



5 December 2017

SGX-ST/PSE/MEDIA RELEASE: (unaudited results for the second quarter ending 31 October 2017)

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Del Monte Pacific's second quarter results reflect planned plant rationalisation and brand-building investments

2Q FY2018 Highlights

- As part of the Group's strategy to improve operational excellence, it divested its underperforming Sager Creek vegetable business and rationalised plants in the USA, incurring US\$23.6m one-off expense. This resulted in a net loss of US\$2.8m for the Group. Without this expense, the Group would have generated a net income of US\$10.2m.
- As planned, the Group also made strategic investments in trade spending and marketing to strengthen its core business in the USA, as reflected in higher volume achieved and market share growth in 3 out of 4 key product categories.
- Nice Fruit frozen pineapple plant is in operation, with trial shipments to the USA, Japan and South Korea.
- Business plans are being finalised for the joint ventures with Fresh Del Monte Produce Inc.
- DMPL Preference Shares offering for the second tranche launched.

Singapore/Manila, 5 December 2017 – Singapore Mainboard and Philippine Stock Exchange dual listed Del Monte Pacific Limited ("DMPL" or the "Group"; Bloomberg: DELM SP, DMPL PM) reported today its second quarter FY2018 results ending October.

The Group achieved second quarter sales of US\$624.7 million, 1.8% lower than prior year period due to lower sales in the United States which were affected by unfavourable pricing in foodservice and USDA, and higher planned trade promotion spending. Retail market leadership continued to strengthen with market share growth in 3 out of 4 key product categories.

The Group's US subsidiary, Del Monte Foods, Inc (DMFI), contributed US\$485.6 million or 78% of Group sales. DMFI's sales declined by 1.6% while volume was marginally higher driven by the strong performance of the packaged vegetable and fruit segments ahead of the holiday season. The canned fruit and plastic fruit cup categories both grew market shares by 3% during the quarter, driven by increased marketing investments, compelling innovations, and strong execution against fundamentals at retail.

As part of the Group's strategy to improve operational excellence, DMFI divested its underperforming Sager Creek vegetable business. This involved shutting the production facility in Siloam Springs, Arkansas. DMFI also shut its Plymouth, Indiana tomato production facility to improve efficiency and streamline operations. These resulted in one-off expenses amounting to US\$23.6 million pre-tax or US\$13.1 million post-tax in the second quarter.

The Group's second largest subsidiary, Del Monte Philippines, Inc (DMPI), generated sales of US\$134.0 million, up 2% versus the same quarter last year. DMPI's sales comprise Philippines sales and exports.

Sales in the Philippines, the largest market of DMPI, were up in peso terms on better sales of packaged fruit as well as the foodservice channel. The Group continued to invest in driving inclusion of Del Monte products in consumers' weekly menu behind campaigns across brands. The Group also launched the 100% Pineapple Juice in 1-Litre Tetra Pak to complete its 1-litre juice offering in the Philippines. Foodservice sales continued to grow, 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 in the second quarter were lower due to reduced supply of fresh pineapple. However, the packaged segment continued its double-digit growth, mainly due to higher sales of packaged pineapple and juices in North Asia.

The Group reported an EBITDA of US\$28.6 million, lower than prior year quarter's US\$71.2 million, and the Group incurred a net loss of US\$2.8 million versus prior year period's net income of US\$20.0 million. Excluding one-off expenses of US\$23.6 million pre-tax and US\$13.1 million post-tax, EBITDA would have been US\$52.2 million and net income would have been US\$10.2 million. As planned, the Group made strategic investments in trade spending and marketing to strengthen its core business in the USA, which is reflected in the higher volume achieved.

“We have taken some challenging but necessary steps in the US to realign our manufacturing footprint and strengthen our competitiveness in the long-term, amidst shifts in consumer tastes and shopping preferences,” said Joselito D Campos, Jr, Managing Director and CEO of DMPL. “We have also invested in brand-building to support our heritage brands in the United States and reinvigorate the categories we are in, while forging ahead with innovative products and entering new channels,” he added.

For the first half of FY2018, the Group generated sales of US\$1.1 billion, marginally lower versus the prior year period as higher sales in Asia were offset by lower sales in the US.

Sales of the S&W business, the fastest growing business of DMPI in Asia and the Middle East, delivered a strong double-digit growth in the first half, mainly driven by robust sales of fresh pineapple, new product launches in new packaging formats in North Asia, and expansion into Turkey, a new market for packaged products.

The Group generated a net loss of US\$2.1 million for the first half of FY2018, versus the prior period’s net income of US\$12.9 million due to the said one-off expenses for DMFI’s plant closures. Excluding these one-off expenses, the Group would have generated a net income of US\$11.5 million.

The Nice Fruit frozen pineapple plant is in operation, with trial shipments to the USA, Japan and South Korea. Business plans are being finalised for the joint ventures with Fresh Del Monte Produce Inc in prepared refrigerated fruit snacks, chilled juices, guacamole and avocado products, and retail food and beverage outlets.

Barring unforeseen circumstances, the Group is expected to be profitable for FY2018 on a recurring basis.

To raise more equity and repay loans, DMPL is offering US\$80 million Series A-2 Preference Shares with an oversubscription option of up to US\$80 million at a coupon rate of 6.5% per annum. The offer period is 28 November to 8 December 2017, with the listing set for 15 December 2017 on the Philippine Stock Exchange (PSE). DMPL raised US\$200 million from the first tranche offering of preference shares which were listed on the PSE on 7 April 2017.

Disclaimer

This announcement may contain statements regarding the business of Del Monte Pacific Limited and its subsidiaries (the “Group”) that are of a forward looking nature and are therefore based on management’s assumptions about future developments. Such forward looking statements are typically identified by words such as ‘believe’, ‘estimate’, ‘intend’, ‘may’, ‘expect’, and ‘project’ and similar expressions as they relate to the Group. Forward looking statements involve certain risks and uncertainties as they relate to future events. Actual results may vary materially from those targeted, expected or projected due to various factors.

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.

Neither the Group nor its advisers and representatives shall have any liability whatsoever for any loss arising, whether directly or indirectly, from any use or distribution of this announcement or its contents.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares in Del Monte Pacific.

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/ DMPL 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.lifegetsbetter.ph), owns *Del Monte*, *Today’s*, *Fiesta*, *202*, *Fit ‘n Right*, *Heart Smart* and *Quick ‘N Easy* trademarks 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.

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, two in Mexico and one in Venezuela, while its Philippines subsidiary operates the world’s largest fully-integrated pineapple operation with its 23,000-hectare pineapple plantation in the Philippines and a factory with a port beside it.

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.

DMPL is 67%-owned by NutriAsia Pacific Ltd and Bluebell Group Holdings Limited, which are beneficially-owned by the Campos family of the Philippines. The NutriAsia Group is the market leader in the liquid condiments, specialty sauces and cooking oil market in the Philippines.

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