DEL MONTE PACIFIC LIMITED

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Del Monte Pacific's Second Quarter FY2020 Results

Highlights

- Positive outcomes backed by strong sales growth in fresh pineapple in North Asia, increased sales in the Philippine market, and transformational initiatives at US subsidiary
- Gross profit, gross margin, recurring EBITDA and net profit recorded significant improvement
- Without one-off expenses, operating profit increased by 65% to US$47.2m while net profit more than doubled to US$15.9m
- Planned one-offs, mainly non-cash, attributed to US plant closures/sale in line with asset-light strategy, led to a net loss of US$37.4m, with expected immediate and ongoing savings of US$50-60m over the next 24 months
- Maintaining solid market share across legacy categories, while expanding into other new growth categories and channels

Singapore/Manila, 6 December 2019 – 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 FY2020 results ending October.

The Group reported a gross profit of US$134.1 million, 13% higher than the prior year quarter, and improved gross margin by 270 basis points to 24% mainly due to higher Philippines and S&W fresh pineapple sales, and reduced sales of low-margin businesses in the United States.

Without one-off expenses, the Group's EBITDA was US$69.5 million, 55% better than the prior year quarter while operating profit was US$47.2m, up by 65%. Recurring net profit more than doubled to US$15.9 million.

However, this quarter's EBITDA included US$76.8 million of one-off expenses, mostly non-cash charges, due to the four plant closures/sale in the USA (please refer to the announcement on 19 November 2019). The Group, therefore, reported an EBITDA loss of US$7.3 million and a net loss of US$37.4 million, versus prior year quarter's EBITDA of US$46.2 million and net profit of US$8.4 million.

The Asset-Light Strategy of the Group's US subsidiary, Del Monte Foods, Inc (DMFI), has been a critical step in repositioning DMFI for the future. Execution of this strategy and other cost saving initiatives should improve the Group's EBITDA margin by an estimated 225–275 basis points (US$50-60 million) over the next 24 months.

A portion of these improved cost savings will be reinvested in the growth and expansion of DMFI's iconic brands. DMFI is capitalising on growing consumer desire for convenient, healthy and tasty plant-based foods. It is expanding its brands beyond centre store grocery into higher growth categories such as frozen, produce and deli, and expanding its presence within the foodservice, convenience store and club store channels.

The Group generated second quarter sales of US$558.7 million, which were marginally higher due to improved sales in the Philippines and S&W business in Asia partly offset by lower sales in the USA.

DMFI contributed US$396.2 million or 71% of Group sales. Sales declined by 5% mainly due to the divested low-margin Sager Creek business and reduced sales of low-margin non-branded businesses which DMFI is making a concerted effort to reduce and eliminate. As such, gross margin increased by 340 basis points to 21.2% versus the prior year quarter's 17.8%.

Del Monte continued to diversify beyond the canned goods aisle and introduced innovative plant-based products catering to demand for health and wellness, snacking and convenience. Following the introductions in the previous quarter of *Del Monte Fruit Crunch Parfaits, Del Monte Veggieful Bites, Contadina Pizzettas* and *Del Monte Bubble Fruit*, Del Monte launched *Del Monte Veggieful Bowls* nationwide in the US in October. Ready-to-eat *Veggieful Bowls* feature one serving of vegetables with quinoa blended with whole grains and flavourful sauce. DMFI also introduced *College Inn Culinary Stock* with fine artisanal ingredients such as free-range chicken and grass-fed beef, and *College Inn Simple Starter,* convenient for one pot meals.

In the second quarter, the Philippines domestic market reversed its FY2019 decline, delivering 5% growth in peso terms and 9% in US dollar terms. Higher volume and sales were buoyed by a stronger peso driving growth. Retail sales grew by 2% in volume and 7% in peso sales value, while non-retail foodservice declined as focus was shifted to more profitable parts of the business. In retail, sales in the General Trade segment, about 50% of Philippines sales, grew by 6% as the Group continued to make progress in improving its distributor business that had impacted results in the prior year. Sales in the Modern Trade, about 30% of Philippines sales, increased by 9%. The quarter ended with positive market share improvements across Beverages, Fruits and Culinary, driven by its continuing campaigns to drive category relevance including its new *Tomato Sauce* “Sauce Special” and affordable line extensions such as *Pineapple Tidbits* and *Ketchup* in pouch designed to expand downline sales.

Sales of the S&W branded business in Asia and the Middle East saw strong growth driven by a 25% increase in fresh pineapple sales, mainly in North Asia. The Group continues to supply sliced pineapple to McDonald’s and Burger King in China for their burgers.

First Half

The Group generated sales of US$934.6 million for the first half of FY2020, 6% lower than prior year period, but gross margin improved by 430 basis points to 24.1% for the same reason as that for the second quarter. Without one-off expenses, the Group generated an EBITDA of US$108.2 million and a net profit of US$20.1 million. However, the Group reported an EBITDA of US$29.4 million and a net loss of US$75.6 million due to one-off expenses and dividend tax amounting to US$95.7 million (US$53.4 million from the plant closures/sale in the US, mostly non-cash expenses, and US$42.3 million for dividend tax). In preparation for its capital raising initiatives, DMPL’s Philippine subsidiary, Del Monte Philippines, Inc, declared a dividend to its parent which was taxed at 15%.

Prospects

The Group will continue to strengthen its product offerings and enter new categories, in line with market trends for health and wellness, snacking and convenience. It will grow its branded business and reduce non-strategic, non-branded business segments. The Group also continues to review its manufacturing and distribution footprint in the US to further improve operational efficiency, reduce costs and increase margins.

"The plant restructuring in the US is a necessary step for us to remain competitive in a rapidly changing marketplace," said DMPL Managing Director and Chief Executive Officer Joselito D Campos, Jr. "Ongoing transformational initiatives at DMFI are already showing a positive impact on FY2020 results, and DMFI is on track to exceed recurring EBITDA targets for this financial year. We are maintaining solid market share across legacy categories, while expanding into other new growth categories and channels," he added.

The Group is currently evaluating options and is expected to refinance existing DMFI loan facilities of approximately US$1.4 billion, comprising of: US$442.5 million (Asset Based Loan facility), US$670 million (First Lien Term Loan) and US$260 million (Second Lien Term Loan), which will mature in November 2020, February 2021, and August 2021, respectively. The Group has continued to support the capital structure requirements and deleveraging efforts of DMFI, including the purchase, over the last 20 months, of approximately US$231 million of DMFI's Second Lien Term Loan.

Barring unforeseen circumstances, the DMPL Group is expected to remain profitable in FY2020 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 fruit, vegetable and tomato, sauces, condiments, pasta, broth, juices and frozen pineapple, under various brands and also sells fresh pineapple 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 six plants in the USA and two in Mexico, while its Philippines subsidiary operates the world's largest fully-integrated pineapple operation with its 26,000-hectare pineapple plantation in the Philippines and a factory that is about an hour's drive away. It also operates a beverage bottling 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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