.64x	7.6%	2.6%	1.4%	0.7%

Tyson Foods, Inc.

Implied Enterprise Value (25th Percentile)	\$	27,252
Implied Enterprise Value (Median)	\$	38,421
Implied Enterprise Value (75th Percentile)	\$	39,917

Implied Share Price (25th Percentile)	\$	51.49
Implied Share Price (Median)	\$	82.88
Implied Share Price (75th Percentile)	\$	87.09

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	0.55
Risk Free Rate	4.39%
Cost of Equity	4.31%
Weighted Average Cost of Debt	5%
Tax Rate	15.0%
Cost of Debt	1.50%
Total Equity	\$24,412
Total Debt	\$10,481
Equity/Total Capitalization	63.57%
Debt/Total Capitalization	36.43%
WACC	5.81%

Downside Case: Our downside case predicts a downfall in EBIT margins with an exit multiple at 6.2x. This case would occur if cattle priced and non-operating expenses continue to increase for Tyson Foods.

Upside Case: Our upside case predicts a near return to previous revenue and growth margins of the past with Tyson with an exit multiple of 8.2x. This case would occur if Tyson restructures its growth model to properly reflect the dominance in the markets of chicken and prepared foods.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.