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**Issuer:** Del Monte Pacific Limited

**Stock code:** D03

**Meeting details:**

Date: 30 Aug 2024

Time: 10.00 a.m.

Venue: Orchard Ballroom 3, Level 3 Orchard Hotel, 442 Orchard Road, Singapore 238879

**Q1.** In the FY2023 annual report, management guided that, barring unforeseen circumstances, the group expects to generate a higher net profit in FY2024.

However, net profit of US\$72.2 million in FY2023 turned into a net loss of US\$(115.8) million in FY2024. The decline in profitability was US\$188 million. In fact, all four quarters were loss-making, even after excluding one-offs items.

## QUARTERLY RESULTS

FY2024 Quarterly Results					
(Amounts in US\$ million unless otherwise stated)	1Q	2Q	3Q	4Q	Total
Turnover	516.7	667.1	646.7	597.3	2,427.7
Gross Profit	108.3	135.5	116.6	59.1	419.6
EBITDA	51.1	63.9	40.5	(25.0)	130.5
Operating Profit	26.4	44.1	22.8	(48.3)	45.0
Net Profit	(13.1)	(8.5)	(29.0)	(78.6)	(129.2)
Net Profit - without one-offs	(13.1)	(6.9)	(28.5)	(67.4)	(115.8)
Gross Margin (%)	21.0	20.3	18.0	9.9	17.3
Operating Margin (%)	5.1	6.6	3.5	(8.1)	1.9
Net Margin (%)	(2.5)	(1.3)	(4.5)	(13.2)	(5.3)

(Source: company annual report; emphasis added)

- (i) **Can management provide a comprehensive breakdown of the contributing factors to the FY2024 losses, including any unexpected shifts in the market or internal operational challenges?**
- (ii) **How significantly did higher-than-anticipated interest rates impact the financial results for FY2024? Was the profit forecast premised on an assumption of interest rates declining in FY2024?**
- (iii) **What factors contributed to management's overestimation of market trends and volumes for FY2024, as referenced on page 9 of the report? How will management adjust its forecasting approach to enhance accuracy moving forward?**
- (iv) **What are management's perspectives on the current state of the U.S. economy and consumer sentiment? How is the group aligning its strategies to capitalize on macroeconomic trends over the next 18-24 months?**

**Q2.** For the financial year ended 31 March 2024, loss attributable to owners of the company amounted to US\$(129.2) million. This was greater than the cumulative earnings in the previous two years which amounted to US\$116.9 million.

The group and the company's retained earnings have turned into a deficit, amounting to US\$(73.2) million as at 31 March 2024 as a result of the losses.

Net debt increased to US\$2.28 billion while shareholders' equity decreased to US\$253.2 million. The leverage ratios are elevated – net debt to equity of 901.8%, net debt to EBITDA at 17.5 times and net debt to adjusted EBITDA at 15.3 times. Interest payments rose to US\$190.7 million in FY2024 from US\$144.0 million in the previous year.

Financial Year ending April (Amounts in US\$ million unless otherwise stated)	FY2024	FY2023	FY2022	FY2021	FY2020
<b>Balance Sheet</b>					
Cash	13.1	19.8	21.9	29.4	33.5
Debt	2,296.0	2,273.4	1,567.4	1,285.7	1,396.0
Net Debt	2,282.9	2,253.5	1,545.5	1,256.3	1,362.6
Fixed Assets	670.3	659.0	577.6	544.8	517.6
Total Assets	3,112.9	3,139.7	2,584.9	2,417.9	2,554.4
Shareholders' Equity	253.2	385.8	494.7	642.5	565.9
Net Tangible Asset Per Share (US cents)	(31.7)	(22.4)	(18.6)	(21.3)	(25.2)
Net Debt to Equity (%)	901.8	584.2	312.4	195.5	240.8
Net Debt to EBITDA (x)	17.5	6.8	4.4	4.1	9.6
Net Debt to Adjusted EBITDA (x)	15.3	6.7	4.4	4.1	6.0
<b>Cash Flow</b>					
Cash Flow from Operations	369.3	(2.8)	280.7	315.3	377.4
Capital Expenditure	187.6	237.9	202.7	164.0	132.5

(Source: company annual report; emphasis added)

- (i) **What is the estimated cost of capital?**
- (ii) **What guidance has the board provided to management regarding the optimal capital structure? Is the current level of debt sustainable?**
- (iii) **What are managements' target and timeline for deleveraging the balance sheet?**
- (iv) **Is the board considering a rights issue, and what factors are influencing this decision?**
- (v) **What hurdle rate does the board use in the capital expenditure approval process, and how does the board prioritise the group's capital expenditures?**
- (vi) **What are the factors that led to the deferment of the IPO of Del Monte Foods, Inc. (DMFI)? The group has already incurred one-off expenses of US\$9.4 million on professional fees and IPO-related costs. Under what conditions will management consider re-initiating the DMFI IPO?**

**Q3.** As noted in the corporate governance report, Mr Benedict Kwek Gim Song and Dr Emil Q. Javier were first appointed on 30 April 2007 while Mr Godfrey E. Scotchbrook was appointed on 28 December 2000.

Mr Godfrey E. Scotchbrook will retire and will not seek his re-election at the upcoming annual general meeting on 30 August 2024.

On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced that it will limit the tenure of independent directors (IDs) serving on the boards of listed issuers to nine years<sup>1</sup>. Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.

- (i) **Has the nominating and governance committee (NGC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**

The NGC further stated that it has commenced the process of identifying and evaluating candidates for appointment as new independent directors.

- (ii) **Can the NGC provide details on its efforts towards the progressive renewal of the board, considering the 1.5-year transition period provided by SGX RegCo?**
- (iii) **In addition, will the board/NGC clarify the strategic considerations regarding the roles of Mr Benedict Kwek Gim Song and Dr Emil Q. Javier at the conclusion of the AGM? Would the long-tenured directors resign from the board or be redesignated as non-executive non-independent directors?**
- (iv) **Considering that Mrs Yvonne Goh, the current chairperson of the NGC, will reach the 9-year tenure limit on 3 September 2024, can the NGC provide clarity on the succession plans for her role?**
- (v) **Could the board assess the impact of upcoming changes to the board's composition on its effectiveness and stability?**

*Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.*

Check out the latest questions on the annual reports of listed companies on [SIAS website](https://www.sias.org.sg)

<sup>1</sup> <https://www.sgxgroup.com/media-centre/20230111-sgx-regco-caps-independent-directors-tenure-enhances-remuneration>



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