



Pilgrim's Acquires Tulip UK

August 28, 2019

Pilgrim's Pride Corporation
(NASDAQ: PPC)

All about great taste.

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.



Presenters

Jayson Penn

Chief Executive Officer, Pilgrim's Pride

Fabio Sandri

Chief Financial Officer, Pilgrim's Pride



Pilgrim's & Tulip Together: Strategic and Financial Rationale

Transaction Terms

- Values Tulip Limited at £290 Million (~\$354 Million based on a 1.22 exchange rate)

Valuation and Financing

- Implied Expected EBITDA multiple of 5.4x⁽¹⁾, including potential synergies
- Pilgrim's Pride Corporation intends to fund the acquisition with cash on hand
 - PPC net leverage at Q2 2019 was 2.1x and considering cash on hand, plus cash flow before closing, leverage would be below 2x

Transaction Benefits

- Creates one of the clear leaders in the protein and prepared foods sector in UK
- Enhances stability of margin structure
- Strengthens portfolio of brands and value-added innovation capabilities
- Creates Platform for growth in European and global markets

Timing and Approvals

- Transaction is subject of customary due diligence and approvals from governmental authorities

1. Assumes expected profitability of £54MM (\$65 million) per year after 2 year, or 5.7% EBITDA margins, based on comparable portfolio companies

Tulip and Pilgrim's – A Leading Protein and Prepared Foods Platform

Revenues - GBpm



Based on oc&c top 150 index and public figures
MoyPark based on last 12 months and Tulip expected revenues



All about great taste.

Creates Significant Value for Pilgrim's Shareholders



Increases Diversification

- Provides further geographic and product diversification in the European market
- Platform for growth in Europe and its export destinations



Improves Earnings Stability

- Mitigated commodity exposure as a portion of sales are on long-term relationships
- Integration with raw material



Strong Value-Add Portfolio

- Expansion of prepared foods portfolio with addition of high value-added capabilities
- Differentiated products further reduce pure commodity exposure



Sharing of Innovation and Best Practices

- Share best practices, operational excellence and management expertise



Value Creation

- Significant synergy and portfolio growth opportunities



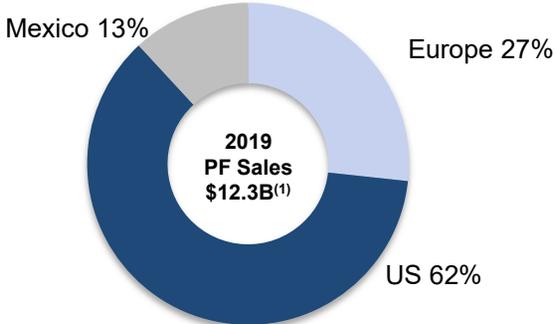
Capital Structure

- Pilgrim's strong cash flow generation and the additional cash flow resulting from the acquisition will allow the Company to maintain its strong balance sheet
- Pro forma leverage facilitates continued financial flexibility

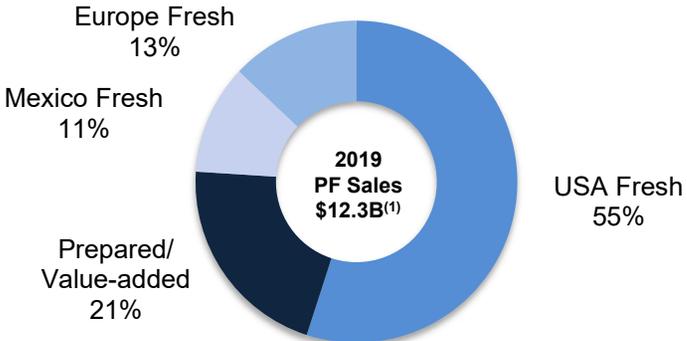
Enhances Diversification and Capabilities

Acquisition furthers Pilgrim’s strategy of expanding into new categories and increases value add capabilities

Pro Forma Sales by Geography

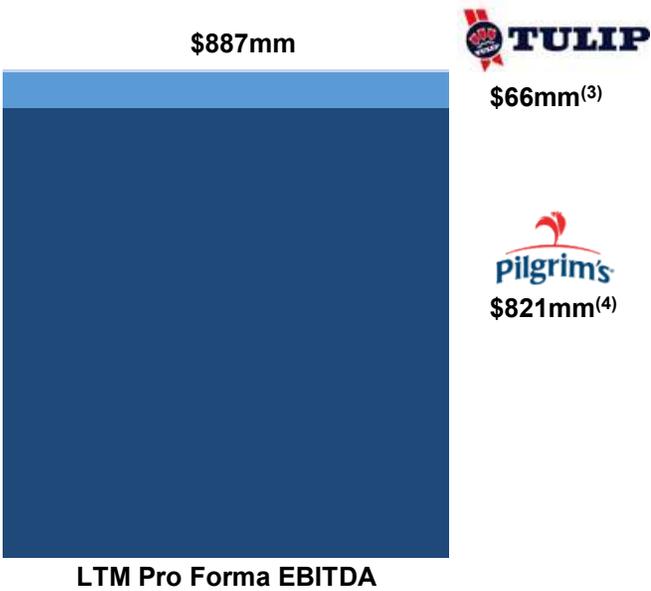


Pro Forma Sales by Product⁽²⁾



Pro Forma Synergized EBITDA

\$ in millions



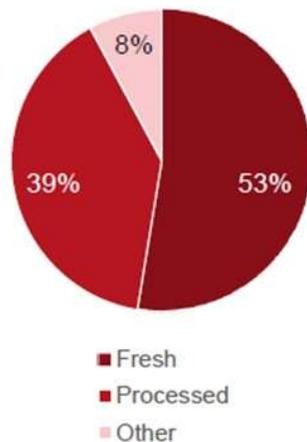
Note: GBP converted to USD at the constant currency rate of [1.22].
 1. Annualized sales based on 2019 sales. Pro forma sales comprised of \$11,133 mm from Pilgrim’s Pride and \$1,159mm (£950mm) from Tulip.
 2. “Prepared” includes USA, Mexico and Moy Park prepared Chicken as well as 39% of Tulip pro-forma sales
 3. Assumes expected profitability of 5.7% EBITDA (per year after 2 years, based on comparable portfolio companies) on sales of £950MM at Exchange Rate of 1.22X.
 4. Q2 2019 LTM EBITDA as of June 30, 2019



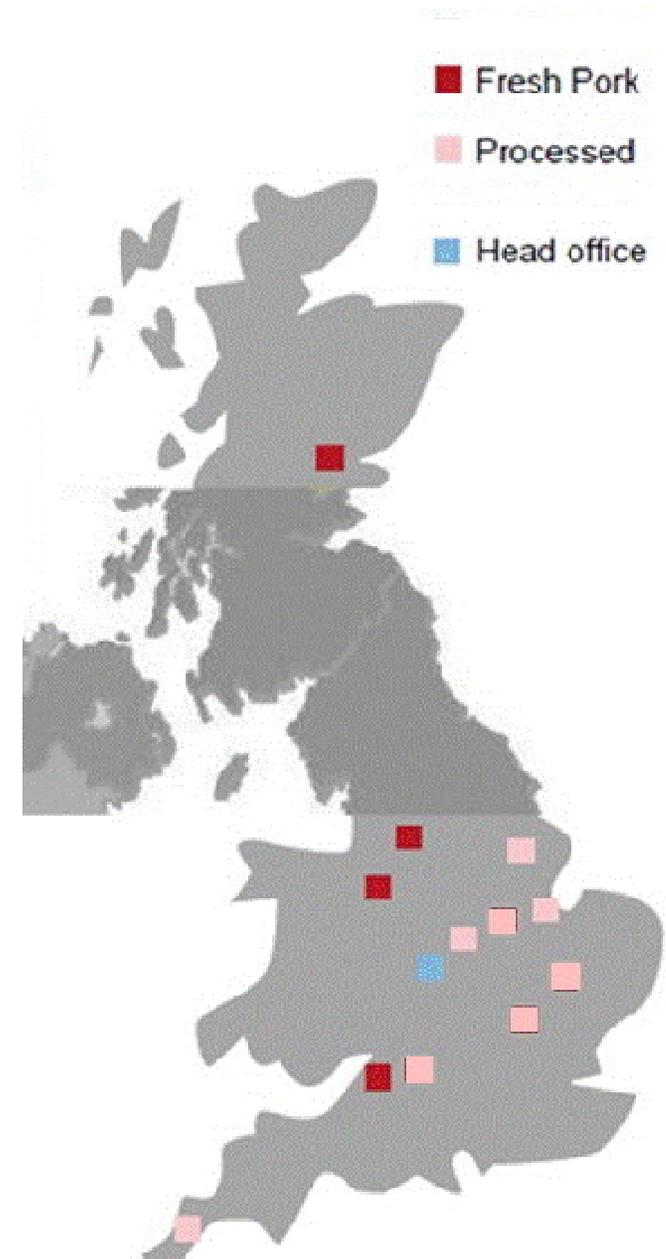
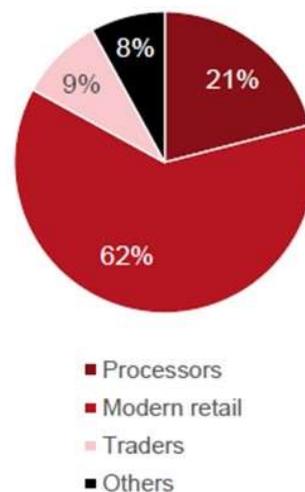
Delivers Best-in-Class and Highly Integrated Capabilities

- ✓ £950 Million in sales
- ✓ 8 added-value processing facilities
- ✓ 4 fresh processing facilities
- ✓ Highly integrated, well invested, comprehensive product platform
- ✓ Focus on provenance and UK origin – key driver in UK retail market
- ✓ 6,100 team members

Total sales per category



Sales per channel



Adds Attractive Portfolio with a Broad Product and Customer Mix

Brands:



Owned brand



Unlimited right to use in UK



Owned brand



Owned brand



Owned brand



Owned brand

PRIVATE LABEL

Primary Tulip revenue source

Product categories:



Fresh Pork

UK's leading fresh pork producer, supplying everything from primary cuts to added value pork and pork ribs. fully integrated supply chain



Bacon

State-of-the-art facilities based in Cornwall, produces a large proportion of the UK's bacon products



Sausages

One of UK's largest producers of sausages



Cooked meats

One of UK's largest manufacturer and supplier of sliced meats, including pre-packed meats, sandwich meats and deli counter meats



Canned goods

Supplier of hot & cold canned goods for the UK market



Snacking

Delivery of a multitude products, from cooked sausages to black pudding, pulled pork balls, meat balls and chicken kiev bites

Channels:

Wholesale

Delivery of fresh and frozen pork to wholesale businesses across the UK.

Retail Private Label

Producing over 4,700 different own brand products for some of the UK's leading retailers

Select customers:

Waitrose



Other business channels:

Foodservice Solutions

Cooperation with wholesale sector, caterers, and foodservice operatives to develop products and ingredients for recipes

Business to Business

support and product expertise to food manufacturing clients

Exports

From Europe, Africa and Asia to markets such as China, US and the Middle East

Provides Significant Synergy and Growth Opportunities

PROVEN HISTORY OF EFFICIENT INTEGRATION

Pilgrim's has a history of successfully identifying and rapidly realizing synergy opportunities

- ✓ Synergies realized in Mexico post-integration exceeded original target and the acquired asset is performing at the same level as the legacy
- ✓ Synergies realized at GNP exceeds the initial target
- ✓ Synergies identified at Moy park exceeds the initial target of \$50mm

UNIQUE OPPORTUNITY OF INNOVATION AND EFFICIENCY

OPERATIONAL EXCELLENCE

UNIQUE RESULT-ORIENTED CULTURE

- Production efficiencies
- Zero Based Budgeting
- Product portfolio expansion
- Long expertise in Organic and sustainable production

SOURCING

VALUE CHAIN EFFICIENCY

- Optimization of sourcing
- Global management of feed sourcing

SG&A

FOCUS ON KEY CUSTOMERS AND DISCIPLINE

- Leverage marketing and sales infrastructure
- Accelerate Innovation for Key customers
- Back-office and system integration

Increase value for Retailers and Foodservice customers, with portfolio expansion and innovation capabilities

Tulip Squarely Aligns with Pilgrim's Strategic Priorities

Combination creates a stronger, more diverse and safer global leader



Enhances existing relationships with key customers across retail and foodservice channels in Europe



Commitment to innovation, sustainability and growth



Best-in-class operational platform with synergy upside from benchmarking and cross-learning opportunities



Strengthens global portfolio of business

Q&A



Appendix: Reconciliation of LTM EBITDA

The summary unaudited consolidated income statement data for the twelve months ended June 30, 2019 (the LTM Period) have been calculated by subtracting the applicable unaudited consolidated income statement data for the six months ended July 1, 2018 from the sum of (1) the applicable audited consolidated income statement data for the year ended December 30, 2018 and (2) the applicable audited consolidated income statement data for the six months ended June 30, 2019.

PILGRIM'S PRIDE CORPORATION Reconciliation of LTM Adjusted EBITDA

(Unaudited)	Thirteen Weeks Ended September 30, 2018	Thirteen Weeks Ended December 30, 2018	Thirteen Weeks Ended March 31, 2019	Thirteen Weeks Ended June 30, 2019	LTM Ended June 30, 2019
	(In thousands)				
Net income	\$ 29,463	\$ (8,227)	\$ 84,125	\$ 170,080	\$ 275,441
Add:					
Interest expense, net	31,093	33,765	30,222	30,150	125,230
Income tax expense	30,848	(20,944)	20,416	75,547	105,867
Depreciation and amortization	71,027	66,975	67,182	71,348	276,532
EBITDA	162,431	71,569	201,945	347,125	783,070
Add:					
Foreign currency transaction losses (gains)	(6,711)	19,962	2,636	2,260	18,147
Acquisition charges	16	—	—	—	16
Restructuring activities	257	2,584	(27)	(43)	2,771
Other nonrecurring losses and expenses	164	16,023	—	—	16,187
Minus:					
Net income (loss) attributable to noncontrolling interest	153	(903)	114	12	(624)
Adjusted EBITDA	\$ 156,004	\$ 111,041	\$ 204,440	\$ 349,330	\$ 820,815

Source: PPC



All about great taste.