DEL MONTE PACIFIC LIMITED

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Del Monte Pacific Posts Higher 2Q Net Income

Highlights

- DMPL generated a 2Q net income of US$8.4m reversing the loss of US$2.8m in prior year period, and a net income of US$11.4m for 1H, a turnaround from the US$2.1m loss last year
- The Group generated 2Q sales of US$556m, 6% lower than prior year quarter mainly due to lower sales in the USA, excluding the foregone sales from the divestiture of the Sager Creek vegetable business a year ago in line with strategy
- Gearing improved to 2.8x equity from 3.4x in the prior year period by raising equity

Singapore/Manila, 13 December 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 second quarter FY2019 results ending October.

The Group generated second quarter sales of US$556.3 million, 11% lower than prior year quarter mainly due to the planned divestiture of the Sager Creek vegetable business in September 2017 and lower sales in the USA. Stripping out Sager Creek's sales, second quarter Group sales would have been lower by 6%.

DMFI contributed US$418.5 million or 75% of Group sales. DMFI sales declined by 14% mainly due to the divestiture of Sager Creek and lower retail sales including private label, in line with DMFI's strategy to deprioritise non-profitable businesses. DMFI EBITDA improved versus prior year quarter.

In synch with consumer trends for healthier options and convenience, DMFI continued to expand the new *Del Monte Fruit & Oats* snack cups, the first shelf stable oatmeal item containing real fruit. In

September, DMFI launched under its long-established brand *College Inn,* a new *Bone Broth* and *Mushroom Stock* offering. *Bone Broth* is on-trend and driven by health and wellness benefits, offering 10 grams of protein and superior taste to competition, while *Mushroom Stock* is a savoury, great tasting vegan and vegetarian alternative.

A novel and integrated master brand campaign “Growers of Good” was launched in September for Del Monte in the USA, as an advocate for doing what’s good - it grows healthier fruits and vegetables, healthier families and a healthier planet. The Group also celebrated the 100-year milestone of its Contadina brand and re-launched its range of tomato-based products with national marketing support in October.

Sales in the Philippines domestic market decreased by 3% in peso terms and by 8% in US dollar terms mainly in the general trade and mixed fruit category as the Group continues to address operational issues in that channel. Modern trade and foodservice continued to grow.

Sales of the S&W business improved by 17% in the second quarter due to strong sales of fresh pineapple in North Asia, offsetting declines in packaged pineapple. Competition from cheaper canned pineapple products from Thailand and Indonesia continued to impact S&W’s packaged business. Pasta sauces from the Philippines, sold in S&W’s Asian markets, continued to do well. S&W also started selling its *S&W Tomato Juice* to Singapore Airlines for inflight consumption. The S&W business delivered a much higher operating margin, up 9 ppts, due to better sales mix.

The Group’s Nice Fruit joint venture, utilising patented technology that allows fruits to be picked at their optimal ripeness and frozen for up to three years, while preserving its nutrients and original properties and structure, successfully launched frozen pineapple spears in 7-Eleven stores in Japan. Individually packaged and known as *Pineapple Stick*, it has received good consumer acceptance as an on-the-go healthy snack, available in the store’s chiller section. A variation, in the form of frozen pineapple chunks called *Golden Pineapple*, was also launched recently in the same chain.

The Group reported an EBITDA of US$46.3 million, versus prior year quarter’s EBITDA of US$28.6 million. Without the one-off credit of US$1.3 million from the sale of assets in the USA, the Group’s EBITDA would have been US$45.0 million versus prior year quarter’s recurring EBITDA of US$52.1 million.

The Group reported a net income of US$8.4 million, a turnaround from the US$2.8 million loss in the prior year quarter. Excluding the one-off gain of US$1.1 million post-tax, the Group would have incurred a net income of US$7.3 million versus the recurring profit of US$10.2 million in the prior year period. The change in US tax rate to 21% from 35% lowered recurring net income by US$2.3 million.

First Half

The Group generated sales of US$993.5 million, down 10% versus the same period last year mainly due to the planned divestiture of Sager Creek and lower sales in the USA. The Group reported an EBITDA of US$65.2 million, higher by 7%, and a net income of US$11.4 million, a turnaround from the US$2.1 million loss last year. Without one-off items, EBITDA would have been US$72.3 million and net income US$3.6 million, both lower than prior year period. The change in US tax rate lowered recurring net income by US$6.5 million.

Strengthening Balance Sheet

The Group's gearing improved to 2.8x equity as of 31 October 2018, from 3.4x in prior year period, primarily due to the US$100 million Preference Shares issued by DMPL in December 2017 to raise equity and reduce debt. The Group also purchased US$225 million DMFI loans from the secondary market in the fourth quarter of FY2018 and the first quarter of FY2019. This is the highest interest-bearing loan of the Group, and will save DMPL over US$10 million of interest payments in FY2019.

Prospects

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

Barring unforeseen circumstances, the DMPL Group is expected to be profitable in FY2019.

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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