

Pilgrim's Pride Corp

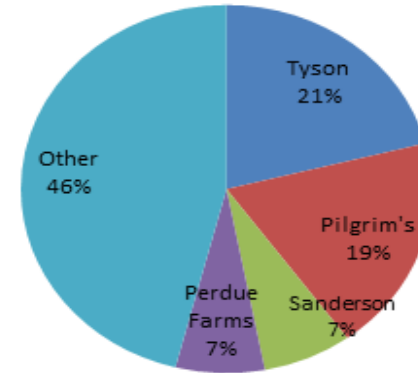
A Turnaround Story

Key Player In US Chicken Industry

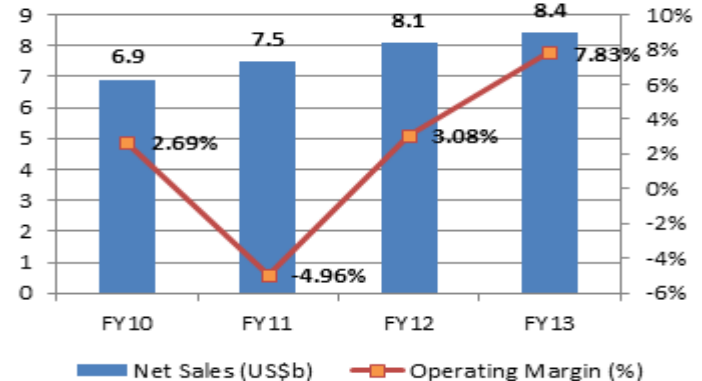
- 2nd Largest US Chicken Producer
- Key customers are Yum!, Burger King, Walmart, Costco
- Key business include fresh chicken and prepared chicken
- Over the past 4 years, PPC's revenue has grew by 6.9% CAGR
- However a purchase of Gold Kist, resulted in a bankruptcy filing in 2008, which led to a JBS acquisition

| Revenue | FY11 | FY12 | FY13 |
|----------|-------|-------|-------|
| Fresh | 41.9% | 44.1% | 49.0% |
| Prepared | 28.3% | 27.6% | 24.3% |
| Other | 29.7% | 28.3% | 26.7% |

US Chicken Production



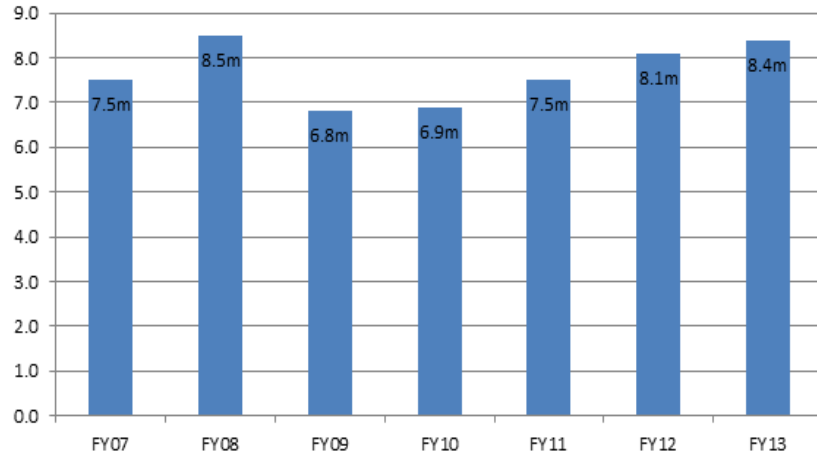
Pilgrim's Net Sales And Operating Margin



New Owners, New Management

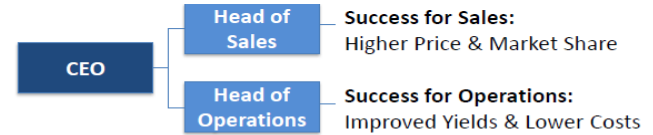
- A new management team was brought on board in 2011
- CEO, William Lovette, Ex-Tyson
- Plant-level performance driven; measured against industry benchmark
- Recently hired Chad Baker

Top Line Turnaround



BEFORE

- P&L - CEO Level
- Lack of plant level bottom line ownership



NOW

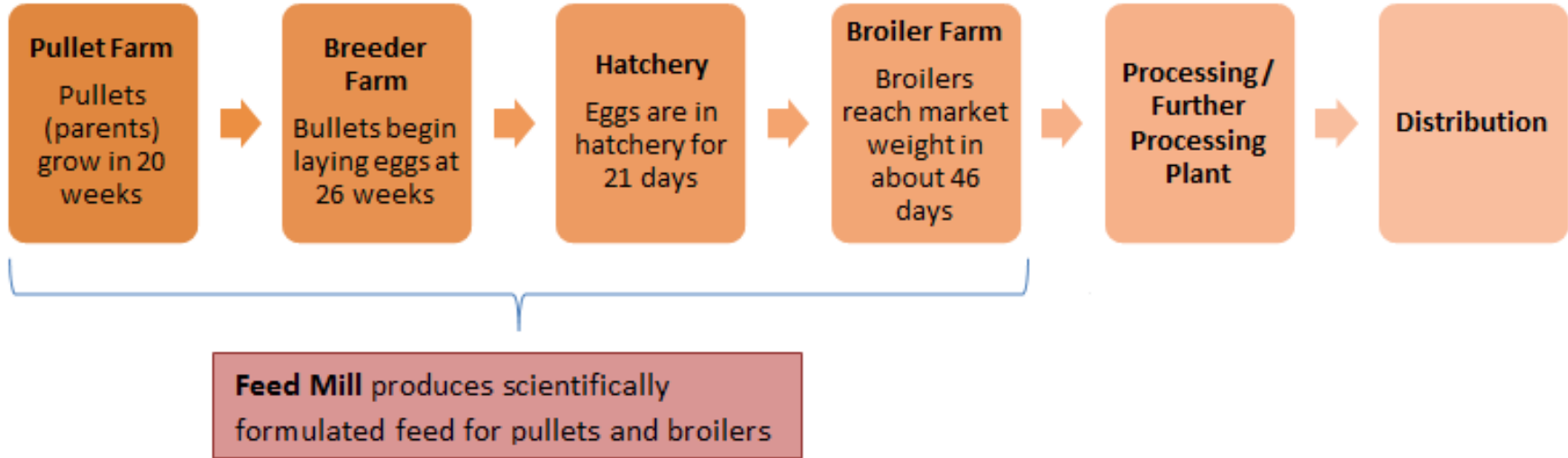
- Understanding of Customer/ Segment
- Ownership of bottom line at plant level



Buy Pilgrim's Pride TP US\$33.11

- Turnaround story is well known but not fully factored into the street estimates
- Company can leverage JBS' wide distribution network to drive its export growth
- Strong management execution and incentivised appropriately
- Potential for multiple re-rating upon margin expansion
- Improving balance sheet health

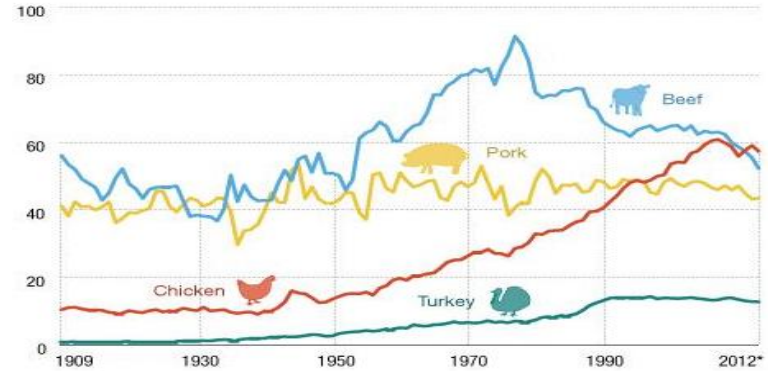
Chicken Production Value Chain



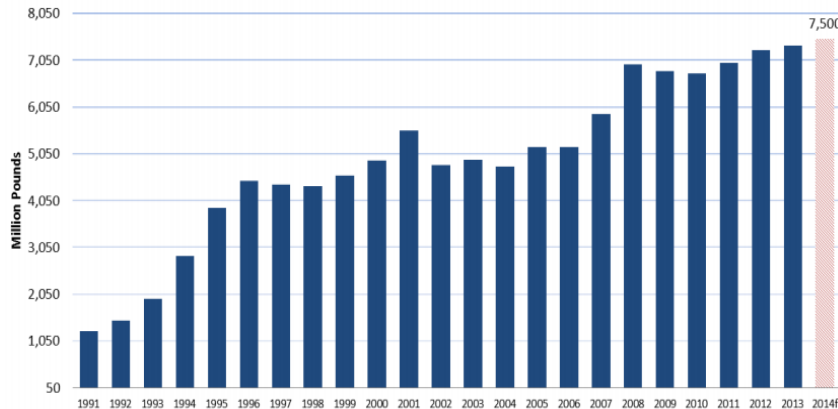
Industry Outlook

- US chicken industry has limited growth with stagnating consumption since 2002
- Export market is growing more rapidly, thus producers are exporting more
- Producers maxing profit by exporting lower “value” parts
- Demand is driven by dietary preference, export agreement, demand in different countries
- Supply is determined by disease, feed cost

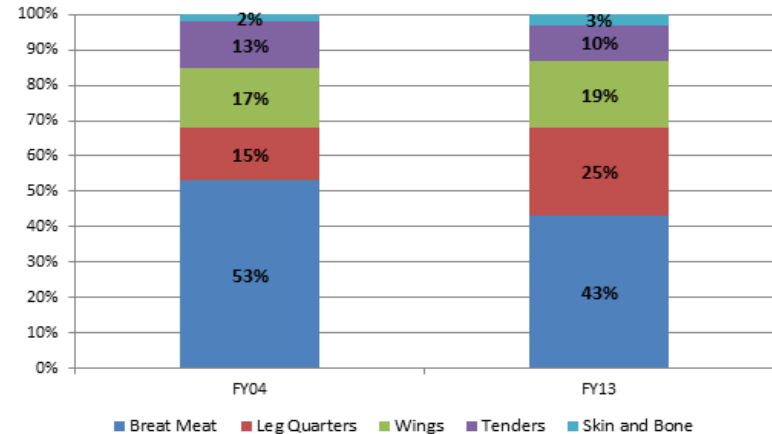
US Meat Consumption, Pounds Per Person



Annual Chicken Exports (Million Pounds)



Revenue Breakdown By Chicken Parts



Competitive Advantage

| Company | Share Price | Mkt Cap (US\$b) | Trailing P/E | Fwd P/E | P/B | D/E | Sales Growth | EPS Growth | EBITDA Margin | Capacity/wk | Capacity Utilization | R&D To Sales | A&P To Sales |
|-----------|-------------|-----------------|--------------|---------|------|------|--------------|------------|---------------|-------------|----------------------|--------------|--------------|
| Pilgrim's | 22.51 | 5.83 | 10.83 | 13.79 | 3.91 | 0.27 | 6.90% | 76.30% | 9.58% | 35.7m heads | 0.91 | 0.05% | 0.06% |
| Tyson | 43.25 | 14.72 | 17.59 | 14.82 | 2.34 | 0.20 | 6.90% | 1.00% | 5.75% | 47.0m heads | 0.87 | 0.15% | 1.61% |
| Sanderson | 82.38 | 1.90 | 11.39 | 12.03 | 2.73 | N.A. | 11.70% | -2.20% | 12.07% | 9.4m heads | N.A. | N.A. | 0.12% |

- Superior operational efficiency
- The JBS effect:
 - Cost savings through consolidation of corporate offices and distribution network
 - Potential geographical reach for Pilgrim's

Historical Financial Analysis

| Pilgrim's: Fiscal year end 31-Dec | | | | | | | |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Income Statement (US\$m) | FY10 | FY11 | FY12 | FY13 | FY14E | FY15E | FY16E |
| Revenue | 6,881,629 | 7,535,698 | 8,121,382 | 8,411,148 | 8,789,650 | 9,229,132 | 9,690,589 |
| Revenue Growth | 1.00% | 9.50% | 7.77% | 3.57% | 4.50% | 5.00% | 5.00% |
| Gross Profit Margin | 6.70% | -1.88% | 5.37% | 10.05% | 14.00% | 16.00% | 16.00% |
| EBIT | 185,427 | (373,591) | 250,342 | 658,863 | 1,019,599 | 1,269,595 | 1,331,018 |
| EBIT Margin | 2.69% | -4.96% | 3.08% | 7.83% | 11.65% | 13.77% | 13.76% |
| Earnings Per Share (US cents) | 0.39 | (2.21) | 0.70 | 2.12 | 2.48 | 3.13 | 3.30 |
| Financial Ratios | | | | | | | |
| ROE | 8.08% | -88.96% | 19.17% | 36.82% | 30.02% | 27.48% | 22.49% |
| Net Debt/Equity | 1.14x | 2.47x | 1.21x | 0.27x | 0.24x | 0.20x | 0.16x |
| Valuation Ratios | | | | | | | |
| P/E | | | | 10.80 | 13.30 | 7.19 | 6.80 |
| P/B | | | 6.18 | 3.90 | 2.73 | 1.98 | 1.53 |

- Improving gross profit and EBIT margins since FY11
- Reduction of debt and increasing cash leads to a y-o-y lowering of net debt/equity ratio

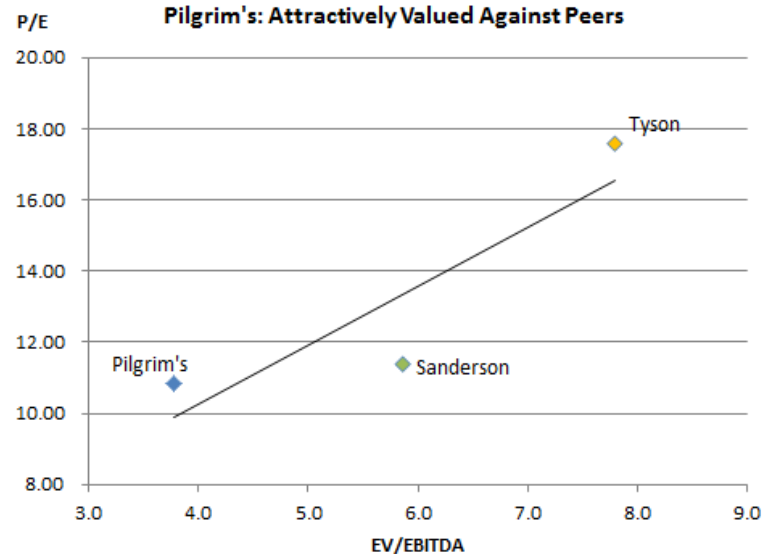
Scenario Financial Analysis

| Assumption | Sales Growth | Consensus | EBITDA Margin | EPS Growth | EPS (US\$) | Consensus | D/E | Trailing P/E | TargetP/E | Consensus | TP (US\$) | Consensus |
|---|--------------|--------------|---------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|--------------|--------------|
| Bull Stronger growth lower expenses, better margin | 7.2% | -2.0% | 17.9% | 69.0% | 3.59 | 1.63 | 0.21 | 10.8 | 17.57 | 13.8 | 63.08 | 20.75 |
| Base Assume higher-than-last-year sales growth, slight dip in expenses | 4.5% | | 13.4% | 17.4% | 2.48 | | 0.24 | | 13.3 | | 33.11 | |
| Bear Tepid sales growth and higher costs | 1.8% | | 6.8% | 53.8% | 0.98 | | 0.29 | | 7.56 | | 7.41 | |

Valuation

| Method | P/E | DCF | EV/EBITDA | P/B |
|------------|--|--|--|---|
| Advantages | Simple comparison against historical and forecast earnings | Useful for a firm with consistent free cash flow | Not influence by capital structure and D&A | Equity is a cumulative amount, which may be more consistent than earnings |

| Scenario | P/E |
|----------|--------------|
| Bull | 63.08 |
| Base | 33.11 |
| Bear | 7.41 |



Risk

- Change in consumer preference
- Food contamination drops revenue & brand
- Spike in feed costs impact profitability
- Low expenditure in SGA may lead to loss in market share
- Dependence on contract growers
- Weather and natural disasters
- Disruption in distribution channels

Q&A

Appendix

Rising Protein Prices

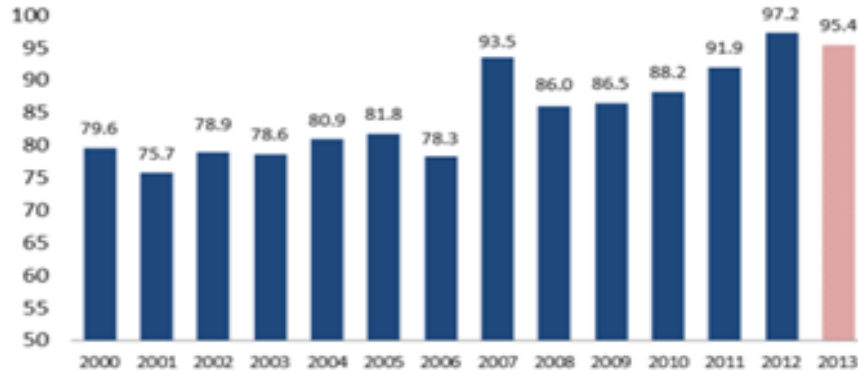
- Since end-2012 to Apr-2014
 - Wholesale chickens sold in Georgia, the biggest producing state, rose 9.2% to US\$1.07/pound
 - Beef advanced as much as 26%, settled at US\$2.2286/pound on 16 Apr
 - Pork gained as much as 62%, sold for US\$1.2173/pound on 16 Apr
- 8 months needed to change chicken supply

Strong Crop But Prices Rising

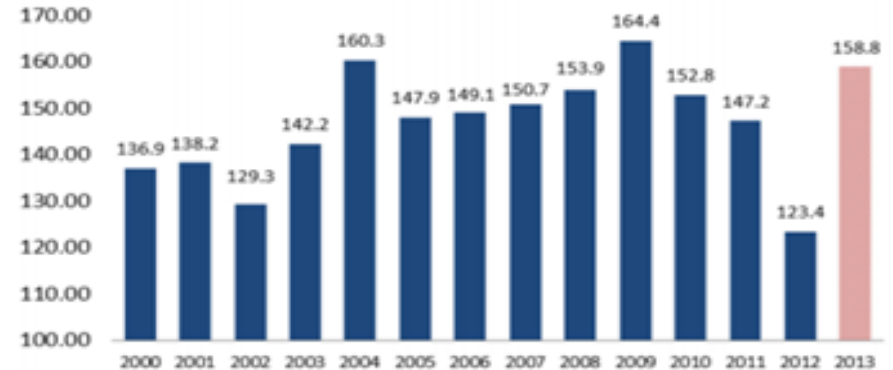
- Large amount of US corn planted areas of 95.4m acres
- Strong corn yield at 158.8 bushels per acre expected
- Potential El Nino in mid-summer 2014 has pushed corn prices up since Jan-14



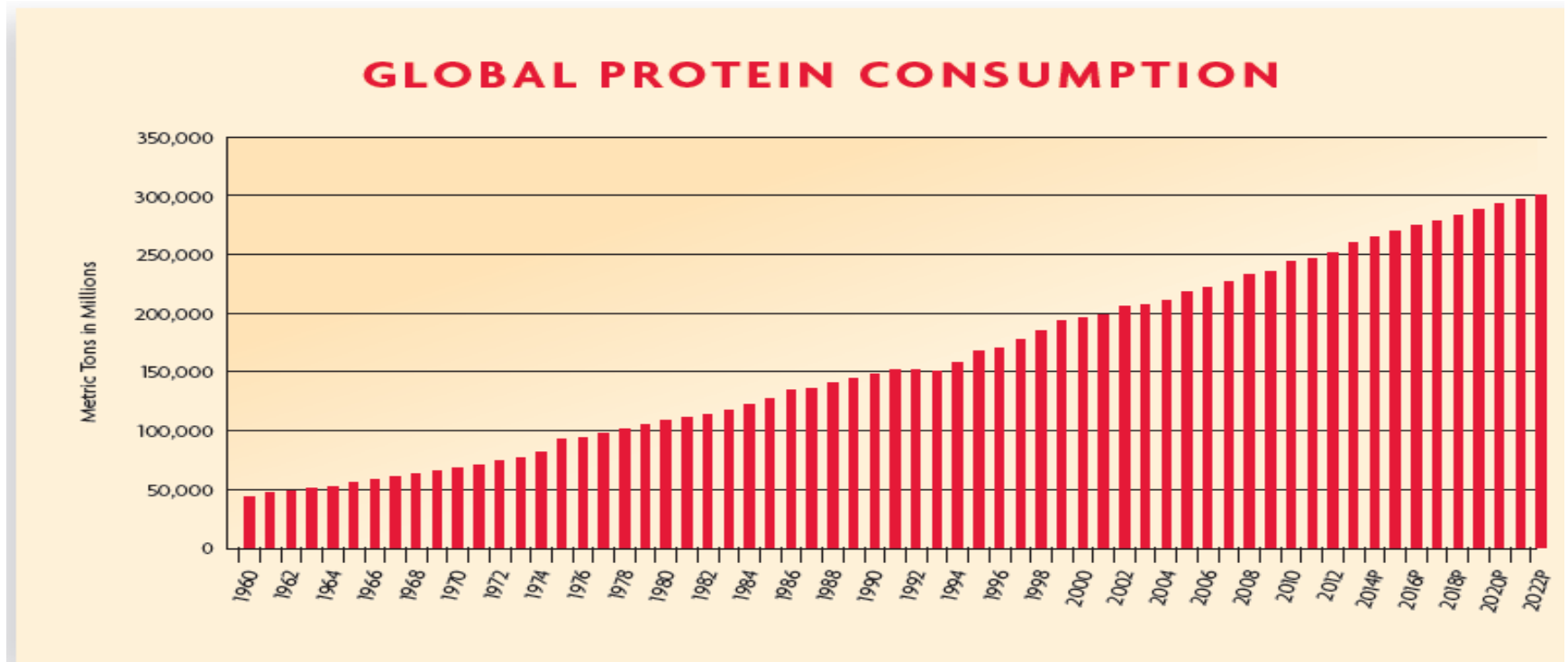
US Corn Planted Acres
(Million Acres)



US Corn Yield
(Bushels Per Acre)



Industry Trends



The world is eating more protein. Over the past 60 years, global protein consumption has grown by more than 450%.

Source: USDA FAS and OECD. Includes Beef, Veal, Pork, Broilers and Turkey

Nutrients Comparison

| | CALORIES | FAT | PROTEIN | IRON* | VITAMIN B ₁₂ | NIACIN |
|-----------------|----------|------|---------|--------|-------------------------|--------|
| Lean Beef (Avg) | 159 | 5.6g | 25g | 2.2mg | 2.2mcg | 5.1mg |
| Pork | 148 | 5.3g | 23.3g | .68mg | .5mcg | 6.8mg |
| Lamb | 175 | 8g | 23.6g | 1.85mg | 2.4 mcg | 6mg |
| Chicken | 140 | 3 g | 26g | .9mg | .3mcg | 11.7mg |
| Turkey | 115 | .6g | 26g | 1.3mg | .3mcg | 6.4mg |
| Tofu | 113 | 6.8g | 12g | 2.25mg | 0mcg | .75mg |
| Broccoli | 22.5 | 0g | 1.5g | .75mg | 0mcg | .5mg |
| Peanuts | 248 | 21g | 10.5g | 1.5mg | 0mcg | 6mg |
| Black Beans | 75 | .4g | 4.5g | .75mg | 0mcg | 1mg |

Recommended Daily Values: 2000 Calories, 65g Fat, 50g Protein, 18mg Iron, 6mcg Vitamin B¹²

*Approximately 15 to 30 percent of iron in meat and poultry is heme iron. While iron absorption depends on a variety of factors, significantly more heme iron is typically absorbed compared to non-heme iron.

¹ <http://www.beefnutrition.org>

² <https://www.superntracker.usda.gov>

Distribution Network

