

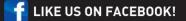
Issuer: Del Monte Pacific Limited Security: Del Monte Pacific Limited

Meeting details: Date: 30 August 2017 Time: 10.00 a.m. Venue: Banquet Suite, Level 10 of 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 in the Americas, the Asia Pacific, Europe, and internationally. 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, pears, 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 Del Monte, S&W, Today's, Contadina, College Inn, Fruit Naturals, Orchard Select, SunFresh, and Fruit Refreshers brand names. The company also produces and distributes private label food products, as well as offers UHP avocado products; and provides administrative support and liaison services. In addition, it offers management, logistics, and support services. The company was founded in 1926 and is based in Singapore. Del Monte Pacific Limited is a subsidiary of NutriAsia Pacific Limited.

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





Q1. As highlighted in the "Letter to Shareholders" (pages 11 to 14 of the annual report), it has been three and a half years since the group's milestone acquisition of Del Monte Foods, Inc (DMFI) in the United States in February 2014. While the group has "focused on the transition, integration, restructuring and stabilisation of DMFI's core business" in the first two years, the focus of the group in the last one and a half years was to refresh the "Group vision and aspirations for the reunited Del Monte, anchored on market trends and the changing consumer landscape."

Sales at DMFI was down 5% in 2017 to US\$1.7 billion "due to reduced sales in foodservice and private label business lines as well as the impact of unsuccessful low-margin US Department of Agriculture bids". Despite maintaining its leading market-share positions in the canned vegetable and fruit industry, the overall size of the segment has contracted.

a) Has management conducted a review to evaluate the performance of DMFI relative to the investment thesis made at the point of the DMFI acquisition?

It was also disclosed in the "Operating and financial review" that "DMFI's gross margin declined to 17.2% from 18.0% in the same period last year mainly driven by lower volume, unfavourable pricing in non-retail channel and higher trade spending in the US" (page 39).

b) What are management's plans to reverse the decreasing gross margin at DMFI?

Q2. In April 2017, the issue of US\$200 million 6.625% Preference Shares was successfully completed and the preference shares are the first US Dollar Denominated securities to be listed on the Philippine Stock Exchange.

The net proceeds were used to repay the BDO bridging facility which had an interest rate of 90-day Libor + 3.5% margin (page 194).

a) Can management clarify if the issuance of the Preference Shares (at 6.625%) and the early repayment of the bridging loan will lead to lower financing costs for the company/group? Based on 90-day Libor of 1.32%, it is estimated that the cost of financing via preference shares could be higher by 180 basis points.

It was also stated that the balance of US\$150 million of Preference Shares is issuable within three years.

- b) What are management's considerations for the timing of the issuance of the balance of US\$150 million of Preference Shares?
- c) Can management provide visibility on how the Preference Shares were priced? What are the factors that would allow the second tranche to be priced lower?

Q3. The company has renamed its Nominating Committee to the Nominating and Corporate Governance Committee ("NCGC") on 29 June 2017 to include corporate governance matters in its functions.

As disclosed in the Corporate Governance Report (page 86 – Principle 5: Board Performance), the Board, through the NCGC, implements an annual evaluation process to assess the effectiveness of the Board as a whole.

Principle 5 of the 2012 Code of Corporate Governance (Code) issued by the Monetary Authority of Singapore states that:





"There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board".

Guideline 5.1 further states that "Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board".

Would the NCGC consider establishing a formal annual assessment of the effectiveness of the board committees and the contribution by each director to the effectiveness of the board, as required by the Code?

