



Impact Of COVID19 On DMPL

DEL MONTE PACIFIC LIMITED
(Incorporated in the British Virgin Islands)

IMPACT AND RISKS OF COVID-19 AND MITIGATION MEASURES

The coronavirus (COVID-19) pandemic did not have a material impact on the financial results of Del Monte Pacific Ltd (“DMPL” or the “Group”) for the period ended 31 January 2020 which were released on 11 March 2020.

Sales

Beginning February, the Group experienced softer demand and some logistics hurdles in China, which accounts for approximately 3% of Group sales. Majority of sales in China are fresh pineapples sold in retail channels, and the Group’s sales have been unfavourably impacted as consumers stay at home. Moreover, the Group experienced a decline in sales of fresh pineapples in Korea, which accounts for less than 1% of Group sales.

In the US, which comprises 69% of Group sales, there has been some increase in demand for packaged fruit and vegetable products in the retail sector caused by recent pantry loading by US consumers. The foodservice business, however, has experienced some softness with food consumed away from home declining, while e-commerce sales are improving.

In the Philippines, which accounts for 18% of Group sales, there has been an increase in demand for packaged tomato and beverage products in the retail sector. The Philippine market has been seeing some shift in the demand for its products from the foodservice channel to retail given higher demand for food and beverage for home consumption versus out-of-home consumption not just in Metro Manila, its largest domestic market, but also in the rest of the country.

As the Group’s products are associated with health, wellness and nutrition, and include stable shelf life items, DMPL expects some favourable impact on sales in USA and the Philippines which are expected to offset the decline in sales in North Asia. The Group has some flexibility to allocate products across markets and trade channels.

Supply Chain

The Group is also monitoring its supply chain, primarily in China, so that it can minimise any potential impact on raw and packaging materials, and equipment sourcing. Del Monte Philippines, Inc (DMPI), the second largest subsidiary of DMPL, sources some of its raw materials from China. DMPI has alternative sources for some materials and has started testing new sources.

With respect to the Philippine government’s announcement on 12 March 2020 regarding the Community Quarantine of Metro Manila from 15 March to 14 April 2020, DMPI is closely monitoring its production, inventory and delivery of products in order to adequately address the demand of its trade partners, especially modern trade and general trade accounts.

DMPI’s production facilities are located outside Metro Manila. DMPI is implementing business continuity plan measures to minimise any potential risk to production. It has sufficient product inventory for Metro Manila during the quarantine period. It will implement measures in advance of a possible extension of this period by continuously replenishing its product inventory level versus market requirements. DMPI will also mitigate logistics risks related to product delivery to Metro Manila although the quarantine allows transport of such products from outside the capital. It will work closely with its trade and business partners to ensure good customer service levels and prevent any shortfall of stocks particularly in modern trade and general trade accounts.

The Group continues to market its food and beverage products to its consumers through traditional media and digital marketing premised on health and nutrition.

Employee Welfare

The Group will continue to take the necessary precautionary measures to ensure the health and safety of its employees. The standard temperature screenings and health monitoring are in place and continue to be tightened.

Travel bans had been implemented on high-risk countries based on the Department of Health’s latest guidelines, and travels to other countries require clearance and self-quarantine.

