



# Del Monte Pacific 3Q FY2017 Results

10 March 2017



NOURISHING FAMILIES.  
ENRICHING LIVES.  
EVERY DAY.





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- Summary
- 3Q FY2017 Results
- 9M FY2017 Results
- Market Updates
- Sustainability
- Outlook





# Notes to the 3Q FY2017 Results

1. Third quarter is 1 November 2016 to 31 January 2017.
2. DMPL's stake in DMFI is 89.4%, hence the non controlling interest line (NCI) in the P&L. Net income is net of NCI.
3. 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.





## 3Q FY2017 Results

- Revenue was slightly higher at US\$604m
- Net income without one-off items improved significantly to US\$11.6m
- Del Monte Philippines and S&W in Asia & Middle East continued to deliver strong performance
- Deleveraging planned with Preference Shares offering



## Outlook

- The Group is expected to generate a higher profit in FY2017 than prior year on a recurring basis (without one-off items)
- Major emphasis on responding to consumer trends through:
  - Strengthening the core business -- healthier options and new products
  - Innovation -- process and packaging technology
    - agriculture and manufacturing technology
  - Digital strategy
- Improving financial performance through:
  - Procurement synergies and G&A cost optimisation





## DMPL 3Q FY2017 Group Results Summary

- Sales of US\$604m +0.3%, higher Asia but lower US sales

Sales	% Change
US	-3
Philippines	-1.5 (in peso terms +3)
S&W	+39
OEM Exports	+23
FieldFresh India (equity accounted)	+4 (in rupee terms +7)

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

- EBITDA of US\$49.0m, up 5% from US\$46.5m
- Operating profit of US\$33.9m, up 25% from US\$27.2m
- Net profit of US\$11.6m, up 448% from US\$2.1m





# One-off Expenses

In US\$ m	3Q FY16	3Q FY17	Booked under
Closure of North Carolina plant	-	0.9	CGS
ERP implementation at DMFI	7.1	-	G&A expense
Sager Creek integration	2.0	-	G&A expense
Severance	3.3	4.5	G&A expense
<b>Total (pre-tax basis)</b>	<b>12.4</b>	<b>5.4</b>	
<b>Total (net of tax and minority interest)</b>	<b>6.9</b>	<b>3.1</b>	





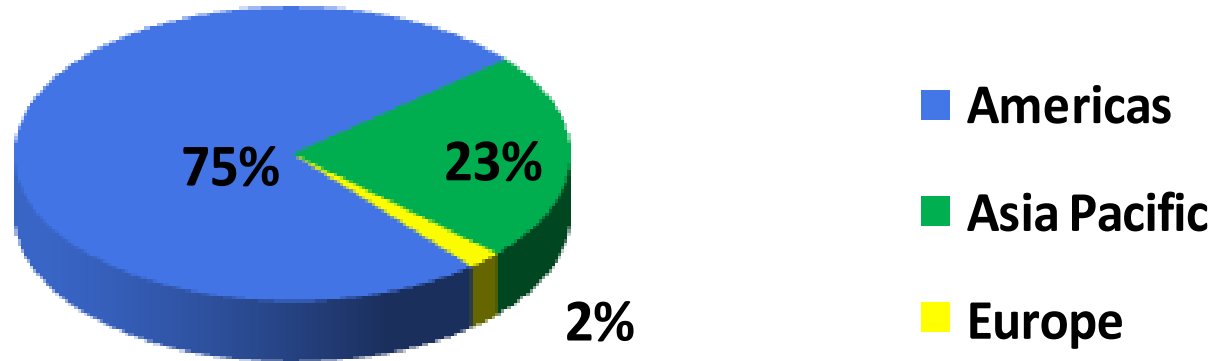
# DMPL 3Q FY2017 Results – As reported

In US\$m	3Q FY 2016	3Q FY 2017	Chg (%)	Comments
Turnover	602.3	<b>604.0</b>	+0.3	Higher Philippines and S&W Asia sales offset lower DMFI sales
Gross profit	119.1	<b>125.5</b>	+5.4	Operational efficiencies and lower costs
EBITDA	34.1	<b>43.5</b>	+27.6	Last year included one-off expenses of US\$12.4m, higher than this year's US\$5.4m; Recurring EBITDA is up 5%
Operating profit	14.8	<b>28.4</b>	+92.1	Same as EBITDA comment plus lower depreciation; Recurring operating profit is up 25%
Net finance expense	(25.0)	<b>(28.4)</b>	+13.5	Conversion of floating to fixed rate and higher borrowing to fund higher working capital
FieldFresh equity share	(0.3)	<b>(0.5)</b>	+66.7	Impacted by demonetisation, higher commodity costs and devaluation of pound for exports into UK
Tax	3.6	<b>7.1</b>	+94.4	Mainly due to the non-taxable one-off gain last year
Net profit	(4.8)	<b>8.5</b>	+276.5	Same as operating profit comment plus higher tax benefit; Recurring net profit is up more than fivefold
Net debt	1,935.3	<b>1,956.2</b>	+1.1	Higher borrowing to fund higher working capital
Gearing (%)	567.5	<b>548.1</b>	-19.4ppts	Same as above





# 3Q FY2017 Turnover Analysis



<b>Americas</b>	<b>-2.3%</b>	<ul style="list-style-type: none"> <li>Continued weakness in the canned fruit industry</li> <li>Lower sales of regional brands in the packaged vegetable category across retail and foodservice due to supply-related issues</li> <li>Lower sales of private label</li> </ul>
<b>Asia Pacific</b>	<b>+4.6%</b>	<ul style="list-style-type: none"> <li>Successful Christmas sales programs and foodservice initiatives in the Philippines and expanded distribution of S&amp;W in Asia</li> </ul>
<b>Europe</b>	<b>+81.5%</b>	<ul style="list-style-type: none"> <li>Mainly due to higher pineapple supply</li> </ul>



## DMPL 9M FY2017 Group Results Summary

- Sales of US\$1.7bn down 2%, driven by lower US sales

Sales	% Change
US	-6
Philippines	+5 (in peso terms +9)
S&W	+43
OEM Exports	+1
FieldFresh India (equity accounted)	+8 (in rupee terms +12)

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

- EBITDA of US\$150.5m, up 8% from US\$139.1m
- Operating profit of US\$101.2m, up 18% from US\$85.6m
- Net profit of US\$26.7m, up 197% from US\$9.0m





## One-off Expenses/(Income)

In US\$ m	9M FY16	9M FY17	Booked under
Closure of North Carolina plant	-	3.6	CGS
ERP implementation at DMFI	11.1	-	G&A expense
Sager Creek integration	4.0	-	G&A expense
Severance	6.4	8.2	G&A expense
Retirement plan amendment	(39.4)	-	G&A expense
<b>Total (pre-tax basis)</b>	<b>(17.9)</b>	<b>11.8</b>	
<b>Total (net of tax and minority interest)</b>	<b>(23.3)</b>	<b>6.8</b>	

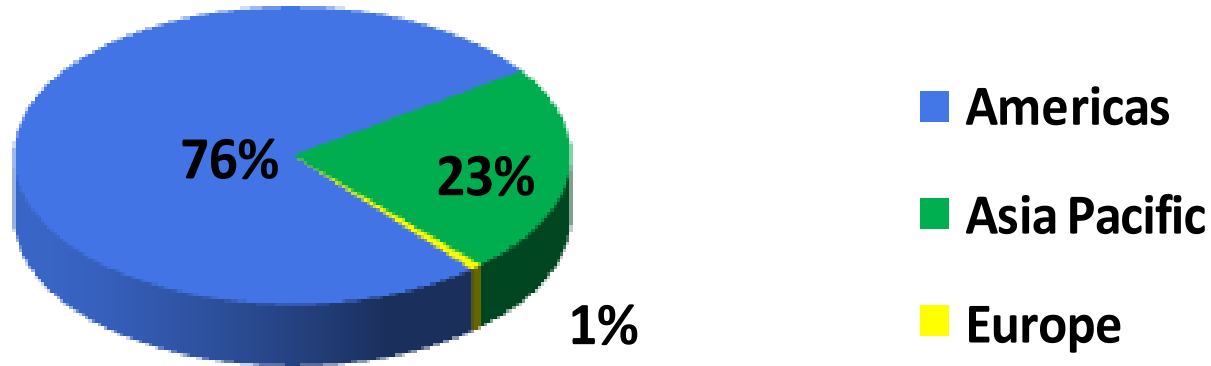


# DMPL 9M FY2017 Results – As reported

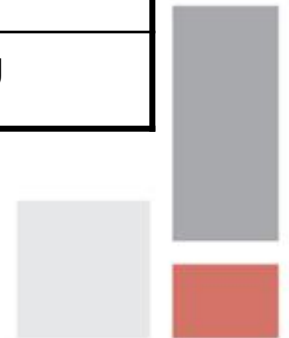
In US\$m	9M FY 2016	9M FY 2017	Chg (%)	Comments
Turnover	1,747.8	<b>1,705.7</b>	-2.4	Lower DMFI sales partly offset by higher Philippines and S&W Asia sales
Gross profit	370.9	<b>366.0</b>	-1.3	Lower sales; also includes US\$3.6m one-off cost for a US plant closure
EBITDA	157.0	<b>138.6</b>	-11.7	This year included a one-off expense of US\$11.8m while last year included a one-off net gain of US\$17.9m; Recurring EBITDA is up 8%
Operating profit	103.5	<b>89.4</b>	-13.6	Same as EBITDA comment plus lower depreciation; Recurring operating profit is up 18%
Net finance expense	(70.4)	<b>(80.0)</b>	+13.6	Conversion of floating to fixed rate and higher borrowing to fund higher working capital
FieldFresh equity share	(1.2)	<b>(1.2)</b>		Sales were up but impacted by demonetisation and higher costs
Tax	1.8	<b>8.8</b>	+390.9	Mainly due to the non-taxable one-off gain last year
Net profit	32.3	<b>19.9</b>	-38.4	Same as EBITDA comment plus higher tax benefit; Recurring net profit tripled
Net debt	1,935.3	<b>1,956.2</b>	+1.1	Higher borrowing to fund higher working capital
Gearing (%)	567.5	<b>548.1</b>	-19.4ppts	Same as above



# 9M FY2017 Turnover Analysis



<b>Americas</b>	<b>-6.1%</b>	<ul style="list-style-type: none"> <li>▪ Unsuccessful low-margin USDA bids from 2H FY2016 plus reduced sales in private label and foodservice business lines</li> </ul>
<b>Asia Pacific</b>	<b>+11.9%</b>	<ul style="list-style-type: none"> <li>▪ Strong sales in the Philippines and S&amp;W in Asia</li> </ul>
<b>Europe</b>	<b>+1.6%</b>	<ul style="list-style-type: none"> <li>▪ Higher pineapple juice concentrate pricing</li> </ul>





# United States of America

**30%**

**Market Share (#1)**

**Packaged Core Vegetable**

**37%**

**Market Share (#1)**

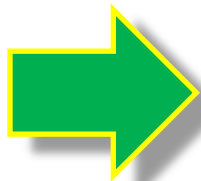
**Packaged Core Fruit**

**10%**

**Market Share (#2)**

**Packaged Cut Tomato**

- Slowly declining canned category: Win through innovation, differentiation and product attributes
- DMFI increased its market share in packaged vegetable and broth by 1.7% and 1.2%, respectively
- Trend towards fresh/natural/organic



**To drive growth, leverage the Del Monte brand heritage associated with high quality products, health and wellness, and product innovation**



# Del Monte Foods USA

- DMFI's 3Q sales down 3% to US\$450.6m
  - Continued weakness in the canned fruit industry
  - Lower sales of regional brands in the packaged vegetable category across retail and foodservice as impacted by supply-related issues following closure of the North Carolina plant
  - Lower sales of private label
  - But increased market share in two of the four major categories in retail, which was further supported by the growth of the branded business among major retail customers
- Lower gross margin of 14.7% from 15.5%
  - Lower pricing in non-retail channel and higher fixed cost
  - Included US\$0.9m of incremental cost from the closure of the North Carolina plant
- Excluding one-off expenses, DMFI contributed an EBITDA of US\$10.9m and a net loss of US\$11.5m to the Group





# Del Monte Foods Strategy

## Marketing: Continually differentiate our brands/products in order to drive consumer preference

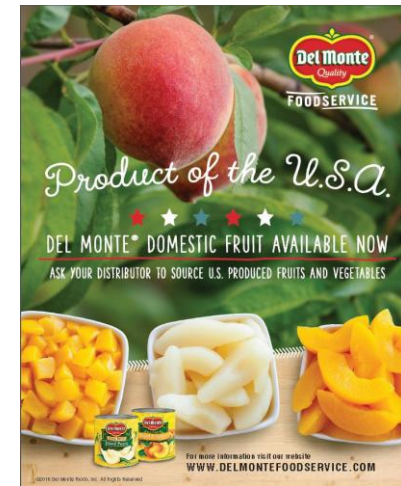
- Reinforce our points of difference (Del Monte's quality, College Inn's rich flavourful taste)
- Elevate our purity, culinary credentials and convenience (non-GMO, All Natural, sea salt)

## Innovation: Address evolving consumer needs, shifts in eating behaviours, and changing demographics in order to reinvigorate our categories

- Extend into new usage occasions (in snacking and culinary)
- Attract new consumer targets (beyond Families and Boomers)

## Distribution: Extend the reach of our portfolio into new parts of the grocery store, new channels, and new geographies

- Grow on-demand consumption (store perimeter, convenience channel)
- Become the Packaged Fruit and Vegetable solutions-based supplier in Foodservice ("one stop shop" for fruits and vegetables)
- Establish a leadership position in E-commerce



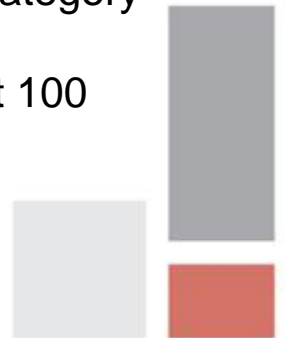




# Del Monte Foods New Product



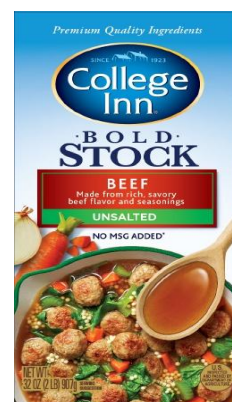
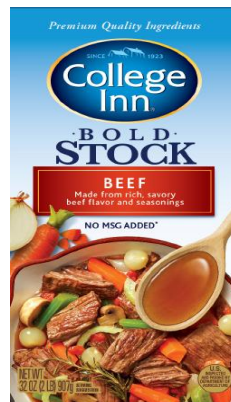
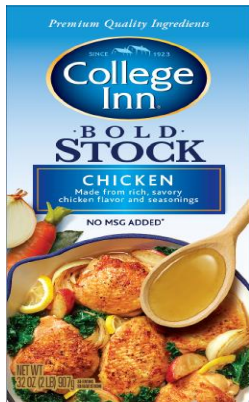
- New product, Del Monte Fruit Refreshers, the first ever Fruit Cup® snack made just for adults, has been named Product of the Year for 2017 in the Healthy Snacks category
- With unexpected flavours, exciting combinations and refreshing fruit waters at 100 calories or less
- Product of the Year is the world's largest consumer-voted award for product innovation where winners are backed by the votes of 40,000 consumers in a national representative survey conducted by research firm Kantar TNS





# Newly Reformulated College Inn Stock & Packaging!

- Improved Formula – Simple Ingredients
- Upsized to 32oz packaging
  - ✓ 80% more product
  - ✓ 35% price value/oz
- New package design for consistent brand architecture
- Will be supported with FSI print ads and shelf signage





# College Inn Integrated Marketing Campaign



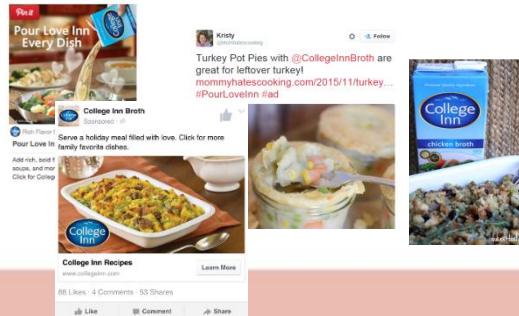
## Drive Demand

**Key Tactics:** Regional Spot TV, Regional Print, National Cable TV, Online Video, Regional FSI, Targeted Display banners



## Experience

**Key Tactics:** Social, Influencers, Recipes, Holiday Pinterest, CollegeInn.com



## Shopping & Selection

**Key Tactics:** Re-Targeted Mobile Ads & Offers, Display, Shelf Signage



**Display Ready Pallets w/ Recipe Tear Pad**





# Tasty Video Partnership

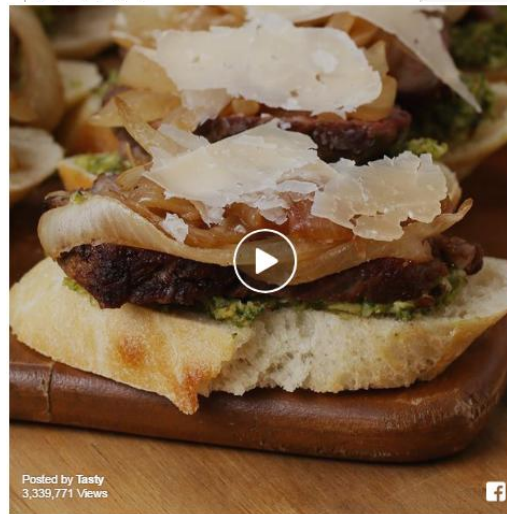


- Leveraged Tasty's strong millennial audience to reach our younger cohort consumers by launching 4 Tasty partnership recipe videos
  - Bacon Jalapeño Corn Dip
  - Loaded Leftover Cups
  - Green Bean Pesto and Steak Toast
  - Corn Chowder

**Most engagement ever seen for a Del Monte canned vegetable social video!**

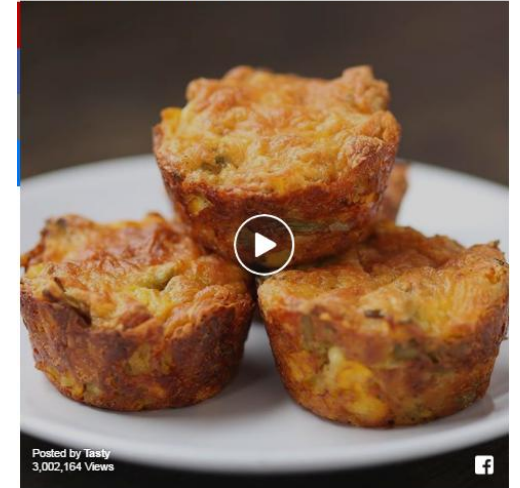


6,123,758 Views



Posted by Tasty  
3,339,771 Views

Loaded Leftover Cups



Posted by Tasty  
3,002,164 Views

Bacon Jalapeño Corn Dip





# Philippines

**86%**

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

**75%**

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

**84%**

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

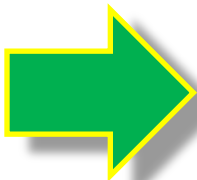
**84%**

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

**45%**

**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
- Expanding foodservice sales, accounting for 15% of Philippine sales
- 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**



Source for market shares: Nielsen Retail Index as of 3 months to December 2016

**Annual Christmas Packs for gifting**



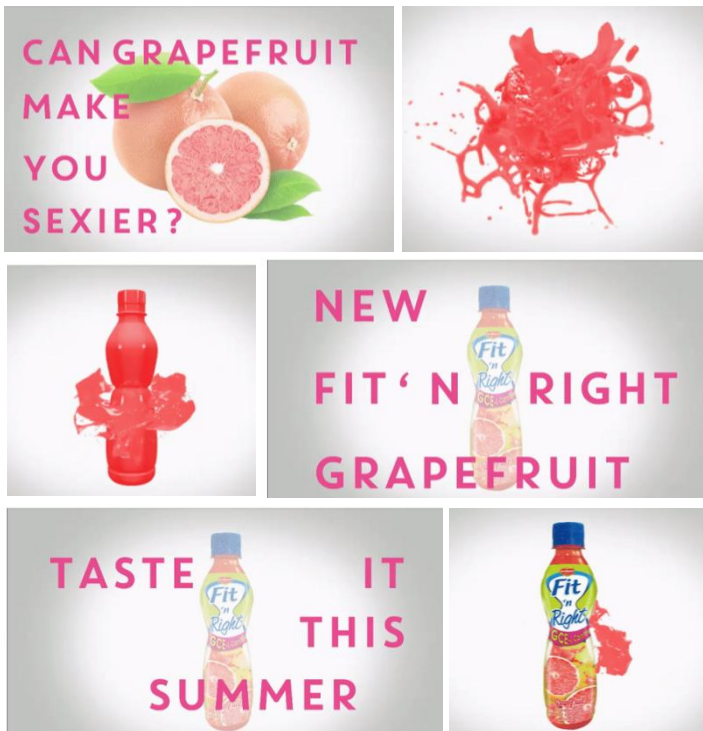
# Del Monte Philippines

- Philippines sales grew as the Group drove to optimise growth and consumption opportunities during the Christmas peak consumption occasions
- Positioned Del Monte as the single mega-brand that completes every Filipino family's traditional Christmas meal celebrations -- complementing above-the-line advertising with strategic Christmas packs meant for gifting across all channels
- Expanded juice dispenser coverage and strategic meal pairing tie-ups in major convenience stores and fast food chains also helped drive foodservice growth



# Fit 'n Right Summer Flavours

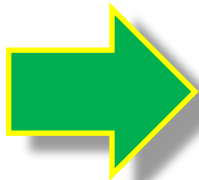
- Launched 2 Summer Flavours for Fit 'n Right
  - Grapefruit
  - Blueberry Grape
- Start of shipments in January 2017





## 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



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

**New product in Dubai - Del Monte Fruit Delight – Pineapple Chunks in Lychee, Coconut and Grapefruit-Flavoured Light Syrup**







# S&W Asia and the Middle East

- S&W branded business sales in Asia and the Middle East were up double-digit terms in 3Q
- Driven by both the fresh and packaged segments
- In fresh fruit, expanded distribution in China and raised brand awareness through in-store sampling
- In the packaged segment, strong sales of canned fruit to North Asia supported by improved supply, higher shipment into Indonesia and improved juice sales to Israel



**DUBAI: Fruit Delight sampling and merchandising display at Carrefour**



**SINGAPORE: A cross-promotion merchandising of S&W fresh pineapple and canned juices**

# S&W Christmas Promotion on Facebook



*“Caption this Sweet Moment” photo contest and 2 lucky winners get to walk away with S&W gift packs!*

*There were also other celebratory posts with various products being featured:*





# FieldFresh India

- DMPL's share of loss in the FieldFresh joint venture in India for 3Q higher at US\$0.5m from US\$0.3m
- Sales were up 7% but bottomline was impacted by demonetisation, higher commodity costs and the devaluation of pound that impacted exports of fresh products to UK



**New Products – Del Monte Dried Blueberries and Del Monte Baked Beans**



**'Bring Italy to Your Kitchen' campaign to increase the visibility of Del Monte Italian range**

**Sampling pasta, pasta sauces, olives and olive oil: 5000+ contacts generated so far**





## Sweet Escapes Digital Campaign for Packaged Fruit

- Drive usage of our packaged fruit range by giving consumers easy and indulging ways to use our products during the festive season
- Created short & sweet dessert video recipes made using our packaged fruit range
  - 12 video recipes and similar number of image based recipes were created via food bloggers and influencers
- Promoted this content aggressively during the festive season on leading social platforms: Facebook, Youtube and Instagram
- Amplified the campaign by partnering with the leading online community of home bakers in the country – Home Bakers Guild – for a contest to create innovative recipes using our range



***Pineapple Lava Cake***



***Fruit Cocktail Parfait***



# Desserts #MadeWithDelMonte Sweet Escapades Contest Images

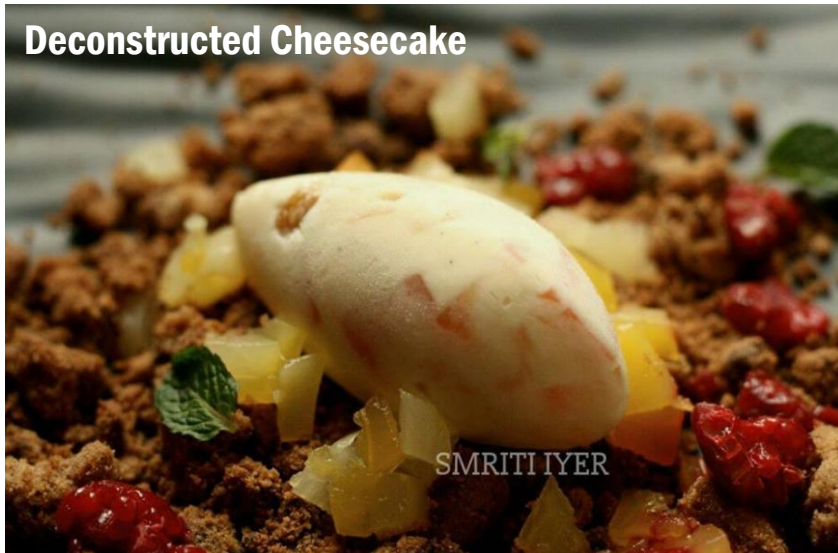
Honey Glazed Peaches  
in Bird's Nest



Caramelized Pineapple



Deconstructed Cheesecake



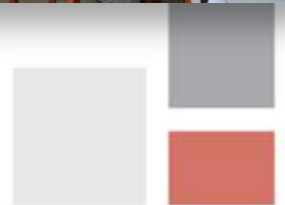
Del Monte Pineapple Sugar Globe Tart





# Sustainability

- The Produce for Better Health Foundation designated Del Monte Foods as a 2016 Role Model for Fruits & Veggies—More Matters®, a nutrition education initiative to motivate people to eat more fruits and vegetables
- Del Monte Foods teamed up with Feeding America to deliver pallets of fruit cups and large easy-to-open canned food items to feed families displaced by the severe storm in the Southeast of the US
- Del Monte in the Philippines continued its Corporate Social Responsibility through its various community programs such as the mobile medical clinic, reforestation efforts and technical education
- Del Monte Pacific Limited (DMPL) initiated a materiality assessment process to update DMPL's critical sustainability priorities





# Debt Outlook

Extended the US\$350 million loan with BDO Unibank, Inc for two years effective 10 February 2017 on the same terms and conditions

Planned issuance of perpetual preference shares to refinance the BDO loan

- US\$-denominated
- To be listed on the Philippine Stock Exchange (PSE)
- Up to US\$360m (with an initial tranche of up to US\$250 million and the balance issuable within three years)
- All regulatory approvals have been secured for the first tranche
- The PSE and the eligible brokers have completed the upgrading of their systems for dollar denominated transactions
- The Company will release the detailed timetable in due course
- Will result in a further improvement in leverage ratios





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