



Pilgrim's Pride Reports Third Quarter 2021 Results with Strong Growth in Sales and Adjusted EBITDA

October 27, 2021

GREELEY, Colo., Oct. 27, 2021 (GLOBE NEWSWIRE) -- Pilgrim's Pride Corporation (NASDAQ: PPC), one of the world's largest poultry producers, reports its third quarter 2021 financial results.

Third Quarter Highlights

- Net Sales of \$3.83 billion, up 24% from prior year.
- Consolidated GAAP Operating Income margin of 3.2% with GAAP Operating Income margins of 2.9% in U.S., 11.5% in Mexico and marginally positive in Europe. Adjusted U.S. Operating Income margin of 8.2%.
- GAAP Net Income of \$60.8 million. Adjusted Net Income of \$162.5 million or adjusted EPS of \$0.67.
- Adjusted EBITDA of \$346.9 million, or a 9.1% margin, 13.7% higher than a year ago.
- Our portfolio continued to perform well, as demand in the U.S. continues its recovery. Our foodservice business improved year-over-year, achieving levels higher than pre-pandemic, while Retail volumes remained strong. Our margins continued to improve, especially on the Commodity large bird deboning operation, despite higher input and operating costs and less than optimal mix due to the significant ongoing labor shortages.
- Mexico continued to perform well and grow its sales of branded products, while following the normal seasonality of the business.
- Our combined European business was significantly impacted by inflationary cost pressures on inputs, utility and freight costs and increasing labor shortages; along with lower pig pricing in the region. The business overcame significant supply chain challenges to continue to support our Key Customers in the U.K.
- On September 24, we closed on the acquisition of the Kerry Consumer Foods' Meats and Meals business in the U.K. and Ireland. The business will be known as Pilgrim's Food Masters and will add differentiated, value added protein and integrated prepared foods to our portfolio, anchored by leading brands.
- Recorded an aggregate legal contingency accrual of \$126 million in the quarter.
- Our liquidity position remains strong with an Adjusted EBITDA net leverage ratio at 2.2x following both the issuance of \$900 million in aggregate principal amount of 3.50% Senior Notes due 2032 and increasing and extending our U.S. credit facility during the third quarter.

| (Unaudited) | Three Months Ended | | | Nine Months Ended | | |
|---------------------------------------|---|-----------------------|---------------|-----------------------|-----------------------|---------------|
| | September 26, 2021 | September 27, 2020 | Y/Y Change | September 26, 2021 | September 27, 2020 | Y/Y Change |
| | (In millions, except per share and percentages) | | | | | |
| Net sales | \$ 3,827.6 | \$ 3,075.1 | +24.5 % | \$ 10,738.7 | \$ 8,974.1 | +19.7 % |
| U.S. GAAP EPS | \$ 0.25 | \$ 0.14 | +78.6 % | \$ (0.02) | \$ 0.38 | -105.3 % |
| Operating income | \$ 120.8 | \$ 94.3 | +28.1 % | \$ 156.1 | \$ 206.0 | -24.2 % |
| Adjusted EBITDA ⁽¹⁾ | \$ 346.9 | \$ 305.0 | +13.7 % | \$ 972.4 | \$ 582.7 | +66.9 % |
| Adjusted EBITDA margin ⁽¹⁾ | 9.1 % | 9.9 % | -0.8 pts | 9.1 % | 6.5 % | +2.6 pts |

(1) Reconciliations for non-U.S. GAAP measures are provided in subsequent sections within this release.

"On the strength of our product portfolio, we performed well in the third quarter with adjusted EBITDA up substantially over the third quarter of 2020 and the more normalized results of Q3 2019, despite the ongoing challenges brought on by the COVID pandemic," said Fabio Sandri, Chief Executive Officer of Pilgrim's.

"Labor shortages continue to be our most pressing issue," Sandri said. "I'm extremely proud of the Pilgrim's team members who work hard every day to ensure our customers and consumers receive the high-quality foods they expect from us. Staffing challenges, however, have hindered our ability to achieve the ideal product mix with efficient processes. We will continue to make adjustments on a plant by plant basis to improve staffing levels and optimize our mix."

"In our U.S. business, demand and pricing have been robust, driven by ongoing high levels of demand at retail and the continued recovery in commercial foodservice. Prepared Foods volume was up 7% overall and 16% in the consumer channel as we purposefully grow our *Pilgrim's*[®] and *Just Bare*[®] brands at retail in response to the continued growth in interest in our brands in that segment."

"In the third quarter in Mexico, our business continued to perform well, and grain pricing began to moderate as we come off of the seasonally strong summer months and head into fall.

"Moy Park and Pilgrim's U.K. both faced shortages of labor and truck drivers as E.U. workers left the U.K. following Brexit. In addition, rising fuel costs put pressure on both these businesses. Our portfolio in the region was complemented with the introduction of Pilgrim's Food Masters, and we look forward to partnering with our Key Customers with our portfolio of prepared products and iconic brands.

"Overall, I am extremely pleased with our team members and the execution of our strategy, often under difficult circumstances. We are committed to being the best and most respected company in our industry, and we will continue to perform to the best of our ability to serve Key Customers."

Conference Call Information

A conference call to discuss Pilgrim's quarterly results will be held tomorrow, October 28, at 7:00 a.m. MT (9 a.m. ET). Participants are encouraged to pre-register for the conference call using the link below. Callers who pre-register will be given a unique PIN to gain immediate access to the call and bypass the live operator. Participants may pre-register at any time, including up to and after the call start time.

To pre-register, go to: <https://services.choruscall.com/links/ppc211028.html>

You may also reach the pre-registration link by logging in through the investor section of our website at <https://ir.pilgrims.com> in the "Events & Presentations" section.

For those who would like to join the call but have not pre-registered, access is available by dialing +1 (844) 883-3889 within the US, or +1 (412) 317-9245 internationally, and requesting the "Pilgrim's Pride Conference."

Replays of the conference call will be available on Pilgrim's website approximately two hours after the call concludes and can be accessed through the "Investor" section of www.pilgrims.com.

About Pilgrim's Pride

Pilgrim's employs approximately 58,900 people and operates protein processing plants and prepared-foods facilities in 14 states, Puerto Rico, Mexico, the U.K, the Republic of Ireland and continental Europe. The Company's primary distribution is through retailers and foodservice distributors. For more information, please visit www.pilgrims.com.

Forward-Looking Statements

Statements contained in this press release that state the intentions, plans, hopes, beliefs, anticipations, expectations or predictions of the future of Pilgrim's Pride Corporation and its management are considered forward-looking statements. Without limiting the foregoing, words such as "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "should," "targets," "will" and the negative thereof and similar words and expressions are intended to identify forward-looking statements. It is important to note that actual results could differ materially from those projected in such forward-looking statements. Factors that could cause actual results to differ materially from those projected in such forward-looking statements include: the impact of the COVID-19 pandemic, efforts to contain the pandemic and resulting economic downturn on our operations and financial condition, including the risk that our health and safety measures at Pilgrim's Pride production facilities will not be effective, the risk that we may be unable to prevent the infection of our employees at these facilities, and the risk that we may need to temporarily close one or more of our production facilities; the risk that we may experience decreased production and sales due to the changing demand for food products; the risk that we may face a significant increase in delayed payments from our customers; and additional risks related to COVID-19 set forth in our most recent Form 10-K and Form 10-Q filed with the SEC; matters affecting the poultry industry generally; the ability to execute the Company's business plan to achieve desired cost savings and profitability; future pricing for feed ingredients and the Company's products; outbreaks of avian influenza or other diseases, either in Pilgrim's Pride's flocks or elsewhere, affecting its ability to conduct its operations and/or demand for its poultry products; contamination of Pilgrim's Pride's products, which has previously and can in the future lead to product liability claims and product recalls; exposure to risks related to product liability, product recalls, property damage and injuries to persons, for which insurance coverage is expensive, limited and potentially inadequate; management of cash resources; restrictions imposed by, and as a result of, Pilgrim's Pride's leverage; changes in laws or regulations affecting Pilgrim's Pride's operations or the application thereof; new immigration legislation or increased enforcement efforts in connection with existing immigration legislation that cause the costs of doing business to increase, cause Pilgrim's Pride to change the way in which it does business, or otherwise disrupt its operations; competitive factors and pricing pressures or the loss of one or more of Pilgrim's Pride's largest customers; currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign operations; disruptions in international markets and distribution channel, including anti-dumping proceedings and countervailing duty proceedings; the risk of cyber-attacks, natural disasters, power losses, unauthorized access, telecommunication failures, and other problems on our information systems; and the impact of uncertainties of litigation and other legal matters described in our most recent Form 10-K and Form 10-Q, including the In re Broiler Chicken Antitrust Litigation, as well as other risks described under "Risk Factors" in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and subsequent filings with the Securities and Exchange Commission. The forward-looking statements in this release speak only as of the date hereof, and the Company undertakes no obligation to update any such statement after the date of this release, whether as a result of new information, future developments or otherwise, except as may be required by applicable law.

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PILGRIM'S PRIDE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| | September 26, 2021 | December 27, 2020 |
|--|--------------------|-------------------|
| | (In thousands) | |
| Cash and cash equivalents | \$ 511,084 | \$ 547,624 |
| Restricted cash and cash equivalents | 54,111 | 782 |
| Trade accounts and other receivables, less allowance for doubtful accounts | 889,586 | 741,992 |
| Accounts receivable from related parties | 1,330 | 1,084 |
| Inventories | 1,556,821 | 1,358,793 |
| Income taxes receivable | 51,619 | 69,397 |
| Prepaid expenses and other current assets | 177,156 | 183,039 |
| Total current assets | 3,241,707 | 2,902,711 |
| Deferred tax assets | 5,465 | 5,471 |
| Other long-lived assets | 26,190 | 24,780 |
| Operating lease assets, net | 300,476 | 288,886 |
| Identified intangible assets, net | 1,028,664 | 589,913 |
| Goodwill | 1,381,872 | 1,005,245 |
| Property, plant and equipment, net | 2,848,469 | 2,657,491 |
| Total assets | \$ 8,832,843 | \$ 7,474,497 |
| Accounts payable | \$ 1,176,866 | \$ 1,028,710 |
| Accounts payable to related parties | 6,594 | 9,650 |
| Revenue contract liabilities | 20,564 | 65,918 |
| Accrued expenses and other current liabilities | 999,014 | 807,847 |
| Income taxes payable | 48,006 | — |
| Current maturities of long-term debt | 19,885 | 25,455 |
| Total current liabilities | 2,270,929 | 1,937,580 |
| Noncurrent operating lease liability, less current maturities | 223,071 | 217,432 |
| Long-term debt, less current maturities | 3,195,866 | 2,255,546 |
| Deferred tax liabilities | 418,430 | 339,831 |
| Other long-term liabilities | 108,164 | 148,761 |
| Total liabilities | 6,216,460 | 4,899,150 |
| Common stock | 2,614 | 2,612 |
| Treasury stock | (345,134) | (345,134) |
| Additional paid-in capital | 1,962,750 | 1,954,334 |
| Retained earnings | 966,815 | 972,569 |
| Accumulated other comprehensive income (loss) | 17,198 | (20,620) |
| Total Pilgrim's Pride Corporation stockholders' equity | 2,604,243 | 2,563,761 |
| Noncontrolling interest | 12,140 | 11,586 |
| Total stockholders' equity | 2,616,383 | 2,575,347 |
| Total liabilities and stockholders' equity | \$ 8,832,843 | \$ 7,474,497 |

PILGRIM'S PRIDE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------------------|-----------------------|-----------------------|-----------------------|
| | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 |
| | (In thousands, except per share data) | | | |
| Net sales | \$ 3,827,566 | \$ 3,075,121 | \$ 10,738,689 | \$ 8,974,072 |
| Cost of sales | 3,455,723 | 2,761,279 | 9,725,362 | 8,363,272 |
| Gross profit | 371,843 | 313,842 | 1,013,327 | 610,800 |
| Selling, general and administrative expense | 251,066 | 219,554 | 857,217 | 404,837 |
| Operating income | 120,777 | 94,288 | 156,110 | 205,963 |
| Interest expense, net of capitalized interest | 29,833 | 30,564 | 110,818 | 95,575 |
| Interest income | (1,244) | (1,763) | (4,452) | (4,611) |
| Foreign currency transaction loss (gain) | 2,359 | 9,092 | 9,018 | (3,768) |
| Miscellaneous, net | (1,391) | 360 | (10,005) | (33,873) |
| Income before income taxes | 91,220 | 56,035 | 50,731 | 152,640 |
| Income tax expense | 30,385 | 22,344 | 55,931 | 57,900 |

| | | | | |
|---|------------------|------------------|-------------------|------------------|
| Net income (loss) | 60,835 | 33,691 | (5,200) | 94,740 |
| Less: Net income attributable to noncontrolling interests | 110 | 245 | 554 | 62 |
| Net income (loss) attributable to Pilgrim's Pride Corporation | <u>\$ 60,725</u> | <u>\$ 33,446</u> | <u>\$ (5,754)</u> | <u>\$ 94,678</u> |

Weighted average shares of Pilgrim's Pride Corporation common stock outstanding:

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Basic | 243,675 | 244,186 | 243,643 | 246,740 |
| Effect of dilutive common stock equivalents | 520 | 190 | — | 158 |
| Diluted | <u>244,195</u> | <u>244,376</u> | <u>243,643</u> | <u>246,898</u> |

Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:

| | | | | |
|---------|---------|---------|-----------|---------|
| Basic | \$ 0.25 | \$ 0.14 | \$ (0.02) | \$ 0.38 |
| Diluted | \$ 0.25 | \$ 0.14 | \$ (0.02) | \$ 0.38 |

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine Months Ended | |
|--|--------------------|--------------------|
| | September 26, 2021 | September 27, 2020 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (5,200) | \$ 94,740 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 274,336 | 248,641 |
| Deferred income tax expense (benefit) | (26,436) | 37,739 |
| Loss on early extinguishment of debt recognized as a component of interest expense | 24,654 | — |
| Stock-based compensation | 8,418 | (1,291) |
| Loan cost amortization | 3,762 | 3,635 |
| Gain on property disposals | (3,605) | (8,009) |
| Accretion of discount related to Senior Notes | 1,104 | 737 |
| Amortization of premium related to Senior Notes | (167) | (501) |
| Loss (gain) on equity-method investments | (12) | 297 |
| Negative adjustment to previously recognized gain on bargain purchase | — | 3,746 |
| Changes in operating assets and liabilities: | | |
| Trade accounts and other receivables | (138,948) | 44,615 |
| Inventories | (149,653) | 41,292 |
| Prepaid expenses and other current assets | 13,718 | (29,290) |
| Accounts payable, accrued expenses and other current liabilities | 274,932 | 93,114 |
| Income taxes | 66,413 | (30,868) |
| Long-term pension and other postretirement obligations | (13,491) | (823) |
| Other operating assets and liabilities | (2,330) | 10,561 |
| Cash provided by operating activities | <u>327,495</u> | <u>508,335</u> |
| Cash flows from investing activities: | | |
| Acquisitions of property, plant and equipment | (280,820) | (242,603) |
| Proceeds from property disposals | 22,896 | 21,715 |
| Purchase of acquired business, net of cash acquired | (953,947) | (4,216) |
| Cash used in investing activities | <u>(1,211,871)</u> | <u>(225,104)</u> |
| Cash flows from financing activities: | | |
| Proceeds from revolving line of credit and long-term borrowings | 2,951,707 | 386,696 |
| Payments on revolving line of credit, long-term borrowings and finance lease obligations | (2,005,960) | (56,763) |
| Payments on early extinguishment of debt | (21,258) | — |
| Payments of capitalized loan costs | (22,293) | — |
| Payment of equity distribution under Tax Sharing Agreement between JBS USA Food Company Holdings and Pilgrim's Pride Corporation | (650) | — |
| Purchase of common stock under share repurchase program | — | (107,806) |
| Cash provided by financing activities | <u>901,546</u> | <u>222,127</u> |

| | | |
|---|------------|------------|
| Effect of exchange rate changes on cash and cash equivalents | (381) | (799) |
| Increase in cash, cash equivalents and restricted cash | 16,789 | 504,559 |
| Cash, cash equivalents and restricted cash, beginning of period | 548,406 | 280,577 |
| Cash, cash equivalents and restricted cash, end of period | \$ 565,195 | \$ 785,136 |

PILGRIM'S PRIDE CORPORATION
Non-GAAP Financial Measures Reconciliation
(Unaudited)

"EBITDA" is defined as the sum of net income plus interest, taxes, depreciation and amortization. "Adjusted EBITDA" is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that we believe are not indicative of our ongoing operating performance consisting of: (1) foreign currency transaction losses, (2) transaction costs related to business acquisitions, (3) costs related to the DOJ agreement and litigation settlements, (4) Hometown Strong initiative expenses, (5) negative adjustment to previously recognized gain on bargain purchase, (6) shareholder litigation settlement, (7) deconsolidation of subsidiary and (8) net income attributable to noncontrolling interests. EBITDA is presented because it is used by management and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with accounting principles generally accepted in the U.S. ("U.S. GAAP"), to compare the performance of companies. We believe investors would be interested in our Adjusted EBITDA because this is how our management analyzes EBITDA applicable to continuing operations. The Company also believes that Adjusted EBITDA, in combination with the Company's financial results calculated in accordance with U.S. GAAP, provides investors with additional perspective regarding the impact of certain significant items on EBITDA and facilitates a more direct comparison of its performance with its competitors. EBITDA and Adjusted EBITDA are not measurements of financial performance under U.S. GAAP. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of our results as reported under U.S. GAAP. In addition, other companies in our industry may calculate these measures differently limiting their usefulness as a comparative measure. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with U.S. GAAP. These limitations should be compensated for by relying primarily on our U.S. GAAP results and using EBITDA and Adjusted EBITDA only on a supplemental basis.

PILGRIM'S PRIDE CORPORATION
Reconciliation of Adjusted EBITDA
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 |
| | (In thousands) | | | |
| Net income (loss) | \$ 60,835 | \$ 33,691 | \$ (5,200) | \$ 94,740 |
| Add: | | | | |
| Interest expense, net ^(a) | 28,589 | 28,801 | 106,366 | 90,964 |
| Income tax expense | 30,385 | 22,344 | 55,931 | 57,900 |
| Depreciation and amortization | 92,076 | 84,265 | 274,336 | 248,641 |
| EBITDA | 211,885 | 169,101 | 431,433 | 492,245 |
| Add: | | | | |
| Foreign currency transaction loss (gain) ^(b) | 2,359 | 9,092 | 9,018 | (3,768) |
| Transaction costs related to acquisitions ^(c) | 6,773 | — | 9,318 | 134 |
| DOJ agreement and litigation settlements ^(d) | 126,000 | 110,524 | 524,285 | 110,524 |
| Hometown Strong commitment ^(e) | — | 14,506 | — | 14,506 |
| Minus: | | | | |
| Negative adjustment to previously recognized gain on bargain purchase ^(f) | — | (2,006) | — | (3,746) |
| Shareholder litigation settlement ^(g) | — | — | — | 34,643 |
| Deconsolidation of subsidiary ^(h) | — | — | 1,131 | — |
| Net income attributable to noncontrolling interest | 110 | 245 | 554 | 62 |
| Adjusted EBITDA | \$ 346,907 | \$ 304,984 | \$ 972,369 | \$ 582,682 |

(a) Interest expense, net, consists of interest expense less interest income.

(b) The Company measures the financial statements of its Mexico reportable segment as if the U.S. dollar were the functional currency. Accordingly, we remeasure assets and liabilities, other than nonmonetary assets, of the Mexico reportable segment at current exchange rates. We remeasure nonmonetary assets using the historical exchange rate in effect on the date of each asset's acquisition. Currency exchange gains or losses resulting from these remeasurements, as well as, from our U.K. and Europe reportable segment are included in the line item *Foreign currency transaction loss (gain)* in the Condensed Consolidated Statements of Income.

(c) Transaction costs related to acquisitions includes those charges that are incurred in conjunction with business acquisitions.

(d) On October 13, 2020, Pilgrims announced that we entered into a plea agreement (the "Plea Agreement") with the DOJ. As a result of the Plea Agreement, we recognized a fine of \$110,524,140. On February 23, 2021, the Colorado Court approved the Plea Agreement and assessed a fine of

\$107.9 million. For the nine months ended September 26, 2021, Pilgrims has settled and paid a total of \$214.4 million for litigation settlements and expensed a total of \$524.3 million.

(e) The Hometown Strong initiative was developed to help communities in which we operate respond to unexpected challenges.

(f) The gain on bargain purchase was recognized as a result of the PPL acquisition in October 2019. The amount shown above represents a working capital adjustment to the previously recorded gain on bargain purchase.

(g) Shareholder litigation settlement is income received as a result of a settlement in the first quarter of 2020.

(h) This represents a gain recognized as a result of deconsolidation of a subsidiary.

The summary unaudited consolidated income statement data for the twelve months ended September 26, 2021 (the LTM Period) have been calculated by subtracting the applicable unaudited consolidated income statement data for the nine months ended September 27, 2020 from the sum of (1) the applicable audited consolidated income statement data for the year ended December 27, 2020 and (2) the applicable unaudited consolidated income statement data for the nine months ended September 26, 2021.

PILGRIM'S PRIDE CORPORATION
Reconciliation of LTM Adjusted EBITDA
(Unaudited)

| | Three Months Ended | | | | LTM Ended |
|--|----------------------|-------------------|------------------|-----------------------|-----------------------|
| | December 27, 2020 | March 28, 2021 | June 27, 2021 | September 26, 2021 | September 26, 2021 |
| | (In thousands) | | | | |
| Net income (loss) | \$ 330 | \$ 100,468 | \$ (166,503) | \$ 60,835 | \$ (4,870) |
| Add: | | | | | |
| Interest expense, net | 27,849 | 27,968 | 49,809 | 28,589 | 134,215 |
| Income tax expense (benefit) | 8,855 | 35,358 | (9,812) | 30,385 | 64,786 |
| Depreciation and amortization | 88,463 | 86,532 | 95,728 | 92,076 | 362,799 |
| EBITDA | 125,497 | 250,326 | (30,778) | 211,885 | 556,930 |
| Add: | | | | | |
| Foreign currency transaction losses | 4,528 | 2,514 | 4,145 | 2,359 | 13,546 |
| Transaction costs related to acquisitions | — | — | 2,545 | 6,773 | 9,318 |
| DOJ agreement and litigation settlements | 75,000 | 2,399 | 395,886 | 126,000 | 599,285 |
| Restructuring charges | 123 | — | — | — | 123 |
| Hometown Strong commitment | 494 | — | — | — | 494 |
| Minus: | | | | | |
| Deconsolidation of subsidiary | — | 1,131 | — | — | 1,131 |
| Net income attributable to noncontrolling interest | 251 | 260 | 184 | 110 | 805 |
| Adjusted EBITDA | \$ 205,391 | \$ 253,848 | \$ 371,614 | \$ 346,907 | \$ 1,177,760 |

EBITDA margins have been calculated by taking the relevant unaudited EBITDA figures, then dividing by net sales for the applicable period. EBITDA margins are presented because they are used by management and we believe it is frequently used by securities analysts, investors and other interested parties, as a supplement to our results prepared in accordance with U.S. GAAP, to compare the performance of companies.

PILGRIM'S PRIDE CORPORATION
Reconciliation of EBITDA Margin
(Unaudited)

| | Three Months Ended | | Nine Months Ended | | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 |
| | (In thousands) | | | | | | | |
| Net income (loss) | \$ 60,835 | \$ 33,691 | \$ (5,200) | \$ 94,740 | 1.59% | 1.10% | (0.05)% | 1.06% |
| Add: | | | | | | | | |
| Interest expense, net | 28,589 | 28,801 | 106,366 | 90,964 | 0.75% | 0.94% | 0.99% | 1.01% |
| Income tax expense | 30,385 | 22,344 | 55,931 | 57,900 | 0.79% | 0.73% | 0.52% | 0.65% |
| Depreciation and amortization | 92,076 | 84,265 | 274,336 | 248,641 | 2.40% | 2.74% | 2.55% | 2.77% |
| EBITDA | 211,885 | 169,101 | 431,433 | 492,245 | 5.53% | 5.51% | 4.01% | 5.49% |
| Add: | | | | | | | | |
| Foreign currency transaction losses (gains) | 2,359 | 9,092 | 9,018 | (3,768) | 0.06% | 0.29% | 0.08% | (0.04)% |

| | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|--------------|---------------|---------------|---------------|
| Transaction costs related to business acquisitions | 6,773 | — | 9,318 | 134 | 0.18% | —% | 0.09 % | —% |
| DOJ agreement and litigation settlements | 126,000 | 110,524 | 524,285 | 110,524 | 3.29% | 3.59 % | 4.88 % | 1.23 % |
| Restructuring activity | — | — | — | — | —% | —% | —% | —% |
| Hometown Strong commitment | — | 14,506 | — | 14,506 | —% | 0.47 % | —% | 0.16 % |
| Minus: | | | | | | | | |
| Negative adjustment to previously recognized gain on bargain purchase | — | (2,006) | — | (3,746) | —% | (0.07)% | —% | (0.04)% |
| Shareholder litigation settlement | — | — | — | 34,643 | —% | —% | —% | 0.39 % |
| Deconsolidation of subsidiary | — | — | 1,131 | — | —% | —% | 0.01 % | —% |
| Net income attributable to noncontrolling interest | 110 | 245 | 554 | 62 | —% | 0.01 % | 0.01 % | —% |
| Adjusted EBITDA | <u>\$ 346,907</u> | <u>\$ 304,984</u> | <u>\$ 972,369</u> | <u>\$ 582,682</u> | <u>9.06%</u> | <u>9.92 %</u> | <u>9.04 %</u> | <u>6.49 %</u> |
| Net sales | \$ 3,827,566 | \$ 3,075,121 | \$ 10,738,689 | \$ 8,974,072 | \$ 3,827,566 | \$ 3,075,121 | \$ 10,738,689 | \$ 8,974,072 |

Adjusted Operating Income is calculated by adding to Operating Income certain items of expense and deducting from Operating Income certain items of income. Management believes that presentation of Adjusted Operating Income provides useful supplemental information about our operating performance and enables comparison of our performance between periods because certain costs shown below are not indicative of our current operating performance. A reconciliation of GAAP operating income to adjusted operating income as follows:

PILGRIM'S PRIDE CORPORATION
Reconciliation of Adjusted Operating Income
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 |
| | (In thousands) | | | |
| GAAP operating income (loss) (U.S. operations) | \$ 70,666 | \$ 2,451 | \$ (85,380) | \$ 126,951 |
| Transaction costs related to acquisitions | 6,773 | — | 9,318 | — |
| DOJ agreement and litigation settlements | 126,000 | 110,524 | 524,285 | 110,524 |
| Hometown Strong commitment | — | 14,506 | — | 14,506 |
| Adjusted operating income (U.S. operations) | <u>\$ 203,439</u> | <u>\$ 127,481</u> | <u>\$ 448,223</u> | <u>\$ 251,981</u> |
| Adjusted operating income margin (U.S. operations) | 8.2 % | 6.7 % | 6.7 % | 4.5 % |

Adjusted Operating Income Margin for the U.S. is calculated by dividing Adjusted operating income by Net Sales. Management believes that presentation of Adjusted Operating Income Margin provides useful supplemental information about our operating performance and enables comparison of our performance between periods because certain costs shown below are not indicative of our current operating performance. A reconciliation of GAAP operating income margin for the U.S. to adjusted operating income margin for the U.S. is as follows:

PILGRIM'S PRIDE CORPORATION
Reconciliation of GAAP Operating Income Margin to Adjusted Operating Income Margin
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 |
| | (In percent) | | | |
| GAAP operating income (loss) margin (U.S. operations) | 2.9 % | 0.1 % | (1.3)% | 2.2 % |
| Transaction costs related to acquisitions | 0.2 % | —% | 0.1 % | —% |
| DOJ agreement and litigation settlements | 5.1 % | 5.8 % | 7.9 % | 2.0 % |
| Hometown Strong commitment | —% | 0.8 % | —% | 0.3 % |
| Adjusted operating income margin (U.S. operations) | 8.2 % | 6.7 % | 6.7 % | 4.5 % |

Adjusted net income attributable to Pilgrim's Pride Corporation ("Pilgrim's") is calculated by adding to Net income attributable to Pilgrim's certain items

of expense and deducting from Net income attributable to Pilgrim's certain items of income, as shown below in the table. Adjusted net income attributable to Pilgrim's Pride Corporation per common diluted share is presented because it is used by management, and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with U.S. GAAP, to compare the performance of companies. Management also believe that this non-U.S. GAAP financial measure, in combination with our financial results calculated in accordance with U.S. GAAP, provides investors with additional perspective regarding the impact of such charges on net income attributable to Pilgrim's Pride Corporation per common diluted share. Adjusted net income attributable to Pilgrim's Pride Corporation per common diluted share is not a measurement of financial performance under U.S. GAAP, has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under U.S. GAAP. Management believes that presentation of adjusted net income attributable to Pilgrim's provides useful supplemental information about our operating performance and enables comparison of our performance between periods because certain costs shown below are not indicative of our current operating performance. A reconciliation of net income attributable to Pilgrim's Pride Corporation per common diluted share to adjusted net income attributable to Pilgrim's Pride Corporation per common diluted share is as follows:

PILGRIM'S PRIDE CORPORATION
Reconciliation of Adjusted Net Income
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------------------|-----------------------|-----------------------|-----------------------|
| | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 |
| | (In thousands, except per share data) | | | |
| Net income (loss) attributable to Pilgrim's | \$ 60,725 | \$ 33,446 | \$ (5,754) | \$ 94,678 |
| Add: | | | | |
| Foreign currency transaction losses (gains) | 2,359 | 9,092 | 9,018 | (3,768) |
| Transaction costs related to acquisitions | 6,773 | — | 9,318 | 134 |
| DOJ agreement and litigation settlements | 126,000 | 110,524 | 524,285 | 110,524 |
| Hometown Strong commitment | — | 14,506 | — | 14,506 |
| Loss on early extinguishment of debt recognized as a component of interest expense | 400 | — | 24,654 | — |
| Minus: | | | | |
| Deconsolidation of subsidiary | — | — | 1,131 | — |
| Adjusted net income attributable to Pilgrim's before tax impact of adjustments | 196,257 | 167,568 | 560,390 | 216,074 |
| Net tax impact of adjustments ^(a) | (33,761) | (5,916) | (141,026) | (9,158) |
| Adjusted net income attributable to Pilgrim's | \$ 162,496 | \$ 161,652 | \$ 419,364 | \$ 206,916 |
| Weighted average diluted shares of common stock outstanding | 244,195 | 244,376 | 243,643 | 246,898 |
| Adjusted net income attributable to Pilgrim's per common diluted share | \$ 0.67 | \$ 0.66 | \$ 1.72 | \$ 0.84 |

(a) Net tax expense (benefit) of adjustments represents the tax impact of all adjustments shown above.

Adjusted EPS is calculated by dividing the adjusted net income attributable to Pilgrim's stockholders by the weighted average number of diluted shares. Management believes that Adjusted EPS provides useful supplemental information about our operating performance and enables comparison of our performance between periods because certain costs shown below are not indicative of our current operating performance. A reconciliation of U.S. GAAP to non-U.S. GAAP financial measures is as follows:

PILGRIM'S PRIDE CORPORATION
Reconciliation of GAAP EPS to Adjusted EPS
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------------------|-----------------------|-----------------------|-----------------------|
| | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 |
| | (In thousands, except per share data) | | | |
| GAAP EPS | \$ 0.25 | \$ 0.14 | \$ (0.02) | \$ 0.38 |
| Add: | | | | |
| Foreign currency transaction losses (gains) | 0.01 | 0.04 | 0.04 | (0.02) |
| Transaction costs related to acquisitions | 0.03 | — | 0.04 | — |
| DOJ agreement and litigation settlements | 0.52 | 0.45 | 2.15 | 0.45 |
| Hometown Strong commitment | — | 0.06 | — | 0.06 |
| Loss on early extinguishment of debt recognized as a component of interest expense | — | — | 0.10 | — |
| Minus: | | | | |
| Deconsolidation of subsidiary | — | — | — | — |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Adjusted EPS before tax impact of adjustments | 0.81 | 0.69 | 2.31 | 0.87 |
| Net tax impact of adjustments ^(a) | (0.14) | (0.02) | (0.59) | (0.03) |
| Adjusted EPS | <u>\$ 0.67</u> | <u>\$ 0.66</u> | <u>\$ 1.72</u> | <u>\$ 0.84</u> |
| Weighted average diluted shares of common stock outstanding | 244,195 | 244,376 | 243,643 | 246,898 |

(a) Net tax impact of adjustments represents the tax impact of all adjustments shown above.

PILGRIM'S PRIDE CORPORATION
Supplementary Selected Segment and Geographic Data
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 26, 2021 | September 27, 2020 | September 26, 2021 | September 27, 2020 |
| | (In thousands) | | | |
| Sources of net sales by geographic region of origin: | | | | |
| U.S. | \$ 2,466,850 | \$ 1,894,222 | \$ 6,714,879 | \$ 5,619,791 |
| U.K. and Europe | 930,440 | 845,677 | 2,721,019 | 2,425,140 |
| Mexico | 430,276 | 335,222 | 1,302,791 | 929,141 |
| Total net sales | <u>\$ 3,827,566</u> | <u>\$ 3,075,121</u> | <u>\$ 10,738,689</u> | <u>\$ 8,974,072</u> |
| Sources of cost of sales by geographic region of origin: | | | | |
| U.S. | \$ 2,188,822 | \$ 1,711,089 | \$ 6,063,644 | \$ 5,210,534 |
| U.K. and Europe | 898,116 | 785,347 | 2,600,842 | 2,256,034 |
| Mexico | 368,799 | 265,078 | 1,060,918 | 897,163 |
| Elimination | (14) | (235) | (42) | (459) |
| Total cost of sales | <u>\$ 3,455,723</u> | <u>\$ 2,761,279</u> | <u>\$ 9,725,362</u> | <u>\$ 8,363,272</u> |
| Sources of gross profit by geographic region of origin: | | | | |
| U.S. | \$ 278,028 | \$ 183,133 | \$ 651,235 | \$ 409,257 |
| U.K. and Europe | 32,324 | 60,330 | 120,177 | 169,106 |
| Mexico | 61,477 | 70,144 | 241,873 | 31,978 |
| Elimination | 14 | 235 | 42 | 459 |
| Total gross profit | <u>\$ 371,843</u> | <u>\$ 313,842</u> | <u>\$ 1,013,327</u> | <u>\$ 610,800</u> |
| Sources of operating income (loss) by geographic region of origin: | | | | |
| U.S. | \$ 70,666 | \$ 2,451 | \$ (85,380) | \$ 126,951 |
| U.K. and Europe | 445 | 29,949 | 32,771 | 76,324 |
| Mexico | 49,652 | 61,653 | 208,677 | 2,229 |
| Elimination | 14 | 235 | 42 | 459 |
| Total operating income | <u>\$ 120,777</u> | <u>\$ 94,288</u> | <u>\$ 156,110</u> | <u>\$ 205,963</u> |



Source: Pilgrim's Pride Corporation