DEL MONTE PACIFIC LTD AGM and GM Q&A
17 SEPTEMBER 2020

DMPL Group

1. Strategy and outlook, refer to page 14, "Del Monte Pacific Group's strategy is to strengthen its core business and expand its product portfolio, in line with its vision and market trends for health and wellness."

   May the board share with shareholders the plan for expanding its product portfolio?

   In the United States, we have launched products that are in new categories addressing consumer trends of health, convenience and snacking (eg parfait, fruit with oats, frozen pineapple, frozen snacks – pocket pies, pizzettas, vegetable bowls). We have been able to launch much faster by employing an OEM model. We will continue to launch new products that have relevance to the current market trends and are scalable. Our innovation pipeline is robust. We also will continue to grow the core business through distribution penetration in new channels such as club stores and e-commerce. We are also benefiting from the category momentum as consumers shift to trusted shelf-stable brands.

   New products contributed 5.1% to DMFI's retail and foodservice sales in FY2020.

   In Asia, we have launched the premium pineapple variety MD2 in Not from Concentrate juices which our customers use to make smoothies, juices and ice lollies. We have also launched a dairy beverage.

2. How is the business impacted by recent pandemic?

   Our business has been favourably impacted by the pandemic as consumers turn to trusted brands, shelf-stable and culinary products suited for home cooking. Our sales in the USA surged 62% in the fourth quarter of FY2020, while Philippines improved by 14.5%.

3. How is the e-commerce business heading to?

   The e-commerce business is growing significantly although from a small base. Currently, it is less than 5% of Group sales. It is expected to more than double in the next three years.

4. Which are the non-Del Monte brands that management are excited about, the ones showing most promise?

   S&W is our brand platform for Asia outside the Philippines and Indian subcontinent. We use it for our fresh pineapple branded "S&W Sweet 16" as consumers adopt healthy living and eat fresh fruits.

5. Do you have further plans to go for asset light in the USA and Asia eg further reduction of manufacturing sites?

   Not currently anticipated

6. Refer to page 10, 5-year summary as stated in the table the ROE for the company has been declining from 16.1 in FY2016 to negative in FY2020. In addition, the net debt to equity ratio is between 477% (FY2016) to 240.8% (FY2020).

   a. What is the plan to turn around the trend of declining ROE?

   It is a function of being able to turn around DMFI and also improving the profitability of our Asian operations. Please refer to no. 8 below.

   b. Though the net debt to equity ratio has been declining to 477% to 240.8% in FY2020, at 240% the net gearing is still too high. What is the plan to bring down the net gearing going forward?

   The Group is actively working on improving its profitability and generating higher cash flows in the years to come through higher sales and cost savings from the plant closures in the USA along with other cost saving measures. Moreover, we are benefiting from the COVID environment as consumers turn to trusted brands, shelf-stable and culinary products for home cooking. With higher cash flows, the Group will be able to lower its debt levels. In addition to lower debt from higher cash profits, as we are expecting to be profitable going forward, we expect the retained earnings and equity to continue increasing that will also help in reducing the net debt to equity ratio.

   c. Any timeline for the company's gross gearing to reduce towards below 0.5x or 50% of total shareholders' equity? What is Management's target rate?

   We aim to bring gearing down to 1.3-1.6x in the next three years which is the appropriate level of leverage for the Group.

   d. What is the amount CAPEX budgeted for the coming financial years FY2021? Out of these CAPEX allocated, may the board explain what they are used for? How is it funded?

   CAPEX to be incurred are for essential replacement, compliance for safety of employees, cost saving projects or capacity expansion. It is funded through cash generated by the business or short-term lines that we have with our banks. We expect the capital spend to be in line with FY2020.

7. What are the action plans to address the poor financial and share price performance?

   Please refer to the answer to question no. 8. We believe that once the financial performance is addressed, the share price improvement will follow.

USA/Del Monte Foods, Inc (DMFI)

8. Refer to page 235 of the Annual Report about "Operating segments". Even if one excludes impact from plant closures/divestiture, Americas segment incurred loss before taxation across all 4 product segments in the past 3 fiscal years. How can Americas segment ever break even?

   We will improve DMFI's profitability through:

- Lower interest expense through better capital structure/lower loans

  In May 2020, DMFI successfully completed its refinancing plan under very stressful market conditions, reducing its loans from US$1.4 billion to US$950 million. The US bond market had practically dried up during that time due to the uncertainty resulting from the pandemic. We acknowledge the tremendous efforts by our banks and investors in executing this refinancing under such market conditions. 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.

  DMFI's interest expense is expected to be lower by US$7 million in FY2021.

- Reduction of overheads/Improvement in gross margin and EBIT margin driven by:
  - Lower fixed costs from the closure of vegetable plants and improved capacity utilisation
  - Increase utilisation of tomato and fruit plants through co-pack opportunities
  - Lower corporate and fixed overheads in line with smaller manufacturing footprint
  - Continue optimisation of warehousing footprint
  - Lower metal packaging costs that will be in place from January 2020
  - Improved sales mix as we reduce sales of store brands/private label and increase sales of branded business

  In FY2020, DMFI embarked on a Strategic Optimisation of its operations. This included a complete review of total operations – from farm to consumer together with all action items required to optimise every aspect of its operations. The company's supply chain was completely revamped – four plants were shut down, transportation and distribution were optimised, and the remaining plants were reorganised for leaner operations. The sales organisation and footprint were similarly optimised. Corporate overheads were subjected to intense review and cost cutting. Execution of this Strategic Optimisation and other cost saving initiatives are expected to improve operating income by an estimated US$50 to 60 million over 24 months from November 2019.

- Higher sales
  DMFI is actively working on generating higher sales - growing both existing and new products, expanding distribution and channels including e-commerce, club stores, perimeter of stores and exports. We are benefiting from the COVID environment as consumers turn to trusted brands, shelf-stable and culinary products for home cooking.

9. Refer to page 13 of the Chairman statement, "...due to one-off expenses totalling US$113.6 million, mainly US$59.9 million from plant closures/sale in the US" as a result of strategic optimisation of operations in DMFI.

   a. Has the strategic optimisation of operations for DMFI been completed? Yes
   b. Will there be more one-off expenses for the group going forward? If yes, may we know what are they? No, we do not expect any major one-off expenses going forward.

10. Refer to page 266, note 41, DMFI issued US$500 million of 11.875% senior secured notes (the "Notes"). The notes will mature on 15 May 2025 and are redeemable at the option of DMFI.

The Notes include restrictive covenants limiting the Group's ability and the ability of the Group's restricted subsidiaries, to incur additional indebtedness, create liens, engage in mergers or consolidations, see or transfer assets, pay dividends or repurchase the Group's capital stock.

a. What is the yearly interest cost for the above DMFI refinancing terms? How much higher or lower in interest cost incurred compare to the previous terms of loans?

FY2021F average interest rate of 11.1% US$81m of interest expense
FY2020 average interest rate of 7.6% US$88m of interest expense

b. For the terms of the senior secured notes of coupon rate of 11.875%, does the board consider the interest rate too high?

For similar-rated bonds, our rate is better.

The uncertainty created by the COVID pandemic led to most lenders/investors and CLO's hardly investing in High Yield bonds (HYB) for several weeks starting end of February. Unfortunately, we first entered the market when the volatility was at the highest in the 1st week of March. While we got a good response during the road shows, considering the volatility we had to also stall our plans for issuance of the HYB. The softer market has led to a pullback in opportunistic activity and it was only from beginning of April that new issues were being entertained but yield expectations on a CCC-rated bond had widened significantly by then versus pre-COVID days.

We also had to ensure that we complete the refinancing prior to May/Mid-June as our loans had become current and was necessary to complete prior to completion of yearend audit. Considering that loans had gone current, our credit rating of CCC and the uncertainty that came with COVID, we considered it was best to proceed and secure the refinancing at the coupons that were prevailing in the market at that time. Our yield is actually better than CCC-rated yields of 14+% when we priced and demonstrates the COVID-related effect by showing pre-COVID levels of ~10%.

c. Is DMFI profitable with 11.875% interest rate?

DMFI expects to reduce losses significantly in FY2021. DMFI aims to be profitable in FY2022 barring unforeseen circumstances.

d. What is the plan to reduce the impact to company due to the high interest cost?

We will continue to review opportunities to refinance our indebtedness with lower cost.

DMFI is actively working on improving its profitability and generating higher cash flows in the years to come through higher sales as mentioned above, cost savings from the plant closures in the USA along with other cost saving measures. We are benefiting from the

COVID environment as consumers turn to trusted brands, shelf-stable and culinary products for home cooking.

With better financial performance, DMFI's rating has the possibility to be upgraded leading to lower interest rates. We will continue to monitor the capital markets with a view to refinancing our indebtedness with lower rates.

e. Based on the notes covenants, does it mean that the Group cannot pay dividends and do share buyback for the next 5 years?

The DMPL Group will be able to pay dividends based on the profitability of DMPL Group. The loan covenants do not affect the Group's ability to do a share buyback.

f. Are the Senior Secured notes and/or ABL credit agreement non-recourse financing like the earlier arrangement when we bought DMFI? Yes

g. What is the interest rate for ABL credit agreement? LIBOR + 250-300 bps

h. I read from www.globallegalchronicle.com that notes are guaranteed on a Senior Secured basis by certain parent entities and future U.S. subsidiaries. Please enlighten on the impact on DMPL minority investors.

The security pledged trademarks, fixed assets and working capital of DMFI. No guarantee extended by parent/DMPL.

11. Refer to page 58, Business outlook, "DMFI is 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. On page 235 under segment information the "America" segment, the loss before taxation ranges from US$ -59.8 million to FY2020 of -134.5 million.

a. For FY2021, are we expecting the DMFI to be profitable or still incurring losses? What is the expected amount of profit or loss for DMFI?

We are still expecting some loss for DMFI in FY2021 mainly due to higher inventory costs from FY2020 pack but it is well-positioned to improve performance in the coming years with better sales mix and management of costs. Improvement is expected to be in line with the commitment to the lenders and our long-range plan.

b. What accounted for the huge loss of USS$77.6 million for the Others segment in America for FY2020?

It mainly includes one-off adjustments from plant closures amounting to US$68.0 million as at 30 April 2020, mainly from disposal of fixed assets, write off of Maintenance, Repairs and Operating Supplies (MROs) and environmental liability reserves.

12. Refer to page 174 of the Annual Report about "Investment in Subsidiaries". Who is the effective owner of the balance 10.57% stake in DMFI?

Ace Profit Enterprise Ltd and Anatoli own the balance 10.57% stake in DMFI. These are investment vehicles owned by independent third-party investors. These third-party investors are not interested persons of the Company and are not associates of any director or substantial shareholder of the Company. Further, neither Ace, Anatoli, their respective directors, their respective shareholders nor their respective associates have any interest (direct or indirect) in the ordinary shares of the Company. The Directors consider the investors as strategic investors since they are expected to provide linkages between their business networks in the Asian markets and DMFI.

13. What was the valuation of Del Monte Foods Inc. when US$378 million was invested by DMPL? No valuation was done.

14. How much (%) does DMPL now own of DMFI after the equity infusion?
 93.6% from 89.4%

15.Will DMFI be listed in NYSE as before?
 We are focused on bringing DMFI to profitability first before we can consider listing it.

Philippines

16. Refer to page 50 of the Annual Report about "First Quarter 2020". In the 2nd column, in its 4th paragraph, at the last sentence, it was stated that "Higher sales were mainly driven by higher volume of fresh pineapple and higher sales in the Philippines as the Group continued to fix the distribution transition issues in General Trade." What were these "distribution transition issues in General Trade" about?

 This transition had stabilised in FY2020 and strengthened Philippine sales, with growth of 6.6% in peso terms in FY2020.

 In FY2019, the Philippine market faced some operational issues and distributor transition affecting sales that year by 4% in peso terms.

 As some of the Company's legacy distributors had not caught up in terms of modernisation required, we felt it necessary to transition out of these distributors and replace them with those that could support the level of expansion that we expected, particularly in a fast-changing, highly competitive environment. In some areas in the Philippines, we had to add distributors while in other areas, we had to replace existing distributors.

17. Refer to page 231 of the Annual Report about "Tax expense (credit) - Net". What will happen to the Philippine Economic Zone Authority (PEZA) tax incentive of 5% after FY2021?

 We expect no change in the short term as the government continues to evaluate the impact of discontinuing our sunset tax incentives and lower corporate income tax rate from the current levels of 30%.

18. Will Del Monte Philippines do an IPO? When? Is it by Listing by Introduction?

 DMPI will consider launching the IPO when market conditions are favourable.

India

19. Refer to page 165 of the Annual Report about "Investments in Joint Ventures", in particular "FieldFresh Foods Private Limited". Loss from continuing operations of FFPL increased 19.1x from US$222,000 in FY2019 to US$4.24 million in FY2020. It was stated that it was due to "lower foodservice volume as impacted by the pandemic in the fourth quarter". What has the Board planned to do about it so far? Any further upcoming capital injection soon?

    B-to-B accounts for more than 50% of sales of the Group's JV in India, Field Fresh, resulting in a more unfavourable impact than in DMPL's other markets due to the pandemic. The business is addressing the challenges through the following initiatives:

- Increase B to C sales across all sub-channels – general trade, modern trade, supermarkets and e–commerce
- Improve gross margins through price increase in culinary products, olives and canned fruits, SKU rationalisation, trade margin and schemes optimisation, lower overheads and reduction in infrastructure for foodservice, and supply chain efficiencies. Through the above measures, we aim to increase margins by 200 to 300 basis points by the end of FY2021
- We are also looking at strategic partnerships that will allow us distribution synergies
- In the first four months, we are seeing improvements and our losses have been reduced

We do not intend to have any incremental capital injection in FY2021.

20. What is the key strategy to get India to profitability? Please refer to the answer above.

Other Financials

21. Refer to page 165 of the Annual Report about "Property, Plant and Equipment – Net". Why "Write off – closed fields" increased 2x from US$29.234 million in FY2019 to US$58.290 million in FY2020?

    Write off from closed field was higher due to higher cost of growing crops from expansion fields which has higher production cost per hectare as well as higher harvested tonnage for Sweet 16 varieties (amortisation for biological assets is based on harvested tons). Additionally, we also wrote down the cost incurred (original cost) and (accumulated depreciation) for certain fields that were fully harvested. This also contributed to an increase in write off of closed fields but had no implication from a P&L perspective.

22. Refer to page 193 of the Annual Report about "Inventories". "Allowance for inventory obsolescence" for FY2020 was US$9.649 million. In view of the COVID situation e.g. many out-of-home restaurants were closed, is the "Allowance for inventory obsolescence" for FY2021 likely to increase much? If so, what has the Audit Committee planned to do about it?

    With the forecasted increase in sales for the Group in FY2021, allowance for inventory obsolescence is not estimated to increase versus last year in view of higher turnover. We expect it to be lower as we ended the year with much lower inventory than last year.

23. Refer to page 195 of the Annual Report about "Trade and Other Receivables". Allowance for trade and other receivables for FY2020 was merely US$9,000. In view of the COVID situation e.g. disruption in supply chains, and since the Group "sells its products through major distributors and buyers in various geographical regions", is the "Allowance for trade and other receivables" for FY2021 likely to increase much? If so, what has the Audit Committee planned to do about it?

    Out of the total receivables, US$120 million was for the sale of 12% stake in DMPI to a private equity firm. This has already been settled in the first quarter of FY2021. For trade receivables, the Group's Day Sales Outstanding was at 26 days, very much in line with FY2019. Considering that our businesses are not impacted too much by COVID, we don't expect to have any material exposure in collecting our accounts receivable. Moreover, we have initiated weekly reviews for trade receivables to minimise overdues.

24. Refer to page 189 of the Annual Report about "Other Noncurrent Assets". In the first paragraph, at the last sentence, it was stated that "The security deposit will be returned when tolling agreement for the additional capacity is finalised or in the event that the additional capacity does not materialize." What is the nature of this toll manufacturing agreement?

    Del Monte Philippines, Inc's toll agreement with NutriAsia, Inc which is for the manufacture of bottled ketchup.

25. Refer to page 261 of the Annual Report about "Key management personnel compensation". The total short-term employee benefits have increased by 4% from US$3.476 million in FY2019 to US$3.615 million in FY2020, despite being a loss-making year. Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase? How much is attributable to each of these remuneration factor(s)?

    Partly driven by inflation and slightly higher incentives for the management team of the profitable operations plus retention.

26. The gross margin has improved but the operating margin remains low at 2.4%. Any prospect of uplifting it? Please refer to the answer to question 8.

27. Are there plans to buy back DMPL shares? None at the moment.

28. Will management provide periodic (quarterly?) update of performance statistics, especially in the high growth US market?

    Yes, we will continue to provide quarterly results updates.