DEL MONTE PACIFIC LIMITED

23 July 2020

SGX-ST/PSE/MEDIA RELEASE: (unaudited results for the fourth quarter ending 30 April 2020)

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Del Monte Pacific's Fourth Quarter FY2020 Results

Highlights

- Group sales expanded by 48% due to pandemic-driven higher consumption of healthy and culinary home products – USA sales up 65% and Philippines sales up 18%
- EBITDA increased by 44% to US$55.9m, but one-off plant optimisation and loan retirement-related expenses in USA contributed to net loss of US$12.4m
- Net profit would have been US$4.8m without one-off expenses
- Subsidiary Del Monte Philippines, Inc (DMPI) net profit was US$67.6m
- Private equity investment in a 12% stake in Del Monte Philippines for US$120m, resulting in a valuation of US$1bn for DMPI; a net gain of US$77m was booked in retained earnings
- Special dividend of US$0.0154 per share was declared
- Subsequent event in May 2020 - Successfully refinanced Del Monte Foods and raised US$1.3bn financing

Singapore/Manila, 23 July 2020 – Singapore Mainboard and Philippine Stock Exchange dual listed Del Monte Pacific Limited ("DMPL" or the "Group"; Bloomberg: DELM SP, DELM PM) reported today its fourth quarter FY2020 results ending April.

The Group generated fourth quarter sales of US$638.4 million, significantly higher by 48% than prior year quarter mainly driven by the surge in US and Philippines sales.

Sales in the USA were up 65%. Del Monte Foods, Inc (DMFI), the Group's US subsidiary, accounting for 78% of Group revenues, generated higher sales of US$500.4 million with consumers pantry-loading and staying at home amidst the coronavirus pandemic. Del Monte grew topline significantly given its trusted, healthy shelf-stable products. Most of DMFI's sales were through retail, offsetting lower foodservice sales which are less than 5% of total revenues.

DMFI also saw much higher sales of new products launched in the past two years. Reinvigorating the product portfolio, Del Monte Foods' Research and Development (R&D) was recognised by Food Processing Magazine in July 2020 as "R&D Team of the Year" for the large company category in the US for innovative product development, which includes Del Monte Fruit & Oats, Fruit Crunch Parfait, Veggieful Veggie Bowls and Contadina Pizzettas.

In the Philippines, the domestic market further accelerated its strong performance in the fourth quarter, growing sales by 18% in US dollar terms and 15% in Peso terms. Rapid growth was seen across all categories, most especially flagship Del Monte brands of 100% Pineapple Juice, Spaghetti Sauce and Tomato Sauce. The relevance of these iconic Del Monte brands was magnified in a pandemic environment where consumers became more concerned with health and shifted to home cooking. Digital communications highlighted product quality and taste, health and immunity (100% Pineapple Juice ACE) as well as meal preparation and planning (Del Monte Kitchenomics), sustaining growth even as the lockdown eased.

Strong performance in the Philippines was driven by retail channels which grew by 29%, resulting in Del Monte gaining market share across every product category in April versus the prior year period. On the other hand, the foodservice channel, accounting for 15% of sales pre-COVID, had shifted its focus to e-commerce and community delivery services, partially recouping declines caused by restaurant closures during the lockdown. As foodservice rebuilds with the re-opening of malls, this new focus will create the foundation for a future increasingly reliant on e-commerce.

Meanwhile, sales of the S&W branded business in Asia and the Middle East declined in the fourth quarter as higher sales of shelf-stable packaged products such as canned pineapples, beans, corn and juices were more than offset by lower sales of fresh pineapples in China. Fresh pineapples sold through the foodservice channel - restaurants, hotels and airlines - were significantly impacted as consumers stayed home. There had been some sales improvement in May and June, and the Group expects its fresh business to grow in the remainder of the year.

Del Monte Philippines, Inc (DMPI), whose core businesses are the Philippines and S&W Asia, generated much higher operating income in the fourth quarter, up 19% vs the same quarter last year. It successfully turned around the sales trajectory of its business in the Philippines in FY2020 after reorganising its general trade business with its distributors in the prior year. DMPI brought the business back on a growth path and, in addition, captured opportunities arising from the pandemic given its health and wellness platform. DMPI generated a net income of US$67.6 million in FY2020.

The Group's fourth quarter EBITDA and operating profit surged by 44% and 27% to US$55.9 million and US$30.3 million, respectively. However, the Group incurred one-off expenses totalling US$17.2 million in relation to DMFI's plant closures and loan retirement, resulting in a net loss of US$12.4 million (please refer to the accompanying MD&A for more details). Without one-off expenses, net profit would have been US$4.8 million.

Full Year

The Group generated sales of US$2.1 billion for full year FY2020, 9% higher than prior year. Gross margin improved by 100 basis points to 21.2% due to better volume, sales mix and pricing. However, the Group reported a lower EBITDA of US$142.2 million and a net loss of US$81.4 million due to one-off expenses totaling US$113.6 million (mainly US$59.9 million from the plant closures/sale in the US in the second quarter of FY2020, which were mostly non-cash expenses, and US$47.1 million dividend tax). In preparation for its capital raising initiatives, DMPI declared a dividend to its parent which was taxed at 15% in the first quarter of FY2020. Without one-off expenses, the Group generated an EBITDA of US$225.7 million and a net profit of US$32.2 million, significantly higher by 45% and 104%, respectively.

Asset-Light Strategy

DMFI closed/sold four plants in the USA in FY2020. The Asset-Light Strategy has been a critical step for DMFI to remain competitive in a rapidly changing marketplace as this leads to a more efficient and lower cost operations. This plant optimisation is expected to achieve 95% capacity utilisation for vegetable in the current pack season this year, up from 50%. Execution of this strategy and other cost saving initiatives should improve operating income by an estimated US$50 to 60 million over 24 months from November 2019.

Impact of COVID-19

The Group's results had been favourably impacted by the pandemic. As consumers stayed home, prepared more meals and consumed more snacks at home, they purchased trusted brand names and consumed healthier, shelf-stable culinary products. DMPL's retail business in the USA and Philippines posted higher sales. The Group offers more health and wellness product options to consumers and supports this with campaigns highlighting the functional health benefits of its products.

Amidst the pandemic, operations were ongoing and fully compliant with all COVID-19 precautions for employee protection. Facility safety measures were strictly enforced and flexible work arrangements were adopted across sites. Critically, fourth quarter performance was achieved through focus, dedication and personal sacrifice especially across Plantation, Production, Supply Chain and Customer/Channel Development – to execute sales despite community quarantine challenges.

DMFI Refinancing

On 15 May 2020, the Group completed the refinancing of Del Monte Foods, Inc. DMFI raised new financing of US$1.3 billion consisting of a US$500 million five-year bond issue, a new three-year Asset-Based Loan of US$450 million, and equity contribution of US$378 million from DMPL, thereby recapitalising DMFI's balance sheet. DMPL invested US$150 million in new equity and converted US$228 million of Second Lien Repurchase Loans into common equity in DMFI.

"We are tremendously gratified to see such enthusiasm for the Del Monte story among investors," said Greg Longstreet, President and CEO of DMFI. "We appreciate this recognition of the Company's recent performance, the success of our asset-light cost management initiatives, and our plans for growth and profitability going forward."

Private Equity Investment in Del Monte Philippines

On 20 May 2020, the Group completed the private equity investment of a 12% stake in DMPI for US$120 million. This gives an implied valuation of US$1 billion for DMPI, which attests to its strong franchise and prospects. This is highly commendable amidst a stressed and declining capital market with the PSE index down around 25% from the peak of 2019. This resulted in a net gain of US$77 million which under IFRS rules had to be booked in retained earnings, instead of recognising it as net income. The proceeds from the private equity investment were used for repayment of DMPL's bank loans.

"This transaction is a testament to Del Monte Philippines' solid standing and future prospects for growth as a food company," said Joselito D Campos, Jr, DMPL's Managing Director and CEO. "We believe Del Monte is well-positioned in this environment given our nutritious long shelf-life products which consumers are using to prepare more meals at home as well as build their immunity."

Dividends

In view of the successful private equity investment in DMPI and the net gain of US$77 million, the Board approved a special dividend of 1.54 US cents (US$0.0154) per share to Common Shareholders for fiscal year 2020.

Prospects

To meet sustained demand for its trusted, healthy shelf-stable products, the Group will continue to optimise its production facilities while implementing strict safety measures. The strategy is to strengthen the Group's core business, expand its product portfolio, in line with market trends for health and wellness, grow its branded business, while reducing non-strategic business segments.

Aside from the DMPL base business, DMFI is also well-positioned to improve performance in FY2021 with better sales mix and management of costs. The DMPL Group, therefore, is expected to return to profitability in FY2021, barring unforeseen circumstances. However, due to the seasonal nature of the Group's business, some quarters may incur a net loss.

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 *Orchard Select, Fruit Refreshers, Veggieful* and *Bubble Fruit* 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, stock, juices and frozen pineapple, under various brands and also sells fresh pineapple 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 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 frozen fruit processing facility and a beverage bottling plant in the Philippines.

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 71%-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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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.

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