



# Del Monte Pacific 1Q FY2017 Results

9 September 2016



NOURISHING FAMILIES.  
ENRICHING LIVES.  
EVERY DAY.





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- Market Updates
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# Notes to the 1Q FY2017 Results

1. First quarter is 1 May to 31 July.
2. DMPL's stake in DMFI is 89.4%, hence the non controlling interest line (NCI) in the P&L.
3. Net income is net of NCI.
4. DMPL changed measurement of the cost of inventory from weighted average to FIFO method in April 2016 and this new accounting policy was applied retrospectively.





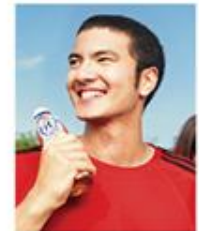
# 1Q FY2017 Results

- EBITDA of US\$23.7m was 20% higher
- US subsidiary slightly lower sales driven by non-branded business but increased market share across major branded categories
- Del Monte Philippines and S&W continued to deliver strong performance
- Deleveraging planned with Preference Shares offering



## Outlook

- The Group will continue to be profitable for FY2017
  - Seasonally stronger quarters, 2Q-4Q
  - Strengthen the core business, especially in the US
- In the short-to-mid term, DMPL plans to improve financial performance
  - Leverage procurement synergies
  - Optimise G&A costs
- Preference Shares offering is imminent







## DMPL 1Q FY2017 Group Results Summary

- Sales of US\$466m down by 3%, driven by non-branded US sales

Sales	% Change
US	-6
Philippines	+9 (in peso terms +14)
S&W	+12
OEM Exports	-4
FieldFresh India (equity accounted)	+8 (in Rupee terms +14)

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

- EBITDA of US\$28.6m, up 25% from US\$22.8m
- Operating profit of US\$11.7m, up 103% from US\$5.7m
- Net loss of US\$5.9m, substantially lower than last year's US\$9.0m loss

1Q is seasonally the least profitable quarter for DMFI





# Del Monte Foods USA's Seasonality

- DMFI's sales have seasonality, with 1Q as the weakest quarter
  - 1Q : 19-21% of FY (Back to school)
  - 2Q : 29-31% of FY (Pipelining for Thanksgiving)
  - 3Q : 26-28% of FY (Christmas)
  - 4Q : 22-24% of FY (Easter)
- Lower sales also reflect on profit performance where DMFI historically incurs a loss in 1Q





# One-off Expenses

In US\$ m	1Q FY17	1Q FY16	Booked under
Closure of North Carolina plant	1.5	-	CGS
ERP implementation at DMFI	-	2.0	G&A expense
Sager Creek integration	-	0.8	G&A expense
Severance	3.4	0.3	G&A expense
<b>Total (pre-tax basis)</b>	<b>4.9</b>	<b>3.1</b>	
<b>Total (net of tax and minority interest)</b>	<b>2.8</b>	<b>1.7</b>	





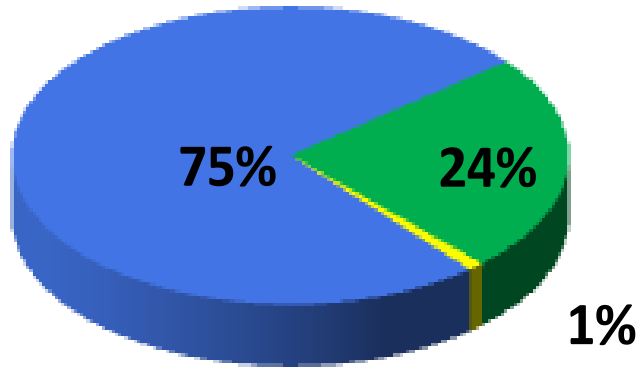


# DMPL 1Q FY2017 Results – As reported

In US\$m	1Q FY 2016	1Q FY 2017	Chg (%)	Comments
Turnover	478.7	<b>465.5</b>	-2.8	Lower DMFI non-branded sales partly offset by higher Philippines and S&W Asia sales
Gross profit	102.5	<b>93.6</b>	-8.7	Normalised trade spend at DMFI coming off a low base last year due to product shortage; also includes US\$1.5m of one-off expense for a US plant closure
EBITDA	19.7	<b>23.7</b>	+20.3	Lower distribution and selling, lower G&A expenses
Operating profit	2.6	<b>6.8</b>	+155.9	Same as EBITDA comment
Net finance expense	(21.7)	<b>(26.6)</b>	+22.9	Conversion of floating to fixed rate and higher borrowing to fund higher working capital
FieldFresh equity share	(0.4)	<b>(0.3)</b>	+25.0	Better performance in 47% owned FieldFresh India
Tax	7.5	<b>9.4</b>	+26.3	Higher loss at DMFI led to higher tax credit
Net loss	(10.7)	<b>(8.7)</b>	+18.3	1Q is seasonally the least profitable quarter for DMFI
Net debt	1,859.0	<b>1,882.6</b>	+1.3	Higher borrowing to fund higher working capital
Gearing (%)	610.8	<b>532.0</b>	-78.8ppts	Despite higher net debt, equity base increased, hence the lower gearing



# 1Q FY2017 Turnover Analysis



- Americas
- Asia Pacific
- Europe

<b>Americas</b>	<b>-6.3%</b>	<ul style="list-style-type: none"> <li>▪ Continued impact of unsuccessful low-margin US Department of Agriculture bids from the second half of FY2016 plus reduced sales in private label and foodservice business lines. However, volume of branded retail was up with DMFI's branded vegetable products higher by 17% and College Inn broth by 32%</li> </ul>
<b>Asia Pacific</b>	<b>+11.4%</b>	<ul style="list-style-type: none"> <li>▪ Sales in the Philippines were higher by 9%, and S&amp;W by 12%</li> </ul>
<b>Europe</b>	<b>-18.5%</b>	<ul style="list-style-type: none"> <li>▪ Lower sales of packaged pineapple; however, sales are expected to recover in the 2<sup>nd</sup> half</li> </ul>



# United States of America

**26%**

**Market Share (#1)**

Packaged Core Vegetable

**34%**

**Market Share (#1)**

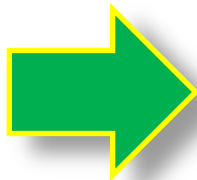
Packaged Core Fruit

**10%**

**Market Share (#2)**

Packaged Cut Tomato

- Slowly declining canned category: Win through innovation, differentiation and product attributes
- DMFI had higher market shares in packaged vegetables and fruit by 3.1% and 0.6%, respectively, amidst retail industry contraction in 1Q FY17
- Trend towards fresh/natural/organic: DMFI will leverage the Del Monte brand heritage associated with high quality products, health and wellness, and product innovation



**To drive growth, continue to strengthen the core business and expand into adjacent categories**

Source for market shares: Nielsen Scantrack dollar share, Total US Grocery + Walmart, 3M ending 31 July 2016



# Del Monte Foods USA

- DMFI's 1Q sales down 6.1% to US\$351m
  - Continued impact of unsuccessful low-margin US Department of Agriculture bids from the 2H of FY2016 plus reduced sales in private label and foodservice business
  - Del Monte canned vegetable and College Inn broth performed well with volume up 17% and 32%, respectively
- Lower gross margin of 15.5% from 19.0% due to normalised trade spend coming off a low base last year due to product shortage; and partly from the closure of the North Carolina plant with US\$1.5m cost
- Completed an organisational realignment to create a leaner and more agile management structure to be better positioned for growth and new business opportunities
- Exclusive of the one-off expenses of US\$4.9m, DMFI contributed an EBITDA of US\$7.0m and a net loss of US\$14.8m to the Group





# Del Monte Foods New Product

A modern twist on the Fruit Cup...



Pineapple in Passionfruit Fruit Water



Mandarin Orange in Coconut Water



Grapefruit & Oranges in Pomegranate Fruit Water



Grapefruit in Pink Guava Fruit Water

Brings a number of firsts to the category...

✓ new, on trend, and **UNIQUE FLAVOURS** to the category

✓ a product **DEVELOPED FOR ADULT PALATES**

✓ a **LARGER CUP SIZE** to satiate adults





# DELMONTE.COM/SOCIAL

## Promoting newly launched Fruit Refreshers



Unexpected flavors, exciting combinations, refreshing fruit waters.

**It's the Fruit Cup® all grown up!**

"I love Fruit Refreshers!" Proud Sponsor of

**Katrina Bowden**  
Actress and Founder of FitKatByKatrinaBowden.com

**AVON 39 THE WALK TO END BREAST CANCER**

**Share Your #TimeToRefresh**



**Del Monte** updated their cover photo.

July 19 at 10:45pm · 🌐

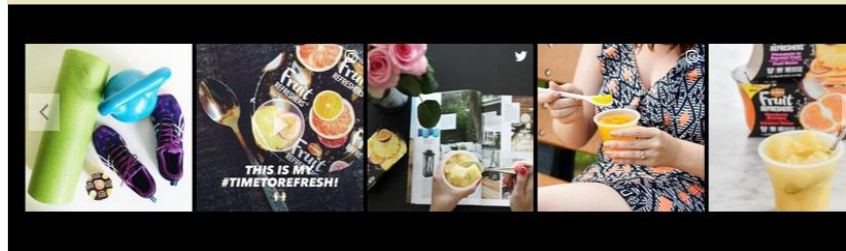
Say hello to the brilliantly refreshing Fruit Cup. Del Monte Fruit Refreshers... it's the Fruit Cup all grown up! via Sugar & Soul

Learn more: <http://www.delmonite.com/FruitRefreshers>



👍 Like    💬 Comment    ➦ Share

## Share Your #TimeToRefresh

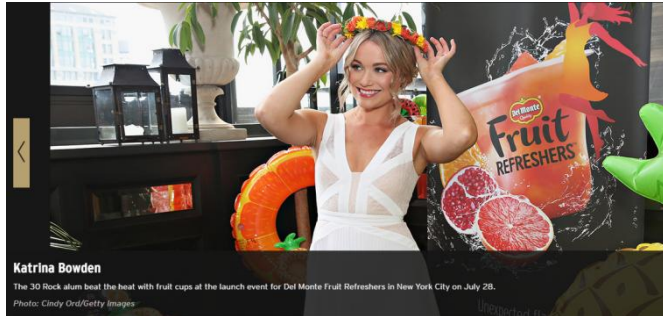




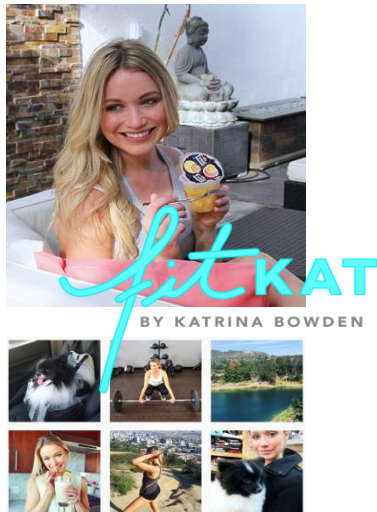


# PR & SOCIAL MEDIA SUPPORT

## Spokesperson Content & NYC Media Event

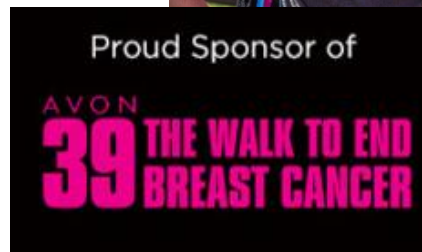


**Katrina Bowden**  
The 39 Rock alum beat the heat with fruit cups at the launch event for Del Monte Fruit Refreshers in New York City on July 28.  
Photo: Cindy Ord/Getty Images



**New York City**  
July 28

## Avon 39 Walk Sampling & Tent



**San Francisco**  
July 23-24  
**New York City**  
Oct 15-16

## Influencer Blog & Social Content





# SHOPPER MARKETING

## Walmart



**Walmart End Cap TV & Smart Network**  
1,600+ stores  
2 additional screens  
July 18-August 1

## Fruit Refreshers Shipper



## Retailer specific programs



**Yieldbot digital link to Target Cartwheel Refreshers offer**





# Philippines

**86%**

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

**77%**

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

**84%**

**Market Share (#1)**  
Canned and Tetra RTD Juices

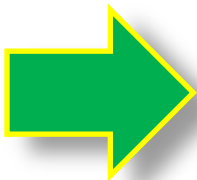
**83%**

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

**52%**

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

- Del Monte is the market leader across several categories
- Modern trade and convenience stores are growing fast: Del Monte is strong in modern trade, generating 30% of sales
- Increasingly competitive environment with Southeast Asian peer companies targeting the Philippines to innovate, diversify and premiumise
- E-commerce and digital are growing



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



293K Views

Source for market shares: Nielsen Retail Index June 2016





# Del Monte Philippines

- Philippines sales in 1Q were up 14% in peso terms and 9% in US dollar terms
- Expanded penetration and increased consumption of packaged pineapple, culinary and beverage categories
- New advertising campaigns
- Foodservice channel continued to outperform the market, growing by 28% in peso terms



*Del Monte Tetra juices being served on Philippine Airlines' domestic flights*



# Del Monte Philippines New Product

- Launched Del Monte Creamy & Cheesy Spaghetti Sauce in May 2016
- Provides a relevant and distinct superiority platform for Del Monte Spaghetti Sauce vis-à-vis low-priced brands







# Del Monte Philippines Beverage

Del Monte Beverages hit the ground running in FY2017 with two new campaigns

- ✓ Fit 'n Right encouraged young adults to take control of their weight with a proactive lifestyle and a bottle of Fit 'n Right everyday
- ✓ Del Monte Juice Drinks moved to gain a bigger share of meal-pairing as a usage occasion with a new campaign targeted towards moms
- ✓ Group also moved to optimise summer with summer flavours that were supported via digital and social media ad placements







# Del Monte Philippines Beverage – cont'd

- Del Monte Heart Smart is an innovative 100% juice that aids in cholesterol reduction
- Expanded its relevance amongst adults, 30's and up with an endorsement from the Philippine Association of Thoracic and Cardiovascular Surgeons



## Asia and 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
- Short supply of packaged pineapple from Thailand is supporting higher market pricing



**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

- S&W branded business sales in Asia and the Middle East were up 12% in 1Q
- Strong sales of canned fruit in North Asia on the back of improved distribution
- In China, S&W tied up with Burger King to supply pineapple slices for its burgers
- In the fresh segment, S&W partnered with a leading distributor of fresh produce to co-brand S&W fresh pineapple



**S&W Fruit Delight, a new product launched in UAE in July 2016**

**Burger King China has launched their promotion burger using S&W Pineapple Slices**





# S&W Asia and the Middle East – cont'd

- Stronger growth of S&W Fresh Pineapple in China with the co-branding program with Goodfarmer, one of China's leading suppliers of fruits and vegetables





# FieldFresh India

- DMPL's share of loss in the FieldFresh joint venture in India for 1Q was down to US\$0.3m from US\$0.4m in the prior year period
- FieldFresh's 1Q sales in Rupee terms were up 14%, while in US\$ terms up 8%
- Del Monte packaged products was up with strong growth from key accounts and foodservice segments led by improved volume in ketchup and mayonnaise
- Higher sales and production efficiencies resulted in FieldFresh continuing to generate a positive EBITDA for the quarter



**Consumer sampling of Del Monte pasta and pasta sauces**





# Sustainability

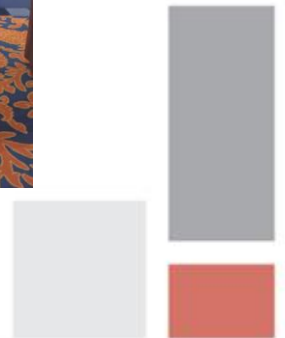
- Del Monte delivered non-perishable food to residents displaced by the floods in Baton Rouge, Louisiana, through the American Red Cross and Feeding America
- Del Monte donated products to food banks in the US
- Updated the Business Continuity Plans in the Philippines, including La Nina mitigating programs in the Plantation, Toll Manufacturers and Cabuyao facility
- Del Monte Foundation continued implementing its Corporate Social Responsibility programs on scholarships, home care education, technical skills training and classroom rehabilitation





# Awards

- DMPL's CEO, Mr Joselito D Campos, Jr, bagged the Entrepreneur of the Year Award in the Asia Pacific Entrepreneurship Awards on 11 August 2016 in Singapore. The Award recognises and honours business leaders who have shown outstanding performance and tenacity in developing successful businesses within the region
- DMPL also won the Best Annual Report (Bronze) Award in the Singapore Corporate Awards (SCA) held on 19 July 2016 in Singapore. This was DMPL's 10<sup>th</sup> SCA award since 2010
- Ranked #32 or Top 5% amongst 631 Singapore-listed companies in the Governance and Transparency Index in August 2016
- Ranked #28 amongst Top 100 largest Singapore-listed companies in the ASEAN Corporate Governance Scorecard in April 2016





# Debt Outlook

## Planned issuance of perpetual preference shares

- US\$ perpetual preference shares
- To be listed on the Philippine Stock Exchange (PSE)
- Launch in CY2016 subject to all regulatory approvals and market conditions
  - ✓ Received approvals from the Philippine SEC and Bangko Sentral ng Pilipinas (Central Bank) and is awaiting the approval of its listing application and the offering from the PSE
  - ✓ As this is the first US\$-denominated preference shares to be issued and listed on the PSE, the platform is being set up
  - ✓ The PSE has approved and endorsed its amended Dollar Denominated Securities rules to the SEC for the latter's concurrence
- Up to US\$360m (with an initial tranche of up to US\$250 million and the balance issuable within three years)
- Will result in a further improvement in leverage ratios





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