



DEL MONTE PACIFIC LIMITED

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Contacts:

Iggy Sison

Tel: +632 856 2888

isison@delmontepacific.com

Jennifer Luy

Tel: +65 6594 0980

jluy@delmontepacific.com

Del Monte Pacific Financial Results Announcement for 1Q FY2019 ended 31 July 2018

Highlights

- The Group generated 1Q sales of US\$437m, 8% lower than prior year quarter mainly due to lower sales in the USA, in line with its US subsidiary (DMFI) strategy to deprioritise non-profitable businesses
- The Group purchased US\$99m of DMFI loans at a discount, which further lowered Group debt, reduced interest expense and trimmed gearing to 2.5x equity from 3x in prior year period
- As a result of the one-off gain from the purchase of DMFI loans, the Group reported a net income of US\$3m, higher than US\$0.7m in the prior year quarter

Singapore/Manila, 12 September 2018 – Singapore Mainboard and Philippine Stock Exchange dual listed Del Monte Pacific Limited (“DMPL” or the “Group”; Bloomberg: DELM SP, DELM PM) reported today its first quarter FY2019 results ending July.

The Group generated first quarter sales of US\$437.2 million, 8% lower than prior year quarter mainly due to lower sales in the USA and lower exports of processed pineapple products.

DMFI contributed US\$308.3 million or 71% of Group sales. DMFI sales declined by 8% due to lower volume across categories, most significantly branded tomato products and private label, as well as lower pricing in foodservice for pineapple juice concentrate (PJC). The decline in sales was in line with DMFI’s strategy to deprioritise non-profitable businesses including private label.

The Group is on track with its innovation strategy. Following the success of *Del Monte Fruit Refreshers*

and *Del Monte Fruit & Chia*, *Del Monte Fruit & Oats* was launched in the USA in June. *Del Monte Fruit & Oats* combines healthy fruit and wholesome oats in a cup, is delicious and filling, as well as convenient for breakfast and snack. Feedback from the trade has been encouraging.

The Group also entered new product categories for foodservice with *Riced Cauliflower* and other vegetables with broadly positive industry reception. *Del Monte Nice Fruit Fresh Frozen Pineapple* had also been placed at some regional chains in the USA.

With the Nice Fruit revolutionary technology, frozen pineapple, when thawed, has the same physical properties as fresh cut pineapple.

DMFI's market shares in canned vegetable and fruit, and fruit cup snack categories increased during the quarter, driven by compelling innovations, strong execution against fundamentals at retail, and sustained marketing investment to support its brands.

As part of its strategy to improve operational efficiency and profitability, DMFI divested its underperforming Sager Creek vegetable business in FY2018. DMFI booked additional one-off expenses of US\$8.4 million in the first quarter of FY2019, mostly for Sager Creek.

Sales in the Philippines domestic market were flat in peso terms and down 5.3% in US dollar terms due to peso depreciation. Key accounts in foodservice and retail beverage and culinary continued to grow, offset by lower sales of packaged mixed fruits in retail due to excess trade inventory. DMPI launched *Del Monte Juice & Chews* nationally, a snack-in-a-drink combining nata and pineapple with fruit juice blends, a drink popular amongst teens. Foodservice sales in the Philippines remained strong, riding on the rapid expansion of quick service restaurants and convenience stores with partnerships and menu creation with major accounts.

Sales of the S&W business declined in the first quarter mainly due to lower sales in North Asia and Turkey. Increased competition from cheaper canned pineapple products from Thailand and Indonesia continued to impact S&W's business. Turkey, on the other hand, was impacted by currency devaluation and political instability. To diversify its business, the Group had introduced tomato and pasta sauces from the Philippines into S&W's Asian markets in FY2018. Despite lower sales, the S&W business was able to deliver higher operating profit and a 5.5 ppt increase in operating margin due to lower costs.

The Group's Nice Fruit joint venture in frozen pineapple successfully launched frozen pineapple spears in Japan last June. These are produced in Bukidnon, Philippines. Individually packaged and known as *Pineapple Stick*, it is available in about 70% of 7-Eleven outlets or about 14,000 stores in Japan. It is positioned as an on-the-go healthy snack placed in the store's chiller section, and has received good feedback.

DMPL's share in the FieldFresh joint venture in India for the first quarter was favourable at US\$0.1 million profit, a significant improvement from the US\$0.5 million loss in the prior year period, due to higher *Del Monte* product sales and better margins.

The Group reported an EBITDA of US\$18.8 million, versus prior year quarter's EBITDA of US\$32.2 million. Without the one-off expenses of US\$8.4 million cited earlier, the Group's EBITDA would have been US\$27.2 million.

The Group reported a net income of US\$3.0 million, higher than US\$0.7 million in the prior year quarter as a result of the one-off gain from the purchase of DMFI loans at a discount in the secondary market. Excluding one-off items of US\$6.8 million post-tax, the Group would have incurred a net loss of US\$3.7 million versus a profit of US\$1.2 million in the prior year period due to lower sales in USA, lower exports of processed pineapple, significantly reduced PJC prices and higher product costs that were partly offset by price increase in the Philippines and lower trade spend in the US.

Strengthening Balance Sheet

The Group continued to strengthen its balance sheet, and reduce leverage and interest expense in the first quarter. In FY2018, DMPL purchased US\$125.9 million out of the total US\$260 million second lien loans of DMFI at a discount in the secondary market. In the first quarter of FY2019, DMPL purchased an additional US\$99.1 million bringing the outstanding second lien loan balance to only US\$35 million on a DMPL consolidated basis. This loan purchase resulted in a one-off gain in the first quarter of US\$15.9 million pre-tax or US\$12.5 million post-tax. This is the highest interest-bearing loan of the Group, and will save DMPL more than US\$10 million of interest payments in FY2019.

At the end of the financial year, the Group reduced its gearing to 2.5x equity as of 31 July 2018, from 3x in prior year period, primarily due to the US\$100 million Preference Shares issued by DMPL in December 2017 to raise equity and the purchase of DMFI loans at a discount in the past two quarters.

As part of the Group's deleveraging plan, subject to market conditions, DMPL plans to sell approximately 20% of its stake in wholly-owned subsidiary Del Monte Philippines through a public offering on the Philippine Stock Exchange. The IPO was deferred in June due to volatile market conditions. The Company will announce when it relaunches this as the equity markets improve.

Prospects

The Group will continue to strengthen its core business and execute its innovation strategy. It will focus on growing its branded business and reduce non-strategic, non-branded business segments. The Group continues to review its manufacturing and distribution footprint in the US to improve operational efficiency, further reduce costs and improve margins. It is committed to increase cash flow, strengthen the balance sheet, and reduce leverage and interest expense.

Barring unforeseen circumstances, the DMPL Group is expected to be profitable in FY2019 on a recurring basis.

About Del Monte Pacific Limited (www.delmontepacific.com)

Dual listed on the Mainboards of the Singapore Exchange Securities Trading Limited and the Philippine Stock Exchange, Inc, Del Monte Pacific Limited (Bloomberg: DELM SP/ DELM PM), together with its subsidiaries (the "Group"), is a global branded food and beverage company that caters to today's consumer needs for premium quality healthy products. The Group innovates, produces, markets and distributes its products worldwide.

The Group is proud of its heritage brands - *Del Monte*, *S&W*, *Contadina* and *College Inn* – majority of which originated in the USA more than 100 years ago as premium quality packaged food products. The Group has exclusive rights to use the *Del Monte* trademarks for packaged products in the United States, South America, the Philippines, Indian subcontinent and Myanmar, while for *S&W*, it owns it globally except Australia and New Zealand. The Group owns the *Contadina* and *College Inn* trademarks in various countries.

DMPL's USA subsidiary, Del Monte Foods, Inc (DMFI) (www.delmontefoods.com) owns other trademarks such as *Fruit Naturals*, *Orchard Select*, *SunFresh* and *Fruit Refreshers*, while DMPL's Philippines subsidiary, Del Monte Philippines, Inc (www.delmontephil.com), has the trademark rights to *Del Monte*, *Today's*, *Fiesta*, *202*, *Fit 'n Right*, *Heart Smart*, *Bone Smart* and *Quick 'n Easy* in the Philippines.

The Group sells packaged fruits, vegetable and tomato, sauces, condiments, pasta, broth and juices, under various brands and also sells fresh pineapples under the *S&W* brand.

DMFI has joint ventures with Fresh Del Monte Produce Inc in chilled products – juices, packaged fruit, guacamole and avocado, and *Del Monte*-branded retail food and beverage outlets.

The Group owns approximately 95% of a holding company that owns 50% of FieldFresh Foods Private Limited in India (www.fieldfreshfoods.in). FieldFresh markets *Del Monte*-branded packaged products in the domestic market and *FieldFresh*-branded fresh produce. The Group's partner in FieldFresh India is the well-respected Bharti Enterprises, which is one of the largest conglomerates in India.

DMPL's USA subsidiary operates 10 plants in the USA and two in Mexico, while its Philippines subsidiary operates the world's largest fully-integrated pineapple operation with its 25,000-hectare pineapple plantation in the Philippines and a

factory that is about an hour's drive away. It also operates a beverage PET plant and a frozen fruit processing facility in the Philippines.

Except the joint venture companies with Fresh Del Monte Produce Inc, DMPL and its subsidiaries are not affiliated with the other Del Monte companies in the world, including Fresh Del Monte Produce Inc, Del Monte Canada, Del Monte Asia Pte Ltd and these companies' affiliates.

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Representative examples of these factors include (without limitation) general economic and business conditions, change in business strategy or development plans, weather conditions, crop yields, 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. Such factors that may affect the Group's future financial results are detailed in the Annual Report. The reader is cautioned to not unduly rely on these forward-looking statements.

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