Issuer: Del Monte Pacific Limited
Security: Del Monte Pacific Limited

Meeting details:
Date: 30 August 2016
Time: 10:00AM
Venue: Anson Room 3, Level 2, M Hotel, 81 Anson Road, Singapore 079908

Company Description

Del Monte Pacific Limited, an investment holding company, produces, markets, and distributes food, beverage, and other related products worldwide. The company is involved in growing, processing, developing, manufacturing, marketing, distributing, and selling packaged fruit and vegetable products, including canned and fresh pineapples, and tropical mixed fruits, as well as canned beans, peaches, and corns; juices, juice drinks, and pineapple juice concentrates; and tomato-based products, such as ketchups, tomato sauces, pasta sauces, recipe sauces, pizza sauces, pastas, broth, and condiments. It offers its products under the brand names of Del Monte, S&W, Contadina, College Inn, Fruit Naturals, Orchard Select, SunFresh, and Today's. The company also sells private label food and unbranded products. In addition, it provides management, logistics, and support services. The company was founded in 1926 and is based in Singapore. Del Monte Pacific Limited operates as a subsidiary of Nutriasia Pacific Ltd.

(Source: http://sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=D03)

Questions on strategy, financials and operations

Q1. The company has been working on the deleveraging plans following the US$1.675 billion acquisition of Del Monte Foods, Inc (DMFI) in February 2014. A successful rights issue in March 2015 raised US$150 million and the proceeds were used to pay down short-term bridge financing. On page 34 of the annual report (Operations and Financial Review), it was stated that net debt as at 30 April 2016 has increased to US$1.8 billion from US$1.7 billion as a result of increased working capital loan for DMFI. The proposed US dollar denominated perpetual preference shares issue would be the first of its kind on the Philippine Stock Exchange and hence the delay to work out the regulatory hurdles (page 36). **Can the board or management provide further update on the proposed issue? What is the expected pricing on the (onshore) perpetual preference shares (given that the offshore issue was considered but dropped as it was too expensive)? Should the proposed perpetual preference shares issue be delayed again, is there an alternative plan to deleverage the group?** Given the proposed amount has been reduced to up to US$250 million for the first tranche, shareholders are wondering if the market is deep enough to support even the first tranche at an attractive pricing.

Q2. As DMFI is now the major subsidiary accounting for about 80% of the group's revenue, its continued success will be crucial to the overall performance of the group and the deleveraging efforts. Since the restructuring started in 2015, **how much cost savings have been achieved? What are the expected benefits from the restructuring initiatives? Will the restructuring initiatives be completed in FY2017?** It was mentioned in the annual report that DMFI's costs are not in line with competition. **What are the targeted gross profit margin/EBITDA margin/operating margin that DMFI hopes to achieve once the operations are optimised? Accordingly, what are management's targets for DMFI in terms of cashflow?** On page 201 under note 40 (Subsequent events), it was noted that the group had announced "its intention to implement a cost-reduction program which includes the reduction of the Group's workforce by the end of calendar year 2016 to enable the Group to adapt to current market conditions." **Can management provide greater details of "current market conditions"?** The 4th quarter results showed a 7% drop for sale in the US and the inventory level is higher.

Q3. Still on the topic of cashflow – With the migration of Enterprise Resource Planning system for DMFI almost completed, **what would be the group's expected capital expenditure for the next few years? What would be an estimate of a steady state "maintenance capital expenditure" of the group going forward?** While the group works towards the issue of the perpetual securities to replace the bridging loan, it could be possible that the interest cost is higher and thus interest payment for the group may inch up, putting addition strain on the group's cashflow. While shareholders appreciate that the board has recommended a resumption of dividend of 1.33US cents per share representing 50% of net profit for the year, it is also understood the leverage is high and it may be in the best interests for all the stakeholders that the group reduces the leverage. **Would the board like to reaffirm that they are comfortable with the current situation and has no plans to review the dividend policy of distributing a minimum of 33% of the full year's profit?**