**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 26, 2023**
**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from _______ to _______**
**Commission File number 1-9273**

**PILGRIM'S PRIDE CORPORATION**
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **75-1285071** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **1770 Promontory Circle** **Greeley CO** | **80634-9038** |
| (Address of principal executive offices) | (Zip code) |

Registrant's telephone number, including area code: **(970) 506-8000**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of Exchange on which Registered |
|---|---|---|
| **Common Stock, Par Value $0.01** | **PPC** | **The Nasdaq Stock Market LLC** |

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the 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 | ☐ | 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 ☒

Number of shares outstanding of the issuer's common stock, $0.01 par value per share, as of April 26, 2023, was 236,733,263.

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**PILGRIM'S PRIDE CORPORATION**

## PART I. FINANCIAL INFORMATION
## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### PILGRIM'S PRIDE CORPORATION
### CONDENSED CONSOLIDATED BALANCE SHEETS

| | (Unaudited) March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Cash and cash equivalents | $ 150,687 | $ 400,988 |
| Restricted cash and restricted cash equivalents | 33,879 | 33,771 |
| Trade accounts and other receivables, less allowance for credit losses | 1,237,366 | 1,097,212 |
| Accounts receivable from related parties | 2,125 | 2,512 |
| Inventories | 2,022,110 | 1,990,184 |
| Income taxes receivable | 143,974 | 155,859 |
| Prepaid expenses and other current assets | 232,453 | 211,092 |
| Total current assets | 3,822,594 | 3,891,618 |
| Deferred tax assets | 7,955 | 1,969 |
| Other long-lived assets | 16,978 | 41,574 |
| Operating lease assets, net | 290,175 | 305,798 |
| Intangible assets, net | 848,895 | 846,020 |
| Goodwill | 1,243,613 | 1,227,944 |
| Property, plant and equipment, net | 2,997,295 | 2,940,846 |
| Total assets | $ 9,227,505 | $ 9,255,769 |
| | | |
| Accounts payable | $ 1,517,470 | $ 1,587,939 |
| Accounts payable to related parties | 20,481 | 12,155 |
| Revenue contract liabilities | 47,766 | 34,486 |
| Accrued expenses and other current liabilities | 862,753 | 850,899 |
| Income taxes payable | 18,951 | 58,411 |
| Current maturities of long-term debt | 26,326 | 26,279 |
| Total current liabilities | 2,493,747 | 2,570,169 |
| Noncurrent operating lease liabilities, less current maturities | 219,350 | 230,701 |
| Long-term debt, less current maturities | 3,196,615 | 3,166,432 |
| Deferred tax liabilities | 347,166 | 364,184 |
| Other long-term liabilities | 64,107 | 71,007 |
| Total liabilities | 6,320,985 | 6,402,493 |
| Common stock | 2,619 | 2,617 |
| Treasury stock | (544,687) | (544,687) |
| Additional paid-in capital | 1,971,038 | 1,969,833 |
| Retained earnings | 1,754,686 | 1,749,499 |
| Accumulated other comprehensive loss | (290,042) | (336,448) |
| Total Pilgrim's Pride Corporation stockholders' equity | 2,893,614 | 2,840,814 |
| Noncontrolling interest | 12,906 | 12,462 |
| Total stockholders' equity | 2,906,520 | 2,853,276 |
| Total liabilities and stockholders' equity | $ 9,227,505 | $ 9,255,769 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

| | Three Months Ended | |
|---|---|---|
| | March 26, 2023 | March 27, 2022 |
| | (in thousands, except per share data) | |
| Net sales | $ 4,165,628 | $ 4,240,395 |
| Cost of sales | 3,992,581 | 3,698,415 |
| Gross profit | 173,047 | 541,980 |
| Selling, general and administrative expense | 133,678 | 139,967 |
| Restructuring activities | 8,026 | — |
| Operating income | 31,343 | 402,013 |
| Interest expense, net of capitalized interest | 42,662 | 36,296 |
| Interest income | (3,600) | (1,274) |
| Foreign currency transaction losses | 18,143 | 11,536 |
| Miscellaneous, net | (22,653) | (324) |
| Income (loss) before income taxes | (3,209) | 355,779 |
| Income tax expense (benefit) | (8,840) | 75,219 |
| Net income | 5,631 | 280,560 |
| Less: Net income attributable to noncontrolling interests | 444 | 122 |
| Net income attributable to Pilgrim's Pride Corporation | $ 5,187 | $ 280,438 |
| | | |
| **Weighted average shares of Pilgrim's Pride Corporation common stock outstanding:** | | |
| Basic | 236,585 | 243,670 |
| Effect of dilutive common stock equivalents | 579 | 630 |
| Diluted | 237,164 | 244,300 |
| | | |
| **Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:** | | |
| Basic | $ 0.02 | $ 1.15 |
| Diluted | $ 0.02 | $ 1.15 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**PILGRIM’S PRIDE CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**

| | Three Months Ended | |
|---|---|---|
| | March 26, 2023 | March 27, 2022 |
| | (In thousands) | |
| Net income | $ 5,631 | $ 280,560 |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustment: | | |
| Gains (losses) arising during the period | 42,644 | (58,202) |
| Derivative financial instruments designated as cash flow hedges: | | |
| Gains arising during the period | 18 | 528 |
| Income tax effect | — | — |
| Reclassification to net earnings for losses (gains) realized | (64) | 157 |
| Income tax effect | — | (42) |
| Available-for-sale securities: | | |
| Gains arising during the period | 40 | — |
| Income tax effect | (10) | — |
| Reclassification to net earnings for gains realized | (18) | — |
| Income tax effect | 5 | — |
| Defined benefit plans: | | |
| Gains arising during the period | 4,233 | 8,651 |
| Income tax effect | (581) | (2,172) |
| Reclassification to net earnings of losses realized | 182 | 232 |
| Income tax effect | (43) | (57) |
| Total other comprehensive income (loss), net of tax | 46,406 | (50,905) |
| Comprehensive income | 52,037 | 229,655 |
| Less: Comprehensive income attributable to noncontrolling interests | 444 | 122 |
| Comprehensive income attributable to Pilgrim’s Pride Corporation | $ 51,593 | $ 229,533 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**PILGRIM'S PRIDE CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(Unaudited)**

| Three Months Ended March 26, 2023 | Common Stock | | Treasury Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | |
| | (In thousands) | | | | | | | | |
| Balance at December 25, 2022 | 261,611 | $ 2,617 | (25,142) | $(544,687) | $1,969,833 | $1,749,499 | $ (336,448) | $ 12,462 | $2,853,276 |
| Net income | — | — | — | — | — | 5,187 | — | 444 | 5,631 |
| Other comprehensive income, net of tax | — | — | — | — | — | — | 46,406 | — | 46,406 |
| Stock-based compensation plans: | | | | | | | | | |
| Common stock issued under compensation plans | 264 | 2 | — | — | (2) | — | — | — | — |
| Requisite service period recognition | — | — | — | — | 1,207 | — | — | — | 1,207 |
| Balance at March 26, 2023 | 261,875 | $ 2,619 | (25,142) | $(544,687) | $1,971,038 | $1,754,686 | $ (290,042) | $ 12,906 | $2,906,520 |

| Three Months Ended March 27, 2022 | Common Stock | | Treasury Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | |
| | (In thousands) | | | | | | | | |
| Balance at December 26, 2021 | 261,347 | $ 2,614 | (17,673) | $(345,134) | $1,964,028 | $1,003,569 | $ (47,997) | $ 11,854 | $2,588,934 |
| Net income | — | — | — | — | — | 280,438 | — | 122 | 280,560 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (50,905) | — | (50,905) |
| Stock-based compensation plans: | | | | | | | | | |
| Common stock issued under compensation plans | 221 | 2 | — | — | (2) | — | — | — | — |
| Requisite service period recognition | — | — | — | — | 2,040 | — | — | — | 2,040 |
| Common stock purchased under share repurchase program | — | — | (1,158) | (27,023) | — | — | — | — | (27,023) |
| Balance at March 27, 2022 | 261,568 | $ 2,616 | (18,831) | $(372,157) | $1,966,066 | $1,284,007 | $ (98,902) | $ 11,976 | $2,793,606 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

| | Three Months Ended | |
|---|---|---|
| | March 26, 2023 | March 27, 2022 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income | $ 5,631 | $ 280,560 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 98,257 | 102,142 |
| Deferred income tax benefit | (26,309) | (21,917) |
| Loss (gain) on property disposals | (9,333) | 1,855 |
| Loan cost amortization | 1,333 | 1,280 |
| Stock-based compensation | 1,200 | 1,963 |
| Accretion of discount related to Senior Notes | 429 | 429 |
| Adjustment to previously recognized asset impairment | (130) | — |
| Loss (gain) on equity-method investments | (4) | 8 |
| Changes in operating assets and liabilities: | | |
| Trade accounts and other receivables | (132,791) | (66,669) |
| Inventories | (30,267) | (146,035) |
| Prepaid expenses and other current assets | (20,268) | (5,889) |
| Accounts payable, accrued expenses and other current liabilities | (43,662) | (2,454) |
| Income taxes | 3,149 | 84,780 |
| Long-term pension and other postretirement obligations | 949 | (1,101) |
| Other operating assets and liabilities | (9,888) | (1,956) |
| Cash provided by (used in) operating activities | (161,704) | 226,996 |
| Cash flows from investing activities: | | |
| Acquisitions of property, plant and equipment | (131,701) | (81,578) |
| Proceeds from property disposals | 12,631 | 849 |
| Proceeds from insurance recoveries | 1,599 | — |
| Purchase of acquired business, net of cash acquired | — | (4,847) |
| Cash used in investing activities | (117,471) | (85,576) |
| Cash flows from financing activities: | | |
| Proceeds from revolving line of credit and long-term borrowings | 35,000 | 228,505 |
| Payments on revolving line of credit, long-term borrowings and finance lease obligations | (6,527) | (32,093) |
| Payment of equity distribution under Tax Sharing Agreement between JBS USA Holdings and Pilgrim's Pride Corporation | (1,592) | (1,961) |
| Purchase of common stock under share repurchase program | — | (27,023) |
| Payments of capitalized loan costs | — | (1,098) |
| Cash provided by financing activities | 26,881 | 166,330 |
| Effect of exchange rate changes on cash and cash equivalents | 2,101 | (2,073) |
| Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents | (250,193) | 305,677 |
| Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period | 434,759 | 450,121 |
| Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period | $ 184,566 | $ 755,798 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
## (Unaudited)

### 1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Business**

Pilgrim's Pride Corporation (referred to herein as "Pilgrim's," "PPC," "the Company," "we," "us," "our," or similar terms) is one of the largest chicken producers in the world, with operations in the United States ("U.S."), the United Kingdom ("U.K."), Mexico, France, Puerto Rico, the Netherlands and the Republic of Ireland. Pilgrim's products are sold to foodservice, retail and frozen entrée customers. The Company's primary distribution is through retailers, foodservice distributors and restaurants throughout the countries listed above. Additionally, the Company exports chicken and pork products to approximately 109 countries. Our fresh products consist of refrigerated (nonfrozen) whole or cut-up chicken, selected chicken parts that are either marinated or non-marinated, primary pork cuts, added value pork and pork ribs. The Company's prepared products include fully cooked, ready-to-cook and individually frozen chicken parts, strips, nuggets and patties, processed sausages, bacon, smoked meat, gammon joints, pre-packed meats, sandwich and deli counter meats and meat balls. The Company's other products include plant-based protein offerings, ready-to-eat meals, multi-protein frozen foods, vegetarian foods and desserts. The Company also provides direct-to-consumer meals and hot food-to-go solutions in the U.K. and the Republic of Ireland. We operate feed mills, hatcheries, processing plants and distribution centers in 14 U.S. states, the U.K., Mexico, France, Puerto Rico, the Netherlands and the Republic of Ireland. As of March 26, 2023, Pilgrim's had approximately 62,000 employees and had the capacity to process approximately 42.1 million birds per 5-day work week. Approximately 5,650 contract growers supply chicken for the Company's operations. As of March 26, 2023, PPC had the capacity to process approximately 51,000 pigs per 5-day work week and approximately 230 contract growers supply pigs for the Company's operations. As of March 26, 2023, JBS S.A., through its indirect wholly-owned subsidiaries (collectively, "JBS"), beneficially owned 82.6% of the Company's outstanding common stock.

**Condensed Consolidated Financial Statements**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments unless otherwise disclosed) considered necessary for a fair presentation have been included. Operating results for the three months ended March 26, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 25, 2022.

The Company operates on the basis of a 52/53 week fiscal year ending on the Sunday falling on or before December 31. Any reference we make to a particular year (for example, 2023) in the notes to these Condensed Consolidated Financial Statements applies to our fiscal year and not the calendar year. The three months ended March 26, 2023 represents the period from December 26, 2022 through March 26, 2023. The three months ended March 27, 2022 represents the period from December 27, 2021 through March 27, 2022.

The Condensed Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

The Condensed Consolidated Financial Statements have been prepared in conformity with U.S. GAAP using management's best estimates and judgments. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments. Significant estimates made by the Company include the allowance for credit losses, reserves related to inventory obsolescence or valuation, useful lives of long-lived assets, goodwill, valuation of deferred tax assets, insurance accruals, valuation of pension and other postretirement benefits obligations, income tax accruals, certain derivative positions, certain litigation reserves and valuations of acquired businesses.

The functional currency of the Company's U.S. and Mexico operations and certain holding-company subsidiaries in Luxembourg, the U.K., Malta and the Republic of Ireland is the U.S. dollar. The functional currency of its U.K. operations is the British pound. The functional currency of the Company's operations in France, the Netherlands and the Republic of Ireland is the euro. For foreign currency-denominated entities other than the Company's Mexico operations, translation from local currencies into U.S. dollars is performed for most assets and liabilities using the exchange rates in effect as of the balance sheet date. Income and expense accounts are remeasured using average exchange rates for the period. Adjustments resulting from translation of these financial records are reflected as a separate component of *Accumulated other comprehensive loss* in the Condensed Consolidated Balance Sheets. For the Company's Mexico operations, remeasurement from the Mexican peso to U.S. dollars is performed for monetary assets and liabilities using the exchange rate in effect as of the balance sheet date. Remeasurement is performed for non-monetary assets using the historical exchange rate in effect on the date of each asset's acquisition. Income and expense accounts are remeasured using average exchange rates for the period. Net adjustments resulting from remeasurement of these financial records, as well as foreign currency transaction gains and losses, are reflected in *Foreign currency transaction losses* in the Condensed Consolidated Statements of Income.

**Restricted Cash and Restricted Cash Equivalents**

The Company is required to maintain cash balances with a broker as collateral for exchange-traded futures contracts. These balances are classified as restricted cash as they are not available for use by the Company to fund daily operations. The balance of restricted cash and restricted cash equivalents may also include investments in U.S. Treasury Bills that qualify as restricted cash equivalents, as required by the broker, to offset the obligation to return cash collateral.

The following table reconciles cash, cash equivalents, restricted cash and restricted cash equivalents as reported in the Condensed Consolidated Balance Sheets to the total of the same amounts shown in the Condensed Consolidated Statements of Cash Flows:

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Cash and cash equivalents | $ 150,687 | $ 400,988 |
| Restricted cash and restricted cash equivalents | 33,879 | 33,771 |
| Total cash, cash equivalents, restricted cash and restricted cash equivalents shown in the Condensed Consolidated Statements of Cash Flows | $ 184,566 | $ 434,759 |

***Accounting Pronouncements Adopted in 2023***

In September 2022, the FASB issued ASU 2022-04, *Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which requires disclosure of the existence of supplier financing programs. The guidance requires disclosure about the nature of the supplier financing agreements, including key terms and payment timing and determination of amounts, the accounting treatment for the transactions and the effect of the transactions on the financial statements, as well as any assets pledged or guarantees provided to the providers of the financing programs. The provisions of the new guidance were effective for years beginning after December 15, 2022 with the requirement to add rollforward disclosures for years beginning after December 15, 2023. The Company adopted this guidance effective December 26, 2022. The adoption of this guidance did not have a material impact on our Condensed Consolidated Financial Statements. Additional information regarding supplier finance programs is included in "Note 10. Supplier Finance Programs."

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions to the application of current GAAP to existing contracts, hedging relationships and other transactions affected by reference rate reform. The new guidance will ease the transition to new reference rates by allowing entities to update contracts and hedging relationships without applying many of the contract modification requirements specific to those contracts. The provisions of the new guidance are effective beginning March 12, 2020, extending through December 31, 2022 with the option to apply the guidance at any point during that time period. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*, which provides further clarification on the scope of Topic 848 so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions in Topic 848. Once an entity elects an expedient or exception it must be applied to all eligible contracts or transactions. We currently have hedging transactions and debt agreements that reference LIBOR and will apply the new guidance as these contracts are modified to reference other rates. The Company adopted this guidance effective December 26, 2022. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

## 2. REVENUE RECOGNITION

The vast majority of the Company's revenue is derived from contracts which are based upon a customer ordering our products. While there may be master agreements, the contract is only established when the customer's order is accepted by the Company. The Company accounts for a contract, which may be verbal or written, when it is approved and committed by both parties, the rights of the parties are identified along with payment terms, the contract has commercial substance and collectability is probable.

The Company evaluates the transaction for distinct performance obligations, which are the sale of its products to customers. Since its products are commodity market-priced, the sales price is representative of the observable, standalone selling price. Each performance obligation is recognized based upon a pattern of recognition that reflects the transfer of control to the customer at a point in time, which is upon destination (customer location or port of destination), which faithfully depicts the transfer of control and recognition of revenue. There are instances of customer pick-up at the Company's facility, in which case control transfers to the customer at that point and the Company recognizes revenue. The Company's performance obligations are typically fulfilled within days to weeks of the acceptance of the order.

The Company makes judgments regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue and cash flows with customers. Determination of a contract requires evaluation and judgment along with the estimation of the total contract value and if any of the contract value is constrained. Due to the nature of our business, there is minimal variable consideration, as the contract is established at the acceptance of the order from the customer. When applicable, variable consideration is estimated at contract inception and updated on a regular basis until the contract is completed. Allocating the transaction price to a specific performance obligation based upon the relative standalone selling prices includes estimating the standalone selling prices including discounts and variable consideration.

**Disaggregated Revenue**

Revenue has been disaggregated into the categories below to show how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows:

| | Three Months Ended March 26, 2023 (In thousands) | | | | |
|---|---|---|---|---|---|
| | **Fresh** | **Prepared** | **Export** | **Other** | **Total** |
| U.S. | $ 1,943,786 | $ 244,801 | $ 128,275 | $ 115,706 | $ 2,432,568 |
| U.K. and Europe | 264,663 | 831,729 | 117,621 | 25,251 | 1,239,264 |
| Mexico | 411,919 | 46,356 | — | 35,521 | 493,796 |
| Total net sales | $ 2,620,368 | $ 1,122,886 | $ 245,896 | $ 176,478 | $ 4,165,628 |

| | Three Months Ended March 27, 2022 (In thousands) | | | | |
|---|---|---|---|---|---|
| | **Fresh** | **Prepared** | **Export** | **Other** | **Total** |
| U.S. | $ 2,087,621 | $ 255,087 | $ 133,797 | $ 104,703 | $ 2,581,208 |
| U.K. and Europe | 237,309 | 746,636 | 173,411 | 34,626 | 1,191,982 |
| Mexico | 410,420 | 36,141 | — | 20,644 | 467,205 |
| Total net sales | $ 2,735,350 | $ 1,037,864 | $ 307,208 | $ 159,973 | $ 4,240,395 |

**Contract Costs**

The Company can incur incremental costs to obtain or fulfill a contract such as broker expenses that are not expected to be recovered. The amortization period for such expenses is less than one year; therefore, the costs are expensed as incurred.

**Taxes**

The Company excludes all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer (for example, sales, use, value added and some excise taxes) from the transaction price.

**Contract Balances**

The Company receives payment from customers based on terms established with the customer. Payments are typically due within 14 to 30 days of delivery. Revenue contract liabilities relate to payments received in advance of satisfying the performance under the customer contract. The revenue contract liabilities relate to customer prepayments and the advanced consideration, such as cash, received from governmental agency contracts for which performance obligations to the end customer have not been satisfied.

Changes in the revenue contract liabilities balance are as follows (in thousands):

| | | |
|---|---|---|
| Balance as of December 25, 2022 | $ | 34,486 |
| Revenue recognized | | (20,183) |
| Cash received, excluding amounts recognized as revenue during the period | | 33,463 |
| Balance as of March 26, 2023 | $ | 47,766 |

**Accounts Receivable**

The Company records accounts receivable when revenue is recognized. We record an allowance for credit losses, reducing our receivables balance to an amount we estimate is collectible from our customers. Estimates used in determining the allowance for credit losses are based on historical collection experience, current trends, aging of accounts receivable and periodic credit evaluations of our customers' financial condition. We write off accounts receivable when it becomes apparent, based upon age or customer circumstances, that such amounts will not be collected. Generally, the Company does not require collateral for its accounts receivable.

**3. DERIVATIVE FINANCIAL INSTRUMENTS**

The Company utilizes various raw materials in its operations, including corn, soybean meal, soybean oil, wheat, natural gas, electricity and diesel fuel, which are all considered commodities. The Company considers these raw materials generally available from a number of different sources and believes it can obtain them to meet its requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond our control, such as economic and political conditions, supply and demand, weather, governmental regulation and other circumstances. Generally, the Company purchases derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for approximately the next twelve months. The Company may purchase longer-term derivative financial instruments on particular commodities if deemed appropriate.

The Company has operations in Mexico, the U.K., France, the Netherlands and the Republic of Ireland. Therefore, it has exposure to translational foreign exchange risk when the financial results of those operations are remeasured in U.S. dollars. The Company has purchased foreign currency forward contracts to manage this foreign exchange risk.

The fair value of derivative assets is included in the line item *Prepaid expenses and other current assets* on the Condensed Consolidated Balance Sheets while the fair value of derivative liabilities is included in the line item *Accrued expenses and other current liabilities* on the same statements. The Company's counterparties require that it post collateral for changes in the net fair value of the derivative contracts. This cash collateral is reported in the line item *Restricted cash and restricted cash equivalents* on the Condensed Consolidated Balance Sheets.

Undesignated contracts may include contracts not designated as hedges or contracts that do not qualify for hedge accounting. The fair value of each of these derivatives is recognized in the Condensed Consolidated Balance Sheets within *Prepaid expenses and other current assets* or *Accrued expenses and other current liabilities*. Changes in fair value of each derivative are recognized immediately in the Condensed Consolidated Statements of Income within *Net sales*, *Cost of sales*, *Selling, general and administrative expense*, or *Foreign currency transaction losses* depending on the risk the derivative is intended to mitigate. While management believes these instruments help mitigate various market risks, they are not designated and accounted for as hedges as a result of the extensive record keeping requirements.

The Company does not apply hedge accounting treatment to certain derivative financial instruments that it has purchased to mitigate commodity purchase exposures in the U.S. and Mexico or foreign currency transaction exposures on our Mexico operations. Therefore, the Company recognized changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to the commodity derivative financial instruments are included in the line item *Cost of sales* in the Condensed Consolidated Statements of Income. Gains or losses related to the foreign currency derivative financial instruments are included in the line item *Foreign currency transaction losses* and *Cost of sales* in the Condensed Consolidated Statements of Income.

The Company does apply hedge accounting treatment to certain derivative financial instruments related to its U.K. and Europe reportable segment that it has purchased to mitigate foreign currency transaction exposures. Before the settlement date of the financial derivative instruments, the Company recognizes changes in the fair value of the cash flow hedge into accumulated other comprehensive income ("AOCI"). When the derivative financial instruments are settled, the amount in AOCI is then reclassified to earnings. Gains or losses related to these derivative financial instruments are included in the line item *Net sales* and *Cost of sales* in the Condensed Consolidated Statements of Income.

Information regarding the Company's outstanding derivative instruments and cash collateral posted with brokers is included in the following table:

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Fair values: | | |
| Commodity derivative assets | $ 8,333 | $ 17,922 |
| Commodity derivative liabilities | (26,437) | (9,042) |
| Foreign currency derivative assets | 5,600 | 555 |
| Foreign currency derivative liabilities | (405) | (6,170) |
| Sales contract derivative assets | 459 | — |
| Sales contract derivative liabilities | — | (3,705) |
| Cash collateral posted with brokers[a] | 33,879 | 33,771 |
| Derivatives coverage[b]: | | |
| Corn | 12.1 % | 14.4 % |
| Soybean meal | 10.0 % | 10.1 % |
| Period through which stated percent of needs are covered: | | |
| Corn | March 2024 | December 2023 |
| Soybean meal | July 2024 | December 2023 |

(a) Collateral posted with brokers consists primarily of cash, short-term treasury bills or other cash equivalents.
(b) Derivatives coverage is the percent of anticipated commodity needs covered by outstanding derivative instruments through a specified date.

The following table presents the gains and losses of each derivative instrument held by the Company not designated or qualifying as hedging instruments:

| | Three Months Ended | | |
|---|---|---|---|
| Gains (Losses) by Type of Contract [a] | March 26, 2023 | March 27, 2022 | Affected Line Item in the Condensed Consolidated Statements of Income |
| | (In thousands) | | |
| Foreign currency derivatives | $ (19,104) | $ (13,300) | Foreign currency transaction losses |
| Commodity derivatives | (16,534) | 31,540 | Cost of sales |
| Sales contract derivative liabilities | 4,164 | (8,666) | Net sales |
| Total | $ (31,474) | $ 9,574 | |

(a) Amounts represent income (expenses) related to results of operations.

The following tables present the components of the gain or loss on derivatives that qualify as cash flow hedges:

| | Gains Recognized in Other Comprehensive Income | |
|---|---|---|
| | Three Months Ended | |
| | March 26, 2023 | March 27, 2022 |
| | (In thousands) | |
| Foreign currency derivatives | $ 16 | $ 523 |

| | Gains (Losses) Reclassified from AOCI into Income | | | | | |
|---|---|---|---|---|---|---|
| | Three Months Ended March 26, 2023 | | | Three Months Ended March 27, 2022 | | |
| | Net sales[a] | Cost of sales[b] | Interest expense, net of capitalized interest[b] | Net sales[a] | Cost of sales[b] | Interest expense, net of capitalized interest[b] |
| | (In thousands) | | | | | |
| Total amounts of income and expense line items presented in the Condensed Consolidated Statements of Income in which the effects of cash flow hedges are recorded | $ 4,165,628 | $ 3,992,581 | $ 42,662 | $ 4,240,395 | $ 3,698,415 | $ 36,296 |
| Impact from cash flow hedging instruments: | | | | | | |
| Foreign currency derivatives | 120 | 56 | — | 32 | 91 | — |
| Interest rates swap derivatives | — | — | — | — | — | 98 |

(a) Amounts represent income (expenses) related to net sales.
(b) Amounts represent expenses (income) related to cost of sales and interest expense.

At March 26, 2023, there were immaterial pre-tax deferred net gains on foreign currency derivatives recorded in AOCI that are expected to be reclassified to the Condensed Consolidated Statements of Income during the next twelve months. This expectation is based on the anticipated settlements on the hedged investments in foreign currencies that will occur over the next twelve months, at which time the Company will recognize the deferred gains to earnings.

## 4. TRADE ACCOUNTS AND OTHER RECEIVABLES

Trade accounts and other receivables, less allowance for credit losses, consisted of the following:

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Trade accounts receivable | $ 1,071,202 | $ 984,332 |
| Notes receivable from third parties | 13,599 | 33,477 |
| Other receivables | 161,737 | 88,962 |
| Receivables, gross | 1,246,538 | 1,106,771 |
| Allowance for credit losses | (9,172) | (9,559) |
| Receivables, net | $ 1,237,366 | $ 1,097,212 |
| | | |
| Accounts receivable from related parties[(a)] | $ 2,125 | $ 2,512 |

(a) Additional information regarding accounts receivable from related parties is included in "Note 17. Related Party Transactions."

Activity in the allowance for credit losses was as follows:

| | Three Months Ended March 26, 2023 (In thousands) |
|---|---|
| Balance, beginning of period | $ (9,559) |
| Provision charged to operating results | (525) |
| Account write-offs and recoveries | 1,149 |
| Effect of exchange rate | (237) |
| Balance, end of period | $ (9,172) |

## 5. INVENTORIES

Inventories consisted of the following:

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Raw materials and work-in-process | $ 1,256,009 | $ 1,204,092 |
| Finished products | 592,772 | 596,375 |
| Operating supplies | 74,347 | 95,367 |
| Maintenance materials and parts | 98,982 | 94,350 |
| Total inventories | $ 2,022,110 | $ 1,990,184 |

## 6. INVESTMENTS IN SECURITIES

The Company recognizes investments in available-for-sale securities as cash equivalents, current investments or long-term investments depending upon each security's length to maturity. The following table summarizes our investments in available-for-sale securities:

| | March 26, 2023 | | December 25, 2022 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| | (In thousands) | | | |
| Cash equivalents: | | | | |
| Fixed income securities | $ 77,131 | $ 77,131 | $ 167,366 | $ 167,430 |

Gross realized gains during the three months ended March 26, 2023 related to the Company's available-for-sale securities were $1.9 million and gross realized gains during the three months ended March 27, 2022 were immaterial. Proceeds received from the sale or maturity of available-for-sale securities investments are historically disclosed in the Condensed Consolidated Statements of Cash Flows. Net unrealized holding gains and losses on the Company's available-for-sale securities recognized during the three months ended March 26, 2023 and March 27, 2022 that have been included in accumulated other comprehensive income (loss) and the net amount of gains and losses reclassified out of accumulated other comprehensive income (loss) to earnings during the three months ended March 26, 2023 and March 27, 2022 are disclosed in "Note 13. Stockholders' Equity."

## 7. GOODWILL AND INTANGIBLE ASSETS

The activity in goodwill by segment for the three months ended March 26, 2023 was as follows:

| | December 25, 2022 | Currency Translation | March 26, 2023 |
|---|---|---|---|
| | | (In thousands) | |
| U.S. | $ 41,936 | $ — | $ 41,936 |
| U.K. and Europe | 1,058,204 | 15,669 | 1,073,873 |
| Mexico | 127,804 | — | 127,804 |
| Total | $ 1,227,944 | $ 15,669 | $ 1,243,613 |

Intangible assets consisted of the following:

| | December 25, 2022 | Amortization | Currency Translation | March 26, 2023 |
|---|---|---|---|---|
| | | (In thousands) | | |
| Cost: | | | | |
| Trade names not subject to amortization | $ 549,024 | $ — | $ 8,274 | $ 557,298 |
| Trade names subject to amortization | 112,057 | — | 447 | 112,504 |
| Customer relationships | 427,662 | — | 3,882 | 431,544 |
| Accumulated amortization: | | | | |
| Trade names | (53,708) | (943) | (37) | (54,688) |
| Customer relationships | (189,015) | (7,350) | (1,398) | (197,763) |
| Intangible assets, net | $ 846,020 | $ (8,293) | $ 11,168 | $ 848,895 |

Intangible assets are amortized over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Customer relationships | 3-18 years |
| Trade names subject to amortization | 15-20 years |

At March 26, 2023, the Company assessed if events or changes in circumstances indicated that the asset group-level carrying amounts of its intangible assets subject to amortization might not be recoverable. There were no indicators present that required the Company to test the recoverability of the asset group-level carrying amounts of its intangible assets subject to amortization at that date.

## 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment ("PP&E"), net consisted of the following:

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Land | $ 267,245 | $ 263,494 |
| Buildings | 2,090,190 | 2,065,042 |
| Machinery and equipment | 3,739,808 | 3,651,464 |
| Autos and trucks | 84,830 | 77,865 |
| Finance lease assets | 5,710 | 5,710 |
| Construction-in-progress | 373,325 | 358,819 |
| PP&E, gross | 6,561,108 | 6,422,394 |
| Accumulated depreciation | (3,563,813) | (3,481,548) |
| PP&E, net | $ 2,997,295 | $ 2,940,846 |

The Company recognized depreciation expense of $90.0 million and $93.4 million during the three months ended March 26, 2023 and March 27, 2022, respectively.

During the three months ended March 26, 2023, Pilgrim's spent $131.7 million on capital projects and transferred $117.8 million of completed projects from construction-in-progress to depreciable assets. During the three months ended March 27, 2022, the Company spent $81.6 million on capital projects and transferred $73.8 million of completed projects from construction-in-progress to depreciable assets.

During the three months ended March 26, 2023, the Company sold certain PP&E for $12.6 million in cash and recognized a net gain of $9.3 million on these sales. PP&E sold during the three months ended March 26, 2023 consisted of a farm in Mexico and other miscellaneous equipment. During the three months ended March 27, 2022, the Company sold miscellaneous equipment for cash of $0.8 million and recognized a net loss on these sales of $1.9 million.

The Company has closed or idled various facilities in the U.S. and in the U.K. The Board of Directors has not determined if it would be in the best interest of the Company to divest any of these idled assets. Management is therefore not certain that it can or will divest any of these assets within one year, is not actively marketing these assets and, accordingly, has not classified them as assets held for sale. The Company continues to depreciate these assets. As of March 26, 2023, the carrying amounts of these idled assets totaled $39.4 million based on depreciable value of $213.3 million and accumulated depreciation of $173.9 million. Idled asset values include those assets that are no longer in use as a result of the recent restructuring activities of our U.K. and Europe segment.

As of March 26, 2023, the Company assessed if events or changes in circumstances indicated that the asset group-level carrying amounts of its PP&E held for use might not be recoverable. There were no indicators present that required the Company to test the recoverability of the asset group-level carrying amounts of its PP&E held for use at that date.

## 9. CURRENT LIABILITIES

Current liabilities, other than income taxes and current maturities of long-term debt, consisted of the following components:

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Accounts payable: | | |
| Trade accounts payable | $ 1,424,819 | $ 1,476,552 |
| Book overdrafts | 74,794 | 93,800 |
| Other payables | 17,857 | 17,587 |
| Total accounts payable | 1,517,470 | 1,587,939 |
| Accounts payable to related parties[(a)] | 20,481 | 12,155 |
| Revenue contract liabilities[(b)] | 47,766 | 34,486 |
| Accrued expenses and other current liabilities: | | |
| Compensation and benefits | 203,526 | 258,098 |
| Litigation settlements[(c)] | 110,430 | 99,230 |
| Current maturities of operating lease liabilities | 75,613 | 79,222 |
| Accrued sales rebates | 71,880 | 55,002 |
| Insurance and self-insured claims | 70,447 | 72,453 |
| Interest and debt-related fees | 48,292 | 32,433 |
| Taxes | 34,685 | 33,550 |
| Derivative liabilities[(d)] | 26,842 | 18,917 |
| Other accrued expenses | 221,038 | 201,994 |
| Total accrued expenses and other current liabilities | 862,753 | 850,899 |
| Total | $ 2,448,470 | $ 2,485,479 |

(a) Additional information regarding accounts payable to related parties is included in “Note 17. Related Party Transactions.”
(b) Additional information regarding revenue contract liabilities is included in “Note 2. Revenue Recognition.”
(c) Additional information regarding litigation settlements is included in “Note 19. Commitments and Contingencies.”
(d) Additional information regarding derivative liabilities is included in “Note 3. Derivative Financial Instruments.”

## 10. SUPPLIER FINANCE PROGRAMS

The Company maintains supplier finance programs, under which we agree to pay for confirmed invoices from participating suppliers to a financing entity. Maturity dates are generally between 65-180 days and we pay either the supplier or the financing entity depending on the supplier's election. As of March 26, 2023 and December 25, 2022, the outstanding balance of confirmed invoices was $89.2 million and $239.6 million, respectively and are included in *Accounts payable* in the Condensed Consolidated Balance Sheets.

## 11. INCOME TAXES

The Company recorded an income tax benefit of $8.8 million, a 275.5% effective tax rate, for the three months ended March 26, 2023 compared to income tax expense of $75.2 million, a 21.1% effective tax rate, for the three months ended March 27, 2022. The decrease in income tax expense in 2023 resulted primarily from the decrease in profit before income taxes.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income and tax-planning strategies in making this assessment. As of March 26, 2023, the Company did not believe it had sufficient positive evidence to conclude that realization of a portion of its foreign net deferred tax assets are more likely than not to be realized.

For the three months ended March 26, 2023 and March 27, 2022, there is a tax effect of $(0.7) million and $(2.3) million, respectively, reflected in other comprehensive income.

For the three months ended March 26, 2023 and March 27, 2022, there are immaterial tax effects reflected in income tax expense due to excess tax windfalls and shortfalls related to stock-based compensation.

The Company and its subsidiaries file a variety of consolidated and standalone income tax returns in various jurisdictions. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In general, tax returns filed by the Company and its subsidiaries for years prior to 2011 are no longer subject to examination by tax authorities.

As of July 27, 2020, JBS owns in excess of 80% of Pilgrim's. JBS has a federal tax election to file a consolidated tax return with subsidiaries in which it holds an ownership of at least 80%.

## 12. DEBT

Long-term debt and other borrowing arrangements, including current notes payable to banks, consisted of the following components:

| | Maturity | March 26, 2023 | December 25, 2022 |
|---|---|---|---|
| | | (In thousands) | |
| Senior notes payable at 3.50% | 2032 | $ 900,000 | $ 900,000 |
| Senior notes payable, net of discount, at 4.25% | 2031 | 991,942 | 991,692 |
| Senior notes payable, net of discount, at 5.875% | 2027 | 846,761 | 846,582 |
| U.S. Credit Facility (defined below): | | | |
| Term note payable at 6.19% | 2026 | 473,750 | 480,078 |
| Revolving note payable at 7.89% | 2026 | 35,000 | — |
| U.K. and Europe Revolving Facility (defined below) with notes payable at SONIA plus 1.25% | 2027 | — | — |
| Mexico Credit Facility (defined below) with notes payable at TIIE plus 1.50% | 2023 | — | — |
| Finance lease obligations | Various | 3,426 | 3,624 |
| Long-term debt | | 3,250,879 | 3,221,976 |
| Less: Current maturities of long-term debt | | (26,326) | (26,279) |
| Long-term debt, less current maturities | | 3,224,553 | 3,195,697 |
| Less: Capitalized financing costs | | (27,938) | (29,265) |
| Long-term debt, less current maturities, net of capitalized financing costs | | $ 3,196,615 | $ 3,166,432 |

## U.S. Senior Notes

*U.S. Senior Notes Due 2027*

On September 29, 2017, the Company completed a sale of $600.0 million aggregate principal amount of its 5.875% unsecured senior notes due 2027. On March 7, 2018, the Company completed an add-on offering of $250.0 million of these senior notes (together with the senior notes issued in September 2017, the "Senior Notes due 2027"). The issuance price of this add-on offering was 97.25%, which created gross proceeds of $243.1 million. The $6.9 million discount will be amortized over the remaining life of the Senior Notes due 2027. Each issuance of the Senior Notes due 2027 is treated as a single class for all purposes under the 2017 Indenture (defined below) and have the same terms.

The Senior Notes due 2027 are governed by, and were issued pursuant to, an indenture dated as of September 29, 2017 by and among the Company, its guarantor subsidiaries and Regions Bank, as trustee (the "2017 Indenture"). The 2017 Indenture provides, among other things, that the Senior Notes due 2027 bear interest at a rate of 5.875% per annum from the date of issuance until maturity, payable semi-annually in cash in arrears, beginning on March 30, 2018 for the Senior Notes due 2027 that were issued in September 2017 and beginning on March 15, 2018 for the Senior Notes due 2027 that were issued in March 2018.

*U.S. Senior Notes Due 2031*

On April 8, 2021, the Company completed a sale of $1.0 billion aggregate principal amount of its 4.25% sustainability-linked unsecured senior notes due 2031 ("Senior Notes due 2031"). The Company used the net proceeds, together with cash on hand, to redeem previously issued senior notes. The issuance price of this offering was 98.994%, which created gross proceeds of $989.9 million. The $10.1 million discount will be amortized over the remaining life of the Senior Notes due 2031. Each issuance of the Senior Notes due 2031 is treated as a single class for all purposes under the April 2021 Indenture (defined below) and have the same terms.

The Senior Notes due 2031 are governed by, and were issued pursuant to, an indenture dated as of April 8, 2021 by and among the Company, its guarantor subsidiaries and Regions Bank, as trustee (the "April 2021 Indenture"). The April 2021 Indenture provides, among other things, that the Senior Notes due 2031 bear interest at a rate of 4.25% per annum payable semi-annually on April 15 and October 15 of each year. From and including October 15, 2026, the interest rate payable on the notes shall be increased to 4.50% per annum unless the Company has notified the trustee at least 30 days prior to October 15, 2026 that in respect of the year ended December 31, 2025, (1) the Company's greenhouse gas emissions intensity reduction target of 17.679% by December 31, 2025 from a 2019 baseline (the "Sustainability Performance Target") has been satisfied and (2) the satisfaction of the Sustainability Performance Target has been confirmed by a qualified provider of third-party assurance or attestation services appointed by the Company to review the Company's statement of the greenhouse gas emissions intensity in accordance with its customary procedures.

*U.S. Senior Notes Due 2032*

On September 2, 2021, the Company completed a sale of $900.0 million in aggregate principal amount of its 3.50% unsecured senior notes due 2032 ("Senior Notes due 2032"). The Company used the proceeds, together with borrowings under the delayed draw term loan under its U.S. Credit Facility, to finance the acquisition of the Kerry Consumer Foods' meats and meals businesses (now Pilgrim's Food Masters) and to pay related fees and expenses. Each issuance of the Senior Notes due 2032 is treated as a single class for all purposes under the September 2021 Indenture (defined below) and have the same terms.

The Senior Notes due 2032 are governed by, and were issued pursuant to, an indenture dated as of September 2, 2021 by and among the Company, its guarantor subsidiaries and Regions Bank, as trustee (the "September 2021 Indenture"). The September 2021 Indenture provides, among other things, that the Senior Notes due 2032 bear interest at a rate of 3.50% per annum payable semi-annually on March 1 and September 1 of each year.

On September 22, 2022, the Company announced expiration and receipt of requisite consents in its consent solicitation for certain amendments to its Senior Notes due 2031 and Senior Notes due 2032. The amendments conform certain provisions and restrictive covenants in each indenture to (1) reflect PPC investment grade status and (2) the corresponding provisions and restrictive covenants set forth in the indenture governing its Senior Notes due 2031 and Senior Notes due 2032. The amendments permanently eliminated certain covenants for the Company, including limitation on incurrence of additional debt, issuance of capital stock, restricted payments, asset sales, restrictions on distributions, affiliate transactions, guarantees of debt by restricted subsidiaries and provisions related to mergers and consolidation. In addition, provisions related to limitation on liens, sale and leaseback transactions, substitution of the company and measuring compliance were amended.

*U.S. Senior Notes Due 2033*

On April 19, 2023, the Company completed a sale of $1.0 billion aggregate principal amount of its 6.25% unsecured, registered senior notes due 2033 (“Senior Notes due 2033”). The Company used the net proceeds to repay the term loans and the outstanding balance under the U.S. Credit Facility as defined below. The remaining proceeds will be used for general corporate purposes, including repaying existing debt. The issuance price of this offering to the public was 99.312%, which created gross proceeds of $993.1 million before transaction costs. The $6.9 million discount will be amortized over the remaining life of the Senior Notes due 2033. The Senior Notes due 2033 bear interest at a rate of 6.25% per annum from the date of issuance until maturity, payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2024.

The Senior Notes were and are each guaranteed on a senior unsecured basis by the Company’s guarantor subsidiaries. On February 16, 2023, the Company exchanged all of its outstanding principal amounts on the Senior Notes due 2031 and the Senior Notes due 2032 for an equal principal amount of new notes in a transaction registered under the Securities Act. In addition, and of the Company’s other existing or future domestic restricted subsidiaries that incur or guarantee any other indebtedness (with limited exceptions) must also guarantee the Senior Notes. All the Senior Notes related guarantees were and are unsecured senior obligations of the Company and its guarantor subsidiaries and rank equally with all of the Company’s and its guarantor subsidiaries’ other unsubordinated indebtedness. The Senior Notes also contain customary covenants and events of default.

**U.S. Credit Facilities**

On August 9, 2021, the Company and certain of the Company’s subsidiaries entered into a Fifth Amended and Restated Credit Agreement (the “U.S. Credit Facility”) with CoBank, ACB, as administrative agent and collateral agent, and the other lenders party thereto. The U.S. Credit Facility provides for an $800.0 million revolving credit commitment and a term loan commitment of up to $700.0 million (the “Term Loans”). The U.S. Credit Facility includes an incremental commitment and loan feature that allows the Company, subject to certain conditions, to increase the aggregate revolving loan and term loan commitments. The aggregate amount of incremental commitments and loans shall not exceed the sum of $500.0 million plus the maximum amount that would result in a senior secured leverage ratio, on a pro-forma basis, of not more than 3.00 to 1.00.

The revolving loan commitment under the U.S. Credit Facility matures on August 9, 2026. All principal on the Term Loans is due at maturity on August 9, 2026. Installments of principal in amounts predetermined by CoBank, ACB are required to be made on a quarterly basis prior to the maturity date of the Term Loans beginning in January 2022. As of March 26, 2023, the Company had outstanding borrowings under the term loan commitment of $473.8 million. As of March 26, 2023, the Company had outstanding letters of credit and available borrowings under the revolving credit commitment of $35.0 million and $730.0 million, respectively. The outstanding borrowings were $35.0 million as of March 26, 2023.

The U.S. Credit Facility includes an $80.0 million sub-limit for swingline loans and a $125.0 million sub-limit for letters of credit. Outstanding borrowings under the revolving loan commitment and the Term Loans bear interest at a per annum rate, based on the Company’s senior secured net leverage ratio, equal to (1) in the case of LIBOR loans, between LIBOR plus 1.25% and LIBOR plus 2.75% and (2) in the case of base rate loans, between the base rate plus 0.25% and the base rate plus 1.75%.

The U.S. Credit Facility contains customary financial and other various covenants for transactions of this type, including restrictions on the Company’s ability to incur additional indebtedness, incur liens, pay dividends, make certain restricted payments, consummate certain asset sales, enter into certain transactions with the Company’s affiliates, or merge, consolidate and/or sell or dispose of all or substantially all of its assets, among other things. The U.S. Credit Facility requires the Company to comply with a minimum net leverage ratio and a minimum interest coverage ratio.

All obligations under the U.S. Credit Facility continue to be secured by first priority liens on (1) all present and future personal property of the Company and certain of the Company’s subsidiaries and the guarantors, including all material domestic and first-tier direct foreign subsidiaries, (2) all present and future shares of capital stock of the borrowers and guarantors and (3) substantially all of the present and future assets of the Company and the guarantors under the U.S. Credit Facility. The Company is currently in compliance with the covenants under the U.S. Credit Facility.

On April 19, 2023, the outstanding balances for the swingline loans and term loans under the U.S. Credit Facility were paid in full with the proceeds from the Senior Notes 2033 as outlined above.

**U.K. and Europe Revolving Facility**

On June 24, 2022, Moy Park Holdings (Europe) Ltd. (“MPH(E)”) and other Pilgrim’s entities located in the U.K. and Republic of Ireland entered into an unsecured multicurrency revolving facility agreement (the “U.K. and Europe Revolver

Facility”) with the Governor and Company of the Bank of Ireland, as agent, and the other lenders party thereto. The U.K. and Europe Revolver Facility provides for a multicurrency revolving loan commitment of up to £150.0 million. The loan commitment matures on June 24, 2027. Outstanding borrowings bear interest at the (1) current index interest rate, depending on the currency of the borrowing, plus (2) a margin, ranging from 1.25% to 2.00% based on leverage (as defined in the U.K. and Europe Revolver Facility). All obligations under this agreement are guaranteed by certain of the Company’s subsidiaries. As of March 26, 2023, both the U.S. dollar-equivalent loan commitment and borrowing availability were $183.5 million and there were no outstanding borrowings under this agreement.

The U.K. and Europe Revolver Facility contains representations and warranties, covenants, indemnities and conditions, in each case, that the Company believes are customary for transactions of this type. Pursuant to the terms of the agreement, the Company is required to meet certain financial and other restrictive covenants. Additionally, the Company is prohibited from taking certain actions without consent of the lenders, including, without limitation, incurring additional indebtedness, entering into certain mergers or other business combination transactions, permitting liens or other encumbrances on its assets and making restricted payments, including dividends, in each case, except as expressly permitted under the U.K. and Europe Revolver Facility. The Company is currently in compliance with the covenants under the U.K. and Europe Revolver Facility.

**Mexico Credit Facility**

On December 14, 2018, certain of the Company’s Mexican subsidiaries entered into an unsecured credit agreement (the “Mexico Credit Facility”) with Banco del Bajio, Sociedad Anónima, Institución de Banca Múltiple, as lender. The loan commitment under the Mexico Credit Facility is Mex$1.5 billion and can be borrowed on a revolving basis. Outstanding borrowings under the Mexico Credit Facility accrue interest at a rate equal to the 28-Day Interbank Equilibrium Interest Rate plus 1.5%. The Mexico Credit Facility contains covenants and defaults that the Company believes are customary for transactions of this type. The Company is currently in compliance with the covenants under the Mexico Credit Facility. The Mexico Credit Facility will be used for general corporate and working capital purposes. The Mexico Credit Facility will mature on December 14, 2023. As of March 26, 2023, the U.S. dollar-equivalent of the loan commitment and borrowing availability was $81.3 million. As of March 26, 2023, there were no outstanding borrowings under the Mexico Credit Facility.

## 13. STOCKHOLDERS’ EQUITY

**Accumulated Other Comprehensive Income (Loss)**

The following tables provide information regarding the changes in accumulated other comprehensive income (loss):

| | Three Months Ended March 26, 2023 | | | | |
|---|---|---|---|---|---|
| | Gains (Losses) Related to Foreign Currency Translation | Losses on Derivative Financial Instruments Classified as Cash Flow Hedges | Losses Related to Pension and Other Postretirement Benefits | Gains (Losses) on Available-for-Sale Securities | Total |
| | (In thousands) | | | | |
| Balance, beginning of period | $ (269,825) | $ (1,162) | $ (65,447) | $ (14) | $ (336,448) |
| Other comprehensive income before reclassifications | 42,644 | 16 | 3,652 | 30 | 46,342 |
| Amounts reclassified from accumulated other comprehensive loss (gain) to net income | — | (64) | 139 | (13) | 62 |
| Currency translation | — | 2 | — | — | 2 |
| Net current period other comprehensive income (loss) | 42,644 | (46) | 3,791 | 17 | 46,406 |
| Balance, end of period | $ (227,181) | $ (1,208) | $ (61,656) | $ 3 | $ (290,042) |

| | Three Months Ended March 27, 2022 | | | | |
|---|---|---|---|---|---|
| | Gains (Losses) Related to Foreign Currency Translation | Losses on Derivative Financial Instruments Classified as Cash Flow Hedges | Losses Related to Pension and Other Postretirement Benefits | Gains (Losses) on Available-for-Sale Securities | Total |
| | (In thousands) | | | | |
| Balance, beginning of period | $ 27,241 | $ (2,365) | $ (72,873) | $ — | $ (47,997) |
| Other comprehensive income (loss) before reclassifications | (58,202) | 523 | 6,479 | — | (51,200) |
| Amounts reclassified from accumulated other comprehensive loss to net income | — | 115 | 175 | — | 290 |
| Currency translation | — | 5 | — | — | 5 |
| Net current period other comprehensive income (loss) | (58,202) | 643 | 6,654 | — | (50,905) |
| Balance, end of period | $ (30,961) | $ (1,722) | $ (66,219) | $ — | $ (98,902) |

| Details about Accumulated Other Comprehensive Loss Components | Amount Reclassified from Accumulated Other Comprehensive Loss[(a)] Three Months Ended March 26, 2023 | Three Months Ended March 27, 2022 | Affected Line Item in the Condensed Consolidated Statements of Income |
|---|---|---|---|
| | (In thousands) | | |
| Realized gains on settlement of foreign currency derivatives classified as cash flow hedges | $ 120 | $ 32 | Net sales |
| Realized losses on settlement of foreign currency derivatives classified as cash flow hedges | (56) | (91) | Cost of sales |
| Realized gain on sale of securities | 18 | — | Interest Income |
| Realized losses on settlement of interest rate swap derivatives classified as cash flow hedges | — | (98) | Interest expense, net of capitalized interest |
| Amortization of pension and other postretirement plan actuarial losses[(b)] | (182) | (232) | Miscellaneous, net |
| Total before tax | (100) | (389) | |
| Tax expense | 38 | 99 | |
| Total reclassification for the period | $ (62) | $ (290) | |

(a) Positive amounts represent income to the results of operations while amounts in parentheses represent expenses to the results of operations.
(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See “Note 14. Pension and Other Postretirement Benefits.”

## Preferred Stock

The Company has authorized 50,000,000 shares of $0.01 par value preferred stock, although no shares have been issued and no shares are outstanding.

## Restrictions on Dividends

Both the U.S. Credit Facility and the indentures governing the Company’s senior notes restrict, but do not prohibit, the Company from declaring dividends. Additionally, the U.K. and Europe Revolver Facility prohibits MPH(E) and other Pilgrim's entities located in the U.K. and Republic of Ireland to, among other things, make payments and distributions to the Company.

## 14. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors programs that provide retirement benefits to most of its employees. These programs include qualified defined benefit pension plans such as the Pilgrim's Pride Retirement Plan for Union Employees (the "Union Plan") the Pilgrim's Pride Pension Plan for Legacy Gold Kist Employees (the "GK Pension Plan"), the Tulip Limited Pension Plan (the "Tulip Plan") and the Geo Adams Group Pension Fund (the "Geo Adams Plan"), nonqualified defined benefit retirement plans, a defined benefit postretirement life insurance plan and defined contribution retirement savings plan. Expenses recognized under all retirement plans totaled $7.6 million and $6.4 million in the three months ended March 26, 2023 and March 27, 2022, respectively.

### Defined Benefit Plans Obligations and Assets

The change in benefit obligation, change in fair value of plan assets, funded status and amounts recognized in the Condensed Consolidated Balance Sheets for the defined benefit plans were as follows:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 26, 2023 | | March 27, 2022 | |
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| | (In thousands) | | | |
| Change in projected benefit obligation: | | | | |
| Projected benefit obligation, beginning of period | $ 236,147 | $ 1,169 | $ 373,062 | $ 1,346 |
| Interest cost | 2,314 | 9 | 1,508 | 4 |
| Actuarial gain | (3,134) | (15) | (29,146) | (56) |
| Benefits paid | (3,838) | (29) | (4,810) | (26) |
| Currency translation loss (gain) | (1,082) | — | 161 | — |
| Projected benefit obligation, end of period | $ 230,407 | $ 1,134 | $ 340,775 | $ 1,268 |

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 26, 2023 | | March 27, 2022 | |
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| | (In thousands) | | | |
| Change in plan assets: | | | | |
| Fair value of plan assets, beginning of period | $ 210,133 | $ — | $ 326,409 | $ — |
| Actual return on plan assets | 3,357 | — | (18,246) | — |
| Contributions by employer | 2,109 | 29 | 3,287 | 26 |
| Benefits paid | (3,838) | (29) | (4,810) | (26) |
| Expenses paid from assets | (94) | — | (115) | — |
| Currency translation gain (loss) | (1,012) | — | 116 | — |
| Fair value of plan assets, end of period | $ 210,655 | $ — | $ 306,641 | $ — |

| | March 26, 2023 | | December 25, 2022 | |
|---|---|---|---|---|
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| | (In thousands) | | | |
| Funded status: | | | | |
| Unfunded benefit obligation, end of period | $ (19,752) | $ (1,134) | $ (26,014) | $ (1,169) |

| | March 26, 2023 | | December 25, 2022 | |
|---|---|---|---|---|
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| | (In thousands) | | | |
| Amounts recognized in the Condensed Consolidated Balance Sheets at end of period: | | | | |
| Current liability | $ (794) | $ (148) | $ (841) | $ (177) |
| Long-term liability | (18,958) | (986) | (25,173) | (992) |
| Recognized liability | $ (19,752) | $ (1,134) | $ (26,014) | $ (1,169) |

| | March 26, 2023 | | December 25, 2022 | |
|---|---|---|---|---|
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| | (In thousands) | | | |
| Amounts recognized in accumulated other comprehensive loss at end of period: | | | | |
| Net actuarial loss (gain) | $ 43,585 | $ (81) | $ 48,121 | $ (66) |

The accumulated benefit obligation for the Company's defined benefit pension plans was $230.4 million and $236.1 million at March 26, 2023 and December 25, 2022, respectively. Each of the Company's defined benefit pension plans had accumulated benefit obligations that exceeded the fair value of plan assets at both March 26, 2023 and December 25, 2022.

## Net Periodic Benefit Costs

Net defined benefit pension and other postretirement costs included the following components:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 26, 2023 | | March 27, 2022 | |
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| | (In thousands) | | | |
| Interest cost | $ 2,314 | $ 9 | $ 1,508 | $ 4 |
| Estimated return on plan assets | (2,222) | — | (2,403) | — |
| Expenses paid from assets | 94 | — | 115 | — |
| Amortization of net loss | 179 | — | 227 | — |
| Amortization of past service cost | 4 | — | 5 | — |
| Net costs[(a)] | $ 369 | $ 9 | $ (548) | $ 4 |

(a) Net costs are included in the line item *Miscellaneous, net* on the Condensed Consolidated Statements of Income.

## Economic Assumptions

The weighted average assumptions used in determining pension and other postretirement plan information were as follows:

| | March 26, 2023 | | December 25, 2022 | |
|---|---|---|---|---|
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| Assumptions used to measure benefit obligation at end of period: | | | | |
| Discount rate | 5.14 % | 5.44 % | 5.04 % | 5.16 % |

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 26, 2023 | | March 27, 2022 | |
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| Assumptions used to measure net pension and other postretirement cost: | | | | |
| Discount rate | 5.04 % | 5.16 % | 2.23 % | 2.38 % |
| Expected return on plan assets | 4.97 % | NA | 3.40 % | NA |

### Unrecognized Benefit Amounts in Accumulated Other Comprehensive Loss

The amounts in accumulated other comprehensive loss that were not recognized as components of net periodic benefits cost and the changes in those amounts are as follows:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 26, 2023 | | March 27, 2022 | |
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| | (In thousands) | | | |
| Net actuarial loss (gain), beginning of period | $ 48,121 | $ (66) | $ 58,143 | $ 118 |
| Amortization | (183) | — | (232) | — |
| Actuarial gain | (3,134) | (15) | (29,146) | (56) |
| Asset loss (gain) | (1,136) | — | 20,649 | — |
| Currency translation loss (gain) | (83) | — | 27 | — |
| Net actuarial loss (gain), end of period | $ 43,585 | $ (81) | $ 49,441 | $ 62 |

### Remeasurement

The Company remeasures both plan assets and obligations on a quarterly basis.

### Defined Contribution Plans

The Company sponsors two defined contribution retirement savings plans in the U.S. reportable segment for eligible U.S. and Puerto Rico employees. The Company maintains three postretirement plans for eligible employees in the Mexico reportable segment, as required by Mexico law, which primarily cover termination benefits. The Company maintains seven defined contribution retirement savings plans in the U.K. and Europe reportable segment for eligible U.K. and Europe employees, as required by U.K. and Europe law. The Company's expenses related to its defined contribution plans totaled $6.8 million in the three months ended March 26, 2023.

## 15. FAIR VALUE MEASUREMENT

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities measured at fair value must be categorized into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation:

Level 1 Unadjusted quoted prices available in active markets for identical assets or liabilities at the measurement date;

Level 2 Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3 Unobservable inputs, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety.

As of March 26, 2023 and December 25, 2022, the Company held derivative assets and liabilities that were required to be measured at fair value on a recurring basis. Derivative assets and liabilities consist of long and short positions on exchange-traded commodity futures instruments, commodity options instruments, sales contracts instruments, foreign currency instruments to manage translation and remeasurement risk and interest rate swap instruments.

The following items were measured at fair value on a recurring basis:

| | March 26, 2023 | | | December 25, 2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Total | Level 1 | Level 2 | Total |
| | (In thousands) | | | | | |
| Assets: | | | | | | |
| Commodity derivative assets | $ 8,333 | $ — | $ 8,333 | $ 17,922 | $ — | $ 17,922 |
| Foreign currency derivative assets | 5,600 | — | 5,600 | 555 | — | 555 |
| Sales contract derivative assets | — | 459 | 459 | — | — | — |
| Liabilities: | | | | | | |
| Commodity derivative liabilities | (26,437) | — | (26,437) | (9,042) | — | (9,042) |
| Foreign currency derivative liabilities | (405) | — | (405) | (6,170) | — | (6,170) |
| Sales contract derivative liabilities | — | — | — | — | (3,705) | (3,705) |

See “Note 3. Derivative Financial Instruments” for additional information.

The valuation of financial assets and liabilities classified in Level 1 is based upon unadjusted quoted prices for identical assets or liabilities in active markets. The valuation of financial assets and liabilities in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable for substantially the full term of the financial instrument. The valuation of financial assets in Level 3 is determined using an income approach based on unobservable inputs such as discounted cash flow models or valuations. For each class of assets and liabilities not measured at fair value in the Condensed Consolidated Balance Sheets but for which fair value is disclosed, the Company is not required to provide the quantitative disclosure about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy.

In addition to the fair value disclosure requirements related to financial instruments carried at fair value, accounting standards require interim disclosures regarding the fair value of all of the Company’s financial instruments. The methods and significant assumptions used to estimate the fair value of financial instruments and any changes in methods or significant assumptions from prior periods are also required to be disclosed.

The carrying amounts and estimated fair values of our debt obligations recorded in the Condensed Consolidated Balance Sheets consisted of the following:

| | March 26, 2023 | | December 25, 2022 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | (In thousands) | | | |
| Fixed-rate senior notes payable at 3.50%, at Level 2 inputs | $ (900,000) | $ (715,761) | $ (900,000) | $ (726,498) |
| Fixed-rate senior notes payable at 4.25%, at Level 2 inputs | (991,942) | (843,149) | (991,691) | (734,349) |
| Fixed-rate senior notes payable at 5.875%, at Level 2 inputs | (846,761) | (835,720) | (846,582) | (846,175) |
| Variable-rate term note payable at 5.00%, at Level 3 inputs | (473,750) | (501,774) | (480,078) | (489,857) |
| Variable-rate swingline note payable at 7.89%, at Level 3 inputs | (35,000) | (35,000) | — | — |

See “Note 12. Debt” for additional information.

The carrying amounts of our cash and cash equivalents, restricted cash and restricted cash equivalents, accounts receivable, accounts payable and certain other liabilities approximate their fair values due to their relatively short maturities. Derivative assets were recorded at fair value based on quoted market prices and are included in the line item *Prepaid expenses and other current assets* on the Condensed Consolidated Balance Sheets. Derivative liabilities were recorded at fair value based on quoted market prices and are included in the line item *Accrued expenses and other current liabilities* on the Condensed Consolidated Balance Sheets. The fair value of the Company’s Level 2 fixed-rate debt obligations was based on the quoted market price at March 26, 2023 or December 25, 2022, as applicable.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records certain assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges when required by U.S. GAAP. There were no significant fair value measurement losses recognized for such assets and liabilities in the periods reported.

## 16. RESTRUCTURING-RELATED ACTIVITIES

In 2022, the Company initiated restructuring initiatives to phase out and reduce processing volumes at multiple production facilities throughout the U.K. and Europe reportable segment. Implementation of this initiative is expected to result in total pre-tax charges of approximately $53.0 million, and approximately $47.7 million of these charges are estimated to result in cash outlays. These activities were initiated in the fourth quarter of 2022 and are expected to be substantially completed by the end of the second quarter of 2023.

The following table provides a summary of our estimates of costs associated with these restructuring initiatives by major type of cost:

| | Moy Park | Pilgrim's Pride Ltd. | Pilgrim's Food Masters | Total |
|---|---|---|---|---|
| | (In thousands) | | | |
| Earliest implementation date | October 2022 | November 2022 | December 2022 | |
| Expected completion date | June 2023 | July 2023 | July 2023 | |
| Costs incurred and expected to be incurred: | | | | |
| Employee-related costs | $ 9,948 | $ 7,838 | $ 11,300 | $ 29,086 |
| Asset impairment costs | 9,173 | — | — | 9,173 |
| Contract termination costs | 124 | 1,518 | 3,067 | 4,709 |
| Other exit and disposal costs [(a)] | 481 | 2,203 | 7,550 | 10,234 |
| Total exit and disposal costs | $ 19,726 | $ 11,559 | $ 21,917 | $ 53,202 |
| Cost incurred since earliest implementation date: | | | | |
| Employee-related costs | $ 9,608 | $ 9,318 | $ 5,695 | $ 24,621 |
| Asset impairment costs | 3,559 | — | — | 3,559 |
| Contract termination costs | 122 | — | — | 122 |
| Other exit and disposal costs [(a)] | 6,036 | 2,126 | 2,028 | 10,190 |
| Total exit and disposal costs | $ 19,325 | $ 11,444 | $ 7,723 | $ 38,492 |

(a) Comprised of other costs directly related to the restructuring initiatives including Moy Park flock depletion, the write-off of Pilgrim's Pride Ltd. prepaid maintenance costs and Pilgrim's Food Masters consulting fees.

During the three months ended March 26, 2023, the Company recognized the following expenses and paid the following cash related to each restructuring initiative:

| | Expenses | Cash Outlays |
|---|---|---|
| | (In thousands) | |
| Moy Park | $ — | $ 4,419 |
| Pilgrim's Pride Ltd. | 1,304 | 3,588 |
| Pilgrim's Food Masters | 6,722 | 6,146 |
| | $ 8,026 | $ 14,153 |

These expenses are reported in the line item *Restructuring activities* on the Condensed Consolidated Statements of Income.

The following table reconciles liabilities and reserves associated with each restructuring initiative from initiative inception to March 26, 2023. Ending liability balances for employee termination benefits and other charges are reported in the line item *Accrued expenses and other current liabilities* in our Condensed Consolidated Balance Sheets. The ending reserve balance for inventory impairments is reported in the line item *Inventories* in our Condensed Consolidated Balance Sheets. The ending reserve balance for asset impairments is reported in the line item *Property, plant and equipment, net* in our Condensed Consolidated Balance Sheets.

| | Moy Park | | | | |
|---|---|---|---|---|---|
| | Liability or reserve as of December 25, 2022 | Restructuring charges incurred | Cash payments and disposals | Currency translation | Liability or reserve as of March 26, 2023 |
| | (In thousands) | | | | |
| Asset impairment | $ 2,391 | $ — | $ (2,837) | $ 446 | $ — |
| Inventory adjustments | 1 | — | (1) | — | |
| Other charges | 6,025 | — | (1,539) | (356) | 4,130 |
| Contract termination | 122 | — | (42) | 1 | 81 |
| Total | $ 8,539 | $ — | $ (4,419) | $ 91 | $ 4,211 |

| | Pilgrim’s Pride Ltd. | | | | |
|---|---|---|---|---|---|
| | Liability or reserve as of December 25, 2022 | Restructuring charges incurred | Cash payments and disposals | Currency translation | Liability or reserve as of March 26, 2023 |
| | (In thousands) | | | | |
| Employee retention benefits | $ — | $ 319 | $ — | $ 3 | $ 322 |
| Severance | 5,503 | 793 | (3,588) | 59 | 2,767 |
| Inventory adjustments | 615 | 49 | — | 9 | 673 |
| Lease termination | 800 | — | — | 12 | 812 |
| Other charges | 501 | 143 | — | 8 | 652 |
| Total | $ 7,419 | $ 1,304 | $ (3,588) | $ 91 | $ 5,226 |

| | Pilgrim’s Food Masters | | | | |
|---|---|---|---|---|---|
| | Liability or reserve as of December 25, 2022 | Restructuring charges incurred | Cash payments and disposals | Currency translation | Liability or reserve as of March 26, 2023 |
| | (In thousands) | | | | |
| Severance | $ 639 | $ 4,736 | $ (5,379) | $ 4 | $ — |
| Inventory adjustments | — | 542 | (542) | — | — |
| Lease termination | — | 1,219 | — | 26 | 1,245 |
| Other charges | — | 225 | (225) | — | — |
| Total | $ 639 | $ 6,722 | $ (6,146) | $ 30 | $ 1,245 |

## 17. RELATED PARTY TRANSACTIONS

Pilgrim’s has been and, in some cases, continues to be a party to certain transactions with affiliated companies.

| | Three Months Ended | |
|---|---|---|
| | March 26, 2023 | March 27, 2022 |
| | (In thousands) | |
| Sales to related parties: | | |
| JBS USA Food Company[(a)] | $ 7,512 | $ 4,611 |
| JBS Chile Ltda. | 946 | 52 |
| Other related parties | 877 | 1,215 |
| Total sales to related parties | $ 9,335 | $ 5,878 |

| | Three Months Ended | |
|---|---|---|
| | March 26, 2023 | March 27, 2022 |
| | (In thousands) | |
| Cost of goods purchased from related parties: | | |
| JBS USA Food Company[(a)] | $ 49,905 | $ 61,903 |
| Seara Meats BV | 4,999 | 1,468 |
| Penasul UK LTD | 4,187 | 3,540 |
| JBS Asia Co Limited | 911 | 2,124 |
| Other related parties | 897 | 62 |
| Total cost of goods purchased from related parties | $ 60,899 | $ 69,097 |

| | Three Months Ended | |
|---|---|---|
| | March 26, 2023 | March 27, 2022 |
| | (In thousands) | |
| Expenditures paid by related parties: | | |
| JBS USA Food Company[(b)] | $ 14,022 | $ 24,178 |

| | Three Months Ended | |
|---|---|---|
| | March 26, 2023 | March 27, 2022 |
| | (In thousands) | |
| Expenditures paid on behalf of related parties: | | |
| JBS USA Food Company[(b)] | $ 3,380 | $ 32,525 |
| Other related parties | 4 | $ — |
| Total expenditures paid on behalf of related parties | $ 3,384 | $ 32,525 |

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Accounts receivable from related parties: | | |
| JBS USA Food Company[(a)] | $ 730 | $ 2,062 |
| JBS Chile Ltda. | 871 | 3 |
| Other related parties | 524 | 447 |
| Total accounts receivable from related parties | $ 2,125 | $ 2,512 |

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Accounts payable to related parties: | | |
| JBS USA Food Company[(a)] | $ 9,917 | $ 7,434 |
| Seara Meats BV | 4,043 | 1,565 |
| JBS Asia Co Limited | 4,105 | 2,099 |
| Penasul UK LTD | 2,408 | 940 |
| Other related parties | 8 | 117 |
| Total accounts payable to related parties | $ 20,481 | $ 12,155 |

(a) The Company routinely executes transactions to both purchase products from JBS USA Food Company ("JBS USA") and sell products to them. As of March 26, 2023, goods purchased and in transit from JBS USA were immaterial and not reflected on our Condensed Consolidated Balance Sheet.

(b) The Company has an agreement with JBS USA to allocate costs associated with JBS USA's procurement of SAP licenses and maintenance services for its combined companies. Under this agreement, the fees associated with procuring SAP licenses and maintenance services are allocated between the Company and JBS USA in proportion to the percentage of licenses used by each company. The agreement expires on the date of expiration, or earlier termination, of the underlying SAP license agreement. The Company also has an agreement with JBS USA to allocate the costs of supporting the business operations by one consolidated corporate team, which have historically been supported by their respective corporate teams. Expenditures paid by JBS USA on behalf of the Company will be reimbursed by the Company and expenditures paid by the Company on behalf of JBS USA will be reimbursed by JBS USA. This agreement expires on December 31, 2023.

## 18. REPORTABLE SEGMENTS

The Company operates in three reportable segments: U.S., U.K. and Europe, and Mexico. The Company measures segment profit as operating income. Corporate expenses are allocated to the Mexico and U.K. and Europe reportable segments based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the U.S. reportable segment.

We conduct separate operations in the continental U.S. and in Puerto Rico. For segment reporting purposes, the Puerto Rico operations are included in the U.S. reportable segment. The chicken products processed by the U.S. reportable segment are sold to foodservice, retail and frozen entrée customers. The segment's primary distribution is through retailers, foodservice distributors and restaurants.

The U.K. and Europe reportable segment processes primarily fresh chicken, pork products, specialty meats, ready meals and other prepared foods that are sold to foodservice, retail and direct to consumer customers. The segment's primary distribution is through retailers, foodservice distributors and restaurants.

The chicken products processed by the Mexico reportable segment are sold to foodservice, retail and frozen entrée customers. The segment's primary distribution is through retailers, foodservice distributors and restaurants.

Additional information regarding reportable segments is as follows:

| | Three Months Ended | |
|---|---|---|
| | March 26, 2023[(a)] | March 27, 2022[(b)] |
| | (In thousands) | |
| **Net sales** | | |
| U.S. | $ 2,432,568 | $ 2,581,208 |
| U.K. and Europe | 1,239,264 | 1,191,982 |
| Mexico | 493,796 | 467,205 |
| Total | $ 4,165,628 | $ 4,240,395 |

(a) For the three months ended March 26, 2023, the U.S. reportable segment had intercompany sales to the Mexico reportable segment of $31.0 million. These sales consisted of fresh products, prepared products and grain.

(b) For the three months ended March 27, 2022, the U.S. reportable segment had intercompany sales to the Mexico reportable segment of $43.4 million. These sales consisted of fresh products, prepared products and grain.

| | Three Months Ended | |
|---|---|---|
| | March 26, 2023 | March 27, 2022 |
| | (In thousands) | |
| Reportable segment profit (loss): | | |
| U.S. | $ (28,106) | $ 355,075 |
| U.K. and Europe | 25,261 | (21,640) |
| Mexico | 34,175 | 68,564 |
| Eliminations | 13 | 14 |
| Total operating income | 31,343 | 402,013 |
| Interest expense, net of capitalized interest | 42,662 | 36,296 |
| Interest income | (3,600) | (1,274) |
| Foreign currency transaction losses | 18,143 | 11,536 |
| Miscellaneous, net | (22,653) | (324) |
| Income (loss) before income taxes | (3,209) | 355,779 |
| Income tax expense (benefit) | (8,840) | 75,219 |
| Net income | $ 5,631 | $ 280,560 |

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Total assets by reportable segment: | | |
| U.S. | $ 6,813,350 | $ 6,847,209 |
| U.K. and Europe | 4,124,386 | 4,033,990 |
| Mexico | 1,302,434 | 1,292,056 |
| Eliminations | (3,012,665) | (2,917,486) |
| Total assets | $ 9,227,505 | $ 9,255,769 |

| | March 26, 2023 | December 25, 2022 |
|---|---|---|
| | (In thousands) | |
| Long-lived assets by reportable segment[a]: | | |
| U.S. | $ 1,983,051 | $ 1,943,967 |
| U.K. and Europe | 1,009,838 | 1,011,283 |
| Mexico | 298,242 | 295,069 |
| Eliminations | (3,661) | (3,675) |
| Total long-lived assets | $ 3,287,470 | $ 3,246,644 |

(a) For this disclosure, we exclude financial instruments, deferred tax assets and intangible assets in accordance with ASC 280-10-50-41, *Segment Reporting*. Long-lived assets, as used in ASC 280-10-50-41, implies hard assets that cannot be readily removed.

## 19. COMMITMENTS AND CONTINGENCIES

### General

The Company is a party to many routine contracts in which it provides general indemnities in the normal course of business to third parties for various risks. Among other considerations, the Company has not recorded a liability for any of these indemnities because, based upon the likelihood of payment, the fair value of such indemnities would not have a material impact on its financial condition, results of operations and cash flows.

### Financial Instruments

The Company's loan agreements generally obligate the Company to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (1) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (2) any tax, duty or other charge with respect to the loan (except standard income tax) or (3) capital adequacy requirements. In addition, some of the Company's loan agreements contain a withholding tax provision that requires the Company to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law. These increased cost and withholding tax provisions continue for the entire term of the applicable transaction and there is no limitation on the maximum additional amounts the Company could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

### Litigation

The Company is subject to various legal proceedings and claims which arise in the ordinary course of business. In the Company's opinion, it has made appropriate and adequate accruals for claims where necessary; however, the ultimate liability for these matters is uncertain, and if significantly different than the amounts accrued, the ultimate outcome could have a material effect on the financial condition or results of operations of the Company. The Company cannot predict the outcome of the litigation matters or other actions nor when they will be resolved. The consequences of the pending litigation matters are inherently uncertain, and settlements, adverse actions, or adverse judgments in some or all of these matters, including investigations by the U.S. Department of Justice ("DOJ") or the Attorneys General, may result in monetary damages, fines, penalties, or injunctive relief against the Company, which could be material and could adversely affect its financial condition or results of operations. Any claims or litigation, even if fully indemnified or insured, could damage the Company's reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future. In addition, the U.S. government's recent focus on market dynamics in the meat processing industry could expose the Company to additional costs and risks.

*Tax Claims and Proceedings*

During 2014 and 2015, the Mexican Tax Administration Service ("SAT") opened a review of Avícola Pilgrim's Pride de Mexico, S.A. de C.V. ("Avícola") with regard to tax years 2009 and 2010. In both instances, the SAT claims that controlled company status did not exist for certain subsidiaries because Avícola did not own 50% of the shares in voting rights of Incubadora Hidalgo, S. de R.L de C.V. and Comercializadora de Carnes de México S. de R.L de C.V. (both in 2009) and Pilgrim's Pride, S. de R.L. de C.V. (in 2010). As a result, according to the SAT, Avícola should have considered dividends paid out of these subsidiaries partially taxable since a portion of the dividend amount was not paid from the net tax profit account (CUFIN). Avícola appealed the opinion, and on January 31, 2023, the appeal as to tax year 2009 was dismissed by the Mexico Supreme Court. Accordingly, the Company has paid $25.9 million for tax year 2009. The opinion for tax year 2010 is still under appeal. Avícola has recorded a tax reserve of $15.8 million in connection therewith.

On May 12, 2022, the Mexican Tax Authorities issued tax assessments against Pilgrim's Pride, S. de R.L. de C.V. and Provemex Holdings, LLC in connection with PPC's acquisition of Tyson de México. Following the acquisition, PPC re-domiciled Provemex Holdings, LLC from the U.S. to Mexico. The tax authorities claim that Provemex Holdings, LLC was a Mexican entity at the time of the acquisition and, as a result, was obligated to pay taxes on the sale. The Mexican subsidiaries of PPC are currently appealing these assessments. Amounts under appeal are approximately $267.7 million for each of the two tax assessments. No loss has been recorded for these amounts at this time.

*U.S. Litigation*

Between September 2, 2016 and October 13, 2016, a series of federal class action lawsuits were filed with the U.S. District Court for the Northern District of Illinois ("Illinois Court") against PPC and other defendants by and on behalf of direct and indirect purchasers of broiler chickens alleging violations of antitrust and unfair competition laws and styled as In re Broiler Chicken Antitrust Litigation, Case No. 1:16-cv-08637 ("Broiler Antitrust Litigation"). The complaints seek, among other relief, treble damages for an alleged conspiracy among defendants to reduce output and increase prices of broiler chickens from the period of January 2008 to the present. The class plaintiffs have filed three consolidated amended complaints: the direct purchasers ("Broiler DPPs"), the commercial and institutional indirect purchasers ("Broiler CIIPPs"), and the end-user consumer indirect purchasers ("Broiler EUCPs"). Between December 8, 2017 and September 1, 2021, 82 individual direct action complaints were filed with the Illinois Court by individual direct purchaser entities ("Broiler DAPs") naming PPC as a defendant, the allegations of which largely mirror those in the class action complaints, though some added allegations of price fixing and bid rigging on certain sales. The Illinois Court issued a revised scheduling order for certain plaintiffs who limited their claims to reduction of output, which sets the first trial date on September 12, 2023. The schedule for the rest of the plaintiffs is still awaiting an order from the Illinois Court. On May 27, 2022, the Illinois Court certified each of the three classes. PPC has entered into agreements to settle all claims made by the Broiler DPPs, Broiler CIIPPs, and Broiler EUCPs, for an aggregate total of $195.5 million, each of which has received final approval from the Illinois Court. PPC continues to defend itself against the Broiler DAPs as well as parties that have opted out of the class settlements (collectively, the "Broiler Opt Outs"). PPC will seek reasonable settlements where they are available. To date, PPC has recognized an expense of $514.4 million to cover settlements with various Broiler Opt Outs. PPC recognized these settlement expenses in *Selling, general and administrative expense* ("*SG&A expense*") in the Consolidated Statements of Income.

Between August 30, 2019 and October 16, 2019, a series of purported class action lawsuits were filed in the U.S. District Court for the District of Maryland ("Maryland Court") against PPC and a number of other chicken producers, as well as Webber, Meng, Sahl & Company and Agri Stats. The plaintiffs are a putative class of poultry processing plant production and maintenance workers ("Poultry Workers Class") and styled as *Jien, et al. v. Perdue Farms, Inc., et al.*, No. 19-cv-02521 allege that the defendants conspired to fix and depress the compensation paid to Poultry Workers Class in violation of the Sherman Antitrust Act. Defendants moved to dismiss on December 18, 2020, which the Maryland Court denied on March 10, 2021. On June 14, 2021, PPC entered into an agreement to settle all claims made by the Poultry Workers Class for $29.0 million, though the agreement is still subject to final approval by the Maryland Court. On February 16, 2022, the plaintiffs filed an amended complaint, which extended the relevant period, added defendants, and included additional workers in the class. PPC recognizes these settlement expenses within SG&A expense in the Consolidated Statements of Income.

On January 27, 2017, a purported class action on behalf of broiler chicken farmers was brought against PPC and other chicken producers in the U.S. District Court for the Eastern District of Oklahoma (the "Oklahoma Court") alleging, among other things, a conspiracy to reduce competition for grower services and depress the price paid to growers. The complaint was consolidated with several subsequently filed consolidated amended class action complaints and styled as *In re Broiler Chicken Grower Litigation*, Case No. CIV-17-033. The defendants (including PPC) jointly moved to dismiss the consolidated amended complaint, which the Oklahoma Court denied as to PPC and certain other defendants. PPC, therefore, continues to litigate against the putative class plaintiffs.

On October 20, 2016, Patrick Hogan, acting on behalf of himself and a putative class of certain PPC stockholders, filed a class action complaint in the U.S. District Court for the District of Colorado ("Colorado Court") against PPC and its named executive officers styled as *Hogan v. Pilgrim's Pride Corporation, et al.*, No. 16-CV-02611 ("Hogan Litigation"). The complaint alleges, among other things, that PPC's SEC filings contained statements that were rendered materially false and misleading by PPC's failure to disclose that (1) PPC colluded with several of its industry peers to fix prices in the broiler chicken market as alleged in the Broilers Litigation, (2) its conduct constituted a violation of federal antitrust laws, and (3) PPC's revenues during the class period were the result of illegal conduct. On July 31, 2020, defendants filed a motion to dismiss, which the Colorado Court granted on April 19, 2021. On May 17, 2021, the plaintiff filed a motion for amended judgment, which the Colorado Court denied on November 29, 2021. The plaintiff then filed a notice of appeal on December 28, 2021, and the appeal was opened in the U.S. Court of Appeals for the Tenth Circuit, which is now fully briefed, including oral argument on January 17, 2023, and is awaiting a decision.

Between March 9, 2017 and April 17, 2017, a series of putative stockholder derivative class actions were brought against all of PPC's directors and two executives, William Lovette and Fabio Sandri, in the Nineteenth Judicial District Court for the County of Weld in Colorado ("Weld County Court"). The complaints allege, among other things, that the named defendants breached their fiduciary duties by failing to prevent PPC and its officers from engaging in an antitrust conspiracy as alleged in the Broiler Antitrust Litigation and issuing false and misleading statements as alleged in the Hogan Litigation. The complaints were amended and consolidated, adding former PPC executives Jayson Penn, Roger Austin, and Jimmie Little as named defendants, and styled as *DiSalvio and Brima v. Tomazoni, et al.*, 2017 CV 30207. Following a series of stays in the action, PPC filed a motion to dismiss, which the Weld County Court granted in its entirety and with prejudice on December 12, 2022. On December 27, 2022, the plaintiffs filed a motion for reconsideration, which the Weld County Court denied on March 2, 2023. On March 15, 2023, the plaintiffs filed an additional motion for reconsideration. On April 25, 2023, the Weld County Court affirmed its dismissal of the case with prejudice.

*U.S. State Matters*

From February 21, 2017 through May 4, 2021, the Attorneys General for multiple U.S. states have issued civil investigative demands ("CIDs"). The CIDs request, among other things, data and information related to the acquisition and processing of broiler chickens and the sale of chicken products. PPC is cooperating with the Attorneys General in these states in producing documents pursuant to the CIDs.

On September 1, 2020, February 22, 2021, and October 28, 2021, the Attorneys General in New Mexico (*State of New Mexico v. Koch Foods, et al.*, D-101-CV-2020-01891), Alaska (*State of Alaska v. Agri Stats, Inc., et al.*, 3AN-21-04632), and Washington (*State of Washington v. Tyson Foods Inc., et al.*, 21-2-14174-5), respectively, filed complaints against PPC based on allegations similar to those asserted in the Broiler Antitrust Litigation. PPC has answered all of the complaints and each case is now in discovery. On March 9, 2023, PPC entered into an agreement to settle all claims made by the State of Washington for $11.0 million.

*U.S. Federal Matters*

On February 9, 2022, the Company learned that the DOJ opened a civil investigation into human resources antitrust matters, and on October 6, 2022, the Company learned that the DOJ opened a civil investigation into grower contracts and payment practices. The Company is cooperating with the DOJ in its investigations. The DOJ has informed the Company that it is likely to file a civil complaint pursuant to at least one of these investigations.

**20. BUSINESS INTERRUPTION INSURANCE**

The Company experienced business interruptions from the COVID-19 pandemic and a tornado on December 10, 2021 in Mayfield, Kentucky that significantly damaged two hatcheries and a feed mill. The Company maintains certain insurance coverage, including business interruption insurance, intended to cover such circumstances. In the three months ended March 26, 2023, the Company received $1.2 million in proceeds from business interruption insurance. In the three months ended March 26, 2023, the Company recognized $35.9 million in income from business interruption insurance in *Cost of sales* on the Condensed Consolidated Statement of Income, with $25.3 million in the U.S. reportable segment and $10.6 million in the U.K. and Europe reportable segment.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Executive Summary

### Overview

We reported net income attributable to Pilgrim's of $5.2 million, or $0.02 per diluted common share, and loss before tax totaling $3.2 million, for the three months ended March 26, 2023. These operating results included net sales of $4.2 billion, gross profit of $173.0 million and $161.7 million of cash used in operating activities. We generated a consolidated operating margin of 0.8%. For the three months ended March 26, 2023, we generated EBITDA and Adjusted EBITDA of $134.1 million and $151.9 million, respectively. A reconciliation of net income to EBITDA and Adjusted EBITDA is included below.

### Global Economic Conditions

During the first quarter of 2023, we continued to experience challenges from inflation in commodity, labor and other operating costs across all our businesses. The global feed ingredient and energy markets continue to be impacted by the Russia-Ukraine war, driving up prices as supply out of the Black Sea region is disrupted and future production is at risk. Despite inflationary headwinds and softening consumer demand throughout the U.K. and E.U., we have and will continue to invest in our people, implement supply chain solutions, and conduct customer negotiations for cost recovery. Our Mexico segment is managing through challenges as Mexico remains a volatile market given inflationary pressures, implications of more bird disease, an evolving global protein industry, and overall business seasonality.

We have responded to these challenges by continuing negotiations with customers to recoup the extraordinary costs we have experienced. We also continue to focus on operational initiatives that aim to deliver labor efficiencies, better agricultural performance and improved yields.

### Russia-Ukraine War Impacts

The Russia-Ukraine war began in February 2022. The impact of the ongoing war and sanctions will not be limited to businesses that operate in Russia and Ukraine and has negatively impacted and will likely continue to negatively impact other global economic markets including where we operate. The impacts have included and may continue to include, but are not limited to, higher prices for commodities, such as food products, ingredients and energy products, increasing inflation in some countries, and disrupted trade and supply chains. The conflict has disrupted shipments of grains, vegetable oils, fertilizer and energy products.

The impact on the agriculture markets falls into two main categories: (1) the effect on Ukrainian crop production, as the region is key in global grain production; and (2) the duration of the disruption in trade flows. Safety and financing concerns in the region are restricting export execution, which is in turn forcing grain and oil demand to find alternative supply. The duration of the war and related volatility makes global markets extremely sensitive to growing-season weather in other global grain producing regions and has led to a large risk premium in futures prices. The continued volatility in the global markets as a result of the war has adversely impacted our costs by driving up prices, raising inflation and increasing pressure on the supply of feed ingredients and energy products throughout the global markets. In the first quarter of 2023, Ukraine grain export volumes continued to recover, but still remain below pre-war volumes. Their supply constraints did not have a material impact on our costs during the first quarter.

In addition, the U.S. government and other governments in jurisdictions in which we operate have imposed sanctions and export controls against Russia, Belarus and interests therein and threatened additional sanctions and controls. The impact of these measures, now and in the future, could adversely affect our business, supply chain or customers.

### Raw Materials and Pricing

Our U.S. and Mexico segments use corn and soybean meal as the main ingredients for feed production, while our U.K. and Europe segment uses wheat, soybean meal and barley as the main ingredients for feed production.

U.S. commodity market prices for chicken products during the first quarter of 2023 evolved seasonally, while remaining below prior year levels and slightly below the 5-year average throughout the period. Per the April 2023, U.S. Department of Agriculture (or "USDA") report on world agriculture supply and demand estimates (or "WASDE"), estimated industry ready-to-cook production exceeded levels from the prior year by 3.4%. The increase is due to growing headcounts and increased liveweights, a trend consistent over the last year.

During the first quarter of 2023, the U.S. chicken market showed mild volume demand growth. Retail volumes remained stable despite relatively higher consumer point-of-sale prices when compared to the prior year. Foodservice distribution volume demand increased while the export channel volume shipments increased through the first three months of the quarter. Cold storage inventories, which ended 2022 at 7% above the 5-year average, declined by 8.3% from prior year-end levels as of the end of March 2023 and are now near the 5-year average. Meanwhile, competing protein production levels have remained flat relative to the prior year as declines in beef production have been offset by growth in pork production through the first three months of 2023.

With U.S. chicken market prices entering the year at levels near the bottom of the most recent 5-year range, production growth and elevated cold storage stocks in the early part of the first quarter of 2023 provided sufficient supply to meet the needs of the mild volume demand growth. This resulted in normal seasonal movements of market prices for chicken products in the first quarter of 2023.

During the first quarter of 2023, the U.K. chicken market continued to see increased costs of ingredients and packaging. Through our current customer models and additional negotiations we have offset the majority of these cost increases. Our labor and feed ingredient costs for the first quarter 2023 were consistent with the fourth quarter of 2022. We continue to focus on managing costs, including labor and yield efficiencies, agricultural performance and increasing operational efficiency through investments in capital projects.

Commodity prices for chicken in Mexico fluctuated during the first quarter of 2023 resulting in a slight increase in the price as of the end of the quarter, but below prior year levels. The cost to produce also increased from same quarter prior year due to significant increases in corn and soy, the two main ingredients used for feed in Mexico.

Prices for the remainder of the year will depend on (1) the evolution of foodservice, retail and export meat demand and (2) factors such as government regulation, the ongoing Russia-Ukraine war, feed production input costs, further spread of avian influenza both domestically and abroad, uncertainty surrounding the general economy and overall protein supply.

U.K. market prices for pork products have continued to recover during the first quarter of 2023, with growth during the quarter continuing the upward trend from 2022, reflecting pig shortages from a 20% reduction of the English sow herd during 2022. This was supported by recovery in the E.U. market, which has seen pig prices grow faster than the U.K. market during the first quarter, with the U.K. market price now being in line with Germany. Due to increased market pricing and stabilization of feed prices in the first quarter, U.K. pig farming is now close to a break even point.

## Reportable Segments

We operate in three reportable segments: U.S., U.K. and Europe, and Mexico. We measure segment profit as operating income. Certain corporate expenses are allocated to the Mexico and U.K. and Europe reportable segments based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the U.S. For additional information, see “Note 18. Reportable Segments” of our Condensed Consolidated Financial Statements included in this quarterly report.

## Results of Operations

***Three Months Ended March 26, 2023 Compared to the Three Months Ended March 27, 2022***

*Net sales.* Net sales generated in the three months ended March 26, 2023 decreased $74.8 million, or 1.8%, from net sales generated in the three months ended March 27, 2022. The following table provides net sales information:

| Sources of net sales | Three Months Ended March 26, 2023 | Change from Three Months Ended March 27, 2022 — Amount | Change from Three Months Ended March 27, 2022 — Percent |
|---|---|---|---|
| | (In thousands, except percent data) | | |
| U.S. | $ 2,432,568 | $ (148,640) | (5.8)% |
| U.K. and Europe | 1,239,264 | 47,282 | 4.0 % |
| Mexico | 493,796 | 26,591 | 5.7 % |
| Total net sales | $ 4,165,628 | $ (74,767) | (1.8)% |

*U.S. Reportable Segment.* U.S. net sales generated in the three months ended March 26, 2023 decreased $148.6 million, or 5.8%, from U.S. net sales generated in the three months ended March 27, 2022 primarily due to a decrease in net sales per pound of $169.7 million, or 6.6 percentage points. The decrease in net sales per pound was partially offset by an increase in sales volume of $21.1 million, or 0.8 percentage points. The decrease in net sales per pound was driven primarily by decreases in market price during the three months ended March 26, 2023.

*U.K. and Europe Reportable Segment.* U.K. and Europe net sales generated in the three months ended March 26, 2023 increased $47.3 million, or 4.0%, from U.K. and Europe net sales generated in the three months ended March 27, 2022 primarily due to an increase in net sales per pound of $232.2 million, or 19.5 percentage points, partially offset by the impact of foreign currency translation of $132.0 million, or 11.1 percentage points, and a decrease in sales volume of $52.9 million, or 4.4 percentage points. The increase in net sales per pound was driven by price increases necessary to recover increased feed ingredients, labor, utilities and other operating costs.

*Mexico Reportable Segment.* Mexico net sales generated in the three months ended March 26, 2023 increased $26.6 million, or 5.7%, from Mexico net sales generated in the three months ended March 27, 2022 primarily due to an increase from the impact of foreign currency remeasurement of $42.9 million, or 9.2 percentage points, and an increase in net sales per pound of $12.7 million, or 2.7 percentage points. These increases were partially offset by a decrease in sales volume of $29.0 million, or 6.2 percentage points. The increase in net sales per pound was driven primarily by higher chicken prices that resulted from solid market fundamentals.

*Gross profit and cost of sales.* Gross profit decreased by $368.9 million, or 68.1%, from $542.0 million generated in the three months ended March 27, 2022 to $173.0 million generated in the three months ended March 26, 2023. The following tables provide information regarding gross profit and cost of sales information:

| Components of gross profit | Three Months Ended March 26, 2023 | Change from Three Months Ended March 27, 2022 | | Percent of Net Sales Three Months Ended | |
|---|---|---|---|---|---|
| | | Amount | Percent | March 26, 2023 | March 27, 2022 |
| | (In thousands, except percent data) | | | | |
| Net sales | $ 4,165,628 | $ (74,767) | (1.8)% | 100.0 % | 100.0 % |
| Cost of sales | 3,992,581 | 294,166 | 8.0 % | 95.8 % | 87.2 % |
| Gross profit | $ 173,047 | $ (368,933) | (68.1)% | 4.2 % | 12.8 % |

| Sources of gross profit | Three Months Ended March 26, 2023 | Change from Three Months Ended March 27, 2022 | |
|---|---|---|---|
| | | Amount | Percent |
| | (In thousands, except percent data) | | |
| U.S. | $ 38,329 | $ (383,675) | (90.9)% |
| U.K. and Europe | 84,193 | 45,114 | 115.4 % |
| Mexico | 50,512 | (30,371) | (37.5)% |
| Elimination | 13 | (1) | (7.1)% |
| Total gross profit | $ 173,047 | $ (368,933) | (68.1)% |

| Sources of cost of sales | Three Months Ended March 26, 2023 | Change from Three Months Ended March 27, 2022 | |
|---|---|---|---|
| | | Amount | Percent |
| | (In thousands, except percent data) | | |
| U.S. | $ 2,394,239 | $ 235,035 | 10.9 % |
| U.K. and Europe | 1,155,071 | 2,168 | 0.2 % |
| Mexico | 443,284 | 56,962 | 14.7 % |
| Elimination | (13) | 1 | 7.1 % |
| Total cost of sales | $ 3,992,581 | $ 294,166 | 8.0 % |

*U.S. Reportable Segment.* Cost of sales incurred by our U.S. operations during the three months ended March 26, 2023 increased $235.0 million, or 10.9%, from cost of sales incurred by our U.S. segment during the three months ended March 27, 2022. The increase in cost of sales was primarily driven by an increase in cost per pound sold of $213.6 million, or 9.9 percentage points, and an increase in sales volume of $17.6 million, or 0.8 percentage points. The increase in cost per pound sold included increases in live operations costs, payroll costs, and a shift from net derivative gain in the prior year to net derivative loss in the current year on commodity derivatives. These increases were partially offset by a decrease in cost of sales related to income of $25.3 million recognized for proceeds from business interruption insurance recoveries related to the Mayfield tornado losses. The increase in live operations costs includes an increase of $107.6 million in feed costs and a $27.6 million increase in chick costs from rate increases. The increase in feed costs was driven primarily from higher corn and soy prices, our main ingredients in feed.

*U.K. and Europe Reportable Segment.* Cost of sales incurred by our U.K. and Europe operations during the three months ended March 26, 2023 increased $2.2 million, or 0.2%, from cost of sales incurred by our U.K. and Europe segment during the three months ended March 27, 2022. The increase in cost of sales was primarily driven by an increase in cost per pound sold of $175.5 million, or 15.1 percentage points, partially offset by the impact of foreign currency translation and decreased sales volume of $123.0 million, or 10.7 percentage points, and $50.3 million, or 4.4 percentage points, respectively. The increase in cost per pound sold was driven by inflation in feed ingredients, labor, utilities and other operating costs.

*Mexico Reportable Segment.* Cost of sales incurred by our Mexico operations during the three months ended March 26, 2023 increased $57.0 million, or 14.7%, from cost of sales incurred by our Mexico segment during the three months ended March 27, 2022. This increase was driven by increased cost per pound sold of $42.4 million, or 11.0 percentage points, and the impact of foreign currency remeasurement of $38.6 million, or 9.9 percentage points. The increase in cost per pound sold was driven by higher input costs, such as feed ingredients and hatchery egg costs. These increases were partially offset by a decrease in sales volume of $24.0 million, or 6.2 percentage points.

*Operating income and SG&A expense.* Operating income decreased by $370.7 million, or 92.2%, from income of $402.0 million generated in the three months ended March 27, 2022 to income of $31.3 million generated in the three months ended March 26, 2023. The following tables provide information regarding operating income and selling, general and administrative ("SG&A") expense:

| | | Change from Three Months Ended March 27, 2022 | | Percent of Net Sales<br>Three Months Ended | |
|---|---|---|---|---|---|
| **Components of operating income** | **Three Months Ended March 26, 2023** | **Amount** | **Percent** | **March 26, 2023** | **March 27, 2022** |
| | (In thousands, except percent data) | | | | |
| Gross profit | $ 173,047 | $ (368,933) | (68.1)% | 4.2 % | 12.8 % |
| SG&A expense | 133,678 | (6,289) | (4.5)% | 3.2 % | 3.3 % |
| Restructuring activities | 8,026 | 8,026 | NA | 0.2 % | NA |
| Operating income | $ 31,343 | $ (370,670) | (92.2)% | 0.8 % | 9.5 % |

| Sources of operating income (loss) | Three Months Ended March 26, 2023 | Change from Three Months Ended March 27, 2022 | |
|---|---|---|---|
| | | Amount | Percent |
| | (In thousands, except percent data) | | |
| U.S. | $ (28,106) | $ (383,181) | (107.9)% |
| U.K. and Europe | 25,261 | 46,901 | (216.7)% |
| Mexico | 34,175 | (34,389) | (50.2)% |
| Eliminations | 13 | (1) | (7.1)% |
| Total operating income | $ 31,343 | $ (370,670) | (92.2)% |

| Sources of SG&A expense | Three Months Ended March 26, 2023 | Change from Three Months Ended March 27, 2022 | |
|---|---|---|---|
| | | Amount | Percent |
| | (In thousands, except percent data) | | |
| U.S. | $ 66,435 | $ (494) | (0.7)% |
| U.K. and Europe | 50,906 | (9,813) | (16.2)% |
| Mexico | 16,337 | 4,018 | 32.6 % |
| Total SG&A expense | $ 133,678 | $ (6,289) | (4.5)% |

*U.S. Reportable Segment.* SG&A expense incurred by our U.S. reportable segment during the three months ended March 26, 2023 decreased $0.5 million, or 0.7%, from SG&A expense incurred by our U.S. reportable segment during the three months ended March 27, 2022. The decrease in SG&A expense resulted primarily from the decrease in recognition of legal defense costs, partially offset by recognition of legal settlement expense in current year. Other factors affecting U.S. SG&A expense were individually immaterial.

*U.K. and Europe Reportable Segment.* SG&A expense incurred by our U.K. and Europe reportable segment during the three months ended March 26, 2023 decreased $9.8 million, or 16.2%, from SG&A expense incurred by our U.K. and Europe segment during the three months ended March 27, 2022. The decrease in SG&A expense was driven by the impact of foreign currency translation and the expiration of the transition services agreement between the Company and Kerry Group plc from the acquisition of the PFM business. Other factors affecting U.K. and Europe SG&A expense were individually immaterial.

*Mexico Reportable Segment.* SG&A expense incurred by our Mexico reportable segment during the three months ended March 26, 2023 increased approximately $4.0 million, or 32.6%, from SG&A expense incurred by our Mexico segment during the three months ended March 27, 2022. The primary driver of the increase in SG&A expense was marketing costs. Other factors affecting Mexico SG&A expense were individually immaterial.

*Net interest expense.* Net interest expense increased to $39.1 million recognized in the three months ended March 26, 2023 from $35.0 million recognized in the three months ended March 27, 2022. The increase in net interest expense resulted primarily from interest expense on outstanding borrowings due to increased borrowing rates. Average borrowings decreased by $0.2 billion from $3.4 billion during the three months ended March 27, 2022 to $3.2 billion during the three months ended March 26, 2023 and the weighted average rate of interest increased by 0.7 percentage points. As a percent of net sales, interest expense in the three months ended March 26, 2023 and March 27, 2022 was 0.9% and 0.8%, respectively.

*Income taxes.* Income tax decreased to a benefit of $8.8 million, a 275.5% effective tax rate, for the three months ended March 26, 2023 compared to an income tax expense of $75.2 million, a 21.1% effective tax rate, for the three months ended March 27, 2022. The decrease in income tax expense resulted primarily from the decrease in profit before taxes.

## Liquidity and Capital Resources

The following table presents our available sources of liquidity as of March 26, 2023:

| Sources of Liquidity | Facility Amount | Amount Outstanding | Amount Available |
|---|---|---|---|
| | | (In millions) | |
| Cash and cash equivalents | $ — | $ — | $ 150.7 |
| Borrowing arrangements: | | | |
| U.S. Credit Facility Revolving Note Payable[(a)] | 800.0 | 35.0 | 730.0 |
| U.S. Credit Facility Term Loans[(b)] | 700.0 | 473.8 | — |
| Mexico Credit Facility[(c)] | 81.3 | — | 81.3 |
| U.K. and Europe Revolver Facility[(d)] | 183.5 | — | 183.5 |

(a) Availability under the U.S. Credit Facility is also reduced by our outstanding standby letters of credit. Standby letters of credit outstanding at March 26, 2023 totaled $35.0 million.
(b) For more information on the U.S. Credit Facility Term Loans, refer to “Note 12. Debt.”
(c) The U.S. dollar-equivalent of the facility amount under the Mexico Credit Facility is $81.3 million (Mex$1.5 billion).
(d) The U.S. dollar-equivalent of the facility amount under the U.K. and Europe Revolver Facility is $183.5 million (£150.0 million).

We expect cash flows from operations, combined with availability under our credit facilities, to provide sufficient liquidity to fund current obligations, projected working capital requirements, maturities of long-term debt and capital spending for at least the next twelve months.

## Historical Flow of Funds

| Cash Flows from Operating Activities | Three Months Ended March 26, 2023 | Three Months Ended March 27, 2022 |
|---|---|---|
| | (In millions) | |
| Net income | $ 5.6 | $ 280.6 |
| Net noncash expenses | 65.4 | 85.8 |
| Changes in operating assets and liabilities: | | |
| Trade accounts and other receivables | (132.8) | (66.7) |
| Inventories | (30.3) | (146.0) |
| Prepaid expenses and other current assets | (20.3) | (5.9) |
| Accounts payable, accrued expenses and other current liabilities | (43.6) | (2.5) |
| Income taxes | 3.2 | 84.8 |
| Long-term pension and other postretirement obligations | 1.0 | (1.1) |
| Other operating assets and liabilities | (9.9) | (2.0) |
| Cash provided by (used in) operating activities | $ (161.7) | $ 227.0 |

### *Net Noncash Expenses*

Items necessary to reconcile from net income to cash flow provided by or used in operating activities included net noncash expenses of $65.4 million for the three months ended March 26, 2023. Net noncash expense items included depreciation and amortization of $98.3 million, loan cost amortization of $1.3 million, stock-based compensation of $1.2 million and accretion of discounts related to Senior Notes of $0.4 million. These expense items were partially offset by a deferred income tax benefit of $26.3 million and gains on property disposals of $9.3 million.

Items necessary to reconcile from net income to cash flow provided by operating activities included net noncash expenses of $85.8 million for the three months ended March 27, 2022. Net noncash expense items included depreciation and amortization of $102.1 million, stock-based compensation of $2.0 million, losses on property disposals of $1.9 million, loan cost amortization of $1.3 million and accretion of discounts related to Senior Notes of $0.4 million. These expense items were partially offset by deferred income tax benefit of $21.9 million.

### *Changes in Operating Assets and Liabilities*

The change in trade accounts and other receivables represented a $132.8 million use of cash related to operating activities for the three months ended March 26, 2023. This change primarily resulted from an increase in trade accounts receivable and receivables from insurance recoveries recognized in March 2023. The change in trade accounts and other receivables, including accounts receivable from related parties, represented a $66.7 million use of cash related to operating activities for the three months ended March 27, 2022. This change primarily resulted from an increase in trade accounts receivable due to increased sales.

The change in inventories represented a $30.3 million use of cash related to operating activities for the three months ended March 26, 2023. This change resulted primarily from increased raw material costs, such as feed ingredients, and increased finished goods inventories. The change in inventories represented a $146.0 million use of cash related to operating activities for the three months ended March 27, 2022. This change resulted primarily from increased raw material costs, such as feed ingredients.

The change in prepaid expenses and other current assets represented a $20.3 million use of cash related to operating activities for the three months ended March 26, 2023. This change resulted primarily from a net increase in VAT refund receivables. The change in prepaid expenses and other current assets represented a $5.9 million use of cash related to operating activities for the three months ended March 27, 2022. This change resulted primarily from a net increase in commodity derivative assets.

The change in accounts payable, revenue contract liabilities, accrued expenses and other current liabilities represented a $43.6 million use of cash related to operating activities for the three months ended March 26, 2023. This change resulted primarily from the payment of bonuses accrued in 2022. The change in accounts payable, revenue contract liabilities, accrued expenses and other current liabilities, including accounts payable to related parties, represented a $2.5 million use of cash related to operating activities for the three months ended March 27, 2022. This change resulted primarily from the timing of payments.

The change in income taxes, which includes income taxes receivable, income taxes payable, deferred tax assets, deferred tax liabilities, reserves for uncertain tax positions, and the tax components within accumulated other comprehensive loss, represented a $3.2 million and $84.8 million source of cash related to improved operating results for the three months ended March 26, 2023 and March 27, 2022, respectively.

| **Cash Flows from Investing Activities** | **Three Months Ended** | |
|---|---|---|
| | **March 26, 2023** | **March 27, 2022** |
| | **(In millions)** | |
| Acquisitions of property, plant and equipment | $ (131.7) | $ (81.6) |
| Proceeds from property disposals | 12.6 | 0.8 |
| Proceeds from property insurance recoveries | 1.6 | — |
| Purchase of acquired businesses, net of cash acquired | — | (4.8) |
| Cash used in investing activities | $ (117.5) | $ (85.6) |

Capital expenditures were primarily incurred to improve operational efficiencies and reduce costs for the three months ended March 26, 2023 and March 27, 2022. Capital expenditures in 2023 also included investments in the Athens, GA plant expansion, the South Georgia protein conversion plant and other automation projects. Proceeds from property disposals were primarily for the sale of a farm in Mexico. Proceeds from property insurance recoveries reflects cash received on insurance claims related to the losses incurred from the Mayfield, Kentucky tornado that occurred in December 2021.

| **Cash Flows from Financing Activities** | **Three Months Ended** | |
|---|---|---|
| | **March 26, 2023** | **March 27, 2022** |
| | **(In millions)** | |
| Proceeds from revolving line of credit and long-term borrowings | $ 35.0 | $ 228.5 |
| Payments on revolving line of credit, long-term borrowings and finance lease obligations | (6.5) | (32.1) |
| Distribution from Tax Sharing Agreement with JBS USA Holdings | (1.6) | (2.0) |
| Purchase of common stock under share repurchase program | — | (27.0) |
| Payments of capitalized loan costs | — | (1.1) |
| Cash provided by financing activities | $ 26.9 | $ 166.3 |

Proceeds from revolving line of credit and long-term borrowings include the borrowing on the revolver under the U.S. Credit Facility of $35.0 million. Payments on revolving line of credit, long-term borrowings and finance lease obligations include a principal payment of $6.3 million on the U.S. term loan and payments of $0.2 million on finance leases. The Distribution from Tax Sharing Agreement with JBS USA Holdings is payment of net tax incurred during the tax year 2022 under the tax sharing agreement.

## Debt

Our long-term debt and other borrowing arrangements consist of senior notes, revolving credit facilities and other term loan agreements. For a description, refer to “Note 12. Debt.”

## Collateral

Substantially all of our domestic inventories and domestic fixed assets are pledged as collateral to secure the obligations under the U.S. Credit Facility.

## Obligor Group Summarized Financial Information

All of the senior unsecured registered notes (collectively, the “Pilgrim’s Senior Notes”) issued by Pilgrim’s Pride Corporation are fully and unconditionally guaranteed by Pilgrim’s Pride Corporation of West Virginia Inc., JFC LLC, Gold’n Plump Farms LLC and Gold’n Plump Poultry LLC (the “Subsidiary Guarantors”). See “Note 12. Debt” of our Condensed Consolidated Financial Statements included in this quarterly report for additional descriptions of these guarantees.

The following tables present summarized financial information for Pilgrim’s Pride Corporation parent company only (as issuer of the Pilgrim’s Senior Notes) and the Subsidiary Guarantors (together, the “Obligor Group”), on a combined basis after the elimination of all intercompany balances and transactions between Pilgrim’ Pride Corporation parent company only and the Subsidiary Guarantors and investments in any non-obligated subsidiary.

| **Summarized Balance Sheets** | **March 26, 2023** | **December 25, 2022** |
|---|---|---|
| | **(In millions)** | |
| Current assets | $ 1,915 | $ 1,983 |
| Current assets due from non-obligated subsidiaries[(a)] | 175 | 170 |
| Current assets due from related parties[(b)] | 2 | 2 |
| Noncurrent assets | 1,986 | 1,945 |
| Current liabilities | 1,333 | 1,402 |
| Current liabilities due to non-obligated subsidiaries[(a)] | 340 | 253 |
| Current liabilities due to related parties[(b)] | 10 | 8 |
| Noncurrent liabilities | 3,463 | 3,459 |

(a) Represents receivables and short-term lending due from and payables and short-term lending due to non-obligated subsidiaries.
(b) Represents receivables due from and payables due to JBS affiliates.

| **Summarized Income Statements** | **Three Months Ended March 26, 2023** |
|---|---|
| | **(In millions)** |
| Net sales | $ 2,509 |
| Gross profit[(a)] | 41 |
| Operating income | (13) |
| Net income | (49) |
| Net income attributable to Obligor Group | (49) |

(a) For the three months ended March 26, 2023, the Obligor Group recognized $37.9 million of net sales to the non-obligated subsidiaries and no purchases from the non-obligated subsidiaries.

## Recent Accounting Pronouncements

See “Note 1. Business and Summary of Significant Accounting Policies” of our Condensed Consolidated Financial Statements included in this quarterly report for additional information relating to these recent accounting pronouncements.

## Critical Accounting Policies and Estimates

For a description of our critical accounting policies and estimates, refer to “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates” in our annual report on Form 10-K for the fiscal year ended December 25, 2022, filed with the Securities and Exchange Commission (the “SEC”) on February 9, 2023 (the “2022 Annual Report”).

**Reconciliation of Net Income to EBITDA and Adjusted EBITDA**

"EBITDA" is defined as the sum of net income (loss) 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) costs related to litigation settlements, (3) restructuring activities losses, (4) transaction costs related to acquisitions, (5) property insurance recoveries for Mayfield, Kentucky tornado property damage losses, and (6) net income attributable to noncontrolling interests. EBITDA is presented because it is used by us 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. We believe investors would be interested in our Adjusted EBITDA because this is how our management analyzes EBITDA applicable to continuing operations. We also believe that Adjusted EBITDA, in combination with our 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 our performance with our 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. Some of the limitations of these measures are:

- They do not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;
- They do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are noncash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- They are not adjusted for all noncash income or expense items that are reflected in our statements of cash flows;
- EBITDA does not reflect the impact of earnings or charges attributable to noncontrolling interests;
- They do not reflect the impact of earnings or charges resulting from matters we consider to not be indicative of our ongoing operations; and
- They do not reflect limitations on or costs related to transferring earnings from our subsidiaries to us.

In addition, other companies in our industry may calculate these measures differently than we do, 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. You should compensate for these limitations by relying primarily on our U.S. GAAP results and using EBITDA and Adjusted EBITDA only on a supplemental basis.

| | Three Months Ended March 26, 2023 |
|---|---|
| | (In thousands) |
| Net income | $ 5,631 |
| Add: | |
| Interest expense, net | 39,062 |
| Income tax benefit | (8,840) |
| Depreciation and amortization | 98,257 |
| EBITDA | 134,110 |
| Add: | |
| Foreign currency transaction losses | 18,143 |
| Litigation settlements | 11,200 |
| Restructuring activities losses | 8,026 |
| Minus: | |
| Property insurance recoveries for Mayfield tornado losses | 19,086 |
| Net income attributable to noncontrolling interest | 444 |
| Adjusted EBITDA | $ 151,949 |

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Market Risk-Sensitive Instruments and Positions

The risk inherent in our market risk-sensitive instruments and positions is primarily the potential loss arising from adverse changes in commodity prices, foreign currency exchange rates, interest rates and the credit quality of available-for-sale securities as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions our management may take to mitigate our exposure to such changes. Actual results may differ from those described below.

### Commodity Prices

We purchase certain commodities, primarily corn, soybean meal, soybean oil, and wheat, for use as ingredients in the feed we either sell commercially or consume in our live operations. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. We have from time to time attempted to minimize our exposure to the changing price and availability of such feed ingredients using various techniques, including, but not limited to, (1) executing purchase agreements with suppliers for future physical delivery of feed ingredients at established prices and (2) purchasing or selling derivative financial instruments such as futures and options.

For this sensitivity analysis, market risk is estimated as a hypothetical 10% increase in the weighted-average cost of our primary feed ingredients as of the periods presented. The impact of this fluctuation, if realized, could be mitigated by related commodity hedging activity. However, fluctuations greater than 10% could occur.

| | Three Months Ended March 26, 2023 | |
|---|---|---|
| | **Amount** | **Impact of 10% Increase in Feed Ingredient Prices** |
| | **(In thousands)** | |
| Feed ingredient purchases[a] | $ 1,131,382 | $ 113,138 |
| Feed ingredient inventory[b] | 260,058 | 26,006 |

(a) Based on our feed consumption, a 10% increase in the price of our feed ingredient purchases would have increased cost of sales for the three months ended March 26, 2023.
(b) A 10% increase in ending feed ingredient prices would have increased inventories as of March 26, 2023.

| | March 26, 2023 | |
|---|---|---|
| | **Amount** | **Impact of 10% Increase in Commodity Prices** |
| | **(In thousands)** | |
| Net commodity derivative assets[a] | $ 47,812 | $ 4,781 |

(a) We purchase commodity derivative financial instruments, specifically exchange-traded futures and options, in an attempt to mitigate price risk related to our anticipated consumption of commodity inputs for the next 12 months. A 10% increase in corn, soybean meal, soybean oil and wheat prices would have resulted in an increase in the fair value of our net commodity derivative asset position, including margin cash, as of March 26, 2023.

### Interest Rates

*Fixed-rate debt.* Market risk for fixed-rate debt is estimated as the potential decrease in fair value resulting from a hypothetical increase in interest rates of 10%. Using a discounted cash flow analysis, a hypothetical 10% increase in interest rates would have decreased the fair value of our fixed-rate debt by $71.3 million as of March 26, 2023.

*Variable-rate debt.* Our variable-rate debt instruments represent approximately 15.9% of our total debt as of March 26, 2023. Holding other variables constant, including levels of indebtedness, an increase in interest rates of 100 basis points would have increased our interest expense by $4.9 million for the three months ended March 26, 2023.

### Foreign Currency

*Mexico Subsidiaries*

Our earnings are also affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexico subsidiaries. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position. We are also exposed to the effect of potential currency exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the U.S. We currently anticipate that the future cash flows of our Mexico subsidiaries will be reinvested in our Mexico operations.

The Mexican peso exchange rate can directly and indirectly impact our financial condition and results of operations. For this sensitivity analysis, market risk is estimated as a hypothetical 10% change in the current exchange rate used to convert Mexican pesos to U.S. dollars as of March 26, 2023. However, fluctuations greater than 10% could occur. No assurance can be given as to how future movements in the Mexican peso could affect our future financial condition or results of operations.

| | Three Months Ended March 26, 2023 | |
|---|---|---|
| | Impact of 10% Deterioration in Exchange Rate | Impact of 10% Appreciation in Exchange Rate |
| | (In thousands, except for exchange rate data) | |
| Foreign currency remeasurement gain (loss) | $ (10,277) | $ 12,561 |
| Exchange rate of Mexican peso to the U.S. dollar: | | |
| As reported | 18.44 | 18.44 |
| Hypothetical 10% change | 20.29 | 16.60 |

*U.K. and Europe Foreign Investments*

We are exposed to foreign exchange-related variability of investments and earnings from our U.K. and Europe subsidiaries. Foreign currency market risk is the possibility that our financial results or financial position could be better or worse than planned because of changes in foreign currency exchange rates. For this sensitivity analysis, market risk is estimated as a hypothetical 10% change in exchange rates used to convert U.S. dollars to British pound and to euro, and the effect of this change on our U.K. and Europe foreign investments.

*Net Assets.* As of March 26, 2023, our U.K. and Europe subsidiaries that are denominated in British pounds had net assets of $4.1 billion. A 10% weakening in British pound against the U.S. dollar exchange rate would cause a decrease in the net assets of our U.K. and Europe subsidiaries by $368.8 million. A 10% strengthening in the British pound against the U.S dollar exchange rate would cause an increase in the net assets of our U.K. and Europe subsidiaries of $450.7 million.

*Cash flow hedging transactions.* We periodically enter into foreign currency forward contracts, which are designated and qualify as cash flow hedges, to hedge foreign currency risk on a portion of sales generated and purchases made by our U.K. and Europe subsidiary. A 10% weakening or strengthening of the U.S. dollar against the British pound and U.S. dollar against the euro would result in immaterial changes in the fair values of these derivative instruments. No assurance can be given as to how future movements in currency rates could affect our future financial condition or results of operations.

### Quality of Investments

Certain retirement plans that we sponsor invest in a variety of financial instruments. We have analyzed our portfolios of investments and, to the best of our knowledge, none of our investments, including money market funds units, commercial paper and municipal securities, have been downgraded, and neither we nor any fund in which we participate hold significant amounts of structured investment vehicles, auction rate securities, collateralized debt obligations, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities. Certain postretirement funds in which we participate hold significant amounts of mortgage-backed securities. However, none of the mortgages collateralizing these securities are considered subprime.

### Impact of Inflation

The U.S., Mexico and most of Europe are currently experiencing pronounced inflation. None of the locations in which we operate are experiencing hyperinflation. We have responded to these inflationary challenges by continuing negotiations with customers to recoup the extraordinary costs we have experienced. We also continue to focus on operational initiatives that aim to deliver labor efficiencies, better agricultural performance and improved yields.

**Forward Looking Statements**

Certain written and oral statements made by our Company and subsidiaries of our Company may constitute "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995. This includes statements made herein, in our other filings with the SEC, in press releases, and in certain other oral and written presentations. Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words "anticipate," "believe," "estimate," "expect," "project," "plan," "imply," "intend," "should," "foresee" and similar expressions, are forward-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include the following:

- The impact of the COVID-19 pandemic, efforts to contain the pandemic and resulting economic downturn on our operations and financial condition;
- Matters affecting the chicken and pork industries generally, including fluctuations in the commodity prices of feed ingredients, pigs and chicken;
- Our ability to obtain and maintain commercially reasonable terms with vendors and service providers;
- Our ability to maintain contracts that are critical to our operations;
- Our ability to retain management and other key individuals;
- Outbreaks of avian influenza or other diseases, either in our own flock or elsewhere, affecting our ability to conduct our operations and/or demand for our poultry products;
- Contamination of our 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;
- Changes in laws or regulations affecting our operations or the application thereof;
- Our ability to ensure that our directors, officers, employees, agents, third-party intermediaries and the companies to which we outsource certain of our business operations will comply with anti-corruption laws or other laws governing the conduct of business with government entities;
- New immigration legislation or increased enforcement efforts in connection with existing immigration legislation that cause our costs of business to increase, cause us to change the way in which we do business or otherwise disrupt our operations;
- Competitive factors, inflation and pricing pressures, or the loss of one or more of our largest customers;
- Inability to consummate, or effectively integrate, any acquisition or to realize the associated anticipated cost savings and operating synergies;
- Currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign segments, including risks associated with Brexit;
- Restrictions imposed by, and as a result of, Pilgrim's leverage;
- Disruptions in international markets and distribution channels for various reasons, including, but not limited to, the ongoing Russia-Ukraine war;
- The impact of cyber-attacks, natural disasters, power losses, unauthorized access, telecommunication failures, and other problems on our information systems;

- Our ability to maintain favorable labor relations with our employees and our compliance with labor laws;
- Extreme weather or natural disasters;
- The impact of uncertainties in litigation; and
- Other risks described herein and under “Risk Factors” in our 2022 Annual Report.

Actual results could differ materially from those projected in these forward-looking statements as a result of these factors, among others, many of which are beyond our control.

The Company’s forward-looking statements speak only as of the date of this report or as of the date they are made. In making these statements, we are not undertaking, and specifically decline to undertake, any obligation to address or update each or any factor in future filings or communications regarding our business or results, and we are not undertaking to address how any of these factors may have caused changes to information contained in previous filings or communications. Although we have attempted to list comprehensively these important cautionary risk factors, we must caution investors and others that other factors may in the future prove to be important and affect our business or results of operations.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), "disclosure controls and procedures" means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of March 26, 2023, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation and subject to the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of March 26, 2023, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information we are required to disclose in our reports filed with the SEC is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### Changes in Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, identified no change in the Company's internal control over financial reporting that occurred during the three months ended March 26, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The information required with respect to this item can be found in Part I, Item 1, Notes to Consolidated Financial Statements, “Note 19. Commitments and Contingencies” in this quarterly report and is incorporated by reference into this Item 1.

### ITEM 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, please see “ Part I—Item 1A—Risk Factors” and “Part II—Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2022 Annual Report and “Part I—Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein, in each case as updated by the Company’s periodic filings with the SEC and the risk factors below.

**Labor shortages and increased turnover or increases in employee and employee-related costs could have adverse effects on our profitability.**

We and our third-party vendors have experienced increased labor shortages at some of our production facilities and other locations. Although we have historically experienced some level of ordinary course turnover of employees, the impact of the COVID-19 pandemic and resulting actions have exacerbated labor shortages and increased turnover. Several factors have had and may continue to have adverse effects on the labor force available to us and our third-party vendors, including government regulations, which include laws and regulations related to workers’ health and safety, wage and hour practices and work authorization. Labor shortages and increased turnover rates within the Company and our third-party vendors have led to and could in the future lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees and could negatively affect our ability to efficiently operate our production facilities or otherwise operate at full capacity and could result in downtime of our production facilities. An overall or prolonged labor shortage, lack of skilled labor, increased turnover or labor inflation for any of the foregoing reasons could have a material adverse impact on our operations, results of operations, reputation, liquidity or cash flows.

## ITEM 6. EXHIBITS

| | |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of the Company. (incorporated by reference from Exhibit 3.1 of the Company's Current Form 8-K (No. 001-09273) filed on May 3, 2021). |
| 3.2 | Amended and Restated Corporate Bylaws of the Company. (incorporated by reference from Exhibit 3.2 of the Company's Current Form 8-K (No. 001-09273) filed on May 3, 2021). |
| 4.1 | Indenture dated as of April 19, 2023, among the Company, the Guarantors and Regions Bank, as Trustee (incorporated by reference from Exhibit 4.1 of the Company's Current Report on Form 8-K (No. 001-02973) filed on April 19, 2023). |
| 4.2 | First Supplemental Indenture dated as of April 19, 2023, among the Company, the Guarantors and the Trustee (incorporated by reference from Exhibit 4.2 of the Company's Current Report on Form 8-K (No. 001-02973) filed on April 19, 2023). |
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* |
| 31.2 | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* |
| 32.1 | Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| 32.2 | Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation |
| 101.DEF | Inline XBRL Taxonomy Extension Definition |
| 101.LAB | Inline XBRL Taxonomy Extension Label |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

| | |
|---|---|
| * | Filed herewith. |
| ** | Furnished herewith. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PILGRIM'S PRIDE CORPORATION

Date: April 26, 2023

/s/ Matthew Galvanoni
Matthew Galvanoni
Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer, Principal Accounting Officer and Authorized Signatory)

**EXHIBIT 31.1**
**CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 302**
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Fabio Sandri, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended March 26, 2023, of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2023

/s/ Fabio Sandri
Fabio Sandri
Principal Executive Officer

**EXHIBIT 31.2**
**CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 302**
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew Galvanoni, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended March 26, 2023, of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2023

/s/ Matthew Galvanoni
Matthew Galvanoni
Principal Financial Officer

**EXHIBIT 32.1**
**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Pilgrim's Pride Corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended March 26, 2023 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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|---|---|
| Date: April 26, 2023 | /s/ Fabio Sandri |
| | Fabio Sandri |
| | Principal Executive Officer |

**EXHIBIT 32.2**
**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Pilgrim's Pride Corporation (the “Company”), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended March 26, 2023 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | |
|---|---|
| Date: April 26, 2023 | /s/ Matthew Galvanoni |
| | Matthew Galvanoni |
| | Principal Financial Officer |