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<<Robert Moskow, Analyst, TD Cowen>>

Great. Okay. Well, hello everybody. I'm really glad that you can join us here for day two of TD Cowen Sipping & Snacking Summit. I'm Rob Moskow, food analyst. And for our next segment, I'm very happy to have Dole with us today. The company is a market leader in the fresh produce category with over $9 billion in sales and over $300 million in EBITDA. It's the product of a merger between Ireland-based Total Produce and U.S.-based Dole Foods in 2021. And the subsequent IPO of the company in the U.S. during 2021. Forgive me if I got the merger wrong on the date, but the IPO was 2021.

With us from the company today, we have CEO, Rory Byrne and Head of IR, James O'Regan. So thank you very much for joining us today.

<<Rory Byrne, Chief Executive Officer>>

So thanks, Rob. We're delighted to be here to join your conference.

<<Robert Moskow, Analyst, TD Cowen>>

That's great. So Rory, I'm going to start with just one or two, just broad consumer questions before I dig a little deeper into Dole. I was hoping to get your perspective on consumer dynamics because, you operate such a global business in 75 countries. What are you seeing in terms of the health of the consumer around the world, and what are your customers saying about volume trends and how they're different?

<<Rory Byrne, Chief Executive Officer>>

Yeah. Well, we've just been through an extremely complex period as everybody knows coming out of the pandemic the supply chain disruptions that created the knock on inflationary effects. And I guess just when we thought the world might return to a degree of normality, Russia decided to invade Ukraine with the consequence, further knock on effects on fertilizer supplies, supply chain disruption, and I suppose inflation that the world hasn't seen for a long, long time.

So, I think certainly from consumer perspective, inflation and pretty much every developed economy has been the theme of the day. In our business, I guess what we've seen is that when customers have discretionary spend, they have continued to spend on the basics, and certainly fruit and veg hits the sweet spot on that. What we've seen is probably a little bit of pressure on volumes on some categories, but our overall volume has maintained reasonably stable, but obviously prices increasing due to the inflationary effect.

Obviously there's a lot of pressure on some of our big retail customers as well to try and hold onto their consumers. Probably in some countries as well, wage inflation has lagged actual inflation that's putting even further pressure on households. And obviously the impact of people who've got mortgages disposable income is lesser. But so far in our particular space we've seen so steady. And even I guess you look at our banana category in North America, volumes are actually margin increased. And I think what we've seen there is consumers seeing bananas to be such, such very good value for money relative to many other products.

<<Robert Moskow, Analyst, TD Cowen>>

$0.19 per banana at Trader Joe's in Larchmont New York best deal in town. No doubt. You said on the last earnings call that it has been a little more difficult to pass through the impact of inflation through pricing in Europe. Can you give a little more detail on that and where you are in that process?

<<Rory Byrne, Chief Executive Officer>>

Yeah, I think really what I was trying to explain was that 2022 was a particularly unusual year in that the invasion of Ukraine happened sometime around March of 2022. A period of very significant uncertainty around even supply what was going to happen with ongoing supplies into Russia and Belarus and those markets that were related, which sanctions are starting to be applied uncertainty over fertilizer supplies. So, you had a surge in costs after the event in relation with banana business, in particular when contracts were already in place for the full year of 2022.

So it was a little more challenging in 2022 to get through some of those one-off sudden spikes in inflationary costs. And we've successfully passed those through for 2023 really in that core business. In May, in our other big diverse and our non banana and pineapple business, we've got a very dynamic pricing model. And really with changes in season with variations in supply demand, we tend to be able to pass through all of those changes in the cost chain items pretty quickly to the consumer – and the consumer, and the retailers and customers are used to that variability of pricing as well.

<<Robert Moskow, Analyst, TD Cowen>>

Okay. But in some categories, the pricing at retail is very, very consistent, I've noticed. So like bananas, I maybe this is what you were saying, but bananas seem to be the same price over and over and over again, but whereas berries are all over the place. Is that a fair way to think about it?

<<Rory Byrne, Chief Executive Officer>>

Yeah, I mean, there's a little bit of a difference between something like, say grapes or berries. So, grapes, for example, I think we source grapes to fulfill our full year-round category supply from more than 26 countries around the world. And so some of those are close to markets, some of them are far from markets. So, you're taking grapes from Chile to Scandinavia, for example, is a fundamentally different cost base than taking them from Italy to Sweden, for example. So,

lots of different dynamics go into it, the availability supply. So you do see much more variability on those seasonal products.

Bananas on the other hand, and pineapples are grown in the tropical regions and can be grown within the broad tropical region, 52 weeks of the years, you get more consistency of supply, so it lends itself to higher level backward integration and you tend to have more stability and retailers have liked the stability around banana pricing over the last number of years.

<<Robert Moskow, Analyst, TD Cowen>>

Got it, got it. Okay. So, let's dig a little deeper into to Dole. You're – I think you're a pretty new company in terms of the eyes of American investors. So maybe you can give us a little background on the evolution of the company, how it's grown through acquisitions over time, and in particular the merger between Total Produce and Legacy Dole?

<<Rory Byrne, Chief Executive Officer>>

Yeah, I mean, we're a new company to the U.S. markets, but interestingly, both companies can trace their origins right back to the 1850s or something like that. So, Dole Food Company has been around for a long, long time and has evolved over many, many years. And similarly Total Produce was the outcome of development over a long, long period of time.

So Total Produce really is a strong market focus, a strong service capability, strong handling distribution and customer focus. And over the years, we started out as an Irish company, acquired a company in the UK, acquired a few more companies in Continental Europe, and gradually over a reasonable, relatively recent, relatively short period of time through a combination of acquisition and organic growth managed to become the number one player in Ireland and UK, and Sweden and Denmark, Czech Republic, Spain, and many other European markets, well, got a fairly decent presence. We service all the different segments of the markets, so strong presence in wholesale and the markets, so that's still important. We've been increasing growing food service business, and then retail obviously is the biggest focus and strongest element of our business.

I guess over the last 10 years or so as well Total Produce broadened its footprint into the North American market as well. So, we acquired a couple of companies in the U.S. notably the Oppenheimer Company, which although based in Vancouver, services the entire North American market; Progressive Produce based in LA, and a number of other companies and together we started building up a strong category position and sometimes a niche category so with a strong New Zealand kiwi and apple business. We have a strong apple and pear, grape business out of Chile and a strong horticultural business out of Mexico and other parts of California. So building those categories, together with a potato and onion business out Progressive, which is a good niche business as well.

Then you look at the Dole Food Company, they can trace their origins back to the 1850s in Hawaii and in the pineapple business in particular and Honduras in the banana business. They have three divisions. The vegetable division, which I'm sure we'll talk about a little bit later.

And then two diversified businesses, one which was really – our berries, cherries, top fruit grape, primarily out of Chile, but also out of South Africa into both the European and North American markets. And I suppose the jewel in the crown in the Dole business was the Fresh Fruit business and that is really the banana, pineapple and shipping business. So that obviously is the business that has the strongest number one North American banana and pineapple player; number two, European player; huge, a very strong strategic asset base from farms to ships to logistical capability.

So, when you bring the two of those together, I guess the Total Produce side of it had a stronger focus on markets and service capability around the handling and distribution of fruit in the marketplace. The Legacy Dole Food Company had a stronger focus on backward integration and sourcing, and you bring the two of them together and you end up with a combined entity, as you say, on the fresh produce side of the business of more than $8 billion of revenue, more than twice the size of the next biggest competitor, some 115,000 acres of productive land, 11 ships and again, as we saw during some of the recent crisis how important strategically it was to have control of your own logistical assets, particularly in the banana, pineapple business.

We've got over 250 individual facilities spread out, primarily in Europe and North America, selling, as you said earlier, to some 75 countries. And I think key leadership positions in categories from bananas to pineapples in individual countries, then even kiwis, certain apple categories mangoes, papayas in certain countries, but we've got strong both category focus and customer focus in many, many markets.

Strong and experienced management team built up over many years. And we do a lot of work to make sure that we renew that team, that we've got management development programs and we've got a good pipeline of management coming through and detailed knowledge the industry is very important. Phenomenal global sourcing network and at these more complex times with weather issues and things like that gives us great deal of flexibility to substitute one or for the other. And then of course, bringing it all together under the iconic DOLE brand, which is the recognized fruit and vegetable brand. And with all of the major retailers, big B2B focus with major retail buyers.

So, a combination obviously in the Total Produce days of acquisition, organic development, bringing those acquisitions together and then ultimately bringing that together with Dole Food Company. I think in Dole plc leaves us with a very broad base of activity, a very broad base of assets and very well serviced to service the full range of customers that are out there.

<<Robert Moskow, Analyst, TD Cowen>>

I see. It just a little bit of clarification. So, you have four divisions. You have the Fresh Fruit, and then you have a Diversified Group for EMAE or EMEA, and then you have Diversified for North America, South America, and then you have Vegetables. So, when you merged Total Produce and Dole together did Fresh Fruit, which is the pineapples, and the bananas is that kind of its own entity? And then Total Produce kind of merged together with Dole on these two Diversified and Vegetables segment?

<<Rory Byrne, Chief Executive Officer>>

I think in broad terms, that's an easy way to think about it. Fresh Fruit was substantial part of the Dole Food Company comprising of farming assets, shipping assets, the bananas and pineapples, and we've left that pretty much intact and now it interacts with some of the Diversified divisions. The Diversified divisions is a little more overlap on both EMEA and the Rest of World in Americas where the entities that I had outlined that we built our Total Produce business have now been incorporated into that Americas and the Rest of World division. And similarly South Africa logically supplies into Europe, so it forms part of that EMEA division as well.

And then obviously the Veg business actually was the Dole Food Legacy fresh pack vegetable and value-added salad business. So, a little bit when we're in the process of disposing that was very discreet and separate from all of the rest of the divisions.

<<Robert Moskow, Analyst, TD Cowen>>

Right. Okay. Great. And so where have you seen the synergies of combining all these businesses combining really the two businesses together? Is it in logistics, customer relationships, sourcing where are the big – where was the big fruit that you were able to pick, so to speak?

<<Rory Byrne, Chief Executive Officer>>

I mean, obviously it's an ongoing work in progress, and I guess it's all of the above. Some way, we're looking at all of the categories. Logistics obviously is a huge element of it. And we've got long-haul transport and we've got short-haul transport. And in North America we're combining the transport capacity that we've gotten across the different operations that we've got to maximize the rates that we can achieve. We're looking at our nominal shipping to make sure that we maximize, we're using third party containers, that we might maximize the buying power that we've got to get the most efficient availability of shipping capacity in some cases, and to get those at the most efficient breaks as well.

And then in products, obviously we're trying to make sure that we maximize the sourcing of Dole bananas or pineapples our Chilean grapes or Chilean apples or South African top food or South African citrus through the network of distribution activities that we have, and whether it be Legacy Dole Food Companies or Total Produce distribution and we've a range of products under review from plantains to bananas to pineapples to grapes and a range of markets that we're trying to combine and maximize our efforts in those.

And then separately, there are some of the higher growth categories that had – separately the two companies have positions in berries and avocados, and that's a little bit fragmented and to some degree it works well on a decentralized basis. We are step by step trying to consolidate our position and improve our service capability around avocados or market presence and consolidation and maximize the opportunity in our sourcing base and production capacity in those categories as well.

<<Robert Moskow, Analyst, TD Cowen>>

Okay. I think I got it. Okay. This might be a similar question, but when you think about allocation of capital within the business and your CapEx spending, where does the bulk of it go? Like, where are you investing to improve your competitive advantages?

<<Rory Byrne, Chief Executive Officer>>

Yeah, I mean, obviously in our CapEx we've got a reasonable amount of ongoing maintenance CapEx, with our farming activities or facilities and things like that. But I suppose there's a couple of areas, like this year we in Chile for example, we introduced some high-tech latest spec picking and packing equipment to maximize the quality packing of our cherry lines, for example for exports into the far east, into the Europe, into North America. And that's all-around efficiencies. So the technology around handling fruit, around sorting fruit, around grading fruit is constantly improving us. So that's an area that we focus on.

And we've done a few other areas around sustainability, maximizing the use of renewable energy are maximizing fuel efficiencies or reducing emissions and things like that. But it's a constant process of improvement to make sure that there's the most efficient capacity at there to handle fruits, cause the least damage, selected in the best way, make sure the quality is right, and all the other important aspects of getting fruit and veg in optimal conditions into the marketplace.

<<Robert Moskow, Analyst, TD Cowen>>

On that keeping fruit fresh on the shelf and through the distribution chain is obviously incredibly important. And the grocers shrink in the fresh aisle, is a huge, a huge focus of theirs to how try to improve it. Are there any technological advancements in keeping Fresh Fruit, fresh for longer that, that they have worked on in the store that, that maybe you've worked on with them to help?

<<Rory Byrne, Chief Executive Officer>>

Yeah, I mean, there are a number of companies out there that have been exploring that technology to improve the shelf life. We ship a lot of fruit, if it's handled right keeping the supply chain and the cold chain intact and keeping the temperatures right, if you handle that efficiently into the marketplace and get the right rotation in the marketplace, you can minimize the level of waste and damage in that. Obviously, bananas come in and out every week, so it's, if you get cycle right and ripening, you want to keep turning that over.

There are another – probably a number of companies looking at, can you preserve avocados, which have a shorter harvest cycle to be spread out over a longer distribution season. So kiwis fall into that. But the technologies around controlled atmosphere temperature controls to preserve the quality of fruit have improved over the years. So, as we become – as those technologies have advanced, we've been able to work with those in the main, rather than any artificial additive to enhance the shelf life. But it's an area that we constantly look at. We work with a number of companies in that space, constantly experimenting to see if there is something that can enhance the presentability of the shape, shelf life and the durability of the avocado fruit. And even indeed with variety of breeders, that is one of the factors that they look at as yield, quality and shelf life

are some of the key criteria, in deciding what's the optimal variety to produce of any individual food.

<<Robert Moskow, Analyst, TD Cowen>>

Okay. Staples investors, packaged food investors, we're used to seeing growth algorithms from the companies that we follow and some assumptions for volume growth, margin expansion over time. I think Dole's a little different. So maybe you could talk about how you view the growth profile of the business and what makes it – what makes it a little more challenging, I guess to provide a growth algorithm?

<<Rory Byrne, Chief Executive Officer>>

Yeah, I mean, I think in overall terms, we're feeling pretty positive and lucky to work in an industry that people tend to like, selling healthy products and fruit and vegetables. All of the major governments around the world are encouraging people to eat the five pieces of fruit a day. We've got extensive fruit for schools programs in Europe. We saw during the pandemic that there was a significant shift towards healthier eating. Our challenge obviously is to maintain that.

So, I think the last couple of years have just been so abnormal that it's very hard to draw any conclusion in terms of trends around consumption. I think at the outset we were talking about consumer behavior, and certainly with consumers – what we are seeing is volumes holding up, but less volume growth in the short term as a result of the sudden surge of prices as a result of all the inflationary impacts that have been out there.

We look at it on a medium- to long-term basis, we're not seeing exponential levels of growth in fruit and veg, but we think that there can be low single-digit growth in the consumption of fruit and veg. And we think that with our scale, with the focus on category development, the focus on the higher growth categories, we can overtime push that up another couple of percent. And then historically as an entity, with some bolt-on acquisitions or some more significant acquisitions and we've been able to push that overall growth rate up to an above average growth rate for the industry.

So I think the last few years have been very much focused on dealing with all the challenges that have been thrown at us, inflation and complexity of managing your way through that environment with customers and consumers. And once the world settles down, which I think it will and it may be another year or so before that happens, we'll see that steady growth in the consumption of fruit and veg. And I think increasingly younger generation, it's probably done a cycle. People have become more focused on healthier living in the main, and I think that positive health and wellness trend, can be very helpful to us in pushing up the natural growth rate. And then with our own efforts on some of the other categories and maybe some bolt-on acquisitions over time, we can hopefully push that rate up a little bit higher.

<<Robert Moskow, Analyst, TD Cowen>>

Okay. I think on the last earnings call, your team was asked to kind of give a normalized free cash flow conversion rate, and I think based on $330 million of EBITDA, it would come to about half of that. But I guess there's no normal year because working capital is pretty volatile. So two questions. One is, what are you seeing in working capital volatility this year given inflation and given weather disruption? Is this a normal year? Or do you have to like, load up on the pack, so to speak more so than normal?

And then secondly, well, we'll talk about it secondly, but I want to know priorities for that free cash flow, where does it go?

<<Rory Byrne, Chief Executive Officer>>

Okay. I mean, in terms of working capital, I think we, again, just, we need to remember how radical the circumstances that we've been operating in, and even last year shortage of paper, for example, even during, you look at the pandemic, the surge and the use of people buying Amazon cartons. And so we did certainly over the last year or so build up our stock, some of our stocks there to be able to fulfill our service levels in a good way, and to hedge, a little bit against some of the price increases. There's no doubt that inflation does drive up your working capital a little bit.

And having said that, we do expect over the course of 2023 for that to start to settle down a little bit. And in a normal year, we do have some spikes in working capital in the middle of the year. We tend to see that that working capital comes in the main by the end of the year. That's a lower point for us. So, we don't think the trend isn't going to change in any way fundamentally, but maybe some short-term anomalies within that. But in the main, we think that that's going to settle down.

I think in our investor presentation we set out a little bit more comprehensively in the appendix, I think maybe in the investor meetings we clarify that a little better, so people understand better. Even within our tax rate, some of the tax was coming from asset disposals that distort the number a little bit. So, we hope our free cash flow over the medium term is somewhat stronger than maybe it was in Q2.

And then, in terms of use of the cash and obviously we've been a little conservative over the last while, with CapEx to make sure that we keep our assets operating as efficiently as possible with maintenance CapEx, some of the profit enhancements initiatives like the new packing lines or cherries and things like that, we'll continue to look at those few smaller bolt-on acquisitions, but nothing material and we continue paying a dividend and from a European investor perspective, that's been an attractive outcome as well and we'll continue to do that.

And then I mean, in the question capital allocation, we'll have to see where interest rates go. We'll have to see what the development opportunities and indeed acquisition opportunities. We do keep a close eye on the space still has quite a lot of road to grow in terms of acquisition, but obviously we'll do those on attractive terms that we're very sure are going to add shareholder value.

<<Robert Moskow, Analyst, TD Cowen>>

Okay. You also talked about normal seasonality of the business, first half being a higher profit generation period than the second half. I was wondering if you could explain why that is? What explains the seasonality to your business?

<<Rory Byrne, Chief Executive Officer>>

Yeah, I mean, the banana business historically, it used to be very heavily weighted towards the first half of the year, just with the way production of bananas and the availability of bananas as against other fruit in the marketplace where the summer tends to have more local production of a whole range of other fruit that competed in a greater way against bananas. But that's evened out over time.

And so there's a weighting towards first half, second half, but it's not as radical. With a strong first half of the year, we're expecting a reasonable second half of the year, that guidance we've given an indicative figure. And we think, we expect, we're hoping to at least exceed that figure of $350 million of EBITDA for the continuing operation side of the business.

<<Robert Moskow, Analyst, TD Cowen>>

Okay. Global ocean vessel rates, it looks like, I think what you're saying is it's a bit of a headwind this year compared to last year. I think it was very lucrative for you last year. Is that related to ocean freight kind of spot costs and what you're, I suppose what you were able to charge your customer for those ocean rates in relation to, what you're…

<<Rory Byrne, Chief Executive Officer>>

Yeah, absolutely, most of that is either where we take some product into the marketplace for third parties, but mostly backhaul cargo in our own ships. So obviously the backhaul cargo is in the dry cargo category in the main rather than reefer cargo. And those rates have come down certainly much greater than on reefer cargo. So, it's in line with the market. It's probably holding up a little bit better than we thought, but it, we had flagged that last year was an exceptional contribution from that general cargo contribution, particularly on the backhaul business. The rates were exceptionally high on that last year, and certainly for dry goods, you can see on the Drewry indexes, et cetera. The rates on dry cargo have come down quite dramatically.

<<Robert Moskow, Analyst, TD Cowen>>

Okay. And this will be my last question. You spoke about more advanced farming practices for bananas, irrigation. Can you give a little more specifics as to how your techniques have improved over time? And how has it mitigated some of the volatility related that, that you expect from El Nino coming up?

<<Rory Byrne, Chief Executive Officer>>

Yeah, I mean, the El Nino tends to create more rain in some of the more southerly countries like Ecuador and more drought in the central American countries, Guatemala, Honduras and countries like that. So in those countries, we've got much more sophisticated irrigation systems in place to make sure that we can maintain the right levels of irrigation support for the – for our production during those periods where you've got more sustained levels of drought. So it's just a greater level of investment over a period of time to give you counterbalance against variations in the weather, particularly in rainfall. And then in other countries we've even got, flood prevention and structures within our farming activities to avoid damage to farms. So that's an ongoing continual improvement process that we've got in all of our farming activities.

<<Robert Moskow, Analyst, TD Cowen>>

Got it. Okay. Well, Rory, thank you very much for joining us and for those of you who are, on this Zoom, I appreciate you tuning in as well. Very nice to meet you and hope to see you soon.

<<Rory Byrne, Chief Executive Officer>>

Thank you very much, Rob, for taking the time to include us in your fireside chat. So thank you. Nice to meet you as well.