DEL MONTE PACIFIC LTD. AGM Q&A
27 August 2021

DEL MONTE PHILIPPINES, INC. IPO

1. What are the main considerations for the Company to delay the DMPI IPO?

As disclosed on 4 August 2021, in light of increased market volatility, the Board of Directors of the Company, in consultation with its advisors, has decided to delay the IPO of DMPI on the Philippine Stock Exchange (PSE).

Amidst a surge of COVID-19 cases in the Philippines and in the region, the PSE has been highly volatile in recent weeks, and the Board believes that it is in the best interests of the Company, its shareholders and potential investors to defer the listing until conditions improve.

The Board remains committed to listing DMPI and continues to believe strongly in the growth and resilience of its business. During this time, the Company will continue discussions with potential investors and strategic partners that have expressed interest during the IPO process.

2. Page 10 of the Letter to shareholders states: "DMPL Group reduced net debt to US$1.3 billion, lowering gearing to 2.0x from 2.4x equity..." Out of US$1.3 billion of debt, what is the amount is up for repayment in this financial year and what are the repayment schedules? Does the company have sufficient funds to repay these debts?

For FY2022, DMPL needs to settle existing loans amounting to US$12.4 million only. We plan to refinance the same through a combination of dividends from affiliates and new credit lines that we are obtaining from partner banks. The Company has sufficient funds to repay and settle these debts.

3. What are the alternative funding plans for DMPL to repay the holding company debts as well as the redemption of US$200 million A1 preference shares?

We are evaluating options to redeem the US$200 million A1 preference shares by April 2022. Options include securing bridge loans or raising debt through bond issuance which will eventually be repaid either through internally generated funds or the IPO proceeds when it is relaunched.

4. Is there a minimum period which the Company must observe before reviving the IPO?

There is no minimum period that needs to be observed before reviving the IPO. The decision to revive the IPO is subject to market conditions, among other factors of a successful IPO.

The financial statements and, consequently, the prospectus submitted to the regulators, will need to be audited and updated, respectively, and will entail review by the regulators. The IPO window is within 135 days from the end of the period covered by the audited financial statements.

5. When will you push through with the IPO of DMPI, if ever?

The Company will provide an update on the new timeline at such time when the Company has assessed that market conditions are favorable for the resumption of the offering. The Company and its bankers are continuously watching and reviewing the market.

DMPL GROUP

Refer to page 6, 5-year summary, the last 5 years ROE achieved by the company was between 3.4 to 10.5 (FY2021) and in 2 years (FY2018 and FY2020) the company incurred a loss.

6. What is the target level of ROE the Company plans to achieve for this coming financial year and for the next 5 years?

As indicated in our MD&A, DMPL expects to generate higher net profit in FY2022, barring unforeseen circumstances. This should improve the ROE in the upcoming fiscal year by 200 – 400 basis points and the Company expects the momentum to continue in the next 5 years, again barring unforeseen circumstances.

7. How does the Company reduce the volatility or cyclical results of the Company earnings going forward?

DMPL will continue to grow its branded sales of both packaged products and fresh pineapples both in the US and Asia/Philippines driven by distribution expansion, renovating key categories and brands, and entry into adjacent and new categories such as Frozen, Snacking and Dairy.

Our USA subsidiary had already implemented major restructuring and implemented asset light strategy (i.e. optimizing production footprint with plant closures) which led to one-off costs in prior years from FY2018-2020. This has led to improvement in gross margin by 500 basis points for DMFI.

We also have initiatives in place to protect and improve the margins in FY2022 despite high inflation being experienced across major commodities.

We expect earnings to be less cyclical going forward.

DEL MONTE FOODS, INC.

Refer to page 237, operating segments, DMFI has turned around from a loss of US$134.5m to a profit of US$7.3m. However, the culinary and beverage segments are still incurring losses of US$12.2m and US$1.5m.

(please see next page)

8. What are the plans to further the profitability of the DMFI for the coming financial year?

DMFI's expected improved profitability will be driven by both revenue growth and further cost management. We expect revenue growth from extensions of product lines in our core products, new products (including those introduced in the last 36 months), and sales into new channels such as club stores, dollar stores and convenience stores. Some examples of success in new products and adjacent categories include our Deluxe Gold pineapple, Savory Infusions cooking base, Veggieful frozen pocket pies and Joyba bubble tea, all of which were introduced in the last 24 months. We believe these revenue opportunities can achieve a 5% CAGR over the long term.

Our cost management programs include lower pack costs from operational efficiencies such as direct labelling and deployment, expanded automation in plastic cup packaging, lower transportation costs through improvement in mode mix and lower pack costs. These revenue and cost improvements have the potential to add 300 basis points to existing DMFI gross margin in the short to mid-term.

9. What are the reasons for the consecutive losses for the culinary and beverage businesses for DMFI? What are the plans to turnaround these segments?

For the culinary segment, DMFI is profitable before allocation of interest/financing cost. Culinary segment comprises of the Tomato category and Broth. DMFI is now focused on improving the profitability of this segment through increasing capacity utilization of the Hanford facility through strategic longer-term co-packing that has been initiated in FY2021, other operational productivity programs such as increasing direct labelling, reducing lease costs and also driving growth and distribution of the Contadina brand.

For beverage, it is a very small part of DMFI's business and mainly comprises of sales of pineapple juice concentrate (for industrial customers) and pineapple-based beverages that we have recently introduced in the US. DMFI plans to improve profitability through pricing and lower trade promotion spend.

Losses in both categories have been reduced in FY2021.

10. Would the company share with shareholders on who is the major customer of DMFI 2021 which contributed 22% of the revenue.

Top 3 customers - WalMart Group (including Sam's Club), Kroger and Costco – accounted for 40% of DMFI's gross sales in FY2021.

11. Is the company moving towards full asset light without factories, or will keep some core/important factories?

We will keep factories for all our core products and go with the right mix between own plants and sourcing via co-packers.

12. Are there any foreseeable one-off items (positive or negative) in this financial year that may affect the performance of the company?

We do not foresee any significant one-off items in the coming year.

13. Page 10 of the Letter to shareholders states: "…while Moody's and Standard & Poor upgraded Del Monte Foods' credit ratings for its five-year bonds which it issued in May 2020 as part of its successful refinancing plan."

How much savings will the company have in the coming financial year from the DMFI credit ratings upgrade?

Interest cost on High Yield Bonds is fixed until maturity. However, we were able to get extension on the ABL (asset-based loan for working capital needs) and maturity in 2025 is now the same as the High Yield Bonds' maturity. We were also able to reduce the credit spread and take out the floor of 100 basis points. This should reduce DMFI's interest cost by approximately US$1.5-2.0 million annually.

14. Will DMFI stay profitable this coming financial year?

Yes, barring unforeseen circumstances, we expect DMFI to stay profitable.

Philippines

15. How long does it take for Dairy business to be significant, say 10% of total business? What is the expected net margin?

We expect the business to be profitable by Year 3 or 4 following launch.

In terms of EBIT or EBITDA margin, it would be lower than our company average initially until we build scale. More importantly, we are also not investing in major capital spend till we build scale and hence this will be accretive from an ROE/ROA perspective.

Balance Sheet

16. As the current net debt/equity of 2x is still very high, what are the plans to bring the gearing level down? What is the target ratio of net debt/equity and timeline?

Our goal is to improve the net debt to equity to 1x and we expect to achieve this in 2-3 years.

17. Is there guidance on dividend payout ratio?

Minimum of 33% payout.