



# DEL MONTE PACIFIC

## 1Q FY2019 RESULTS

12 September 2018



NOURISHING FAMILIES. ENRICHING LIVES. EVERY DAY. ®



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- Market Updates
- Sustainability
- Improved Balance Sheet and Cash Flow
- Outlook





## NOTES TO THE 1Q FY2019 RESULTS

- First quarter is 1 May to 31 July 2018.
- DMPL's effective stake in DMFI is 89.4%, hence the non controlling interest line (NCI) in the P&L. Net income/(loss) is net of NCI.
- DMPL Group adopted the amendments to IAS 16 and IAS 41 (Agriculture: Bearer Plants in April 2017). The change in accounting standard was applied retrospectively. This involved reclassifying a portion of biological assets to plant, property and equipment leading to much higher depreciation expense. However, for EBITDA calculation, the Group retained the old calculation using the lower depreciation for comparability.



## 1Q FY2019 HIGHLIGHTS

- The Group generated 1Q sales of US\$437m, 8% lower than prior year quarter mainly due to lower sales in the USA, in line with its US subsidiary (DMFI) strategy to deprioritise non-profitable businesses
- The Group purchased US\$99m of DMFI loans at a discount, which further lowered Group debt, reduced interest expense and trimmed gearing to 2.5x equity from 3x in prior year period
- As a result of the one-off gain from the purchase of DMFI loans, the Group reported a net income of US\$3m, higher than US\$0.7m in the prior year quarter





# OUTLOOK

- Barring unforeseen circumstances, the Group is expected to be profitable in FY2019 on a recurring basis
- Major emphasis on responding to consumer trends through:
  - ✓ Strengthening the core business and innovating
    - healthier options and new products (innovate outside the can)
    - strategic investments in marketing in USA
  - ✓ Focusing on growing our branded business and reducing non-strategic, non-branded businesses segments
    - Shifting to more branded consumer beverage in place of industrial pineapple juice concentrate (PJC)
    - Introducing more value-added, less commoditised foodservice products and rationalising non-branded USDA business
- Improving financial performance through:
  - ✓ Review of manufacturing and distribution footprint in the USA to improve operational efficiency, further reduce costs and increase margins
  - ✓ Increasing cash flow, strengthening the balance sheet, and reducing leverage and interest expense





## DMPL 1Q FY2019 GROUP RESULTS SUMMARY

- Sales of US\$437.2m, -7.7%

Sales	% Change
US	-8
Philippines	-5 (in peso terms flat)
S&W	-15
FieldFresh India (equity accounted)	+11 (in rupee terms +14)

All figures below without one-off items and vs prior year quarter:

- EBITDA of US\$27.3m, down 18% from US\$33.1m due to lower sales in USA, lower exports of processed pineapple, significantly reduced PJC prices and higher product costs that were partly offset by price increase in the Philippines and lower trade spend in the US
- Operating profit of US\$10.5m, down 34% from US\$15.8m
- Net loss of US\$(3.7m), from net profit of US\$1.2m



## ONE-OFF EXPENSE/(INCOME)

In US\$ m	1Q FY18	1Q FY19	Booked under
Closure of Sager Creek Arkansas plant	-	7.4	Sales/Operating expense
Severance	0.9	1.0	G&A expense
Gain due to the purchase of DMFI's 2nd lien loan at a discount to par value	-	(15.9)	Interest Income
<b>Total one-off expense/(income) (pre-tax basis)</b>	<b>0.9</b>	<b>(7.5)</b>	
Tax impact	(0.3)	1.3	
Non-controlling interest	(0.1)	(0.7)	
<b>Total one-offs (net of tax and NCI)</b>	<b>0.5</b>	<b>(6.8)</b>	

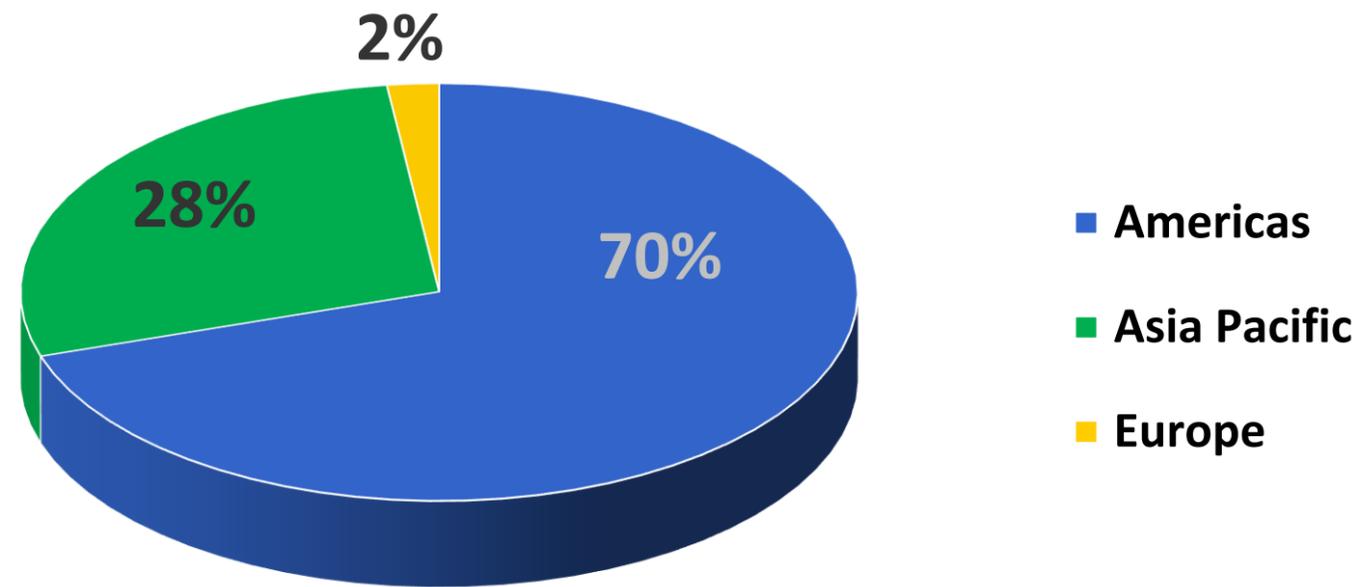


## DMPL 1Q FY2019 RESULTS – AS REPORTED

In US\$m	1Q FY2018	1Q FY2019	Chg (%)	Comments
<b>Turnover</b>	473.8	<b>437.2</b>	-7.7	Mainly due to lower sales in the USA and lower exports of processed pineapple products
<b>Gross profit</b>	97.9	<b>78.0</b>	-20.3	Lower sales, significantly reduced PJC prices and higher product costs that were partly offset by price increase in the Philippines and lower trade spend in the US
<b>EBITDA</b>	32.2	<b>18.8</b>	-41.4	Includes one-off expenses of US\$8.4m due to additional expenses from planned plant closures in USA
<b>Operating profit</b>	14.8	<b>2.0</b>	-86.4	Same as EBITDA comment
<b>Net finance expense</b>	(24.4)	<b>(5.2)</b>	-78.9	Lower level of borrowings and includes one-off gain of US\$15.9m from additional purchase of US\$99.1m of loans in USA at a discount
<b>FieldFresh equity share</b>	(0.5)	<b>0.1</b>	+228.0	Improved Del Monte sales and margins
<b>Tax benefit</b>	8.9	<b>2.9</b>	-67.9	Due to DMFI's lower net operating loss
<b>Net profit</b>	0.7	<b>3.0</b>	+308.4	Includes net one-off gain of US\$6.8m
<b>Net debt</b>	1,748.4	<b>1,497.1</b>	-14.4	Payment of loans after the issuance of Preference Shares in 2017 and purchase of DMFI's loans
<b>Gearing (%)</b>	304.2	<b>249.1</b>	-55.1ppts	Same as above



# 1Q FY2019 TURNOVER ANALYSIS



Americas	-8.8%	<ul style="list-style-type: none"> <li>Lower volume across categories, most significantly branded tomatoes and private label sales as well as unfavourable impact of lower pricing in foodservice for PJC. The decline in sales was in line with DMFI's strategy to deprioritise non-profitable businesses including private label.</li> </ul>
Asia Pacific	-7.5%	<ul style="list-style-type: none"> <li>Philippines sales were flat in peso terms but down 5% in US dollar terms due to peso depreciation</li> <li>Lower S&amp;W sales due to lower sales in North Asia and Turkey</li> </ul>
Europe	+32.6%	<ul style="list-style-type: none"> <li>Higher PJC sales</li> </ul>



# Market Updates for 1Q FY2019



# DEL MONTE FOODS STRATEGY

## Build Relevance: Continually differentiate our brands and products in order to drive consumer preference

- Reinforce our points of difference (Del Monte's quality, College Inn's rich flavourful taste)
- Elevate our taste, health and convenience credentials (non-GMO, All Natural, sea salt)
- Exploit pockets of growth



## Drive Innovation: Address evolving consumer needs, shifts in eating behaviours, and changing demographics

- Reach new consumer targets (Millennials)
- Extend into new usage occasions (in healthy snacking and dinner meals)
- Enter attractive adjacencies



## Expand Distribution: Extend our reach into growing channels and aisles of the grocery store

- Establish leadership position in growing foodservice and e-commerce
- Expand presence in store perimeter

## Improve Efficiency: Increase focus and optimise cost base to support strategy and fuel investment in growth initiatives

- Realign our manufacturing and supply chain footprint
- Drive efficiencies in our sourcing model





# USA

**29%**

**Market Share (#1)**  
Canned Vegetable

**38%**

**Market Share (#1)**  
Canned Fruit

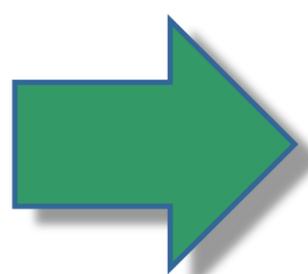
**32%**

**Market Share (#2)**  
Fruit Cup Snacks

**8%**

**Market Share (#2)**  
Canned Tomato

- Remain a brand leader across core categories
- Grew share in 3 out of 4 core categories in 1Q (Canned Vegetable +2.4 pts, Canned Fruit +1.8 pts, Fruit Cup Snacks +1.1 pts)
- Vegetable and Fruit results driven by compelling innovations, strong execution against fundamentals at retail, and sustained marketing investment to support our brands
- Continued to pursue in new channels (foodservice and e-commerce)



**To drive growth in market, Del Monte will continue to invest in building its brands, bringing differentiated and innovative products to market, and expanding distribution channels.**

Source for market shares: Nielsen Scantrack dollar share, Total US Grocery + Walmart, 3M ending 28 July 2018  
Canned market shares are for branded only, ex-private labels; Canned tomato is a combined share for Del Monte, S&W and Contadina



## DEL MONTE FOODS USA

DMFI's 1Q sales down 8.4% to US\$308.3m

- Lower volume across categories most significantly branded tomatoes, private label sales
- Lower pricing in foodservice for PJC
- The decline in sales was in line with DMFI's strategy to deprioritise non-profitable businesses including private label

### New Product Launches

- Following the success of *Del Monte Fruit Refreshers* and *Del Monte Fruit & Chia*, *Del Monte Fruit & Oats* was launched in June
  - ✓ Combining healthy fruit and wholesome oats in a cup, it is delicious and filling, as well as convenient for breakfast and snack
  - ✓ Feedback from the trade has been encouraging
- Entered new product categories for foodservice
  - ✓ *Riced Cauliflower* and other vegetables with broadly positive industry reception
  - ✓ *Del Monte Nice Fruit Fresh Frozen Pineapple* had also been placed at some regional chains in the USA. With the Nice Fruit revolutionary technology, frozen pineapple, when thawed, has the same physical properties as fresh cut pineapple



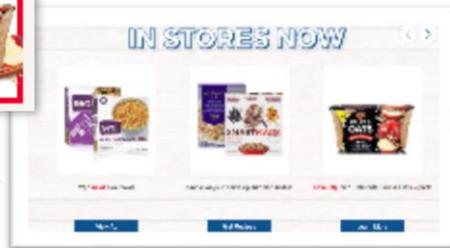


# INITIAL LAUNCH SUPPORT – FRUIT & OATS

## Online Support



**Del Monte Website**  
Landing Pages + Coupon



**Retailer Websites**



**Pinterest**



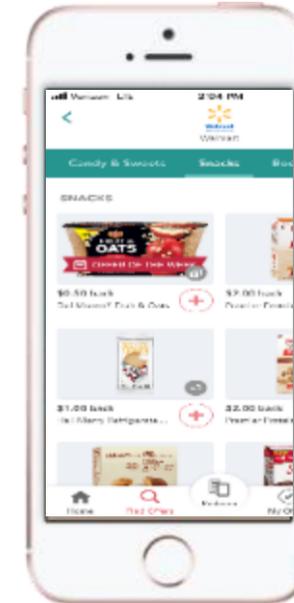
**E-Commerce**

- Featured our new product on Del Monte website with special offer to drive trial
- Reached shoppers via search and partnership programmes
- Deliver timely, relevant inspiration to consumers on Facebook, Instagram & Pinterest.

## Consumer Promotions & In-store



**Themed Back to School Programmes at Retailers**



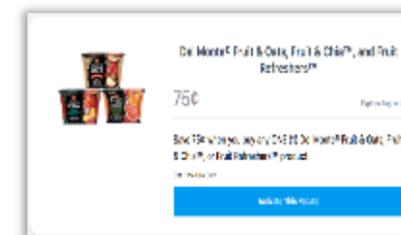
**Ibotta – Mobile App**



**Retailer Coupon Booklet**



**In-store Sampling**



**Saving Star- Digital coupons**

**Coupons: Print, Digital, Mobile**

*In Market: July 2018*

- Consumer promotions to help convert our buyers to loyal Fruit & Oat consumers
- Partnered with key customers to drive awareness and trial with coupons
- Drive trial with in-store sampling
- Shelf talkers that drive awareness of our new launch



# FOODSERVICE HIGHLIGHTS

## Innovation



- Started shipments of new line of Riced Cauliflower and other vegetables. Broadly positive industry reception
- Nice Fruit placements at regional chain in Northwestern US and at Boston Pizza chain across Northern US

## Foundational Efforts



- Introduced Distributor Partnership Programme – provides funding for local promotional activities to support the brand at the operator level
- Executed training of 600+ broker sales reps highlighting Innovation products as the future to a sustainable business model

## Industry Trade Shows



- Presented focus products at key Foodservice industry trade shows:
  - National Restaurant Association
  - National Association of College & University Food Service
  - School Nutrition Association



# PHILIPPINES

**86%**

**Market Share (#1)**  
Packaged Pineapple

**72%**

**Market Share (#1)**  
Canned Mixed Fruit

**83%**

**Market Share (#1)**  
Canned and Carton Juices

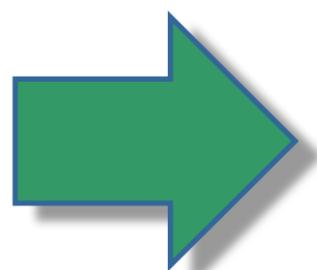
**84%**

**Market Share (#1)**  
Tomato Sauce

**44%**

**Market Share (#1)**  
Spaghetti Sauce

- Del Monte is the market leader across several categories
- Modern trade and convenience stores are growing: Del Monte is strong in modern trade, generating about 30% of sales
- Expanding foodservice sales, accounting for about 20% of Philippine sales
- E-commerce and digital are growing



**To drive growth, continue to build new categories, channels and markets to ensure future competitiveness and growth**

*Source for market shares: Nielsen Retail Index as of 3 months to June 2018; Canned mixed fruit is a combined share for Del Monte and Today's brands; Spaghetti sauce is a combined share for Del Monte, Today's and Contadina brands*

## PHILIPPINES

- 1Q sales were flat in peso terms but down 5% in US dollar terms due to peso depreciation
- Key accounts in foodservice and retail beverage and culinary continued to grow
- Offset by lower sales of packaged mixed fruits in retail due to excess trade inventory
- Launched *Del Monte Juice & Chews* nationally, a snack-in-a-drink combining nata and pineapple with fruit juice blends, a drink popular amongst teens
- Foodservice sales in the Philippines remained strong, riding on the rapid expansion of quick service restaurants and convenience stores with partnerships and menu creation with major accounts





# PHILIPPINE MARKET - CULINARY

✓ Roll-out of upgraded pack design



✓ Sustained A&P support & consumption-build through recipe education



✓ Supported value proposition of growing systems-use bundles





# PHILIPPINE MARKET – BEVERAGE

✓ TV ad Airing for Core Brands for broad based awareness and consumption building – Pineapple Juice, Fit ‘n Right and Juice Drinks



✓ Aggressive Digital Campaigns to target core users



✓ In-store visibility via Act Media, Displays and new flavour pipelining





# PHILIPPINE MARKET – NEW PRODUCTS

✓ Launch of Juice & Chews Digital Campaign and YouTube Fan Fest Partnership!



2.69M Juice & Chews Creator & Youtube Content Views

✓ New claim for Fit 'n Right Active – “Reduce 2x more fat vs. leading brand” in Digital & Events Sampling



YouTube Ads

Facebook Ads

Google Ads

Fitness Events

Manila Throwdown

✓ Pipelining of Juice & Chews, new Fit 'n Right Active flavours and Bundle packs to create trial in Supermarkets



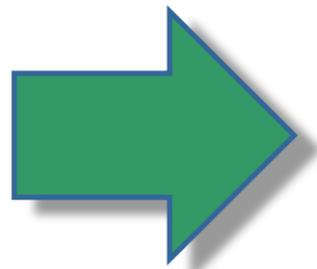
New FlavoUrs

Twin Packs



## S&W ASIA AND THE MIDDLE EAST

- Consumers moving towards less processed and more natural food: S&W expanding sales of S&W Sweet 16 fresh pineapple
- E-commerce and digital are growing with North Asia having the largest share of E-commerce pie: S&W is actively exploring this channel



To drive growth, realise S&W's full potential in fresh pineapple and other products, channels, and build S&W's brand equity in key markets





## S&W ASIA AND THE MIDDLE EAST

- Sales of the S&W business were down 15% due to lower sales in North Asia and Turkey
- Increased competition from cheaper canned pineapple products from Thailand and Indonesia continued to impact
- Turkey, on the other hand, was impacted by currency devaluation and political instability
- To diversify its business, the Group had introduced tomato and pasta sauces from the Philippines into S&W's Asian markets in FY2018
- Despite lower sales, the S&W business was able to deliver higher operating profit and a 5.5 ppt increase in operating margin due to lower costs
- The Group's Nice Fruit joint venture in frozen pineapple successfully launched frozen pineapple spears in Japan last June. These are produced in Bukidnon, Philippines. Individually packaged and known as *Pineapple Stick*, it is available in about 70% of 7-Eleven outlets or about 14,000 stores in Japan. It is positioned as an on-the-go healthy snack placed in the store's chiller section, and has received good feedback.





# S&W SINGAPORE



**Singapore— a series of tactical sampling promotions to drive sampling and sales**

*S&W Prune Juice and Pineapple Juice* sampling in support of Organic Fair that is organised by select Finest stores of NTUC Fairprice



*S&W Fruit & Chia* sampling at Warehouse Club NTUC Fairprice



# FIELDFRESH INDIA

- FieldFresh broke even in 1Q on higher Del Monte product sales and better margins
- DMPL's share of profit in 1Q was US\$0.1 million, a turnaround from the share of loss of US\$0.5 million in the prior year period
- Italian range visibility taken up across key supermarkets and supermarket chains in the month of July 2018
- 40%+ growth in Italian portfolio across supermarkets in July





# INDIA – ENDLESS PASTABILITIES DIGITAL CAMPAIGN

Creating awareness and affinity for Del Monte range of pasta by leveraging the sheer versatility and therefore the ‘endless pastabilities’ it offers

Reach consumers via

- Display ads on Google
- Carousels on Facebook and Instagram
- 4 way recipe videos on FB, Instagram & YouTube
- YouTube bumper ads



## YouTube Bumper Ads



Red Sauce or White Sauce Pasta – Taste the best of...



Spirali Pasta done right – with India's No. 1 Pasta Brand



Make the perfect Chifferi Pasta Salad



Red Sauce Pasta cooked to perfection with Del Monte

## Google Display Ads





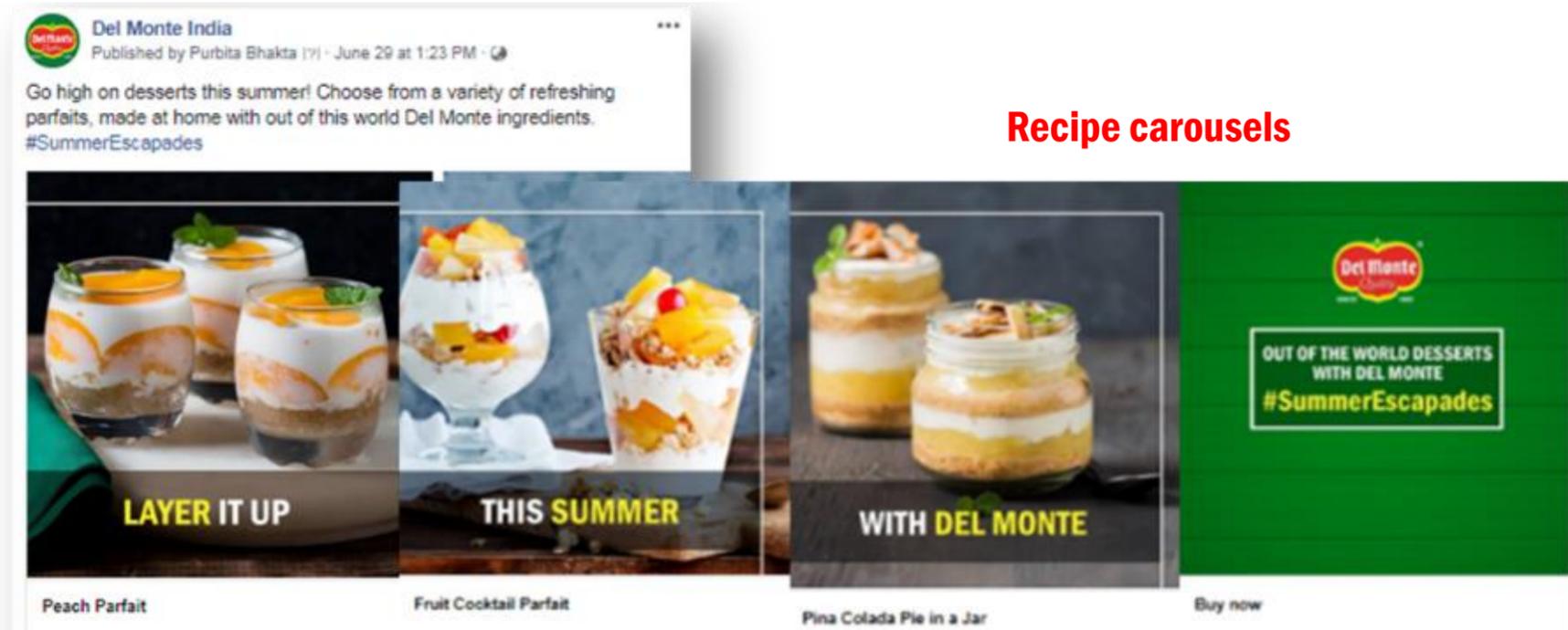
# INDIA – SUMMER ESCAPADES DIGITAL CAMPAIGN

Drive Awareness and consideration of Del Monte Packaged and Dried fruit as delicious, dessert ingredients in summers

Reach consumers via

- Recipe & sourcing story carousels on Facebook and Instagram
- 3 way recipe videos on FB, Instagram & YouTube
- Engage core community through contests

Recipe carousels



3 way recipe videos



Sourcing story 'videos'



# SUSTAINABILITY

- Del Monte Pacific further improved its ranking to #13 in the 2018 Singapore Governance and Transparency Index from #16 last year, out of 606 SGX-listed companies evaluated
- The Group is finalising its sustainability report following identification of sustainability priorities
- The DMPI Juice Plant and R&D Centre, and the Jose Y Campos Centre building shifted to a new Retail Electric Supplier for its power supply to lower its electricity costs
- The Del Monte Foundation continues to provide Scholarships, Medical and Dental Missions, Technical Skills Training, and Home Care Education





## IMPROVED BALANCE SHEET AND CASH FLOW

- Committed to improve cash flow, reduce debt and interest expense
- Raised US\$300m from two Preference Share tranches in April and December 2017 to repay loans
- DMPL purchased US\$225m out of the total US\$260m second lien loans of DMFI at a discount in the secondary market. This is the highest interest-bearing loan of the Group at 9.75% p.a., and will save DMPL >US\$10m of interest payments in FY2019
- Reduced gearing to 2.5x equity as of 31 July 2018, from 3x in the prior year quarter
- DMPL plans to sell ~20% of its stake in Del Monte Philippines, through a public offering on the Philippine Stock Exchange. The IPO was deferred in June due to volatile market conditions. We will announce when we relaunch this as the equity markets improve





# OUTLOOK

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- Major emphasis on responding to consumer trends through:
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