



# Financial Results for Third Quarter Ended Sep 30, 2018

Pilgrim's Pride Corporation  
(NASDAQ: PPC)

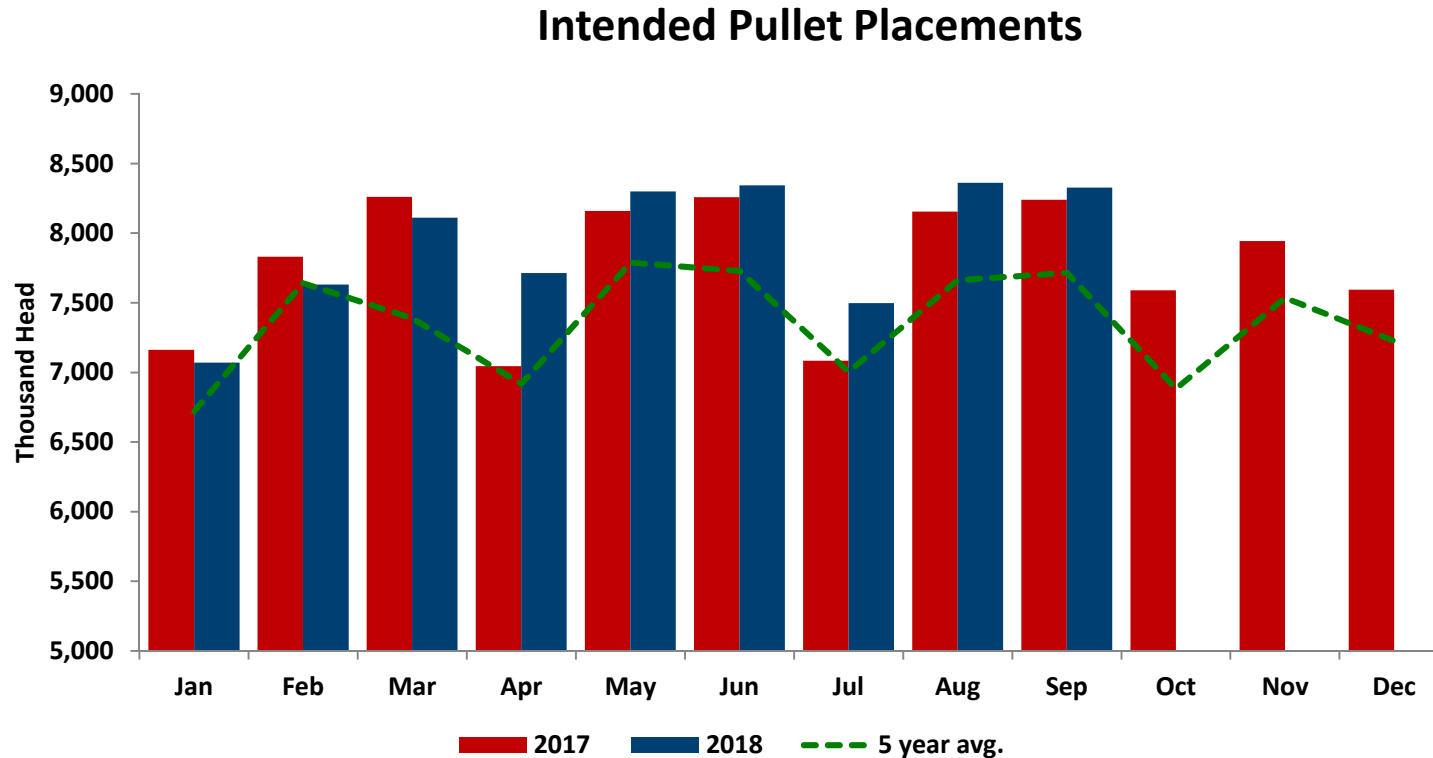
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# Cautionary Notes and Forward-Looking Statements

- Statements contained in this presentation that share our intentions, beliefs, expectations or predictions for the future, denoted by the words “anticipate,” “believe,” “estimate,” “should,” “expect,” “project,” “plan,” “imply,” “intend,” “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 matters affecting the chicken industry generally, including fluctuations in the commodity prices of feed ingredients and chicken; actions and decisions of our creditors; 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; certain of our reorganization and exit or disposal activities, including selling assets, idling facilities, reducing production and reducing workforce, resulted in reduced capacities and sales volumes and may have a disproportionate impact on our income relative to the cost savings; risk that the amounts of cash from operations together with amounts available under our exit credit facility will not be sufficient to fund our operations; management of our cash resources, particularly in light of our substantial leverage; restrictions imposed by, and as a result of, our substantial leverage; additional outbreaks of avian influenza or other diseases, either in our own flocks 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; 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 and pricing pressures or the loss of one or more of our largest customers; currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign operations; disruptions in international markets and distribution channels; and the impact of uncertainties of litigation as well as other risks described herein and under “Risk Factors” in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”).
- 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. 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 affecting our business or results of operations.
- This presentation may include information that may be considered non-GAAP financial information as contemplated by SEC Regulation G, Rule 100, including EBITDA, Adjusted EBITDA, LTM EBITDA, Net Debt, Free Cash Flow, Adjusted EBITDA Margin and others. Accordingly, we have provided tables in the accompanying appendix and in our previous filings with the SEC that reconcile these measures to their corresponding GAAP-based measures and explain why these measures are useful to investors, which can be obtained from the Consolidated Statements of Income provided with our previous filings with the SEC. Our method of computation may or may not be comparable to other similarly titled measures used in filings with the SEC by other companies. See the consolidated statements of income and consolidated statements of cash flows included in our financial statements..



## 2018 Pullet Placements Up 1.6% YTD



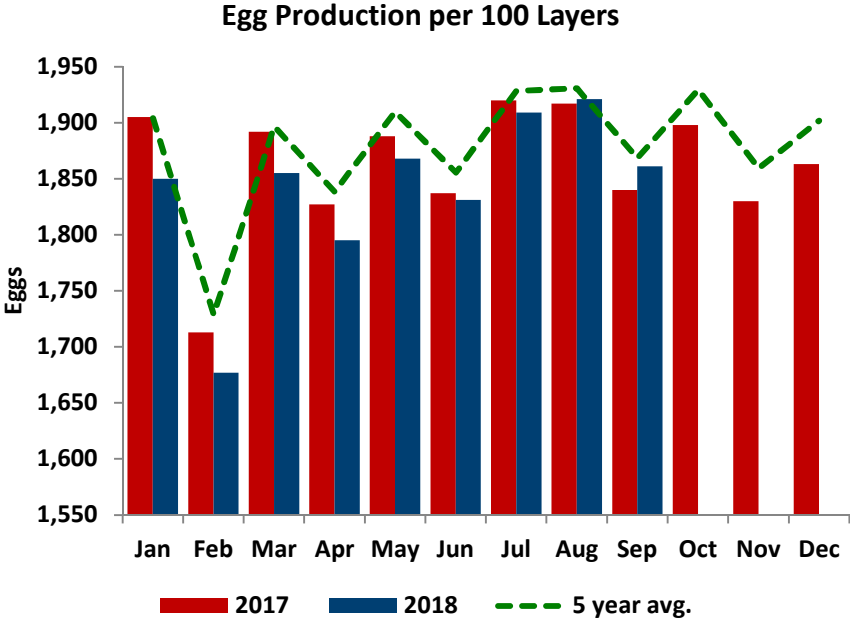
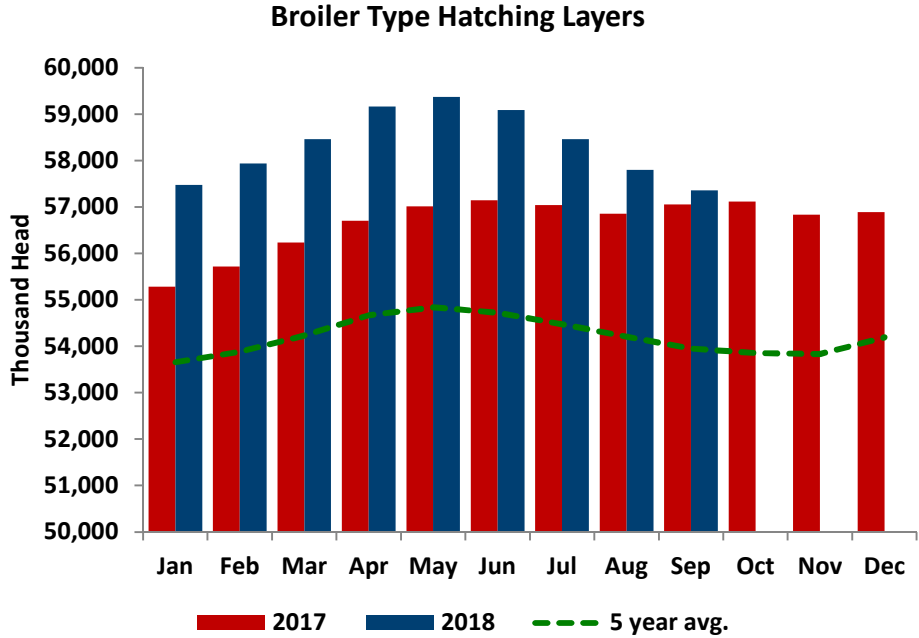
- Continued Y/Y increases in pullet placements to support a less productive flock and new plants for 2019.



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Source: USDA

# Breeders Declining as Egg Production Has Marginally Improved

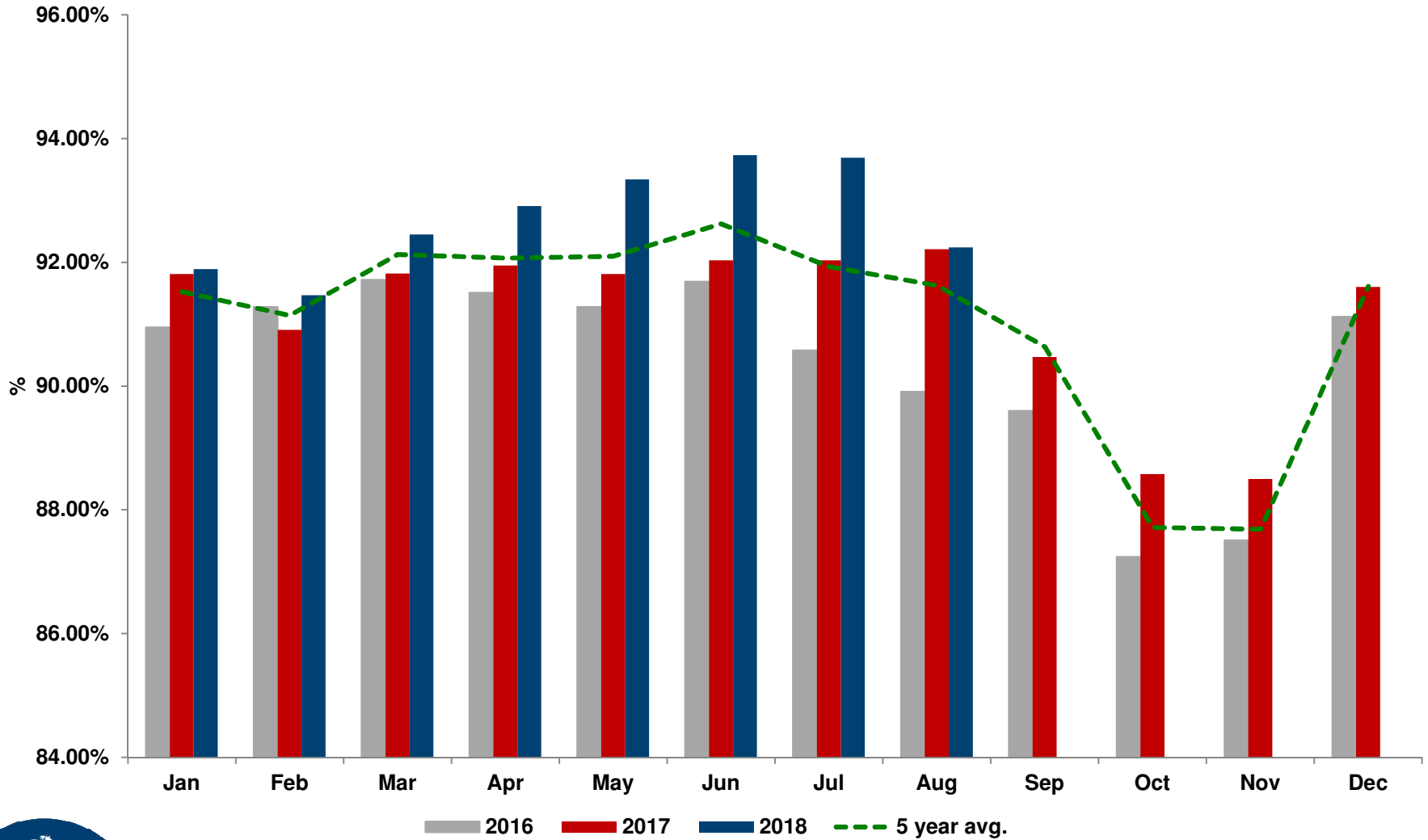


- Hatching layers are declining back towards 2017 levels as productivity has improved but still below prior breed; a larger layer flock is still required to support new industry capacity next year.



# Hatchery Utilization Remains Elevated

## Hatchery Utilization

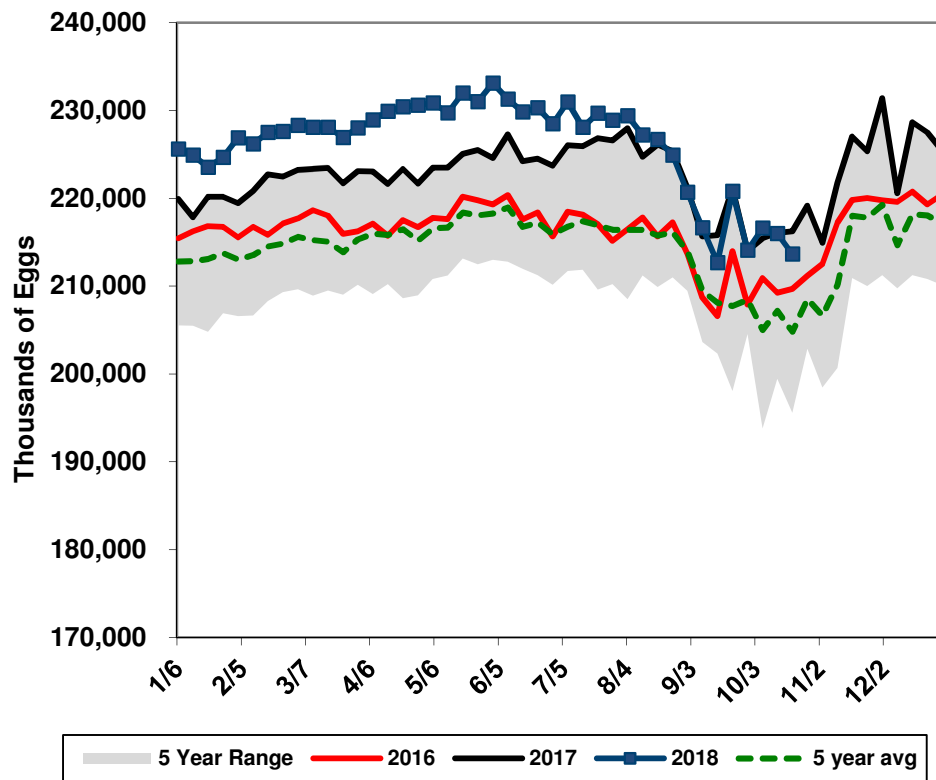


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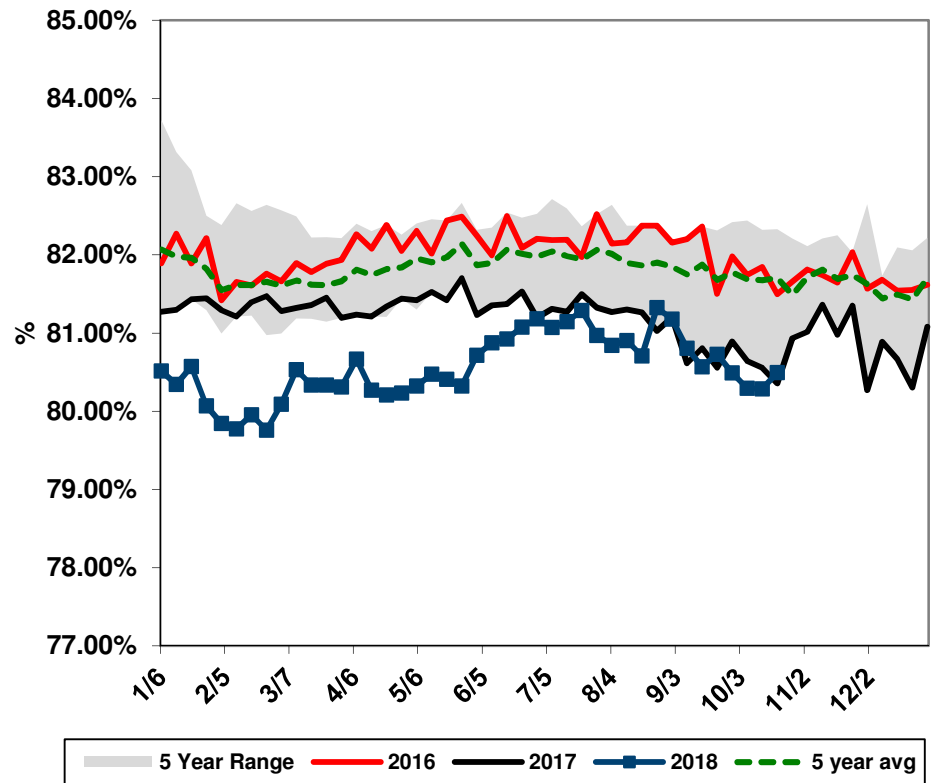
Source: Agristats

# Egg Sets Growth Moderating with Q3 +0.5% Y/Y; Hatchability Improving but Remains Challenged

Chicken Egg Sets  
by Week - USDA



Chicken Hatchability  
by Week - USDA

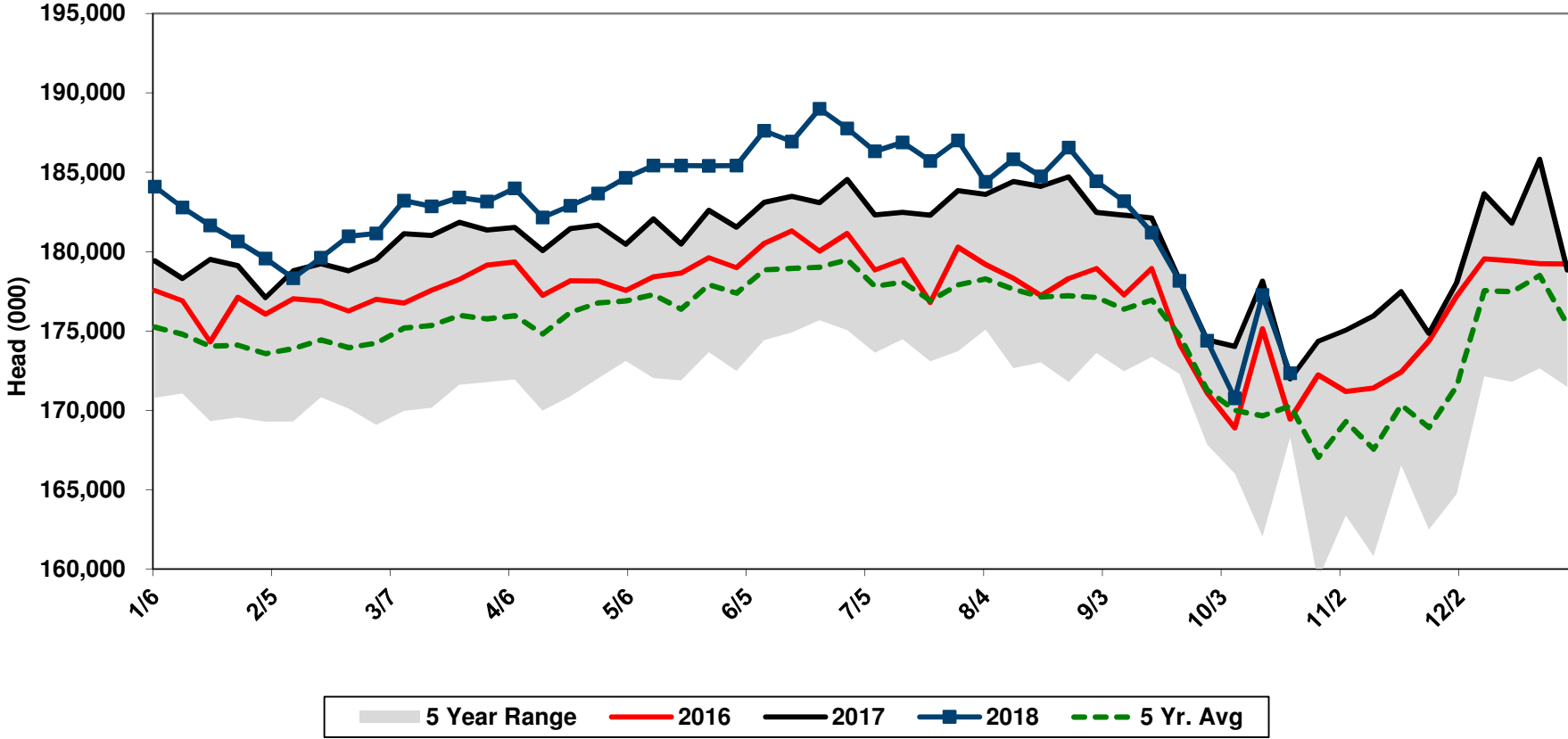


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Source: USDA

# 2018 YTD Chick Placements Up 1.2%

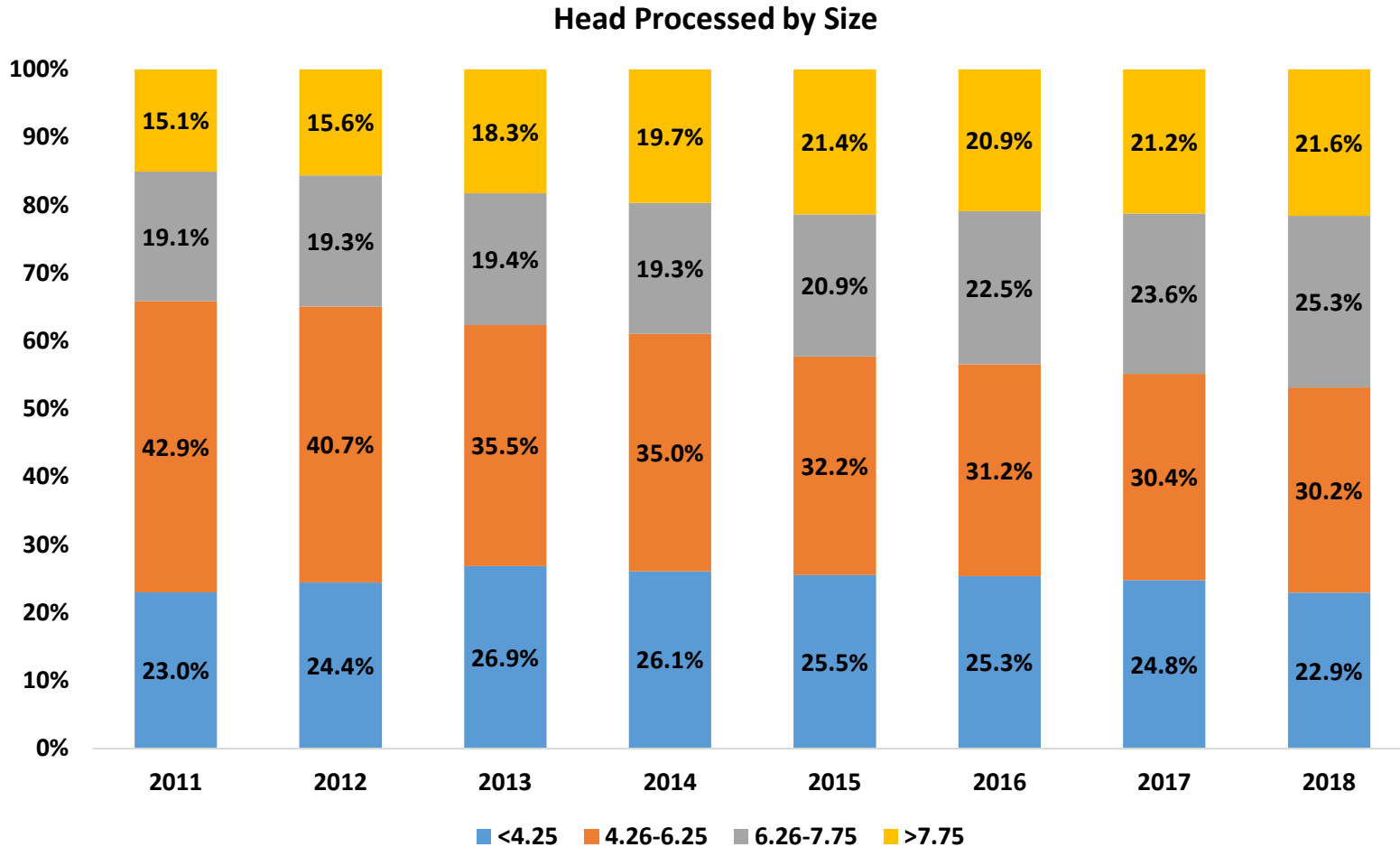
Chicken Broiler Placed by Week- USDA



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Source: USDA

# Tray Pack Increasing Share of Total Heads, Small Birds Continue Declining

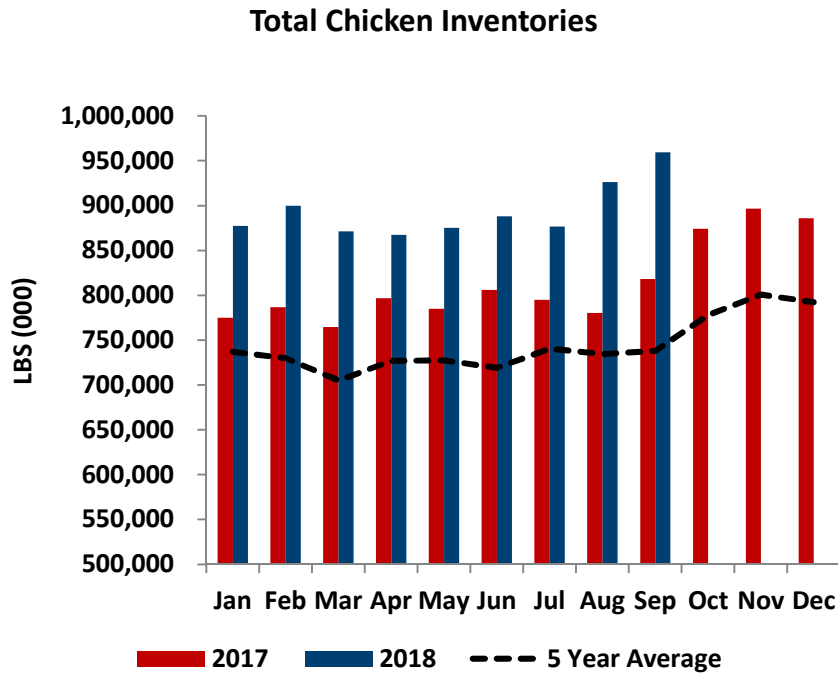


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Source: USDA



# Cold Storage Inventories Increase Continue to be Driven Primarily by “Other”



Frozen Chicken Inventory (000 LBS)					
Part	Sep-17	Aug-18	Sep-18	YOY Change	MOM Change
Broilers	22,269	20,407	21,007	▼ -5.7%	▲ 2.9%
Hens	6,567	5,271	6,078	▼ -7.4%	▲ 15.3%
Breast Meat	170,582	173,958	176,717	▲ 3.6%	▲ 1.6%
Drumsticks	22,835	37,195	40,231	▲ 76.2%	▲ 8.2%
LQ	128,744	97,914	105,082	▼ -18.4%	▲ 7.3%
Legs	18,386	19,170	18,012	▼ -2.0%	▼ -6.0%
Thighs	9,101	12,812	11,888	▲ 30.6%	▼ -7.2%
Thigh Meat	17,285	21,858	22,561	▲ 30.5%	▲ 3.2%
Wings	66,850	97,441	104,903	▲ 56.9%	▲ 7.7%
Paws and Feet	22,784	33,836	28,299	▲ 24.2%	▼ -16.4%
Other	332,687	406,382	424,640	▲ 27.6%	▲ 4.5%
<b>Total Chicken</b>	<b>818,090</b>	<b>926,244</b>	<b>959,418</b>	<b>▲ 17.3%</b>	<b>▲ 3.6%</b>

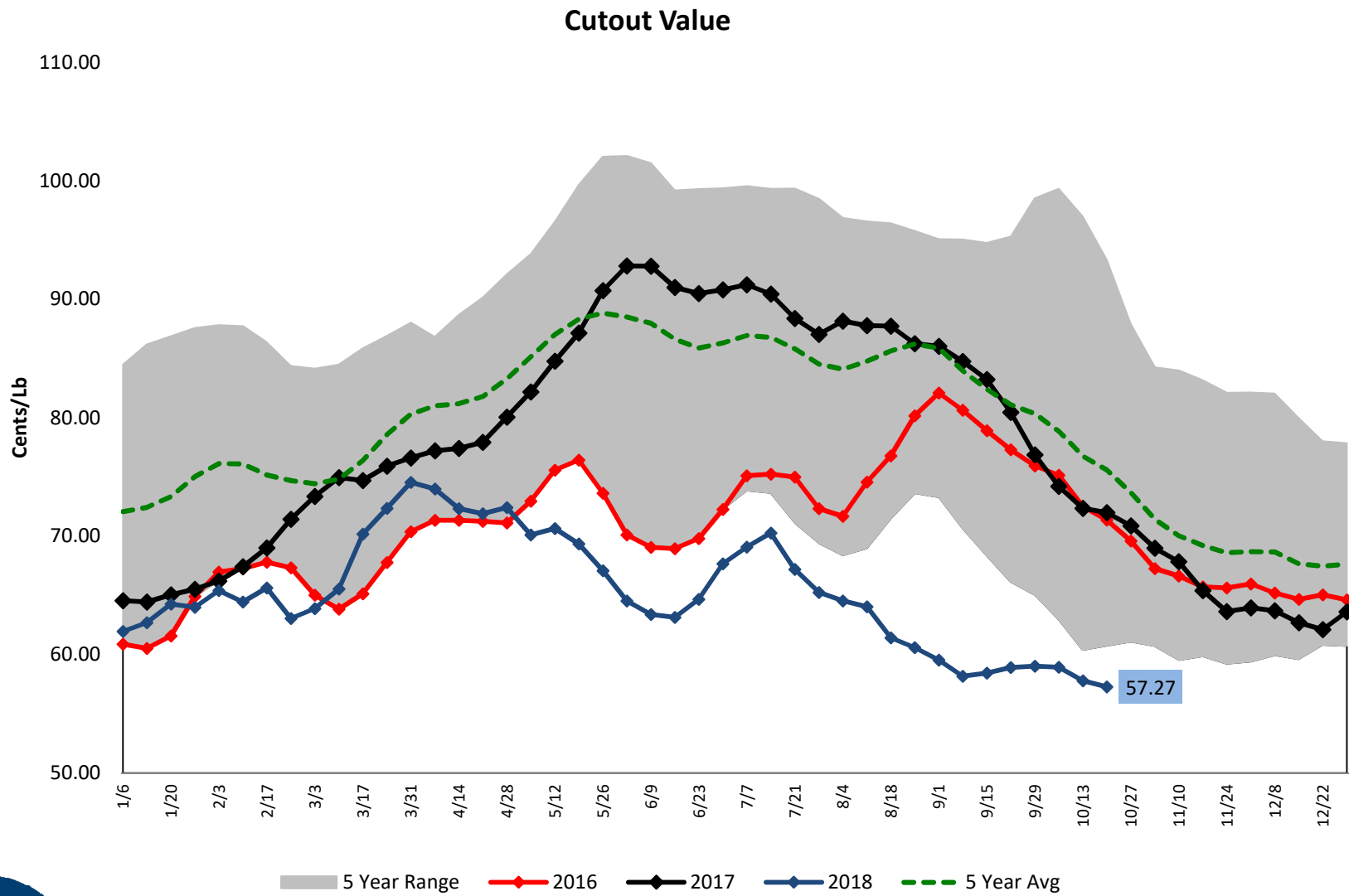
- “Other” category accounts for majority of Y/Y increase.
- LQ inventories are higher M/M, but still well below 5-year average.
- Breast meat climbed in August, but total for Q3-18 was in-line with Q3-17.
- Wings higher to support inventory build-up for “wing season” demand.



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Source: USDA

# 2018 Pricing Stabilizing After a Counter Seasonal Summer

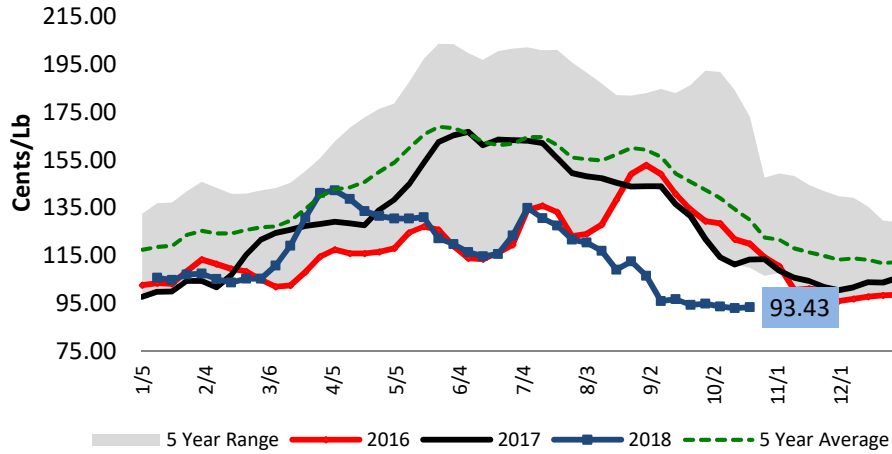


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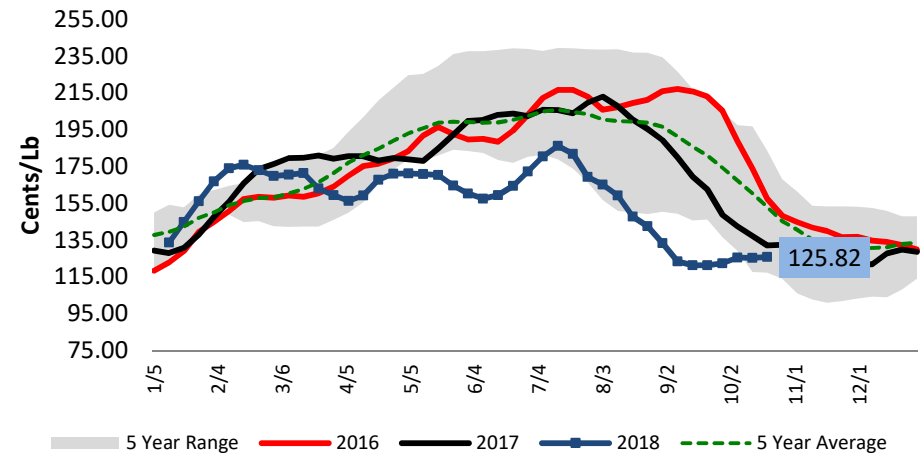
Source: PPC, EMI

# Boneless Breast Weak but Stabilizing, LQ and Tenders Steady, Wings Higher

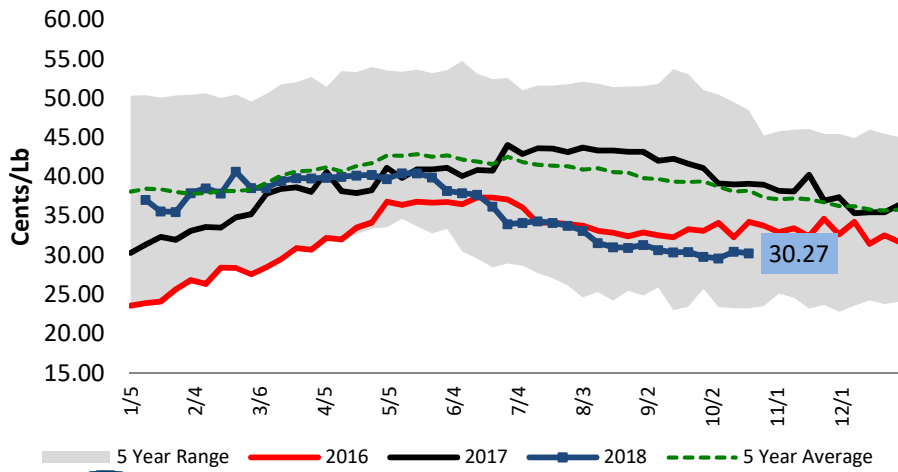
### USDA Boneless/Skinless Breast NE



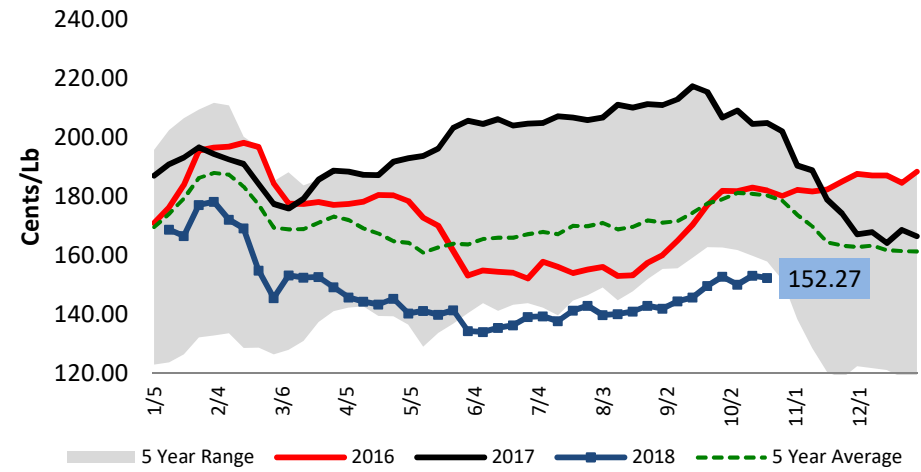
### USDA Tenders NE



### USDA Leg Quarters



### USDA Whole Wings NE

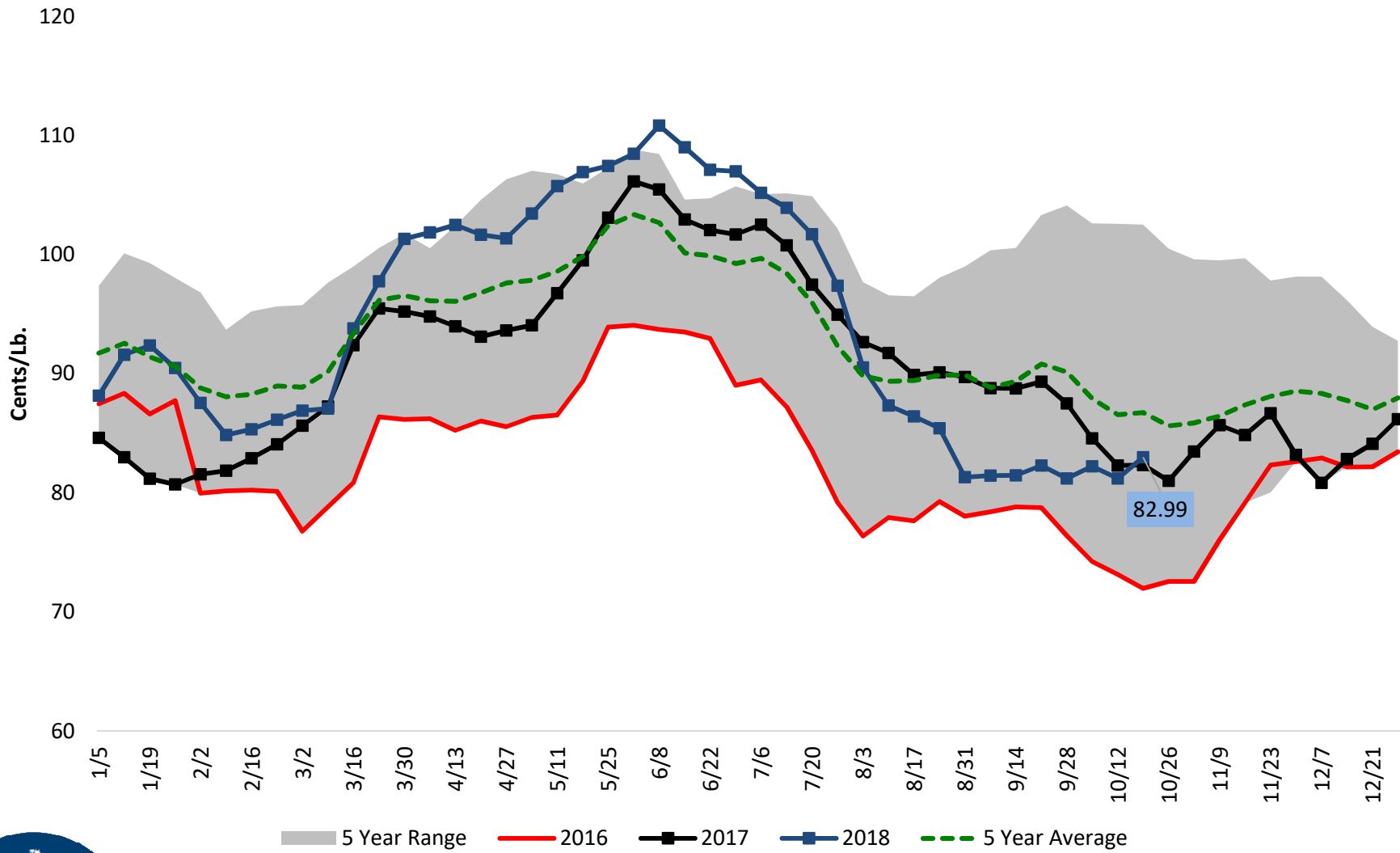


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Source: USDA

# Small Birds Moderated but Tracking Well to 2017

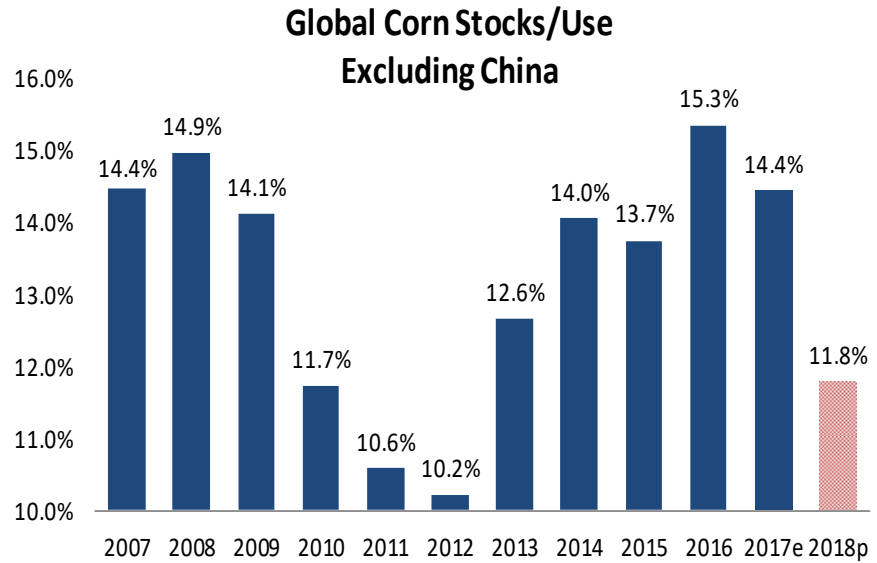
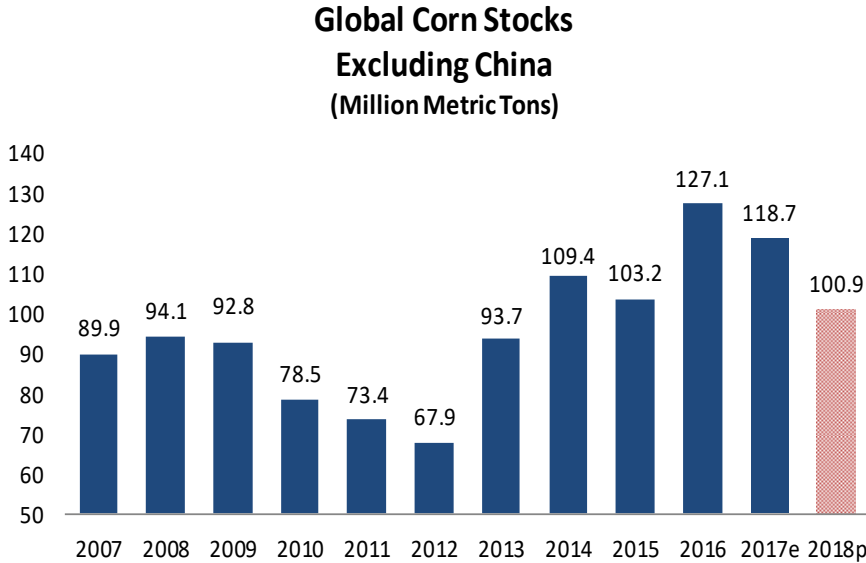
EMI WOG 2.5-4.0 LBS



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Source: EMI

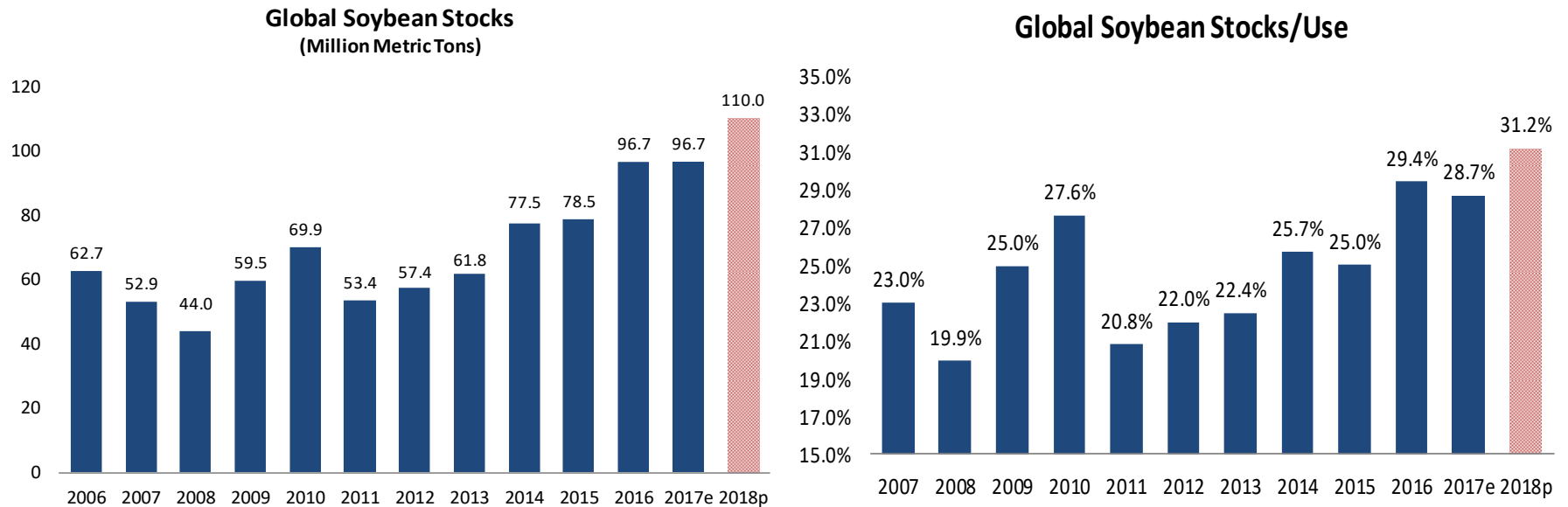
# Corn Stocks to Decrease from Record Levels



- 2017 and 2018 stocks expected to decline, plenty of supply remains available.
- Stocks/use projected to tighten in 2018.



# Global Soybean Inventories Projected to Grow



- Stocks are projected to set new record in '18, at 110.0 MMT.
- China tariffs continue to impact soybeans, contributing to a large US soybean supply.



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Source: USDA

## Third Quarter 2018 Financial Review

Main Indicators (\$M)**	Q3-18	Q3-17
Net Revenue	2,697.6	2,793.9
Gross Profit	169.7	478.6
SG&A	84.4	106.4
Operating Income	85.3	372.2
Net Interest	31.1	22.5
Net Income	29.3	232.7
Earnings Per Share (EPS)	0.12	0.93
Adjusted EBITDA*	156.0	463.6
<i>Adjusted EBITDA Margin*</i>	<i>5.8%</i>	<i>16.6%</i>

\* This is a non-GAAP measurement considered by management to be useful in understanding our results. Please see the appendix and most recent SEC financial filings for definition of this measurement and reconciliation to GAAP.

\*\* Consolidated results include full-quarter of Moy Park, in accordance to U.S. GAAP.

- US non-commodity remains relatively better vs commodity, MX pricing pressured by supply increase in response to strong 1H environment, UK/Europe continuing to improve.
- SG&A lower due to realized synergies despite more brand investments in US and MX.
- Adjusted Q3-18 EBITDA, excluding commodity, shows benefits of portfolio and geographical diversification.

In \$M	U.S.	EU	MX
Net Revenue	1,864.2	526.7	306.7
Operating Income	74.2	23.5	(12.4)
<i>Operating Income Margin</i>	<i>4.0%</i>	<i>4.5%</i>	<i>(4.0)%</i>

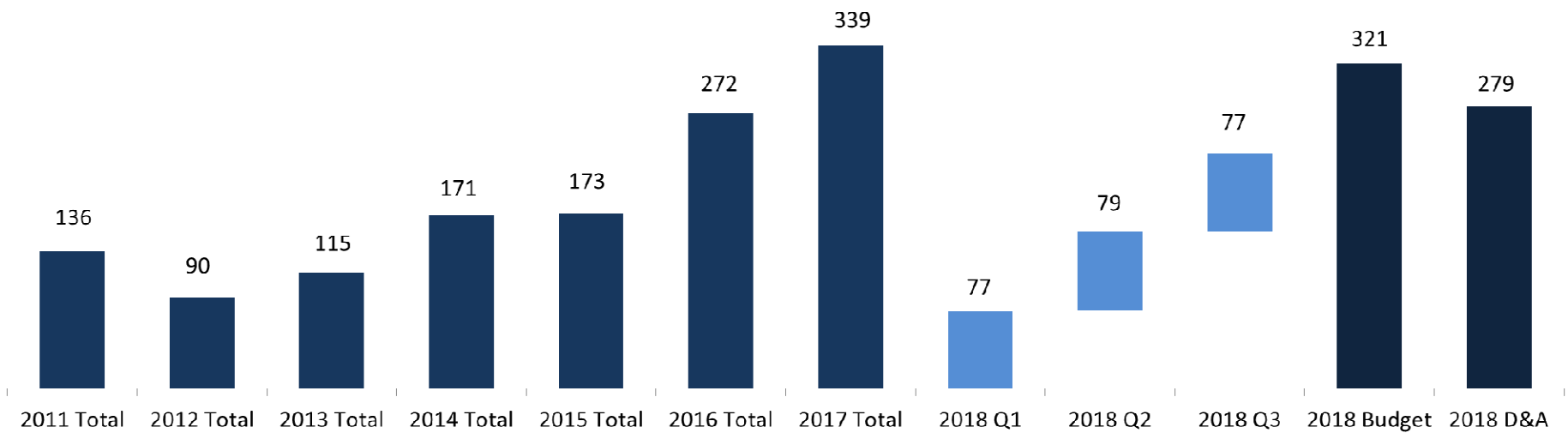


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Source: PPC

## Third Quarter 2018 Capital Spending

### Capex (US\$M)



- Strong Free Cash Flow generation has enabled us to direct more capital spending towards identified projects with rapid payback and structural projects.
- New strategic projects will support key customers growth and de-emphasize our exposure to commodity markets by yielding a more differentiated portfolio.



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Source: PPC



## Investor Relations Contact

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# APPENDIX



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## Appendix: EBITDA Reconciliation

“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: (i) income (loss) attributable to non-controlling interests, (ii) restructuring charges, (iii) reorganization items, (iv) losses on early extinguishment of debt and (v) foreign currency transaction losses (gains). EBITDA is presented because it is used by management and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with accounting principles generally accepted in the US (“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. The Company also believes that Adjusted EBITDA, in combination with the Company’s financial results calculated in accordance with GAAP, provides investors with additional perspective regarding the impact of certain significant items on EBITDA and facilitates a more direct comparison of its performance with its competitors. EBITDA and Adjusted EBITDA are not measurements of financial performance under GAAP. They should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with GAAP.

### PILGRIM'S PRIDE CORPORATION Reconciliation of Adjusted EBITDA

(Unaudited)	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 30, 2018	September 24, 2017	September 30, 2018	September 24, 2017
	(In thousands)			
Net income	\$ 29,463	\$ 238,313	\$ 255,031	\$ 584,242
Add:				
Interest expense, net	31,093	22,508	115,236	62,715
Income tax expense (benefit)	30,848	113,396	106,367	278,046
Depreciation and amortization	71,971	71,763	211,450	204,625
Minus:				
Amortization of capitalized financing costs	944	1,181	4,337	3,129
EBITDA	162,431	444,799	683,747	1,126,499
Add:				
Foreign currency transaction losses (gains)	(6,711)	(888)	(2,802)	(2,500)
Acquisition charges	16	15,039	320	15,039
Restructuring charges	257	4,147	2,181	8,496
Non-recurring expense	164	—	3,462	—
Minus:				
Net income (loss) attributable to noncontrolling interest	153	(460)	(238)	514
Adjusted EBITDA	\$ 156,004	\$ 463,557	\$ 687,146	\$ 1,147,020



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Source: PPC

# Appendix: EBITDA Margin Reconciliation

EBITDA margins have been calculated by taking the relevant unaudited EBITDA figures, then dividing by Net Revenue for the applicable period.

## PILGRIM'S PRIDE CORPORATION Reconciliation of EBITDA Margin

(Unaudited)	Thirteen Weeks Ended		Thirty-Nine Weeks Ended		Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 30, 2018	September 24, 2017	September 30, 2018	September 24, 2017	September 30, 2018	September 24, 2017	September 30, 2018	September 24, 2017
	(In thousands)							
Net income	\$ 29,463	\$ 238,313	\$ 255,031	\$ 584,242	1.09 %	8.53 %	3.08 %	7.28 %
Add:								
Interest expense, net	31,093	22,508	115,236	62,715	1.15 %	0.81 %	1.39 %	0.78 %
Income tax expense	30,848	113,396	106,367	278,046	1.14 %	4.06 %	1.28 %	3.46 %
Depreciation and amortization	71,971	71,763	211,450	204,625	2.67 %	2.57 %	2.55 %	2.55 %
Minus:								
Amortization of capitalized financing costs	944	1,181	4,337	3,129	0.03 %	0.04 %	0.05 %	0.04 %
EBITDA	162,431	444,799	683,747	1,126,499	6.02 %	15.92 %	8.25 %	14.03 %
Add:								
Foreign currency transaction losses (gains)	(6,711)	(888)	(2,802)	(2,500)	(0.25)%	(0.03)%	(0.03)%	(0.03)%
Acquisition charges	16	15,039	320	15,039	— %	0.54 %	— %	0.19 %
Restructuring charges	257	4,147	2,181	8,496	0.01 %	0.15 %	0.03 %	0.11 %
Non-recurring expense	164	—	3,462	—	0.01 %	— %	0.04 %	— %
Minus:								
Net income (loss) attributable to noncontrolling interest	153	(460)	(238)	514	0.01 %	(0.02)%	— %	0.01 %
Adjusted EBITDA	\$ 156,004	\$ 463,557	\$ 687,146	\$ 1,147,020	5.78 %	16.59 %	8.30 %	14.28 %
Net Revenue	\$ 2,697,604	\$ 2,793,885	\$ 8,280,995	\$ 8,025,511	\$ 2,697,604	\$ 2,793,885	\$ 8,280,995	\$ 8,025,511



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Source: PPC

# Appendix: Reconciliation of Adjusted Net Income

A reconciliation of net income (loss) attributable to Pilgrim's Pride Corporation per common diluted share to adjusted net income (loss) attributable to Pilgrim's Pride Corporation per common diluted share is as follows:

<b>PILGRIM'S PRIDE CORPORATION</b>				
<b>Reconciliation of Adjusted Net Income</b>				
<b>(Unaudited)</b>				
	<b>Thirteen Weeks Ended</b>		<b>Thirty-Nine Weeks Ended</b>	
	<b>September 30, 2018</b>	<b>September 24, 2017</b>	<b>September 30, 2018</b>	<b>September 24, 2017</b>
<b>(In thousands, except per share data)</b>				
Net income (loss) attributable to Pilgrim's Pride Corporation	\$ 29,310	\$ 232,680	\$ 255,269	\$ 560,242
Adjustments, net of tax:				
Loss on early extinguishment of debt	929	113	13,050	113
Acquisition and restructuring charges	213	11,336	1,948	14,282
Foreign currency transaction losses (gains)	(5,226)	(602)	(2,182)	(1,693)
	\$ 25,226	\$ 243,527	\$ 268,085	\$ 572,944
U.S. Tax Cuts & Jobs Act transition tax	26,400	—	26,400	—
Adjusted net income (loss)	\$ 51,626	\$ 243,527	\$ 294,485	\$ 572,944
Weighted average diluted shares of common stock outstanding	249,179	248,988	249,076	248,962
Adjusted net income (loss) per common diluted share	\$ 0.21	\$ 0.98	\$ 1.18	\$ 2.30



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Source: PPC

## Appendix: Adjusted EPS Bridge

A reconciliation of GAAP earnings per share (EPS) to adjusted earnings per share (EPS) is as follows:

<b>PILGRIM'S PRIDE CORPORATION</b>				
<b>Reconciliation of GAAP EPS to Adjusted EPS</b>				
<b>(Unaudited)</b>				
	<b>Thirteen Weeks Ended</b>		<b>Thirty-Nine Weeks Ended</b>	
	<b>September 30, 2018</b>	<b>September 24, 2017</b>	<b>September 30, 2018</b>	<b>September 24, 2017</b>
<b>(In thousands, except per share data)</b>				
GAAP EPS	\$ 0.12	\$ 0.93	\$ 1.02	\$ 2.25
Adjustments, net of tax:				
Loss on early extinguishment of debt	—	—	0.05	—
Acquisition and restructuring charges	—	0.05	0.01	0.06
Foreign currency transaction losses (gains)	(0.02)	—	(0.01)	(0.01)
	\$ 0.10	\$ 0.98	\$ 1.07	\$ 2.30
U.S. Tax Cuts & Jobs Act transition tax	0.11	—	0.11	—
Adjusted EPS	\$ 0.21	\$ 0.98	\$ 1.18	\$ 2.30
Weighted average diluted shares of common stock outstanding	249,179	248,988	249,076	248,962



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Source: PPC

# Appendix: Segment and Geographic Data

## PILGRIM'S PRIDE CORPORATION Supplementary Selected Segment and Geographic Data

(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 30, 2018	September 24, 2017	September 30, 2018	September 24, 2017
(In thousands)				
Sources of net sales by country of origin:				
US	\$ 1,864,169	\$ 1,938,542	\$ 5,604,709	\$ 5,557,089
Europe	526,722	514,325	1,634,125	1,473,854
Mexico	306,713	341,018	1,042,161	994,568
Total net sales	\$ 2,697,604	\$ 2,793,885	\$ 8,280,995	\$ 8,025,511
Sources of cost of sales by country of origin:				
US	\$ 1,732,803	\$ 1,561,333	\$ 5,137,049	\$ 4,656,825
Europe	485,435	467,374	1,500,994	1,336,123
Mexico	309,650	286,617	911,358	822,822
Elimination	(25)	(23)	(34)	(69)
Total cost of sales	\$ 2,527,863	\$ 2,315,301	\$ 7,549,367	\$ 6,815,701
Sources of gross profit by country of origin:				
US	\$ 131,366	\$ 377,209	\$ 467,660	\$ 900,262
Europe	41,288	46,951	133,131	137,734
Mexico	(2,938)	54,401	130,803	171,745
Elimination	25	23	34	69
Total gross profit	\$ 169,741	\$ 478,584	\$ 731,628	\$ 1,209,810
Sources of operating income by country of origin:				
US	\$ 74,206	\$ 307,962	\$ 300,960	\$ 719,121
Europe	23,470	18,569	68,545	51,874
Mexico	(12,355)	45,692	102,512	146,241
Elimination	25	23	34	69
Total operating income	\$ 85,346	\$ 372,246	\$ 472,051	\$ 917,305



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Source: PPC