



DEL MONTE PACIFIC

2Q FY2019 RESULTS

13 December 2018



NOURISHING FAMILIES. ENRICHING LIVES. EVERY DAY. ®



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- Sustainability
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NOTES TO THE 2Q FY2019 RESULTS

- Second quarter is 1 August to 31 October 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.





2Q AND 1H FY2019 HIGHLIGHTS

- 2Q net income of US\$8.4m reversing the loss of US\$2.8m in prior year period, and a net income of US\$11.4m for 1H, a turnaround from the US\$2.1m loss last year
- 2Q sales of US\$556m, 6% lower than prior year quarter mainly due to lower sales in the USA, excluding the foregone sales from the divestiture of the Sager Creek vegetable business a year ago in line with strategy
- Gearing improved to 2.8x equity from 3.4x in the prior year period by raising equity





OUTLOOK

- Barring unforeseen circumstances, the Group is expected to be profitable in FY2019
- 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
 - ✓ Improving cash flow, strengthening the balance sheet, and reducing leverage and interest expense





DMPL 2Q FY2019 GROUP RESULTS SUMMARY

- Sales of US\$556.3m, -11%

Sales	% Change
US	-14
Philippines	-8 (in peso terms -3)
S&W	+17
FieldFresh India (equity accounted)	+6 (in rupee terms +10)

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

- EBITDA of US\$45.0m, down 14% from US\$52.1m 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\$28.7m, down 7% from US\$31.0m
- Net profit of US\$7.3m, down 29% from net profit of US\$10.2m. The change in US tax rate to 21% from 35% had a negative impact of US\$2.3m



DMPL 2Q FY2019 ONE-OFF EXPENSE/(INCOME)

In US\$ m	2Q FY18	2Q FY19	Booked under
Closure of Sager Creek Arkansas plant	6.5	(0.2)	Sales/CGS
Closure of Plymouth, Indiana plant	14.1	(1.7)	G&A/Misc Income
Seed operations	-	(1.1)	Misc Income
Severance	0.4	1.7	G&A Expense
Others	2.6	(0.4)	Interest Income
Total one-off expense/(income) (pre-tax basis)	23.6	(1.7)	
Tax impact	(9.0)	0.4	
Non-controlling interest	(1.5)	0.1	
Total one-offs (net of tax and NCI)	13.1	(1.1)	

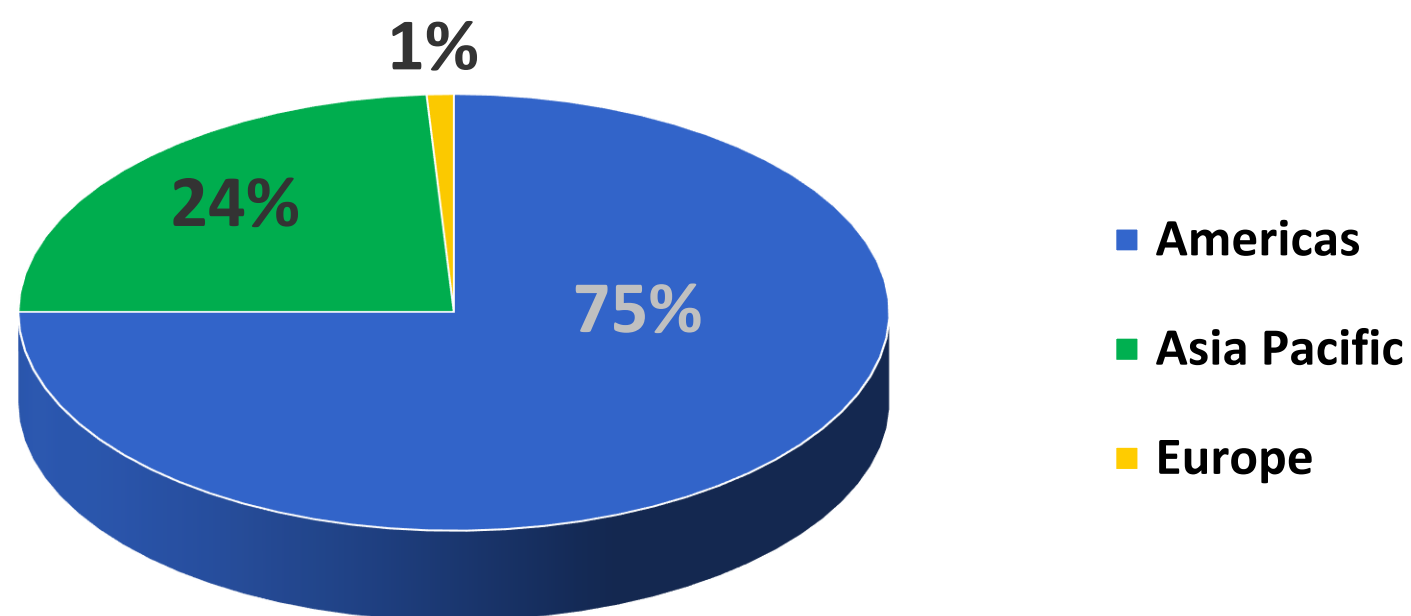


DMPL 2Q FY2019 RESULTS – AS REPORTED

In US\$m	2Q FY2018	2Q FY2019	Chg (%)	Comments
Turnover	624.7	556.3	-11.0	Mainly due to the planned divestiture of the Sager veg business and lower USA sales. Excluding Sager, sales down 6%
Gross profit	128.4	118.7	-7.5	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
EBITDA	28.6	46.3	+62.0	Same as above plus last year included one-off expenses of US\$23.6m from planned plant closures in USA
Operating profit	7.4	30.0	+305.3	Same as EBITDA comment
Net finance expense	(24.2)	(23.3)	-3.5	Lower level of borrowings
FieldFresh equity share	0.01	0.01	+19.0	Improved Del Monte sales
Tax benefit	12.0	1.1	-90.8	Due to DMFI's lower net operating loss
Net profit	(2.8)	8.4	+398.7	Same as EBITDA comment, plus reduction in USA tax rate to 21% from 35% had a negative impact of US\$2m
Net debt	1,856.5	1,685.0	-9.2	Payment of loans after the issuance of Preference Shares in 2017 and purchase of DMFI's loans in 4Q and 1Q
Gearing (%)	339.3	281.3	-58.0ppts	Same as above



DMPL 2Q FY2019 TURNOVER ANALYSIS



Americas	-13.3%	<ul style="list-style-type: none"> ▪ In line with DMFI’s strategy to deprioritise non-profitable businesses, divested the Sager vegetable business and reduced private label sales in retail channel ▪ Lower volume across categories, most significantly branded tomatoes as well as unfavourable impact of lower pricing in foodservice for PJC
Asia Pacific	-2.2%	<ul style="list-style-type: none"> ▪ Philippines sales were lower mainly in the general trade and mixed fruit category as it addresses operational issues in that channel. Modern trade and foodservice continued to grow ▪ Higher S&W sales due to strong sales of fresh pineapple, which offset lower packaged sales
Europe	-17.4%	<ul style="list-style-type: none"> ▪ Lower canned pineapple and PJC pricing



DMPL 1H FY2019 GROUP RESULTS SUMMARY

- Sales of US\$993.5m, -10%

Sales	% Change
US	-12
Philippines	-7 (in peso terms -2)
S&W	-1
FieldFresh India (equity accounted)	+7 (in rupee terms +11)

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

- EBITDA of US\$72.3m, down 15% from US\$85.2m 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\$39.1m, down 16% from US\$46.7m
- Net profit of US\$3.6m, down 69% from net profit of US\$11.5m. The change in US tax rate to 21% from 35% had a negative impact of US\$6.5m



DMPL 1H FY2019 ONE-OFF EXPENSE/(INCOME)

In US\$ m	1H FY18	1H FY19	Booked under
Closure of Sager Creek Arkansas plant	6.5	7.2	Sales/CGS
Closure of Plymouth, Indiana plant	14.1	(0.8)	G&A/Misc Income
Seed operations	-	(1.1)	Misc Income
Severance	1.3	1.8	G&A Expense
Gain due to the purchase of DMFI's 2nd lien loan at a discount to par value	-	(16.2)	Interest Income
Others	2.6	-	Operating Expense
Total one-off expense/(income) (pre-tax basis)	24.5	(9.1)	
Tax impact	(9.3)	1.8	
Non-controlling interest	(1.6)	(0.6)	
Total one-offs (net of tax and NCI)	13.6	(7.9)	

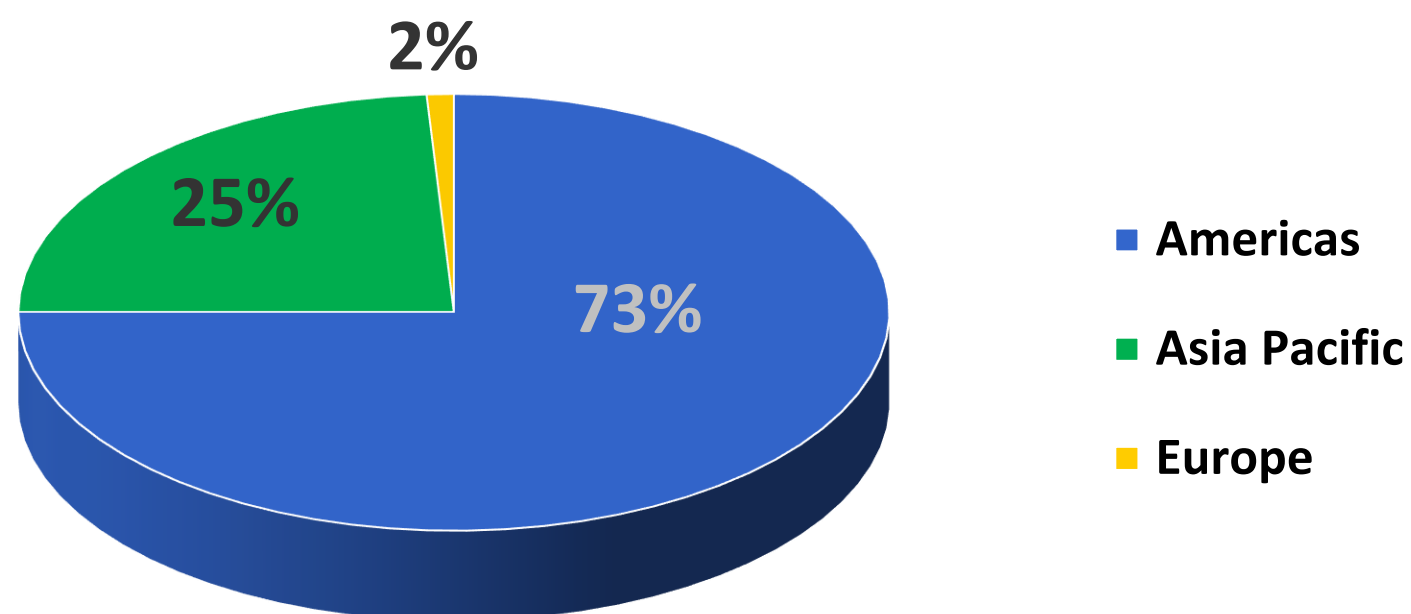


DMPL 1H FY2019 RESULTS – AS REPORTED

In US\$m	1H FY2018	1H FY2019	Chg (%)	Comments
Turnover	1,098.6	993.5	-9.6	Mainly due to lower USA sales and the divestiture of the Sager veg business. Excluding Sager, sales down 6%
Gross profit	226.3	196.7	-13.1	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
EBITDA	60.8	65.2	+7.2	Higher fresh pineapple and DMFI EBITDA
Operating profit	22.2	32.0	+43.9	Same as EBITDA comment
Net finance expense	(48.5)	(28.5)	-41.4	Lower level of borrowings
FieldFresh equity share	(0.5)	0.2	+131.0	Improved Del Monte sales
Tax benefit	20.8	3.9	-81.0	Due to DMFI's lower net operating loss
Net profit	(2.1)	11.4	+650.3	Includes US\$13m gain on buyback of DMFI loan at a discount, offset by the reduction in USA tax rate to 21% from 35% which had a negative impact of US\$5m
Net debt	1,856.5	1,685.0	-9.2	Payment of loans after the issuance of Preference Shares in 2017 and purchase of DMFI's loans
Gearing (%)	339.3	281.3	-58.0ppts	Same as above



1H FY2019 TURNOVER ANALYSIS



Americas	-11.5%	<ul style="list-style-type: none"> ▪ In line with DMFI’s strategy to deprioritise non-profitable businesses, divested Sager vegetable business and reduced private label sales in retail channel ▪ Lower volume across categories, most significantly branded tomatoes as well as unfavourable impact of lower pricing in foodservice for PJC
Asia Pacific	-4.8%	<ul style="list-style-type: none"> ▪ Philippines sales were lower mainly in the general trade and mixed fruit category as it addresses operational issues and distribution transition in that channel. Modern trade and foodservice continued to grow ▪ Higher S&W sales due to strong sales of fresh pineapple, which offset lower packaged sales
Europe	+8.3%	<ul style="list-style-type: none"> ▪ Higher PJC sales



Market Updates for 2Q 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, 100% Juice)
- 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

- A brand leader across core categories
- Grew share in 2 out of 4 core categories in 2Q (Canned Vegetable +1.5 pts, Canned Fruit +0.1 pt)
- Results driven by strong execution against fundamentals at retail, innovation, 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 27 October 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 2Q sales down 14% to US\$418.5m

- Stripping out the Sager Creek vegetable business which was divested in September 2017, DMFI sales were down 7%
- 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 Sager and private label in retail. DMFI EBITDA improved versus prior year quarter

New Product Launches

- *Vegetable & Bean Blends* with four varieties: *Mexican, Country, California* and *Classic Styles* - offering 3-4 grams of protein and is a great tasting source of fibre
- *College Inn Bone Broth* - on-trend and driven by health and wellness benefits, offering 10 grams of protein and superior taste to competition
- *College Inn Mushroom Stock* - a savoury, great tasting vegan and vegetarian alternative
- Continued to expand DMFI's new *Del Monte Fruit & Oats* snack cups, the first shelf stable oatmeal item containing real fruit





USA - INNOVATION

Vegetable & Beans



- Launched 4 item line in September 2018 – offering 3-4 grams protein and great tasting source of fibre
- Supporting launch with Digital, Social, Consumer Promotions, and Search efforts



College Inn Bone Broth & Mushroom Stock



- Launched 3 new items in September 2018
- *Bone Broth* is on-trend driven by health and wellness benefits
- *College Inn Bone Broth* offers 10 grams of protein and superior taste to competition
- *College Inn Mushroom Stock* is a savoury, great tasting vegan/vegetarian alternative
- Supporting *Bone Broth* launch with Digital, Social, Consumer Promotions, and Search efforts.



USA - RETAIL MARKETING HIGHLIGHTS

Del Monte Growers of Good Launch



TV/OLV



Digital Ad

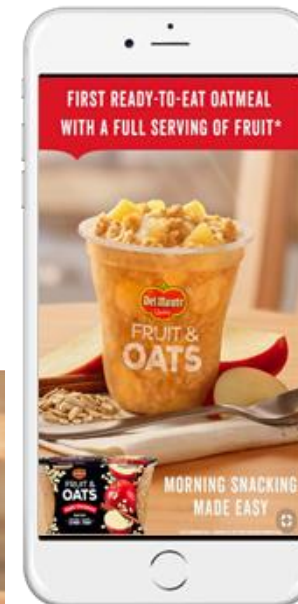
- New, Integrated Master Brand Campaign “Growers of Good” launched in September as an advocate for doing what’s good – Del Monte grows healthier F&V, healthier families and a healthier planet
- TV, Digital, Social, Shopper and PR

Fruit & Oats Launch

Digital



Social



OLV



Shopper



Print

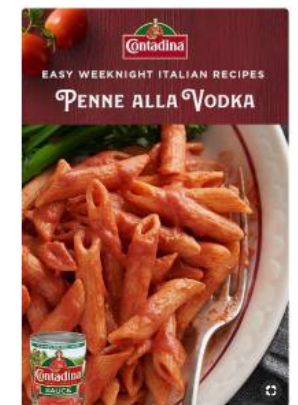
- National launch of *Fruit & Oats* with marketing support across Print, Social, FSI, Shopper & Digital

Contadina Campaign

Print



Pinterest Pin



100th Anniversary Event



Digital



- Re-launch of Contadina brand with national marketing support
- PR / media event celebrating Contadina’s 100th Anniversary



USA - INDUSTRY EVENTS

PMA



- Del Monte participated for the first time in many years at the Perimeter Merchandising Association (PMA) trade show, October 18-20 in Orlando, FL
- Showcased the *Fruit Naturals* line up, the new 20oz *Grapefruit* and *Citrus Salad* bowls and the 4 new *Fruit Crunch Parfait* items

NACS



- The National Association for Convenience Stores (NACS) took place in Las Vegas on October 8-10
- Del Monte Foods presented and sampled 6 *Adult Fruit Cup* items and previewed 4 new *Fruit Crunch Parfait* items
- Over 500 people visited and sampled our items and we successfully collected over 200 new customer leads



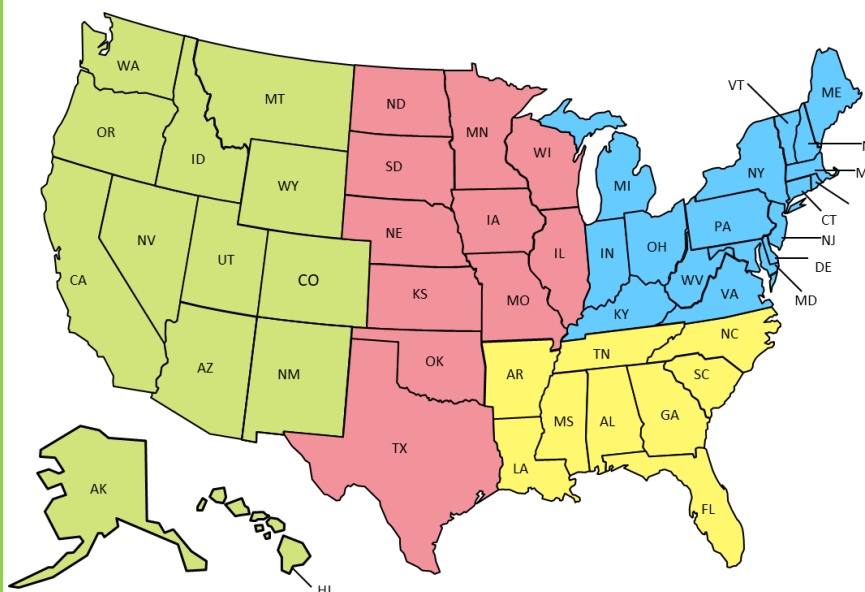
USA – FOODSERVICE HIGHLIGHTS

Innovation



- Distribution is ramping up for new *Harvest Selects Riced Veggies*. Items are now listed at all major distributors, and are in stock at several locations nationwide.
- Sunset Foods is a commissary that prepares meals for sale in Grocery delis. They are now purchasing our *Riced Veggies* for use in their meals. Selection was based on Del Monte's higher quality and consistency vs. the fresh products in the market.

Foundational Efforts



- Sales Territories have been realigned to better serve our customer base and align with our Broker's efforts. As Regional Sales Manager roles are filled, they are being positioned in key metropolitan areas, to better penetrate and saturate new business opportunities.
- New National Account Manager roles will focus on key prospective customers for our value-added products.

Industry Leadership



- Introduced new pre-booking programme to encourage alignment with key customers on pricing and volumes in advance of grower contract negotiations. This enables more effective crop and pack planning, and offers predictable supply and pricing to our customers.
- Initial reviews of this programme with key customers have been well received. Several major foodservice accounts have booked for next year's pack.



PHILIPPINES

86%

Market Share (#1)
Packaged Pineapple

71%

Market Share (#1)
Canned Mixed Fruit

81%

Market Share (#1)
Canned and Carton Juices

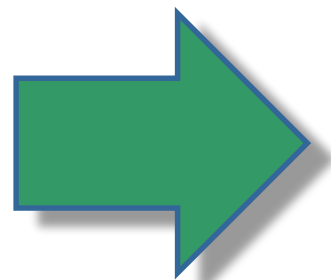
82%

Market Share (#1)
Tomato Sauce

40%

Market Share (#1)
Spaghetti Sauce

- Del Monte is the market leader across several categories
- Modern trade and foodservice are growing: Del Monte is strong in modern trade, generating about 30% of sales, while foodservice accounts 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 October 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

- 2Q sales were down 3% in peso terms but down 8% in US dollar terms due to peso depreciation
- Down mainly in the general trade and mixed fruits category as we continue to address operational issues in that channel
- Modern trade and foodservice continued to grow
- Price increases were implemented across several categories to offset the impact of sugar tax and mitigate inflation





PHILIPPINE MARKET – 100% JUICE CAMPAIGN

Del Monte launches its latest “100% Fruitection” campaign to help create excitement for the flagship beverage brand. It will continue to air in both TV and digital platforms throughout the year.





PHILIPPINE MARKET – JUICE DRINK CAMPAIGN

Del Monte Juice Drink launched its “Sari-saring sarap ng real fruit” digital campaign to highlight the brand’s extensive range of flavours made with real fruit, with the goal of generating further trial and increased consumption for the brand. Building on this strong association to “real fruit taste”, *Del Monte Juice Drink* also promoted its platter of fruit proposition to strengthen its value for money attribute.





PHILIPPINE MARKET – PINEAPPLE CAMPAIGN

Pina-level up TVC campaign for balance of the year

To further grow usage for SUPs in Luzon and VisMin, we are airing 2 new TVCs featuring everyday Pina-level up recipes.



Mondays “Adobo” TVC
National Airing
Jun-Nov ‘18, Feb-Mar ‘19

**Pitch Perfect
“Giniling” TVC**
GMA and Luzon
Airing
Oct-Nov ‘18
Feb-Apr ‘19



**Sinta
“Fish” TVC**
Visayas and
Mindanao Airing
Oct-Nov ‘18
Feb-Apr ‘19





PHILIPPINE MARKET – HEALTH TIE-UP

Del Monte Fit 'n Right Active collaboration with fitness trainers

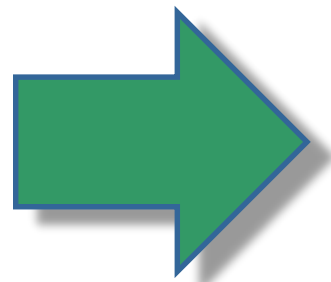
Gathering of over 170 of the countries leading Fitness Trainers from different fields. They learned basics concepts of Heart, CPR, Injury Prevention, Hydration, and Fat Loss.





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 improved by 17% in 2Q due to strong sales of fresh pineapple in North Asia
- Offset decline in packaged pineapple due to competition from cheaper canned pineapple products from Thailand and Indonesia
- Pasta sauces from the Philippines, sold in S&W's Asian markets, continued to do well.
- Started selling *S&W Tomato Juice* to Singapore Airlines for inflight consumption
- S&W business delivered a much higher operating margin, up 9 ppts, due to better sales mix
- Nice Fruit JV, utilising patented technology that allows fruits to be picked at their optimal ripeness and frozen for up to 3 years, while preserving its nutrients and original properties, successfully launched frozen pineapple spears in 7-Eleven stores in Japan. Individually packaged and known as *Pineapple Stick*, it has received good consumer acceptance as an on-the-go healthy snack, available in the store's chiller section
- A variation, in the form of frozen pineapple chunks called *Golden Pineapple*, was also launched recently in the same chain





S&W SINGAPORE



New Jollibee store at Jurong East MRT Station. S&W supplies *100% Pineapple Juice* in dispenser in all the 6 outlets of Jollibee Singapore.



Collaboration with Health Promotion Board for the “Go Lo-Cal” activations executed at select hawker centres islandwide. Sponsorship of *100% Pineapple Juice* (i.e. Healthier-Choice endorsed) for their “Spin & Win” prizes.



OTHERS



New S&W Tomato Juice in Alu can being served on Singapore Airlines flights

Launched *College Inn Chicken Broth* from USA in Park N Shop Hong Kong on October 5



FIELDFRESH INDIA

- FieldFresh sales were up 10% in 2Q due to higher Del Monte packaged sales
- Launched new variants to our Dried Fruit range
- DMPL's share of profit was US\$0.01 million, up 19% versus the prior year quarter





INDIA – NEW PRODUCT INTRODUCTIONS



This quarter saw the addition of 3 new variants to our Dried Fruit range

1. *Nutty Cruiser Trail Mix* (50g & 250g): A delicious and healthy blend of almonds, cashews, dried cranberries and black raisins. A low salt, roasted nuts snacking option that is a rich source of protein and fibre.
2. *Dried Cherries & Cherry Berry Mix* (130g): both low salt, low fat snacking options



October saw the relaunch of our Gourmet pasta sauces

1. Range revamped to include two tomato-based sauces – *Napoletana & Puttanesca* – and one vegetarian *Alfredo* sauce with real cheese (a first for the Indian market)
2. In line with our desire to move to cleaner products and labels, these sauces contain no added preservatives



INDIA – OTHERS



Pasta Sauce launch - Banners



Standeers/Window branding



2018 range of *Del Monte Fruit Drink* gift packs

Festive gifting around the festival of Diwali presents a tactical business and brand exposure opportunity for us every year

1. This year we offered consumers a range of 6 gift pack SKUs across our *Fruit Drinks* can and carton 1-litre offerings; covering a price range of INR 199 to 375
2. Our offerings were very well received in traditional trade, growing 33% year on year



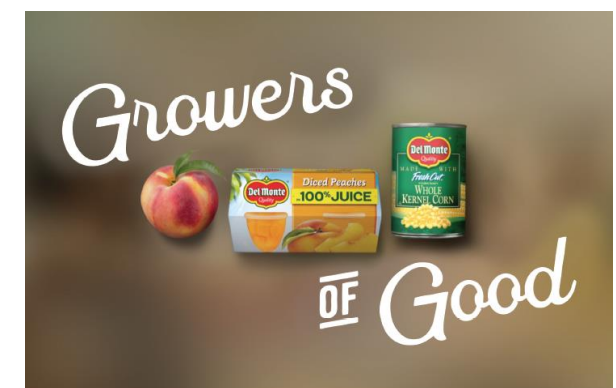
SUSTAINABILITY

- Published DMPL's first Sustainability Report for FY2018 in October based on SGX guidelines and Global Reporting Initiative reporting framework
 - ✓ Uploaded on DMPL's website
 - ✓ Created and uploaded a 2-1/2 minute video of the Sustainability Report

- DMFI launched the "Growers of Good Agriculture Transparency" on DMFI's website

- DMFI finalised its Carbon Disclosure Project report; awaiting the company's rating for 2018

- DMPI Plantation is one of four recipients, amongst all GlobalGAP-certified companies worldwide, of the "Good Agricultural Practices (G.A.P.) Award 2018" by the GlobalGAP organisation





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
- In 4Q and 1Q, 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 2.8x equity as of 31 October 2018, from 3.4x in the prior year quarter





OUTLOOK

- Barring unforeseen circumstances, the Group is expected to be profitable in FY2019
- 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
 - 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
 - ✓ Improving cash flow, strengthening the balance sheet, and reducing leverage and interest expense

