



# PILGRIM'S PRIDE BUCKS TREND IN CLASSIC TURNAROUND

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NEW YORK (Reuters) — Last year, turnaround expert William Snyder was sitting across a table from legendary U.S. chicken entrepreneur Lonnie “Bo” Pilgrim, explaining the drastic steps that would be necessary to rescue his 63-year-old company from possible liquidation.

Pilgrim, a man famous for donning a traditional pilgrim’s hat to sell his chicken, was hearing how he would have to replace Pilgrim’s Pride Corp’s management and prepare for a drastic operational overhaul.

“This company could have just stumbled into oblivion,” recalled Snyder, Pilgrim’s Pride’s chief restructuring officer and a managing partner at turnaround firm CRG Partners.

“I said, ‘Generally, the horse that gets you in the ditch does not get you out,’ ... and Bo listened,” Snyder told Reuters.

On Monday, just over a year after Pilgrim’s Pride entered bankruptcy protection, it emerged with new ownership, new management, and a new business plan, proving the traditional route through bankruptcy is not quite dead.

In a year, which featured the one-to-two-month bankruptcies of lender CIT Group Inc and automakers Chrysler and General Motors, Pilgrim’s Pride took a more traditional trip through the process — staying in court just long enough to conduct a business turnaround.

Pilgrim’s, founded in 1946 as a retail feed partnership between Bo Pilgrim and his brother Aubrey, was the largest U.S. chicken producer when it filed bankruptcy in December 2008.

It had been pummeled first by a sharp increase in feed and fuel costs, as the oil market rallied and the corn it used to feed its chickens became linked to the price of ethanol. Then the recession pecked away demand for its core products as consumers pulled back on eating in restaurants and chicken sales at grocery stores were hurt by lower prices and fewer sales. The company was trying to maintain a heavy debt load after recent acquisitions and its one-time profits had been replaced over the last year by a \$1 billion loss.

“I stepped right into a firefight,” Snyder recalled of his entrance into the company in November 2008, after the company’s lenders demanded it hire a restructuring expert and get ready to file for bankruptcy.

“The banks were ready just to bust up the whole thing and liquidate it,” Snyder said. He said the company had blown through about 60 percent of its \$450 million debtor-in-possession bankruptcy loan in the first few weeks of the bankruptcy.

Instead, Pilgrim’s Pride got a new management team, led by Chief Executive Don Jackson, and decided to close or sell several of its chicken processing plants across the country.

It retooled operations to focus more on profitable prepared chicken — items that were pre-fried, pre-marinated, and pre-chopped — rather than selling “commodity” gutted chicken to food service companies.

“We were not just reshuffling the balance sheet, we actually restructured the company,” Snyder said.

The commodity markets also eased up a bit, cutting its corn costs, and in a few months, the company was making cash, rather than losing it. By June, Pilgrim’s fully repaid its bankruptcy DIP loan and had generated another \$300 million in cash.

Then it got back in touch with Brazil’s JBS SA, the largest beef producer in the world. JBS had looked at buying Pilgrim’s earlier, but found it could not make a deal work before the company filed for bankruptcy, Snyder said.

“We convinced them the company was worth over \$2.8 billion now and they agreed to inject \$800 million,” Snyder said. JBS, took a 64 percent stake in Pilgrim’s when it emerged from bankruptcy on Monday, making it the world’s largest meat company with over \$30 billion in annual revenue.

While Pilgrim’s Pride’s turnaround took longer than some, the company may have come out with one of the best results for creditors of any bankruptcy in the past year. Unsecured creditors got paid back in full, in cash, and stockholders — who usually get wiped out in bankruptcies — got a 36 percent equity stake in the reorganized company.

“True turnarounds can be done, you just have to move quickly,” Snyder said. “If we’d done (a prepackaged bankruptcy) with Pilgrim’s Pride — I’m not sure the banks would have gotten repaid.”

(Reporting by Emily Chasan; Editing by Tim Dobbyn)