

PILGRIMS PRIDE CORP  
Form 10-Q  
May 01, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended March 30, 2014**  
**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**

**PILGRIMS PRIDE CORPORATION**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**75-1285071**  
(I.R.S. Employer  
Identification No.)

**1770 Promontory Circle,**  
**Greeley, CO**  
(Address of principal executive offices)

**80634-9038**  
(Zip code)

**Registrant's telephone number, including area code: (970) 506-8000**  
(Former name, former address and former fiscal year, if changed since last report.)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer

Non-accelerated Filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

Number of shares outstanding of the issuer's common stock, \$0.01 par value per share, as of May 1, 2014, was 259,029,033.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**PILGRIM S PRIDE CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 30, 2014 (Unaudited) (In thousands)	December 29, 2013
Cash and cash equivalents	\$ 514,975	\$ 508,206
Investment in available-for-sale securities	37,005	96,902
Trade accounts and other receivables, less allowance for doubtful accounts	373,609	376,678
Account receivable from JBS USA, LLC	3,220	2,388
Inventories	793,516	808,832
Income taxes receivable	20,635	64,868
Current deferred tax assets	2,227	2,227
Prepaid expenses and other current assets	72,914	61,848
Assets held for sale	5,849	7,033
Total current assets	1,823,950	1,928,982
Deferred tax assets	16,049	18,921
Other long-lived assets	33,895	40,163
Identified intangible assets, net	31,089	32,525
Property, plant and equipment, net	1,165,434	1,151,811
Total assets	\$ 3,070,417	\$ 3,172,402
Current maturities of long-term debt	\$ 205,357	\$ 410,234
Accounts payable	381,745	370,360
Account payable to JBS USA, LLC	6,144	3,934
Accrued expenses and other current liabilities	275,730	283,355
Current deferred tax liabilities	15,495	15,515
Total current liabilities	884,471	1,083,398
Long-term debt, less current maturities	502,077	501,999
Deferred tax liabilities	10,452	13,944
Other long-term liabilities	87,428	80,459
Total liabilities	1,484,428	1,679,800
Common stock	2,590	2,590
Additional paid-in capital	1,654,141	1,653,119
Accumulated deficit	(22,039)	(120,156)
Accumulated other comprehensive loss	(51,557)	(45,735)
Total Pilgrim s Pride Corporation stockholders equity	1,583,135	1,489,818
Noncontrolling interest	2,854	2,784
Total stockholders equity	1,585,989	1,492,602
Total liabilities and stockholders equity	\$ 3,070,417	\$ 3,172,402

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

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

	Thirteen Weeks Ended	
	March 30, 2014	March 31, 2013
(In thousands, except per share data)		
Net sales	\$ 2,018,065	\$ 2,036,929
Cost of sales	1,802,959	1,918,495
Gross profit	215,106	118,434
Selling, general and administrative expense	45,201	43,992
Administrative restructuring charges	1,713	484
Operating income	168,192	73,958
Interest expense, net of capitalized interest	19,473	24,821
Interest income	(811)	(216)
Foreign currency transaction loss (gain)	337	(7,624)
Miscellaneous, net	(1,006)	(5)
Income before income taxes	150,199	56,982
Income tax expense	52,012	2,754
Net income	98,187	54,228
Less: Net income (loss) attributable to noncontrolling interests	70	(354)
Net income attributable to Pilgrim s Pride Corporation	\$ 98,117	\$ 54,582
<b>Weighted average shares of common stock outstanding:</b>		
Basic	258,923	258,823
Effect of dilutive common stock equivalents	523	130
Diluted	259,446	258,953
<b>Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:</b>		
Basic	\$ 0.38	\$ 0.21
Diluted	\$ 0.38	\$ 0.21

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

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

	Thirteen Weeks Ended	
	March 30, 2014	March 31, 2013
	(In thousands)	
Net income	\$ 98,187	\$ 54,228
Other comprehensive income:		
Loss associated with available-for-sale securities, net of tax expense of \$(17) and \$0, respectively	(36)	
Gain (loss) associated with pension and other postretirement benefits, net of tax benefit of \$3,509 and \$0, respectively	(5,786)	10,410
Total other comprehensive income (loss), net of tax	(5,822)	10,410
Comprehensive income	92,365	64,638
Less: Comprehensive income (loss) attributable to noncontrolling interests	70	(354)
Comprehensive income attributable to Pilgrim's Pride Corporation	\$ 92,295	\$ 64,992

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

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

Pilgrim s Pride Corporation Stockholders							
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares (In thousands)	Amount					
Balance at December 29, 2013	259,029	\$ 2,590	\$ 1,653,119	\$ (120,156)	\$ (45,735)	\$ 2,784	\$ 1,492,602
Net income				98,117		70	98,187
Other comprehensive income, net of tax					(5,822)		(5,822)
Share-based compensation plans:							
Requisite service period recognition			1,022				1,022
Balance at March 30, 2014	259,029	\$ 2,590	\$ 1,654,141	\$ (22,039)	\$ (51,557)	\$ 2,854	\$ 1,585,989
Balance at December 30, 2012	258,999	\$ 2,590	\$ 1,642,003	\$ (669,711)	\$ (68,511)	\$ 2,626	\$ 908,997
Net income				54,582		(354)	54,228
Other comprehensive income, net of tax					10,410		10,410
Share-based compensation plans:							
Common stock issued under compensation plans	30						
Requisite service period recognition			548				548
Balance at March 31, 2013	259,029	2,590	\$ 1,642,551	\$ (615,129)	\$ (58,101)	\$ 2,272	\$ 974,183

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

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

	Thirteen Weeks Ended	
	March 30, 2014	March 31, 2013
	(In thousands)	
<b>Cash flows from operating activities:</b>		
Net income	\$ 98,187	\$ 54,228
<b>Adjustments to reconcile net income to cash provided by operating activities:</b>		
Depreciation and amortization	38,260	37,790
Foreign currency transaction loss (gain)	941	(7,753)
Accretion of bond discount	114	114
Loss (gain) on property disposals	570	(1,139)
Gain on investment securities	(53)	
Share-based compensation	1,022	548
<b>Changes in operating assets and liabilities:</b>		
Trade accounts and other receivables	2,145	(5,183)
Inventories	14,310	(17,061)
Prepaid expenses and other current assets	(11,099)	(6,819)
Accounts payable, accrued expenses and other current liabilities	5,833	(30,629)
Income taxes	43,662	(3,381)
Long-term pension and other postretirement obligations	995	(421)
Other operating assets and liabilities	814	345
Cash provided by operating activities	195,701	20,639
<b>Cash flows from investing activities:</b>		
Acquisitions of property, plant and equipment	(47,760)	(25,778)
Purchases of investment securities	(37,000)	
Proceeds from sale or maturity of investment securities	96,950	
Proceeds from property disposals	1,511	1,660
Cash provided by (used in) investing activities	13,701	