



DEL MONTE PACIFIC LIMITED

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Del Monte Pacific Posts Higher 3Q Net Income

Highlights

- DMPL generated a 3Q net income of US\$2.6m, reversing the loss of US\$38.4m in the prior year period, and a net income of US\$14.0m for 9M, a turnaround from the US\$40.4m loss in the prior year period
- The Group generated 3Q sales of US\$529m, lower than the prior year quarter
- Gearing improved to 2.5x equity from 2.7x in the prior year period

Singapore/Manila, 8 March 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 third quarter FY2019 results ending January.

The Group generated third quarter sales of US\$528.7 million, 12% lower than the prior year quarter mainly due to the divestiture of the Sager Creek vegetable business, lower sales in the USA and decreased exports of processed pineapple products. Stripping out Sager Creek’s sales, third quarter Group sales would have been lower by 6%.

DMFI contributed US\$386.2 million or 73% of Group sales. DMFI sales declined by 15% mainly due to reduced sales from the divested Sager Creek business and lower private label sales, in line with strategy. DMFI EBITDA improved versus the prior year quarter.

DMFI’s new product, *Del Monte Fruit & Oats* snack cups, the first ready-to-eat wholesome oatmeal with a full serving of luscious fruit, has been recognised as the 2019 *Product of the Year* in the Breakfast Category in the USA. *Product of the Year* is the world’s largest consumer-voted award for product

innovation, where winners are determined by the votes of 40,000 consumers in a national representative survey conducted by research partner Kantar, a global leader in consumer research.

"The *Product of the Year* award is especially significant and meaningful to us as consumer response directly led to the honour," said Bibie Wu, Chief Marketing Officer of Del Monte Foods. "We take enormous pride in our innovation, and this recognition further validates our continued efforts to prioritise consumer response for every new product we debut, ensuring our food complements their everyday lives."

Del Monte Fruit & Oats is the latest example of Del Monte innovating to stay in tune with the evolving needs of its consumers, creating on-the-go snacks and meals that are convenient and nutritious, without sacrificing quality or flavour.

Consumers can expect further innovation from the brand as Del Monte continues to diversify beyond the canned goods aisle. DMFI is launching four innovative products in adjacent categories – the refrigerated produce and frozen sections.

In February, DMFI launched the new *Del Monte Citrus Bowls* in the refrigerated produce section. These are grapefruit and citrus salad in 100% juice with longer shelf life than fresh cut fruit. Del Monte will also introduce another innovative product, *Del Monte Fruit Crunch Parfaits*, which feature layers of non-dairy coconut crème, crunchy granola, and a full serving of fruit. For the frozen segment, DMFI will be launching *Del Monte Veggies Bites* and *Contadina Pizzettas*, frozen snacks made with cauliflower crust, with a full serving of vegetable in five bites. These items are being accepted by retailers across the US and will begin shipping in April.

E-commerce sales in the USA grew by double-digit driven by retailers' expansion of their click & collect / in-store pick-up platforms, ramp up in Amazon sales, marketing investment across strategic accounts and DMFI's adult fruit cup innovation.

Sales in the Philippines domestic market decreased by 6% in peso terms and by 10% in US dollar terms mainly in the general trade and mixed fruit category as the Group continues to address operational issues in that channel. Key foodservice channels continued to grow.

Sales of the S&W business rose 19% in the third quarter due to healthy sales of fresh pineapple in North Asia, offsetting declines in packaged products. S&W created a WeChat account to engage with consumers in China. S&W Pineapple Juice in carton is also now available on Tmall.com of Alibaba. The S&W business delivered a much higher operating margin, up 6 ppts, due to better sales mix.

The Group reported an EBITDA of US\$39.7 million, 13% higher versus the prior year quarter's EBITDA of US\$35.1 million. Without the one-off expenses related to plant closures in the USA, the Group's recurring EBITDA would have been US\$40.6 million versus the prior year quarter's EBITDA of US\$46.4 million.

The Group reported a net income of US\$2.6 million, a turnaround from the US\$38.4 million loss in the prior year quarter. Excluding one-off items, the Group would have registered a recurring net income of US\$3.0 million versus the net income of US\$3.4 million in the prior year period. The change in tax rate in the US from 35% to 21% lowered the net income by US\$1.8 million.

Nine Months

The Group generated sales of US\$1.5 billion, down 10% versus the same period last year mainly due to the divestiture of Sager Creek and lower sales in the USA. The Group reported an EBITDA of US\$104.9 million, higher by 10%, and a net income of US\$14.0 million, a turnaround from the US\$40.4 million loss last year. Without one-off items, recurring EBITDA would have been US\$112.8 million and net income US\$6.6 million, both lower than the prior year period's US\$131.4 million and US\$14.9 million, respectively. The change in tax rate in the US lowered the net income by US\$6.6 million.

Strengthening Balance Sheet

The Group's gearing improved to 2.5x equity as of 31 January 2019, from 2.7x in the prior year period, due to a reduction in inventory in DMFI and 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 realise savings of over US\$10 million of interest payments in FY2019.

Prospects

The Group will continue to strengthen its core business by focusing on its product 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. *To subscribe to our email alerts, please send a request to jluy@delmontepacific.com.*

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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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