# Valuation: Tyson Foods

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| **Team:** | Market Mavericks |
| **Team Members:** | Maggie Crookston, Hardik Sogani, Yash Agrawal, Stephen Fredick |
| **Date Presented:** | 10/28/2024 |
| **Investment Decision:** | Did Not Invest |

## *Introduction:*

We chose Tyson Foods because we're interested in the food processing industry and noticed the company has been struggling lately. With its stock down 25% last year, we saw a chance to analyze whether this drop was justified or if it might be oversold. Plus, our portfolio needed more exposure to consumer staples companies, and as one of the biggest meat producers in the world, Tyson seemed like an interesting choice.

## *Company Overview:*

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| **Ticker:** | TSN | **Exchange:** | NASDAQ |
| **Current Stock Price:** | $58.67 | **Date Reported:** 10/25/24 | 8/19/2024 |
| **Target Stock Price:** | $66.65 | **Target Date:** Hold | 8/30/2024 |

Founded in 1935, Tyson Foods is America's largest meat processor, producing and distributing chicken, beef, pork, and prepared foods. The company operates through four main segments: Beef (36% of sales), Chicken (33%), Prepared Foods (20%), and Pork (11%). With over 120 production facilities and 137,000 employees, Tyson processes roughly 20% of all products in the U.S. The business model relies on purchasing livestock and feed from farmers, processing the meat in their facilities, and selling products through various channels including retail, restaurants, and food service distributors.

## *Historical Performance:*

Looking at Tyson's performance over the past five years reveals a concerning trend: while the S&P 500 gained about 80%, Tyson's stock dropped 30%. The company was hit in 2022 due to high feed costs and falling meat prices. With the maximum drawdown of 45% and higher volatility, some might question why to invest in Tyson. As a team, we saw the value in the company's essential position in food production as it provides defensive qualities and its current value at 12x earnings (with historical average of 15x) suggests the market might be too negative. Tyson also had a 3.8% dividend yield, thus providing some protective economic padding while waiting for the market to bounce back.

## *Valuation Summary:*

We recommended investing $20k with a target price of $66.65 over the next year. While Tyson's P/E ratio is high at 59.4, we think this is temporary due to depressed earnings, and the low PEG ratio of 0.38 suggests the stock is actually undervalued. Our bullish stance mainly comes from Tyson's dominance in the meat industry. which gives them serious advantages in distribution and retail partnerships. We expect operations to improve next year as feed costs come down and their chicken operations get more efficient. The risks include feed costs spiking again, meat prices are always volatile, and the industry faces increasing competition from plant-based products. But with a best of 0.77 and steady demand for food products, Tyson offers some stability while the risks should improve. Plus, its strong market position gives them the breathing room to work through current challenges.