

FRESH DEL MONTE PRODUCE INC

Form 10-Q

October 30, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 28, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

333-07708

(Commission file number)

FRESH DEL MONTE PRODUCE INC.
(Exact Name of Registrant as Specified in Its Charter)

The Cayman Islands (State or Other Jurisdiction of Incorporation or Organization)	N/A (I.R.S Employer Identification No.)
---	---

c/o Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue George Town, Grand Cayman, KY1-9005 Cayman Islands (Address of Registrant's Principal Executive Office) (Zip Code)	N/A
--	-----

(305) 520-8400
(Registrant's telephone number including area code)

Please send copies of notices and communications from the Securities and Exchange Commission to:

c/o Del Monte Fresh Produce Company
241 Sevilla Avenue
Coral Gables, Florida 33134
(Address of Registrant's U.S. Executive Office)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Edgar Filing: FRESH DEL MONTE PRODUCE INC - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 19, 2018, there were 48,375,971 ordinary shares of Fresh Del Monte Produce Inc. issued and outstanding.

Forward-Looking Statements

This report, information included in future filings by us and information contained in written material, press releases and oral statements, issued by or on behalf of us contains, or may contain, statements that constitute forward-looking statements. In this report, these statements appear in a number of places and include statements regarding the intent, beliefs or current expectations of us or our officers (including statements preceded by, followed by or that include the words “believes”, “expects”, “anticipates” or similar expressions) with respect to various matters, including our plans and future performance. These forward-looking statements involve risks and uncertainties. Fresh Del Monte’s actual plans and performance may differ materially from those in the forward-looking statements as a result of various factors, including (i) the uncertain global economic environment and the timing and strength of a recovery in the markets we serve, and the extent to which adverse economic conditions continue to affect our sales volume and results, including our ability to command premium prices for certain of our principal products, or increase competitive pressures within the industry, (ii) the impact of governmental initiatives in the United States and abroad to spur economic activity, including the effects of significant government monetary or other market interventions on inflation, price controls and foreign exchange rates, (iii) the impact of governmental trade restrictions, including adverse governmental regulation that may impact our ability to access certain markets such as uncertainty surrounding the recent vote in the United Kingdom to leave the European Union (often referred as Brexit), including spillover effects to other Eurozone countries, (iv) our anticipated cash needs in light of our liquidity, (v) the continued ability of our distributors and suppliers to have access to sufficient liquidity to fund their operations, (vi) trends and other factors affecting our financial condition or results of operations from period to period, including changes in product mix or consumer demand for branded products such as ours, particularly as consumers remain price-conscious in the current economic environment; anticipated price and expense levels; the impact of crop disease, severe weather conditions, such as flooding, or natural disasters, such as earthquakes, on crop quality and yields and on our ability to grow, procure or export our products; the impact of prices for petroleum-based products and packaging materials; and the availability of sufficient labor during peak growing and harvesting seasons, (vii) the impact of pricing and other actions by our competitors, particularly during periods of low consumer confidence and spending levels, (viii) the impact of foreign currency fluctuations, (ix) our plans for expansion of our business (including through acquisitions) and cost savings, (x) our ability to successfully integrate acquisitions into our operations, (xi) the impact of impairment or other charges associated with exit activities, crop or facility damage or otherwise, (xii) the timing and cost of resolution of pending and future legal and environmental proceedings or investigations, (xiii) the impact of changes in tax accounting or tax laws (or interpretations thereof), and the impact of settlements of adjustments proposed by the Internal Revenue Service or other taxing authorities in connection with our tax audits, and (xiv) the cost and other implications of changes in regulations applicable to our business, including potential legislative or regulatory initiatives in the United States or elsewhere directed at mitigating the effects of climate change. All forward-looking statements in this report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our plans and performance may also be affected by the factors described in Item 1A-“Risk Factors” in our Annual Report on Form 10-K for the year ended December 29, 2017 along with other reports that we have on file with the Securities and Exchange Commission.

TABLE OF CONTENTS

	Page
PART I: FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Consolidated Balance Sheets (unaudited) as of September 28, 2018 and December 29, 2017.</u>	<u>1</u>
<u>Consolidated Statements of Operations (unaudited) for the quarters and nine months ended September 28, 2018 and September 29, 2017.</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income (unaudited) for the quarters and nine months ended September 28, 2018 and September 29, 2017.</u>	<u>3</u>
<u>Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 28, 2018 and September 29, 2017.</u>	<u>4</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>5</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>36</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>45</u>
<u>Item 4. Controls and Procedures</u>	<u>46</u>
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	<u>47</u>
<u>Item 1A. Risk Factors</u>	<u>47</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>47</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>48</u>
<u>Item 6. Exhibits</u>	<u>48</u>
<u>Signatures</u>	<u>49</u>

Table of Contents

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Unaudited)
(U.S. dollars in millions, except share and per share data)

	September 28, 2018	December 29, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 22.5	\$ 25.1
Trade accounts receivable, net of allowance of \$14.1 and \$12.8, respectively	362.9	358.8
Other accounts receivable, net of allowance of \$8.8 and \$8.8, respectively	88.8	73.6
Inventories, net	545.8	541.8
Prepaid expenses and other current assets	68.6	20.5
Total current assets	1,088.6	1,019.8
Investments in and advances to unconsolidated companies	6.1	2.0
Property, plant and equipment, net	1,409.9	1,328.3
Goodwill	421.4	261.9
Intangible assets, net	177.4	45.9
Deferred income taxes	55.2	59.1
Other noncurrent assets	63.4	49.9
Total assets	\$ 3,222.0	\$ 2,766.9
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 544.3	\$ 382.4
Current portion of long-term debt and capital lease obligations	0.5	0.6
Income taxes and other taxes payable	13.1	10.8
Total current liabilities	557.9	393.8
Long-term debt and capital lease obligations	629.0	357.0
Retirement benefits	95.7	96.2
Deferred income taxes	83.1	86.3
Other noncurrent liabilities	45.5	42.4
Total liabilities	1,411.2	975.7
Commitments and contingencies (See note 13)		
Redeemable noncontrolling interests	41.8	—
Shareholders' equity:		
Preferred shares, \$0.01 par value; 50,000,000 shares authorized; none issued or outstanding	—	—
Ordinary shares, \$0.01 par value; 200,000,000 shares authorized; 48,375,971 and 48,759,481 issued and outstanding, respectively	0.5	0.5
Paid-in capital	524.3	522.5

Edgar Filing: FRESH DEL MONTE PRODUCE INC - Form 10-Q

Retained earnings	1,247.2	1,275.0
Accumulated other comprehensive loss	(28.7) (30.6
Total Fresh Del Monte Produce Inc. shareholders' equity	1,743.3	1,767.4
Noncontrolling interests	25.7	23.8
Total shareholders' equity	1,769.0	1,791.2
Total liabilities, redeemable noncontrolling interests and shareholders' equity	\$ 3,222.0	\$ 2,766.9

See accompanying notes.

1

Table of Contents

FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(U.S. dollars in millions, except share and per share data)

	Quarter ended		Nine months ended	
	September 28, 2018	September 29, 2017	September 28, 2018	September 29, 2017
Net sales	\$1,069.5	\$ 952.7	\$3,448.0	\$ 3,132.2
Cost of products sold	1,016.9	894.4	3,210.6	2,851.6
Gross profit	52.6	58.3	237.4	280.6
Selling, general and administrative expenses	49.4	41.2	147.9	131.0
Gain on disposal of property, plant and				