

PILGRIMS PRIDE CORP  
Form DEFA14A  
December 13, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**GOLD KIST, INC.**

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(Name of Registrant as Specified In Its Charter)

**PILGRIM S PRIDE CORPORATION**  
**PROTEIN ACQUISITION CORPORATION**

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No fee required.

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Pilgrim's Pride Corporation's  
Acquisition of Gold Kist Inc.  
Creating the World's Leading Chicken Producer  
December 12, 2006  
The following presentation was posted on Pilgrim's Pride's  
Corporation's external web site:



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Proposed Transaction

Pilgrim s Pride (NYSE:PPC) publicly announced on December 4, 2006 that it had entered into a definitive merger agreement to acquire Gold Kist Inc. (NasdaqGS:GKIS) for \$21 per share

Represents a 62% premium to the August 18, 2006 closing price of \$12.93

Initially approached Gold Kist in 2004 prior to its IPO

Recent offer proposals began in February 2006

We maintain our strong desire to close this transaction with Gold Kist to create the world's largest chicken company

Powerful strategic and financial rationale

Anticipated close: early CY2007



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Attractive Proposal

Value creation expected for all shareholders

Offer Summary

(amounts in millions except per share amounts)

Price Per Share (8/18/06)

\$12.93

Offer Price Per Share

\$21.00

Fully-Diluted Share Count

(1)(2)

51.4

Purchase Price of Gold Kist equity

\$1,079

Assumed Gold Kist Debt

(3)

\$144

Cash on Gold Kist Balance Sheet

(3)(4)

93

Total Enterprise Value of Offer

(5)

\$1,130

Offer Price as a Percent of Gold Kist's:

Close Price (8/18/06)

162%

Prior 90-Day Average (8/18/06)

154%

52-Week High (8/18/06)

100%

(1) Reflects repurchase of shares from option proceeds.

(2) As of 12/2/06.

(3) As of 9/30/06.

(4) Includes \$15.9 million in Investments.

(5) Does not include fees and deal-related expenses.

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Relative to Historical Multiples  
Gold Kist Enterprise Value/EBITDA Multiples  
\$21.00 Offer as  
Multiples of EBITDA  
Assuming Normalized  
Operating

Margins

(5)

Historical

Trailing

EBITDA

Multiples

(1)(2)

Our proposal represents full value for Gold Kist

(1) Historical trailing multiples calculated as follows: The numerator is the enterprise value derived from the prior quarter's bid price multiplied by the final close price at the end of the current quarter. The denominator is the LTM EBITDA as of the prior quarter.

(2) Data per Capital IQ.

(3) Please see Appendix A for calculation.

(4) Per Gold Kist's public filings.

(5) Please see Appendix B for calculation.

\$21.00 Offer as a

Multiple of LTM

Adjusted

EBITDA

(3)

2.8x

3.3x

4.3x

4.3x

3.0x

2.7x

4.8x

9.8x

34.1x

7.2x

6.3x

5.7x

12/31/04

3/31/05

6/30/05

9/30/05

12/31/05

3/31/06

6/30/06

Multiple as

of 8/18/06

based on

LTM

Adjusted

EBITDA

(1%) LTM

Operating

Margin

5%

6%

7%  
(3)  
(4)

5

U.S. Chicken Industry Leaders Market Share by Production

(1)

Source: WATT Poultry USA, January 2006.

(1) Ready-To-Cook million pounds per week.

(2) As used in this presentation, PF = Pro Forma.

Creates the Number One Chicken

Company in North America

(2)

2.5%

4.0%

4.3%

4.3%

7.3%

8.8%

16.0%

21.4%

PF 24.8%

Foster Farms

Mountaire

Farms

Wayne Farms

Sanderson Farms

Perdue Farms

Gold Kist

Pilgrim's Pride

Tyson Foods

Pilgrim's Pride & Gold Kist

6

Combined company would be the #3 U.S. protein company by revenue

Largest pure-play dedicated to chicken

LTM Revenues

(\$ in millions)



Note: LTM results through the most recent twelve-month reporting period for each public entity.

(1)

Does

not

include

pro

forma

results

from

pending

acquisition

of

Premium

Standard

Farms.

Formidable Protein Industry Player

Pilgrim s Pride

Gold Kist

Sanderson

Farms

Chicken

Hormel Foods

Pilgrim s Pride &

Gold Kist

Smithfield

Foods

Tyson Foods

Pork

Beef

\$1,048

\$2,127

\$5,236

\$5,746

\$11,183

\$25,559

PF \$7,363

Sanderson

Farms

Gold Kist

Pilgrim's Pride

Hormel Foods

Pilgrim's Pride &

Gold Kist

Smithfield

Foods

Tyson Foods

(1)

7

Powerful Combination

Delivers compelling economics to shareholders of both companies

Balanced portfolio of fresh chicken and value-added products

Further economies of scale

Estimated synergies of \$50 million

Production

Purchasing

Distribution

Logistics

Selling, General & Administrative

No anticipated plant closings or production headcount reductions

Better serve existing customers and expand customer base

Consolidation of a still fragmented industry

8

Capitalize on significant scale with leading industry position and brand recognition

Capitalize on attractive U.S. prepared foods market

Enhance U.S. fresh chicken profitability through value-added, branded products

Improve operating efficiencies and increase capacity on

a cost-effective basis

Continue to seek strategic acquisitions

Capitalize on export opportunities

Consistent With Pilgrim's Pride Long-  
Standing Business Strategy

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Pilgrim s Pride Stock Since Deal  
Announcement  
Friday, December 1, 2006  
Close:  
\$25.38  
Change:

-0.14 (-0.5%)

Monday, December 4, 2006

Close:

\$27.90

Change:

2.52 (9.9%)

December 4, 2006

Announcement of  
merger agreement  
between Pilgrim s Pride  
and Gold Kist prior to  
market open

Pilgrim s Pride s stock price has risen 15% since announcement

\$23.00

\$24.00

\$25.00

\$26.00

\$27.00

\$28.00

\$29.00

\$30.00

12/1/06

12/4/06

12/5/06

12/6/06

12/7/06

12/8/06

12/11/06

12/11/06

close

Tuesday, December 5, 2006

Close:

\$28.75

Change:

0.85 (3.0%)

Wednesday, December 6, 2006

Close:

\$29.44

Change:

0.69 (2.4%)

Thursday, December 7, 2006

Close:

\$28.79

Change:

-0.65 (-2.2%)

Friday, December 8, 2006

Close:

\$28.98

Change:

0.19 (0.7%)

Monday, December 11, 2006

Close:

\$29.09

Change:

0.11 (0.4%)



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Expanded Geographic Footprint

Gold Kist acquisition expands Southeast presence

Pilgrim's Pride's Chicken Processing

Pilgrim's Pride's Turkey Processing

Pilgrim's Pride's Prepared Foods

Pilgrim's Pride's Distribution Centers

Gold Kist Chicken Processing

Gold Kist Distribution Centers

Gold Kist Prepared Food Plant

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With More Diversified End Markets  
64%  
20%  
16%  
Pilgrim s Pride  
Gold Kist

Combined

38%

19%

43%

57%

20%

24%

Foodservice

Retail

Export/Other

FY 2005 Net Sales: \$5.7 BN

FY 2005 Net Sales: \$2.3 BN

FY 2005 Net Sales: \$8.0 BN

Enhances retail prepared foods opportunities

Source: WATT Poultry USA, January 2006.



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Source: UrnerBarry Publications, Inc.

(1) Month to date through December 8, 2006.

Leading to Stabilized Pricing Outlook

Average Prices Over Periods Represented

Fiscal Years

FY 2006

(1)  
FY 2007  
\$0.00  
\$0.20  
\$0.40  
\$0.60  
\$0.80  
\$1.00  
\$1.20  
\$1.40  
\$1.60  
\$1.80  
\$2.00  
'93  
'94  
'95  
'96  
'97  
'98  
'99  
'00  
'01  
'02  
'03  
'04  
'05  
'06  
N  
D  
J  
F  
M  
A  
M  
J  
J  
A  
S  
O  
N  
D  
GA Dock  
Leg Quarters  
Boneless Skinless Breast

14  
Combined Company  
(\$ in millions)  
FYE  
9/30/06  
Net Sales  
Pilgrim's Pride



\$5,236

Gold Kist

2,127

Combined Net Sales

\$7,363

EBITDA

(1)

Pilgrim's Pride -

Adjusted EBITDA

\$143

Gold Kist -

Adjusted EBITDA

33

Combined Adjusted EBITDA

\$176

Capital Expenditures

(2)

Pilgrim's Pride

\$144

Gold Kist

90

Combined Capital Expenditures

\$234

(1) See Appendix A for reconciliation.

(2) CapEx

data per FY2006 Q4 earnings release conference calls for Pilgrim's Pride and Gold Kist.

15  
339  
91  
430  
Term Loans  
450

450  
 Bridge Loan  
 \$2,025  
 \$125  
 795  
 \$225

\$  
 Facility  
 Amount  
 \$125  
 \$  
 Receivables purchase agreement  
 795

Revolving/term facility  
 \$1,836  
 \$166  
 Total Available From Debt Facilities  
 \$127  
 \$75  
 Revolving credit facilities  
 Debt Facilities:  
 137

Investments in available for sale securities  
 \$156  
 \$  
 Cash and cash equivalents  
 Net  
 Available  
 Amount  
 Outstanding  
 Source of Liquidity  
 As of September 30, 2006  
 (\$ in millions)

Liquidity and Financial Capacity  
 (1)  
 (2)  
 (2)  
 (3)

(1) At September 30, 2006, the Company had \$23.4 million in letters of credit outstanding relating to normal business transactions.  
 (2) The amount available at September 30, 2006 under these facilities was \$535.3 million. If the transaction is successful, the amount available will increase by up to \$486 million.

and,  
with  
the  
pledging  
of  
additional  
identified  
collateral  
to  
secure  
this  
facility;  
the  
full  
amount  
of  
the  
commitment  
under

this facility will be available. The amounts reflected above contemplate that both of these events will occur.

(3) Reflects a bridge loan agreement obtained by the Company from certain investment banks, pursuant to which, subject to sp investment banks have agreed to make available to the Company a \$450 million senior unsecured bridge loan for the purchase stock of Gold Kist.

Appendix

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Appendix A: EBITDA Reconciliation  
(\$ in millions)  
As of 8/18/06  
Present  
LTM  
LTM

6/30/06

9/30/06

Adjusted EBITDA Reconciliation

Net Income

Pilgrim's Pride

\$48

(\$34)

Gold Kist

\$4

(\$18)

Combined Net Income

\$52

(\$52)

Adjustments:

Pilgrim's Pride -

Add:

Income Tax Expense

\$13

(\$2)

Net Interest Expense

40

41

Depreciation & Amortization

(1)

138

133

Pilgrim's Pride -

Adjustments:

Accounting Adjustment -

Benefit Plans

\$0

6

Gold Kist -

Add:

Income Tax Expense (Benefit)

(\$3)

(\$15)

Net Interest Expense

11

10

Depreciation & Amortization

(1)

50

51

Gold Kist -

Adjustments:

Benefit Plan and Pension Settlement Loss

1

-

Loss on Investment

3

-

Debt Prepayment Penalties

6

-

Antitrust Settlement (Benefit)

-

(1)

Unsolicited Offer Expenses

-

6

Adjusted EBITDA

Pilgrim's Pride

\$239

\$143

Gold Kist

72

33

Combined Adjusted EBITDA

\$311

\$176

(1) Excludes amortization of capitalized finance costs and includes amortization of share-based compensation.



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Appendix B: Implied Normalized Gold Kist  
Operating Margins  
Implied Normalized Financial Information  
Gold Kist  
(\$ in millions)  
Fiscal Year Ending September 30,

FY2006 Sales

\$2,127

\$2,127

\$2,127

Assumed Normalized EBIT Margin

5%

6%

7%

Implied Normalized EBIT

\$106

\$128

\$149

Plus: Depreciation & Amortization

(1)

51

51

51

Implied Normalized EBITDA

\$157

\$178

\$200

Actual FY2006 Adjusted EBITDA

\$33

\$33

\$33

Enterprise Value at \$21 per share

\$1,130

\$1,130

\$1,130

EV/Sales

0.53x

0.53x

0.53x

EV/Normalized EBITDA

7.2x

6.3x

5.7x

(1) Depreciation assumed to be equivalent to LTM as of 9/30/06.