



DEL MONTE PACIFIC

1Q FY2020 RESULTS

6 September 2019



NOURISHING FAMILIES. ENRICHING LIVES. EVERY DAY. ®



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NOTES TO THE 1Q FY2020 RESULTS

- First quarter is 1 May to 31 July 2019.
- 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.
- The Group has adopted IFRS 16 from 1 May 2019. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, recognises right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Please refer to page 21 of the MD&A for a discussion of the impact of IFRS 16.





1Q FY2020 HIGHLIGHTS

- Gross margin rose 6.5 pts and recurring EBITDA improved by 42% to US\$38.7m due to pricing, higher fresh pineapple sales and better sales mix
- Recurring operating profit increased by US\$11.9m to US\$22.4m, or 114% over prior year quarter's US\$10.5m
- Net loss incurred due to one-off items but recurring net income of US\$4.1 million, a turnaround from the US\$3.7m net loss in the prior year quarter
- Fresh pineapple sales grew strongly by 28% while the Philippine market reversed last year's decline with sales growing by 4%





OUTLOOK

- Barring unforeseen circumstances, the Group is expected to be profitable in FY2020 on a recurring basis (without one-offs). Certain one-off expenses are expected from streamlining of operations
- 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
 - Shifting to more branded consumer beverage in place of industrial pineapple juice concentrate
 - Introducing more value-added, less commoditised foodservice products
- Improving financial performance through:
 - ✓ Review of manufacturing and distribution footprint in the USA to further improve operational efficiency, reduce costs and increase margins amidst expected cost headwinds including rising metal packaging prices and impact of tariffs imposed by the US
 - ✓ Improving cash flow, strengthening the balance sheet, and reducing leverage and interest expense





DMPL 1Q FY2020 GROUP RESULTS SUMMARY

- Sales of US\$375.9m, -14%

Sales	% Change
US	-22
Philippines	+4 (in peso terms +2)
S&W	+19
FieldFresh India (equity accounted)	+8 (in rupee terms +11)

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

- EBITDA of US\$38.7m, up 42% from US\$27.3m due to higher prices in the USA and Philippines, plus the favourable impact of the divestiture of low-margin Sager Creek vegetable business and reduced low-margin private label sales, thus improving sales mix
- Operating profit of US\$22.4m, up 114% from US\$10.5m
- Net profit of US\$4.1m, a turnaround from the US\$3.7m net loss



DMPL 1Q FY2020 ONE-OFF EXPENSE/(INCOME)

In US\$ m	1Q FY19	1Q FY20	Booked under
Partial disposal of Crystal City, Texas assets	-	1.7	Misc Expense
Closure of Sager Creek, Arkansas plant	7.4	-	CGS
Closure of Plymouth, Indiana plant	0.9	-	G&A/Misc Expense
Severance	0.2	0.4	G&A Expense
Gain due to the purchase of DMFI's 2nd lien loan at a discount to par value	(15.9)	0.1	Interest Income
Total one-off expense/(income) (pre-tax basis)	(7.4)	2.2	
Final tax on intercompany dividends*	-	39.6	Tax
Deferred tax on undistributed share in profits	-	1.3	Tax
Tax impact on other one-offs	1.3	(0.5)	
Non-controlling interest	(0.7)	(0.2)	
Total one-offs (net of tax and NCI)	(6.8)	42.4	

*In preparation for its capital raising initiatives, DMPL's Philippine subsidiary, Del Monte Philippines, Inc (DMPI), declared a dividend to its parent which was taxed at 15%

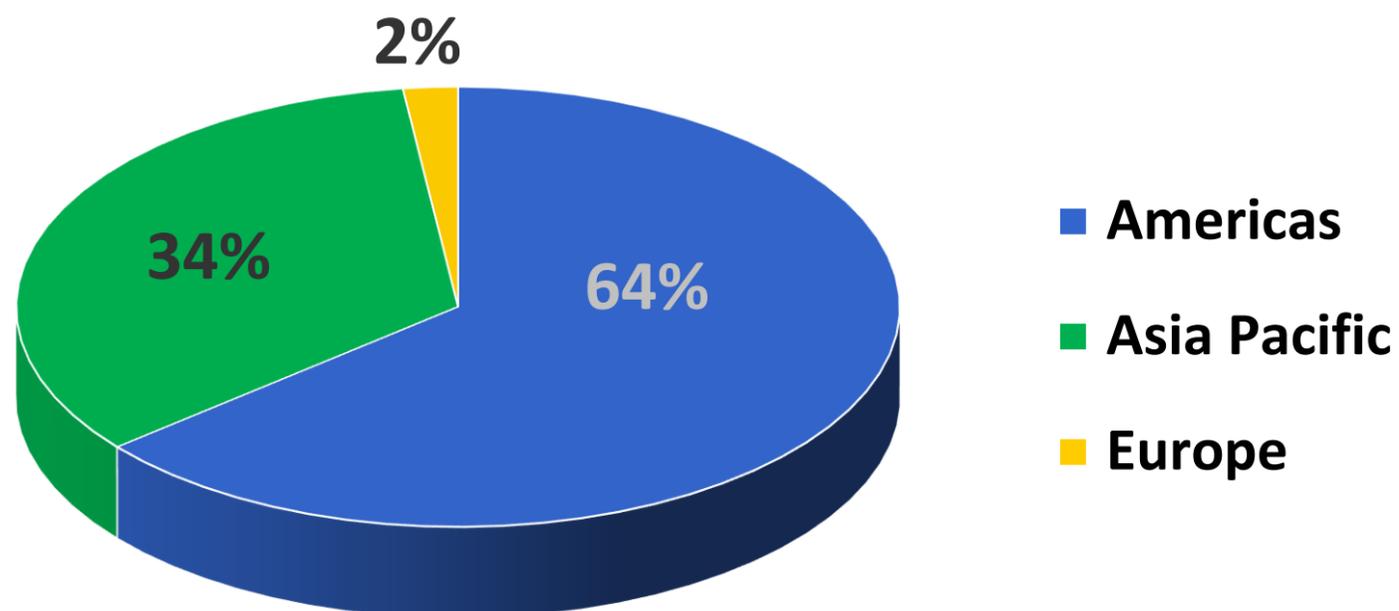


DMPL 1Q FY2020 RESULTS – AS REPORTED

In US\$m	1Q FY2019	1Q FY2020	Chg (%)	Comments
Turnover	437.2	375.9	-14.0	Mainly due to the divested Sager business and lower USA sales partly offset by higher Philippines and S&W Asia
Gross profit	78.0	91.1	+16.8	Price increase in the US and Philippines, divested Sager and reduced private label sales, both of which were low-margin thus improving sales mix
EBITDA	18.8	36.6	+94.4	Last year included an US\$8.5m one-off expenses from the closure of plants in the US
Operating profit	2.0	20.3	+901.8	Same as EBITDA comment
Net finance income/ (expense)	(5.2)	(21.3)	-313.3	Last year included a one-off gain of US\$15.9m from purchase of US\$99.1m of loans in USA at a discount
FieldFresh equity share	0.1	(0.2)	-174.0	Commodity headwinds and higher overheads
Tax benefit/(expense)	2.9	(38.7)	nm	In preparation for its capital raising initiatives, DMPL's Philippine subsidiary, DMPI, declared a dividend to its parent which was taxed at 15% amounting to US\$39.6m
Net profit/(loss)	3.0	(38.3)	nm	Same as above
Net debt	1,498.1	1,558.7	+4.0	Slightly higher due to payment of dividend tax as well as for general use purposes
Gearing (%)	249.1	276.1	+27.0ppts	Same as above



DMPL 1Q FY2020 TURNOVER ANALYSIS



Americas	-21.6%	<ul style="list-style-type: none"> ▪ In line with strategy, divested the low-margin Sager business. Stripping it out, sales would have been down 15% ▪ Lower sales of low-margin private label and USDA
Asia Pacific	+7.5%	<ul style="list-style-type: none"> ▪ Higher Philippines sales on higher General Trade sales, up by 4%, as the Group continued to make progress in improving its distributor business that had impacted results in the prior year. Modern Trade also grew by 7% ▪ Higher S&W sales due to strong sales of fresh pineapple and packaged product
Europe	-41.5%	<ul style="list-style-type: none"> ▪ Lower packaged fruit and beverage sales



Market Updates for 1Q FY2020



USA

27%

Market Share (#1)
Canned Vegetable

25%

Market Share (#1)
Canned Fruit

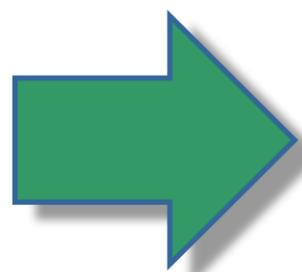
27%

Market Share (#2)
Fruit Cup Snacks

8%

Market Share (#2)
Canned Tomato

- Maintaining solid share across legacy categories, while expanding into frozen category
- Innovation continues to expand the business into new uses, spaces and occasions
- Business fundamentals remain on solid ground with strong shelving, new innovation and sustained marketing investments
- Continued to pursue 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 xAOC, 3M ending 27 July 2019

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 1Q RESULTS

DMFI's 1Q sales down 22% to US\$241.4m

- Stripping out the Sager Creek business which was divested in September 2017, DMFI sales would have been down 15%
- Reduced sales of low-margin non-branded business
- Lower branded volume as a result of price increase

DMFI gross margin improved by 7.4 pts to 20.3% from 12.9% in prior year quarter



New Products

- Del Monte continued to diversify beyond the canned goods aisle, a declining category
- New innovative products in the growing categories of refrigerated produce and frozen to cater to demand for health and wellness, snacking and convenience
 - *Del Monte Fruit Crunch Parfaits* feature layers of non-dairy coconut crème, crunchy granola with probiotics, and a full serving of fruit
 - For the frozen segment, *Del Monte Veggieful Bites* and *Contadina Pizzettas*, frozen snacks made with cauliflower crust, with a full serving of vegetable in five bites
 - In June, started shipping *Del Monte bubble fruit*, exciting fruit cups with juicy popping boba great for kids' snacks. Del Monte also started shipping new flavours of *Del Monte Fruit & Oats - Strawberry Apple* and *Blueberry Apple*, and *Del Monte Fruit & Chia Apple Raspberry Cherry*.



USA - INNOVATION

Del Monte Crunch Parfait



Shelf talk



Retailer Social Post



Demo



Digital / Mobile

Each cup includes:

- ✓ 1 full serving of fruit
- ✓ 2 billion probiotics for digestive health
- ✓ No artificial flavours or preservatives
- ✓ Non-dairy

Del Monte Bubble Fruit



FSI



Digital Display



OLV



TV Endcard

Each cup includes:

- ✓ Real fruit and Boba
- ✓ No artificial flavours or artificial sweeteners



Social – Pinterest, Snapchat

Start Ship: June 2019



USA - INNOVATION

Del Monte Veggieful Bites



Freezer door cling

Shelf talk



Regional FSIs



Demo



Each 5-bite serving contains:

- ✓ Veggies made crave-worthy
- ✓ 1 serving of vegetables
- ✓ Baked in a crust made with cauliflower
- ✓ No artificial flavours or preservatives

Contadina Pizzettas



Freezer door cling



Shelf talk



Demo



Regional FSIs



Each 5-bite serving contains:

- ✓ Rich Italian flavour
- ✓ Baked crust made with cauliflower
- ✓ 1 serving of vegetables
- ✓ No artificial flavours or preservatives



USA - FOODSERVICE

Fruit & Chia in the Air



- Spirit Airlines, a leisure airline in the US, has added *Del Monte Fruit & Chia* to their menu offerings. *Pears with Blackberry Chia* will soon be available for purchase on all flights

Sodexo Partnership



- A new partnership has been entered into with Sodexo USA, adding over 100 *Del Monte* items to the products they offer their clients
- Sodexo USA provides facilities management and food services to schools, universities, hospitals, senior living communities, venues and other vital industries

Strong Start for *Fruit Crunch Parfaits*



- Initial orders for *Fruit Crunch Parfaits* have been strong for foodservice customers, including Vistar and “broad line” distributors
- Following significant interest at recent Trade Shows, several distributors have placed repeat orders, indicating ongoing business opportunities



FY2020 ASSET-LIGHT STRATEGY

On 20 August 2019, DMPL announced DMFI's divestiture of the following production facilities as part of its asset-light strategy:

- 2 closures: Sleepy Eye, Minnesota, and Mendota, Illinois
Production will cease at the end of the current pack season
- 1 closure/partial asset sale: Crystal City, Texas, manufacturing assets
- 1 sale: Cambria, Wisconsin, to be sold as an operating facility after completion of pack
- Production at these locations will be primarily transitioned to other Del Monte facilities in USA
- Financial impact is expected to be reported in 2Q results





PHILIPPINES

86%

Market Share (#1)
Packaged Pineapple

73%

Market Share (#1)
Canned Mixed Fruit

84%

Market Share (#1)
Canned and Carton Juices

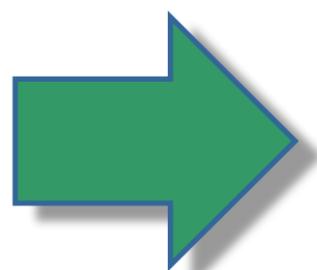
82%

Market Share (#1)
Tomato Sauce

41%

Market Share (#1)
Spaghetti Sauce

- Del Monte is the market leader across several categories
- General Trade and Modern trade are growing: General Trade accounts for about 50% of Philippine sales while Modern trade accounts for about 30%
- 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 2019; 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

- Reversing a decline in FY2019, 1Q sales in the Philippines grew by 2% in peso terms and 4% in US dollar terms
- Retail sales grew by 4% in volume and 9% in peso sales value. Non-retail foodservice declined due to a change in a customer's procurement policy
- Price increase and lower direct promotion spend saw a positive contribution of 4.8% to net sales growth, driven by a series of price adjustments across all categories mostly in 2019
- Sales in the General Trade (~50% of Philippines sales) grew by 4% year on year, and by 20% quarter on quarter, as the Group continued to make progress in improving its distributor business that had impacted results in the prior year
- Sales in the Modern Trade (~30% of Philippines sales) increased by 7%



Re-air of the 100% Fruitection TVC campaign highlighting carton value



Seasonal flavour *Mango Peach* in 1-litre carton



PHILIPPINES - FRUITS

Sustain growth momentum in Visayas and Mindanao region in FY2020



Aired starting
June 2019

TV in Visayas and Mindanao

Aired starting
July 2019

TV Nationwide

Translation: Meals made happier



PHILIPPINE MARKET – CULINARY

- ✓ Launch of the new 30-minute Gourmet Made Easy campaign featuring 3 dishes from *Contadina*



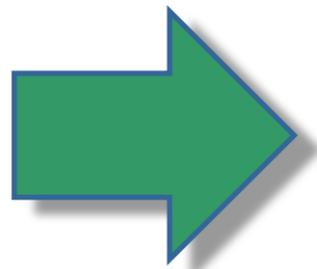
- ✓ Launch of *Quick n' Easy's* new Mommadiskarte Campaign via TVC and relaunch of its Facebook page with almost 500k fans





S&W ASIA

- 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 developing this channel



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





S&W ASIA

- Sales of the S&W branded business in Asia and the Middle East grew strongly by 19% in 1Q
- Mainly driven by higher sales of fresh pineapple in North Asia
- Fresh sales, both branded and non-branded, improved by 28%
- S&W packaged product also delivered higher volume and sales
- The S&W business generated a much higher operating income, up 22% due to higher volume
- Recently launched Frozen *Pineapple Stick* in Family Mart and other convenience stores in China through Xianfeng and Eachtake



Frozen S&W Pineapple Stick sold in China

Continuous brand promotion in NTUC Fairprice Singapore, with S&W Fruit & Chia as the focal range





FIELDFRESH INDIA

- FieldFresh sales were up 11% in Rupee terms in 1Q due to higher *Del Monte* packaged product sales and *FieldFresh*-branded fresh sales
- DMPL's share of loss in 1Q was US\$0.2m, versus prior year quarter's share of profit of US\$0.1m, due to commodity headwinds and higher overheads



Kashmir Ramadan promotion

- Kashmir is a key territory for our *Fruit Drinks* business, contributing more than 50% to traditional trade
- In order to give sales a push during the holy period of Ramadan, we held an exclusive contest in Kashmir
- Buy 1 *Del Monte Fruit Drinks* Tray (pack of 24) and win exciting prizes
- Recorded 108% revenue growth in May-June 2019 over same period last year in Kashmir



NATIONAL SCIENTIST



- In August 2019, DMPL's Independent Director Dr Emil Q Javier has been declared a National Scientist by the President of the Philippines
- The Order of the National Scientist is the highest honour given by the President of the Philippines to a Filipino man or woman of science who has made significant contributions in one of the different fields of science and technology
- Since 1978, the President of the Philippines has conferred the rank and title of National Scientist on only 35 Filipinos, 14 of whom are still living
- Dr Javier is an agronomist with a broad understanding of developing country agriculture
- He was the first and only developing country scientist to chair the Technical Advisory Committee of the prestigious Consultative Group for International Agricultural Research (CGIAR), a global consortium led by the World Bank and the Food and Agriculture Organization of the United Nations



SUSTAINABILITY

- Published DMPL's FY2019 Sustainability Report* which includes:
 - ✓ DMPL's contribution to the 17 UN Sustainable Development Goals (SDGs)
 - ✓ New section on Stakeholder Inclusiveness
- Del Monte Foundation participated in the Zero Extreme Poverty 2030 Movement which aims to uplift Filipino families from poverty
- Del Monte Foods was recognised with a Role Model Award by Produce for Better Health Foundation for the 8th time as part of the Foundation's Fruits & Veggies-More Matters® Programme
- DMPL employees underwent training in Basic Occupational Safety and Health of the Department of Labour and Employment



*<https://www.delmontepacific.com/sustainability/sustainability-report>



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