

# Del Monte Pacific Limited

## Second Quarter and First Half 2010 Results

10 August 2010



# Cautionary Note on Forward-looking Statements

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general economic and business conditions, change in business strategy or development plans, weather conditions, crop yields, outgrowers and service providers' performance, production efficiencies, input costs and availability, competition, shifts in customer demands and preferences, market acceptance of new products, industry trends, and changes in government and environmental regulations. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.



# Contents

- **Executive Summary**
- **2Q 2010 Results**
- **1H 2010 Results**
- **Balance Sheet**
- **Business Updates**
- **Outlook**



# Executive Summary

- **Sales grew 8%, driven by the Philippines and Fresh exports**
- **Net loss position primarily due to higher raw material costs**
- **Measures to lower product costs and operating expenses gaining traction**
- **Second half expected to return to profitability, as indicated earlier this year**



# 2Q 2010 Results

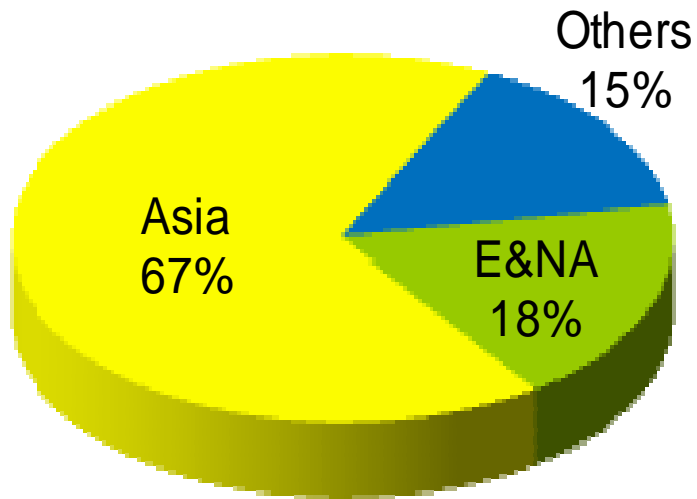


# Second Quarter 2010

In US\$m	2Q 2009	2Q 2010	Chg (%)	Comments
<b>Turnover</b>	<b>78.9</b>	<b>85.1</b>	<b>+7.9</b>	<ul style="list-style-type: none"> <li>○ Higher Philippine sales</li> <li>○ Robust growth in fresh business</li> </ul>
<b>Gross profit</b>	<b>19.5</b>	<b>16.5</b>	<b>-14.9</b>	<ul style="list-style-type: none"> <li>○ Higher product costs such as sugar which more than doubled</li> <li>○ Increase in pineapple production costs due to higher input costs and lower productivity</li> </ul>
<b>Operating profit</b>	<b>8.5</b>	<b>2.5</b>	<b>-70.5</b>	Higher organisational and R&D expenses. Slightly higher selling and A&P expenses to support new products
<b>Finance inc/(exp)</b>	<b>(1.6)</b>	<b>(1.4)</b>	<b>-14.2</b>	Lower interest expense
<b>Share of loss</b>	<b>(1.0)</b>	<b>(2.2)</b>	<b>+109.8</b>	46% stake in FieldFresh India, business-building expenses such as A&P
<b>Tax</b>	<b>(0.8)</b>	<b>(0.2)</b>	<b>-71.9</b>	Lower taxable income
<b>Net Profit</b>	<b>5.1</b>	<b>(1.3)</b>	<b>-125.3</b>	Mainly due to higher raw material costs and business-building initiatives
<b>Net Debt</b>	<b>(109.3)</b>	<b>(89.6)</b>	<b>-18.0</b>	Better working capital, lower inventory
<b>Gearing (%)</b>	<b>56.2</b>	<b>46.5</b>	<b>-9.7ppt</b>	Lower due to above factors

# 2Q Turnover Analysis

## By Market



Asia Pac	+10.6%	<ul style="list-style-type: none"> <li>Philippine sales grew 13% due to strong sales of processed fruits and culinary segment</li> </ul>
E&NA	-14.3%	<ul style="list-style-type: none"> <li>Declined primarily due to tight supply of pineapple and softening demand</li> </ul>
Others	+36.1%	<ul style="list-style-type: none"> <li>Primarily due to robust growth of fresh business and S&amp;W processed product sales</li> </ul>



# 2Q Margins

## Gross margin

- Higher costs coupled with lower efficiencies

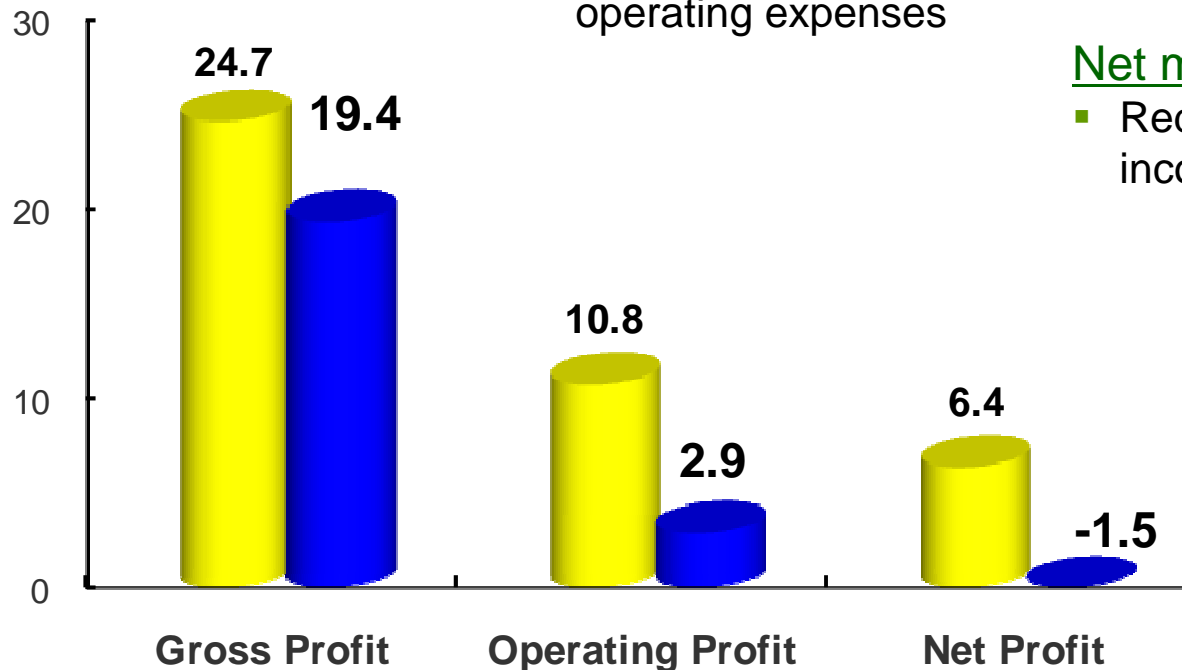
%  
Margin

## Operating margin

- Lower gross profit
- Higher G&A and other operating expenses

## Net margin

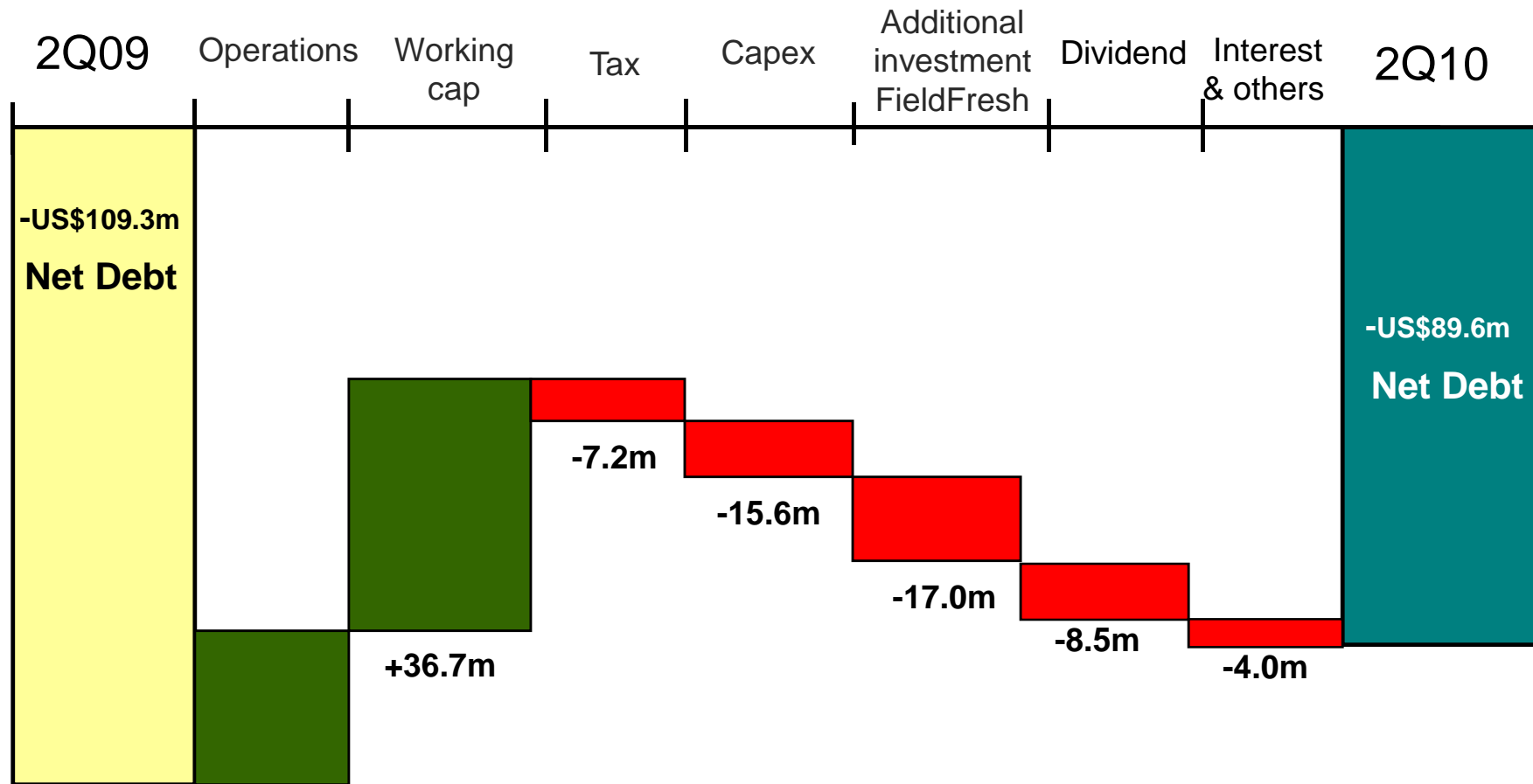
- Reduced operating income



● 2Q09 ● 2Q10



# 2Q Cash Flow Variance Analysis



# 1H 2010 Results

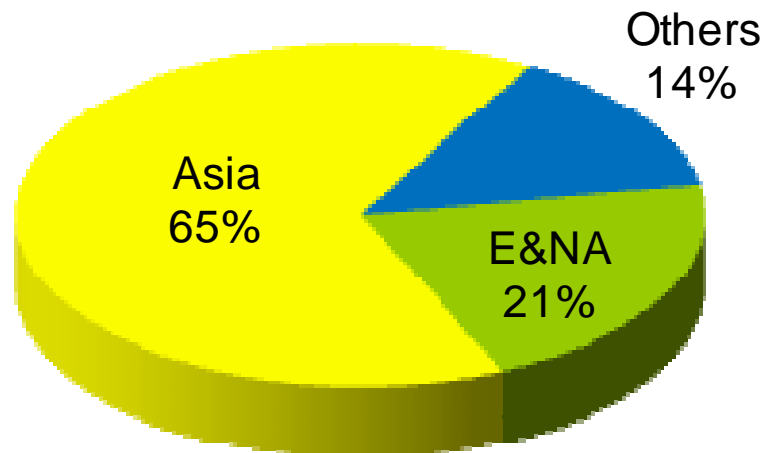


# First Half 2010

In US\$m	1H 2009	1H 2010	Chg (%)	Comments
<b>Turnover</b>	139.3	<b>151.0</b>	<b>+8.5</b>	<ul style="list-style-type: none"> <li>○ Higher Philippine sales</li> <li>○ Robust growth in fresh business</li> </ul>
<b>Gross profit</b>	35.0	<b>27.4</b>	<b>-21.7</b>	<ul style="list-style-type: none"> <li>○ Higher product costs such as sugar which more than doubled</li> <li>○ Increase in pineapple production costs due to higher input costs and lower productivity</li> </ul>
<b>Operating profit</b>	15.6	<b>3.3</b>	<b>-78.9</b>	Higher organisational and R&D expenses. Slightly higher selling and A&P expenses to support new products
<b>Finance inc/(exp)</b>	(3.3)	<b>(2.3)</b>	<b>-29.1</b>	Lower interest expense
<b>Share of loss</b>	(1.8)	<b>(3.1)</b>	<b>+72.0</b>	46% stake in FieldFresh India, business-building expenses such as A&P
<b>Tax</b>	(1.4)	<b>0.0</b>	<b>-98.6</b>	Lower taxable income
<b>Net Profit</b>	9.1	<b>(2.2)</b>	<b>-123.7</b>	Mainly due to higher raw material costs and business building initiatives
<b>Net Debt</b>	(109.3)	<b>(89.6)</b>	<b>-18.0</b>	Better working capital, lower inventory
<b>Gearing (%)</b>	56.2	<b>46.5</b>	<b>-9.7ppt</b>	Lower due to above factors

# 1H Turnover Analysis

By Market



Asia Pac	+6.8%	<ul style="list-style-type: none"> <li>Philippine sales grew 8% due to strong sales of processed fruits and culinary segment</li> </ul>
E&NA	+0.6%	<ul style="list-style-type: none"> <li>Declined primarily due to tight supply of pineapple and softening demand</li> </ul>
Others	+32.8%	<ul style="list-style-type: none"> <li>Primarily due to robust growth of fresh business and S&amp;W processed product sales</li> </ul>



# 1H Margins

Gross margin

- Higher raw material costs and lower efficiencies

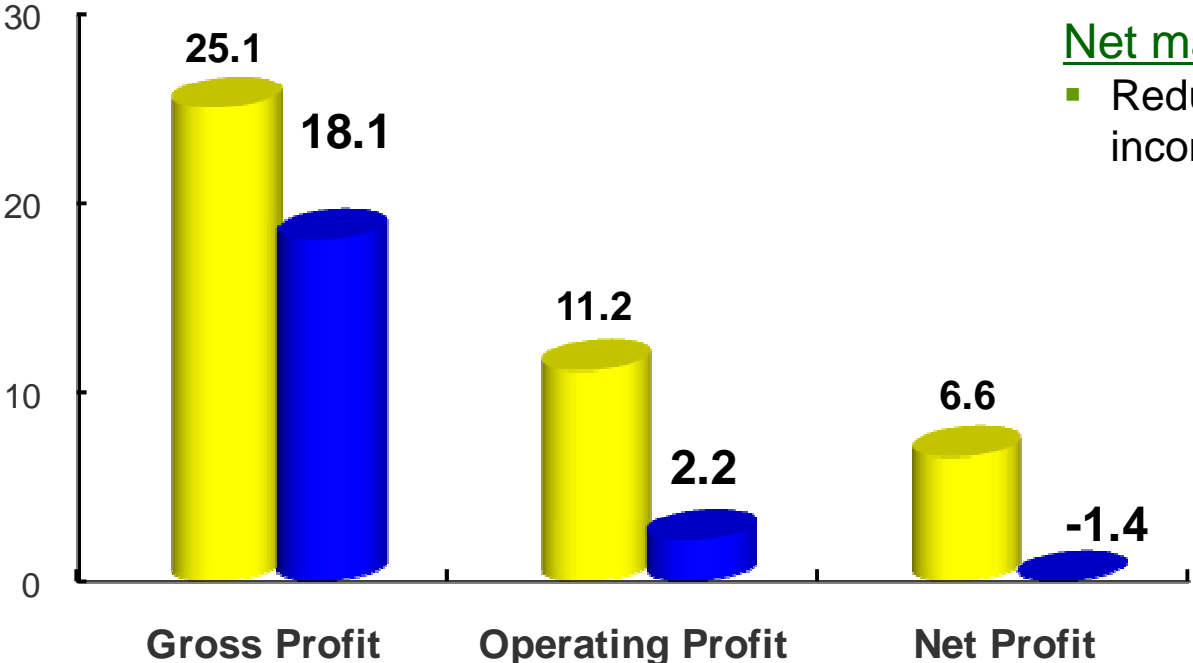
Operating margin

- Lower gross profit
- Higher G&A and other operating expenses

Net margin

- Reduced operating income

% Margin



● 1H09 ● 1H10

# Balance Sheet



# Working Capital Management

*Successfully reduced working capital by US\$46m from June 2009 level.*

No. of days	2Q 2009	2Q 2010	Chg	Comment
Inventory	157	92	-65	<ul style="list-style-type: none"> <li>Actively managed inventory levels for various inputs; stricter implementation of inventory policies</li> </ul>
Receivable	49	36	-13	<ul style="list-style-type: none"> <li>Discounting of receivables</li> </ul>
Payable	57	57	-	<ul style="list-style-type: none"> <li>Stable, Will continue to manage payment terms</li> </ul>



# Credit Standing

As of 30 June 2010

Credit utilisation: 41% of bank credit lines

Loan Mix: 50% Peso and 50% US\$ to optimise natural hedge  
74% Short term and 26% Long term

## Gearing and Coverage Ratios

Net debt equity ratio = 46%

Interest cover = 1.7x

Debt cover = 5.5x





# Business Updates



# Philippines

- 2Q sales grew by 13%, higher than the 2% growth registered in 1Q
- Higher sales in the culinary category, led by core products such as spaghetti and tomato sauces, as well as mixed fruits, pineapple products and canned juice drinks, resulting in higher market shares
- Beverage segment marginally down by 1% as higher sales in other juice products offset the decline in Del Monte Fit 'n Right juice drinks. Fit 'n Right continues to face aggressive competition and the Company is taking steps to address this with a product relaunch supported by a new, refreshed advertising campaign.
- Sales in the Philippines expected to improve further with a thorough review and investments in the supply chain processes and systems. The execution of these operational improvements is underway and this should favourably impact results for the remainder of the year.



# S&W in Asia

Sales in US\$m	2Q 2009	2Q 2010	% Change	Comments
S&W Processed	2.0	2.4	19.5%	Strong sales in Singapore, HK and Japan
S&W Fresh	0.7	2.6	261%	Higher volume and prices
<b>S&amp;W Brand</b>	<b>2.7</b>	<b>5.0</b>	<b>84%</b>	

- In Singapore, there were increased listings and better presence in major retailer chain stores
- In Hong Kong, there was more focus on the tropical fruit and corn ranges with better in-store presence supported by print advertising
- In Japan, there were higher sales of specialty fruits.
- S&W generated an operating profit in 2Q 2010 vs a loss in 2Q 2009



# FieldFresh in India

- 2Q sales tripled to US\$6.8 million while gross profit was flat
- Much better sales mix with the contribution of the Del Monte branded processed foods business now at 50% of sales
- Now at 23,000 outlets in 25 cities
- New canned juice drink variants – Green Apple and Orange – were launched.
  - ❖ The Del Monte Green Apple fruit drink is a non-traditional flavour and is India's first and only green apple flavour in the out of home segment.
  - ❖ The Del Monte Orange fruit drink has a natural sweet taste of orange, which suits the Indian palate.
  - ❖ Both variants have one of the highest fruit contents of approx. 30%.
- New production facility to be fully operational in 4Q and will support the growth and profitability of the processed foods business
- However, net loss increased largely due to business-building investments in the Del Monte brand including higher A&P spend to support new product launches such as Del Monte Zingo and Twango ketchup/chili sauce



# Outlook



# Outlook

- We expect improvement in the 2H performance, particularly in the 4Q, from better volume, pricing and sales mix and containment of costs.
- Importantly, the Company had an unprofitable supply contract the termination of which became effective at the end of the three-year notice period, 31 May 2010. The termination of this supply contract will enable the Company to pursue other opportunities.
- The programs we are implementing to improve overall productivity are beginning to gain traction. To address the issue of higher costs, the Company is working on initiatives to improve efficiency (e.g. sugar and energy).
- We are encouraged by the expanding footprint of the Del Monte brand in India through the joint venture FieldFresh, as well as the S&W brand in the region and the continued gains in our fresh business. We remain focused on developing and growing our key branded businesses in the Philippines, India and the rest of Asia.

# Thank You

