

JBS N.V. - Should It Pursue Full Ownership of Pilgrim's Pride?

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Decision scope: Whether to maintain, revise, or withdraw JBS N.V.'s nonbinding proposal for the PPC shares it does not already own

Case convention: This is an author-created decision exercise based on public information. It does not represent private deliberations. No later negotiations, recommendations, votes, or transaction outcomes are included.

The decision

On August 18, JBS N.V. proposed exchanging 2.086 of its Class A shares for each share of Pilgrim's Pride Corporation (PPC) it did not already own. JBS reported that it held approximately 82% of PPC. The proposal was nonbinding and could be modified or withdrawn. JBS said it would not proceed without approval from a special committee of independent, disinterested PPC directors and expected approval by a majority of votes cast by unaffiliated PPC shareholders. PPC's board said it would form a special committee to review the proposal. At the cutoff, the committee had not reached a public conclusion. [P1-P3]

The proposal puts a strategic question to JBS leadership: **Should JBS maintain the proposed exchange ratio, revise the terms, or stop pursuing full ownership?** The answer must account for possible organizational and capital-allocation benefits, the value transferred through stock issuance, the independent review and minority-vote process, and JBS's recent financial performance. The proposal identifies possible benefits but does not quantify them.

The immediate price reference

JBS referenced August 18 closing prices of \$13.66 for its Class A shares and \$28.49 for PPC. At the stated ratio:

Derived calculation: $2.086 \times \$13.66 = \$28.49476$ of JBS stock per PPC share. Compared with PPC's rounded \$28.49 close, the difference is approximately +0.0167%, or effectively 0.0% when rounded.

This is a one-day exchange-value check, not a fairness opinion or estimate of either company's underlying value. The ratio is fixed in the proposal, so the stock value offered would move with JBS's share price. The proposal does not provide a complete transaction value: a cutoff-consistent fully diluted PPC share count, treatment of affiliate holdings and awards, and other transaction mechanics are not supplied. [P2]

Strategic rationale and its limits

JBS presented full ownership as a way to simplify the group structure, reduce PPC's standalone public-company costs, allow more flexible capital allocation, and give PPC holders access to JBS shares. It also pointed to the broader multi-protein group. These are **JBS's claims**. The proposal letter does not estimate annual avoidable costs, integration synergies, implementation costs, a standalone PPC value, or the value of additional capital-allocation flexibility. [P2]

Those gaps leave room for competing interpretations. Full ownership could make resource allocation and restructuring easier across the group. On the other hand, a controller buying out a minority creates a bargaining and governance problem: potential benefits to the combined company do not by themselves determine a fair exchange ratio or establish how much value should go to PPC's public shareholders. A standalone listing may preserve PPC's separate price discovery and governance while leaving public-company costs and any constraints on group decisions in place.

Financial context at the cutoff

JBS's second-quarter results show both the scale of the group and a tighter capital-allocation setting. JBS reported Q2 2026 net sales of \$23.900 billion and company-defined IFRS adjusted EBITDA, a non-GAAP measure, of \$1.429 billion, down 18% year over year. Its unaudited, company-defined U.S. GAAP adjusted EBITDA, also a non-GAAP measure, was \$1.257 billion, down 8%; the two measures use different accounting bases and should not be combined. JBS reported a \$102 million net loss attributable to JBS under IFRS, adjusted EPS of \$0.20 versus \$0.52, and net leverage of 3.10x versus 2.27x a year earlier. It also reported paying a \$1 billion dividend during the quarter. These figures inform the opportunity cost of stock issuance and any cash alternative; they do not by themselves establish that the proposal is unaffordable or attractive. [P6]

PPC's Q2 2026 IFRS net sales were \$4.623 billion, down 2.8% year over year. Its company-defined IFRS adjusted EBITDA, a non-GAAP measure, was \$503 million versus \$818 million, a reported decline of 38.5%; the corresponding margins were 10.9% and 17.2%, a 6.3 percentage-point decrease. **Derived checks:** $\$503\text{m} \div \$4,623\text{m} = 10.88\%$; $\$818\text{m} \div \$4,755\text{m} = 17.20\%$; $(\$503\text{m} \div \$818\text{m}) - 1 = -38.5\%$. The ratios check the rounded reported values. They do not normalize for poultry cycles or measure standalone free cash flow. [P6]

JBS attributed PPC's year-over-year profitability decline to lower commodity pricing against a strong prior-year comparison, while noting sequential improvement and operational and productivity gains. That is company commentary, not an independent causal analysis. [P6]

Tyson Foods offers a limited structural reference: its fiscal Q3 2026 filing reports five segments, including Chicken and Prepared Foods, within one standalone public company. Its scale, geography, brands, segment economics and capital structure differ from JBS and PPC. The disclosure shows that protein businesses can be reported inside a listed parent; it does not determine whether PPC should remain listed. [P10]

Exhibit 1. Public information available to the decision makers

Item	Public fact or statement at cutoff	Classification
Offeror and target	JBS N.V. (Dutch registrant, CIK 0001791942) proposed buying PPC shares it did not own; JBS reported approximately 82% PPC ownership.	Reported fact / issuer representation [P1-P2]
Consideration	2.086 JBS Class A shares for each remaining PPC share; proposal is nonbinding.	Proposal term [P2]
Reference prices	August 18 closes: JBS \$13.66; PPC \$28.49.	Proposal-letter figures [P2]
Implied exchange value	$2.086 \times \$13.66 = \$28.49476$; approximately \$28.49 per PPC share, or +0.0167% versus the rounded PPC close.	Derived from rounded prices and proposed ratio
Governance conditions	JBS said it expected special-committee approval and a majority of votes cast by unaffiliated PPC holders; PPC said it would establish a special committee.	Proposal terms and target filing [P2-P3]
Claimed rationale	Possible public-company cost savings, more flexible capital allocation, broader group exposure and access to JBS shares.	JBS claims; not quantified [P2]
JBS Q2 2026	Sales \$23.900bn; company-defined IFRS adjusted EBITDA (non-GAAP) \$1.429bn; unaudited company-defined U.S. GAAP adjusted EBITDA (non-GAAP) \$1.257bn; net leverage 3.10x; \$1bn dividend paid in quarter.	Company-reported [P6]
PPC Q2 2026	IFRS sales \$4.623bn; company-defined IFRS adjusted EBITDA (non-GAAP) \$503m; adjusted EBITDA margin 10.9%.	Company-reported [P6]

The proposal's exchange ratio was based on the two closing prices on the announcement date. The derived comparison is not a comparison to an unaffected share price or a long-term valuation. No aggregate purchase price or dilution percentage is calculated because the necessary share-count and transaction inputs are absent.

Three paths for JBS

1. **Maintain the proposed terms.** Continue at 2.086 shares per PPC share, preserving the announced structure and seeking the required PPC approvals. JBS would need to support the ratio with a defensible valuation and explain how the claimed benefits accrue to both groups of shareholders.

2. **Renegotiate the terms.** Offer a different fixed ratio or consider a mixed form of consideration, subject to financing, transaction mechanics and approval. A change could address PPC holders' valuation concerns but also increase dilution, cash needs, or balance-sheet and execution costs. The public record does not show that JBS has selected or authorized a revised offer.
3. **Withdraw or pause the proposal.** Retain PPC as a separately listed subsidiary. JBS would avoid issuing shares or funding a cash component now, while forgoing any public-company cost savings and capital-allocation benefits that might be achievable through full ownership. This option would leave JBS with control of PPC and the existing public-company structure.

The alternatives are analytical choices for this exercise, not a report of JBS management's private options. A strong recommendation should specify the evidence needed to support its chosen path, including independent valuation, achievable recurring savings, implementation costs, the cost of dilution or cash, and how the process protects unaffiliated PPC holders.

Assignment

Prepare a recommendation for JBS N.V.'s decision makers. Choose whether to maintain, renegotiate, or withdraw the proposal. Explain:

1. What strategic value could full ownership create, and which parts of JBS's stated rationale remain unproven?
2. How should JBS assess the proposed ratio when the exchange-value check is essentially at the same-day PPC close but does not establish intrinsic value?
3. How do recent results, leverage and the all-stock structure affect the opportunity cost of the proposal?
4. What process, valuation evidence and conditions should govern any continued negotiation?
5. What facts or thresholds would cause you to change your recommendation?

Do not assume the special committee's conclusion, an eventual vote, a definitive offer, or a later transaction result.

Sources and conventions

Source IDs refer to the companion JBS N.V. source register; the accepted research analysis is in literature review and evidence extraction. Principal case sources are P1-P3, P6 and P10. The cutoff is August 19, 2026, 11:59 p.m. ET. JBS's proposal 8-K was accepted by EDGAR on August 18 but has a filing date of August 19; PPC's response was filed August 19. All later events and outcomes are excluded.