

PILGRIMS PRIDE CORP
Form 10-Q
July 31, 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 June 29, 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

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

Delaware 75-1285071
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1770 Promontory Circle, 80634-9038
Greeley, CO (Zip code)

(Address of principal executive offices)
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

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 July 30, 2014, was 259,029,033.

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PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PILGRIM'S PRIDE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 29, 2014 (Unaudited) (In thousands)	December 29, 2013
Cash and cash equivalents	\$527,412	\$508,206
Investment in available-for-sale securities	—	96,902
Trade accounts and other receivables, less allowance for doubtful accounts	404,866	376,678
Account receivable from JBS USA, LLC	4,376	2,388
Inventories	837,333	808,832
Income taxes receivable	—	64,868
Current deferred tax assets	2,227	2,227
Prepaid expenses and other current assets	82,066	61,848
Assets held for sale	5,415	7,033
Total current assets	1,863,695	1,928,982
Deferred tax assets	87,544	18,921
Other long-lived assets	31,664	40,163
Identified intangible assets, net	29,654	32,525
Property, plant and equipment, net	1,173,868	1,151,811
Total assets	\$3,186,425	\$3,172,402
Accounts payable	\$387,466	\$370,360
Account payable to JBS USA, LLC	4,632	3,934
Accrued expenses and other current liabilities	290,859	283,355
Income taxes payable	120,846	—
Current deferred tax liabilities	15,622	15,515
Current maturities of long-term debt	257	410,234
Total current liabilities	819,682	1,083,398
Long-term debt, less current maturities	502,039	501,999
Deferred tax liabilities	—	13,944
Other long-term liabilities	90,205	80,459
Total liabilities	1,411,926	1,679,800
Common stock	2,590	2,590
Additional paid-in capital	1,655,496	1,653,119
Retained earnings (accumulated deficit)	168,321	(120,156)
Accumulated other comprehensive loss	(55,179)	(45,735)
Total Pilgrim's Pride Corporation stockholders' equity	1,771,228	1,489,818
Noncontrolling interest	3,271	2,784
Total stockholders' equity	1,774,499	1,492,602
Total liabilities and stockholders' equity	\$3,186,425	\$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		Twenty-Six Weeks Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands, except per share data)			
Net sales	\$2,186,816	\$2,184,119	\$4,204,881	\$4,221,048
Cost of sales	1,837,341	1,901,611	3,640,300	3,820,106
Gross profit	349,475	282,508	564,581	400,942
Selling, general and administrative expense	48,607	44,099	93,808	88,091
Administrative restructuring charges	438	480	2,151	964
Operating income	300,430	237,929	468,622	311,887
Interest expense, net of capitalized interest	14,562	22,965	34,035	47,786
Interest income	(992)	(707)	(1,803)	(923)
Foreign currency transaction loss (gain)	(1,819)	9,713	(1,482)	2,089
Miscellaneous, net	(993)	(717)	(1,999)	(722)
Income before income taxes	289,672	206,675	439,871	263,657
Income tax expense	99,227	15,884	151,239	18,638
Net income	190,445	190,791	288,632	245,019
Less: Net income (loss) attributable to noncontrolling interests	85	86	155	(268)
Net income attributable to Pilgrim's Pride Corporation	\$190,360	\$190,705	\$288,477	\$245,287
Weighted average shares of common stock outstanding:				
Basic	258,977	258,826	258,950	258,825
Effect of dilutive common stock equivalents	597	332	560	230
Diluted	259,574	259,158	259,510	259,055
Net income attributable to Pilgrim's Pride Corporation per share of common stock outstanding:				
Basic	\$0.73	\$0.74	\$1.11	\$0.95
Diluted	\$0.73	\$0.74	\$1.11	\$0.95

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		Twenty-Six Weeks Ended		
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013	
	(In thousands)				
Net income	\$ 190,445	\$ 190,791	\$ 288,632	\$ 245,019	
Other comprehensive income:					
Gain (loss) associated with available-for-sale securities, net of tax expense of \$(3), \$0, \$(20) and \$0, respectively	7	—	(29) —	
Gain (loss) associated with pension and other postretirement benefits, net of tax benefit of \$2,200, \$0, \$5,709 and \$0, respectively	(3,629) 25,391	(9,415) 35,801	
Total other comprehensive income (loss), net of tax	(3,622) 25,391	(9,444) 35,801	
Comprehensive income	186,823	216,182	279,188	280,820	
Less: Comprehensive income (loss) attributable to noncontrolling interests	85	86	155	(268)
Comprehensive income attributable to Pilgrim's Pride Corporation	\$ 186,738	\$ 216,096	\$ 279,033	\$ 281,088	

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						Total
	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	
	Shares	Amount					
	(In thousands)						
Balance at December 29, 2013	259,029	\$2,590	\$1,653,119	\$ (120,156)	\$ (45,735)	\$ 2,784	\$1,492,602
Net income	—	—	—	288,477	—	155	288,632
Other comprehensive loss, net of tax	—	—	—	—	(9,444)	—	(9,444)
Issuance of subsidiary common stock	—	—	—	—	—	332	332
Share-based compensation plans:							
Requisite service period recognition	—	—	2,377	—	—	—	2,377
Balance at June 29, 2014	259,029	\$2,590	\$1,655,496	\$ 168,321	\$ (55,179)	\$ 3,271	\$1,774,499