Dole Plc First Quarter 2022 Results

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Company: Dole Plc

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Introductory Remarks

James O'Regan

Head of Investor Relations, Dole plc

Welcome and Today's Speakers

Welcome, everybody, and thank you for joining our First Quarter 2022 Earnings Conference Call. Joining me on the call today are Rory Byrne, Chief Executive Officer; Johan Linden, Chief Operating Officer; and Frank Davis, Chief Financial Officer. This conference call is being webcast live on our website and will be available to replay after the call. During this call, we will be referring to presentation slides and supplementary remarks, and these are available on the Investor Relations section of the Dole plc website.

Safe Harbour Statement

Please note, our remarks today include certain forward-looking statements within the provisions of the Federal Securities' safe harbour law. These reflect circumstances at the time they are made, and the company expressly disclaims any obligation to update or revise any forward-looking statements. Actual results or outcomes may differ materially from those that may be expressed or implied due to a wide range of factors, including those set forward in our SEC filings and news releases.

Our earnings release, financial report and related materials for the first quarter can be found on our website, and information regarding the use of non-GAAP financial measures may also be found in the Notes section of the release, which also includes a reconciliation to the most comparable GAAP measures of adjusted EBITDA, adjusted net income, adjusted earnings per share and net debt. The details of our statutory forward-looking statement disclaimer can be found in our SEC filings and the presentation slides that we will be discussing today.

With that, I am pleased to turn today's call over to Rory.

First Quarter 2022 Results

Rory Byrne

Chief Executive Officer, Dole plc

Introductory Remarks

Thank you, James. Welcome, everybody and thank you for joining us today as we discuss our results for the first quarter of 2022. I am joined today by Johan who will give you an update on operations, and then Frank will take you through the financial review.

Referenced documents and filings

Our Form 6-K, which was filed with the SEC this morning, contains recorded financials for the first quarter for Dole plc. Our earnings press release and investor presentation also reference

pro forma comparative financial information. This pro forma information illustrates Dole plc's results for the first quarter of 2021 as if the merger, IPO and refinancing had occurred on 1st January 2020. This is consistent with the pro forma financial information presented in the Form F-1 filed with the SEC in connection with the IPO.

Group Results Overview

Results in line with expectations

Turning to slide six, while the group has delivered results in line with plan, with the exception of the loss incurred in Fresh Vegetables as a result of the Value-Added Salads recall, which we discussed and flagged on our full-year earnings call back in March.

Revenue

Revenue more than doubled on a reported basis to $2.2 billion for the quarter following the acquisition of the remaining 55% of Dole Food Company in 2021. On a pro forma comparative basis, revenue declined marginally. However, excluding the 16% reduction in revenues in Fresh Vegetables, due to the impact of the Value-Added Salads recall, on a like-for-like basis of other divisions revenue actually increased by some 4%. We have implemented price increases in our business in response to the increased operating costs, driven by inflation and supply chain disruption.

Adjusted EBITDA

Adjusted EBITDA of $81.5 million was ahead of last year on a reported basis, and behind versus the pro forma comparison. Again, the reduction was predominantly due to the impact of the Value-Added Salads recall. Fresh Fruit was also behind last year, as anticipated, against a very strong comparative, which had the benefit of favourable market conditions arising from tight product supply, following hurricanes Eta and Iota. This reduction in EBITDA was also the primary reason for the reduction on adjusted EPS in the quarter.

Net leverage

Looking at our net leverage, there is a seasonal working capital outflow during the first quarter of the year at the outset of growing seasons. This has been higher this year due to the increased cost of inputs due to supply chain disruption, leading to higher inventory levels in Fresh Fruit. This, together with the exceptional one-off cash costs of the product recall, has led to an increase in leverage to 3.75 times at the end of the quarter.

Dividend

As I mentioned that the outset, aside from the challenges in Fresh Vegetables, the results are in line with our expectations outlined in our last market update, and we are therefore pleased to announce a dividend for the quarter of $0.08, as part of our continuing focus on returning value to shareholders and our belief in the strong fundamentals of our business.

Business Developments

Building on this strong foundation, we have plenty of positive operational developments during the quarter. Our commercial cargo business continues to deliver excellent results, benefiting from a strong market for our backhaul services. Our sector in general continues to benefit from its affordability and adherence to sustainability credentials, as well as continued tailwinds from the macro trends of health and wellness. We have made further strides and

synergies on the integration of legacy Total Produce and Dole Food Company with the rebrand of operations in Ireland and Denmark.

We launched Dole Exotics and the "BE Exotic" brand with the focus on the growing, procurement, ripening and marketing of avocados, mangoes and other exotics, primarily for the European market. The FDA closed its product recall investigation, and all our salad plants were back up running at normal capacity by the end of the first quarter.

I will now pass you over to Johan, who can elaborate further on these in the operational review.

Operations Update

Johan Linden

Chief Operating Officer, Dole plc

Value-Added Salads Plants

Thanks, Rory. Good morning, everyone. Turning to slide eight. On our last call, we confirmed that all our Value-Added Salads plants, following the recall, had returned to normal operating capacity. While this was a positive step, as we turn to the rest of the year, we now anticipate that the turnaround in vegetables would take more time than previously expected. While we have been successful in pushing through significant price increases and have been able to recover most of the volume that we could not service at the start of the year, it is also clear that inflationary pressures remain very high and customers are looking to mitigate their own inflationary pressures.

Financial Impact of Recall

The financial impact of the vegetable recall is a major driver of our Q1 results compared to the prior year. However, from an adjusted EBITDA perspective, the more significant deviation in Q1 is seen in our Fresh Fruit business. As anticipated, our Fresh Fruit quarterly profit dynamics are different in 2022 compared to 2021. In Q1 2021, the market benefited from very tight supply of fruit in the high demand season following the hurricanes in Honduras and Guatemala in November of 2020. Q1 2022 shows a more normal supply position. While Q2 will continue to show a challenging comparative for the same reason, their comparatives become more favourable in the second half of the year.

Diversified Businesses Performing Well

Our diversified businesses have performed well in Q1, in particular, on a constant currency basis, again, demonstrating the importance of our broad earnings base. As another example of the importance of our diversified business strategy, I want to call out the continued excellent results of our commercial cargo business. This is a business that primarily provides backhaul services using our own vessels after our fruit has been delivered to North American and European ports. As global logistics have become increasingly challenging over the last 24 months, this business has provided help in offsetting some of the significant increased costs we have incurred in the third-party shipping markets.

Difficult Operating Environment

While Q1 has performed in line with expectations, the operating environment has shifted significantly as a result of the ongoing geopolitical situation and its economic consequences. Overnight, due to supply chain difficulties, what is ordinarily a tighter supply window in the banana market at this time of the year has transitioned to one that was significantly oversupplied, which had an impact on market pricing. Critical inputs have also shown significant inflation because of the geopolitical situation, including rising fertilizer costs, paper, packaging and fuel costs.

Mitigation Protective Actions

While the marketplace is challenging, both in the Fresh Fruit segment, but also across other businesses, I am pleased to say that we have been proactive in developing important mitigating actions to protect the business. We have already made important strides in adjusting our own banana supplies for the year by working with our suppliers to align supply and demand. We have worked with our customers to increase prices where possible in all fruits, and we have also worked with our suppliers securing continuity of supply in packaging and agricultural inputs.

Market Outlook

While the short-term presents unusual challenges, we also strongly believe that we are positioned to perform well in difficult environments. Fresh produce continues to benefit from its affordability and sustainability, two aspects that we increasingly see driving consumer behaviour. As the leader in our industry, we remain in an excellent position to capitalize on this.

For our vegetable business, we see potential consolidation opportunities as well as strategic opportunities to develop in growth areas such as organics and controlled-environment agriculture.

For our banana business we expect the current market dynamics to improve the long-term supply-demand balance within the industry. Across our business we see opportunities as one of the largest players in our markets to succeed in complicated situation and both win new businesses and make strategic acquisitions.

Business Integration and Synergy Plan Update

Finally, I want to touch on our continued activity in developing our synergy plan and integrating our business. At the start of April, we officially launched our new special subdivision, Dole Exotics, with a focus on the growing, procuring, ripening, and marketing of avocados, mangoes, and other exotics, primarily for the European markets. This is an exciting development that specifically brings together an existing total produce present in the marketplace and complements it with additional sourcing opportunities from within Dole. Dole Exotics will also have an expanded sales team with additional experience in servicing major customers with tropical products such as pineapples and plantain.

Elsewhere in the group, we have also seen growth in our avocado business, with new supply agreed out of Mexico as well as our first exports out of Peru and South Africa. In Q1, we also complemented the rebrand of our Ireland and Danish business, creating Dole Ireland and Dole Denmark, a small but important step in enhancing our brand presence in the European

market and demonstrating clearly to our customers both our deep sourcing capabilities and strong local presence to meet their needs.

With that, I will hand you over to Frank, who will give you the financial review.

Financial Highlights

Frank Davis

Chief Financial Officer, Dole plc

Pro Forma Comparative Information

Thank you, Johan. As we already mentioned at the outset, our earnings press release and investor presentation reference pro forma comparative financial information. This pro forma information illustrates Dole plc's results for the first quarter of 2021, as if the merger, IPO, and refinancing had occurred on 1st January 2020. This is consistent with the pro forma financial information presented in the Form F-1 filed with the SEC in connection with the IPO.

Overall Highlights

If we turn to slide ten, revenue for the first quarter increased to $2.2 billion from $1.1 billion. The increase was primarily driven by the impact of revenue from the legacy Dole Food Company following the acquisition by Dole plc, which completed last July. On a pro forma comparative basis, revenue decreased marginally, primarily due to a decrease in the fresh vegetables due to the impact of the Value-Added Salads product recall and due to the negative foreign currency translation impact in our European businesses. On a like-for-like basis, revenue increased circa 4%.

Adjusted EBITDA for the first quarter increased to $81.5 million on a pro forma comparative basis. Adjusted EBITDA decreased mainly due to the impact of the Value-Added Salads product recall, a reduction in the fresh fruit versus a strong prior-year comparative and a decrease in diversified fresh produce EMEA due to the negative FX movements on translation. These decreases were offset in part by an improved performance within diversified Fresh Produce Americas and rest of world. This result was in line with our expectations for the quarter as set out in our last market update in March.

Turning to Slide 11, adjusted net income for the first quarter was $28.2 million, compared to $25.9 million in the prior year and $58.8 million on a pro forma comparative basis. The decrease on a pro forma comparative basis was predominantly due to the decrease in adjusted EBITDA. Adjusted fully diluted EPS for the quarter was $0.30, compared to $0.46 in the prior year and $0.62 on a pro forma comparative basis, with the reductions again due to lower adjusted EBITDA.

Segment Highlights

Fresh Fruit

Looking at each of the segments in more detail and starting with Fresh Fruit on slide 13, the segment reported an increase in revenue against the prior-year pro forma comparative. The increase was driven by a higher pricing for bananas and pineapples in North America and

Europe and higher revenue and continued strong performance from our commercial cargo business. This was offset by lower volumes for bananas in North America and Europe.

As outlined by Rory and Johan, and as expected, adjusted EBITDA declined against a strong comparative period. The first quarter of last year had the benefit of strong market conditions due to tight supply of product following the hurricanes at the end of 2020. Higher cost of fruit driven by higher input costs and higher costs of distribution negatively impacted adjusted EBITDA in the first quarter. These higher operating costs were partially offset by higher prices in core markets and the strong performance of our commercial cargo business.

Diversified Fresh Produce EMEA

Moving to Diversified Fresh Produce EMEA on slide 14, revenue was in line with the prior-year pro forma comparative. On a like-for-like basis, excluding the $59 million impact of foreign currency movements and M&A, good revenue growth was seen across the division, largely driven by higher prices across most regions and as by increased foodservice revenue, particularly in the UK. However, due to the strengthening of the US dollar against European currencies, reported revenue was impacted on translation.

Adjusted EBITDA for the first quarter decreased $4.8 million versus the prior year pro forma comparative. The decrease in adjusted EBITDA was as a result of unfavourable impact from foreign currency translation and due to logistical challenges impacting trading in Northern Europe, as well as the timing of certain South African sales, offset in part by a strong performance in the UK, driven by a recovery in the foodservice channel.

Diversified Fresh Produce Americas and Rest of World

Turning to Diversified Fresh Produce Americas and Rest of World, revenue for the first quarter increased 10% versus the prior year pro forma comparative. The increase was driven mainly by higher selling prices at the end of the Chilean cherry season, as well by higher average selling prices in North America, offset in part by lower revenue in South American blueberries. Adjusted EBITDA for the first quarter increased 21.8%, driven by a strong recovery in the Chilean grape business, which had a very difficult season in 2021 due to the impact of heavy rains on quality and volumes.

We saw good development in the majority of the North American businesses. However, this was partially offset by higher costs on certain vegetable categories and a resumption of travel costs with the easing of COVID-19 restrictions.

Fresh Vegetables

Finally, turning to fresh vegetables on slide 15, as explained on our full year earnings call, the impact of the Value-Added Salads recall at the beginning of the year had a significant impact on operating results for the segment in the first quarter. We are pleased that the plants all resumed operating at full capacity during the quarter and the authorities have closed the investigation. We continue to focus on working with our customers to pass through inflation-justified price increases and to restore lost SKUs.

In terms of financials, revenue decreased $53 million or 16%, due to the impact of lower volumes arising from the recall and temporary plant closures, which was partially offset by significantly stronger pricing in fresh packed vegetables, followed by the plant decrease in volumes.

We incurred negative adjusted EBITDA of $12.7 million for the quarter, arising from the recall and plant closures. Revenue was lower and there was lower fixed cost absorption, which contributed to the loss. We also continued to experience inflationary pressures on freight, labour, and packaging costs. As mentioned earlier, we are pleased with the progress made, but we do anticipate that the turnaround in this segment will take longer than initially expected, predominantly due to the continuing inflationary pressures which we are managing through price increases.

Capital Expenditure

Moving to slide 17, we incurred routine capital expenditure of $17 million in the quarter. Within this was the spend on the final 200 acres of farm renovation in Honduras following the hurricanes Eta and Iota.

Dividend

We are pleased to announce today a cash dividend for the first quarter of $0.08 per share, which we will pay on 6th July to shareholders, of record on the 17th June 2022, continuing our commitment to return cash to shareholders.

Leverage

Our net leverage at the end of the quarter was 3.75 times. The business typically experiences a working capital outflow during the first quarter of the year, and as Rory mentioned, it has been higher this year due to ongoing disruption to supply chains and input cost inflation. We also had the impact of the exceptional one-off cash cost of the recall of $33 million during the quarter.

Now I would like to hand you back to Rory, who will give an update on our full year 2022 outlook and closing remarks.

Outlook for Fiscal Year 2022

Rory Byrne

Chief Executive Officer, Dole plc

Updated Full-Year EBITDA Guidance

Thank you, Frank. Well, there is no doubt that the geopolitical situation in Europe has created a less predictable operating environment. Supply chain disruption, inflation, exchange rate volatility all continue to provide us with challenges. With a slower-than-anticipated return to full operating profitability in our vegetables business and the impact of the significant strengthening of the US dollar against the euro and other European currencies, resulting in lower reported US dollar earnings from our European businesses on translation, we believe it prudent to slightly reduce our full year adjusted EBITDA guidance to a range of $350 million to $370 million.

Strategic Priorities

As the largest and most diversified company in the sector with the best brand, unrivalled strategic asset base, we are very well positioned to continue to meet all the challenges that we are currently facing, and indeed, to develop and grow as the world returns to a more normal operating environment.

For the remainder of 2022, we are firmly focused on the following strategic priorities:

- Focusing on the management of operating costs within the enlarged group, the integration of our businesses and the delivery of targeted synergies;
- Managing the return to profitability of our Value-Added Salads business and capitalizing on the strong consumer demand that this category continues to display;
- Continuing our focus on expanding our presence in fast-growing categories such as berries, avocados and organic produce, as well as bringing the Dole brand to new customers, particularly to new markets across Europe;
- Continuing to actively seek out synergistic and value-enhancing M&A opportunities;
- Lastly, continuing to monitor the ongoing geopolitical situation in Ukraine and Russia and assessing its impact on our business.

Closing Remarks

In closing, we are pleased with the performance of the business during a challenging first quarter, and that the results delivered were in line with what we had anticipated. We look to the remainder of the year with confidence, that our resilient and diverse business models and exceptional people will enable us to deliver on our targeted ambitions.

With that, I will hand you back to the operator and we can open the line for questions. Thank you.

Q&A

Adam Samuelson (Goldman Sachs): Yes. Thank you. Good morning, everyone.

Rory Byrne: Good morning, Adam.

Frank Davis: Good morning, Adam.

Adam Samuelson: Good morning. The first question is just to clarify on the revised guidance. Can you just make sure we quantify kind of the change to the EBITDA outlook that was attributable to FX versus Salads, and beyond that just to be clear that really you are kind of holding all the other pieces of the outlook unchanged?

Rory Byrne: Yes. On broad terms, it is probably 50-50 between FX and Salads. On the Salad business, we have made very, very good progress in getting the business up and running, but there is a little more to do. It is just unlucky that we have ended up in the Salad business in such an unusual inflationary environment and the retailers, as you will have seen from their own results over the last few weeks, are struggling as well to adapt to the new environment. It is going to take a little bit longer. Obviously, FX, Adam, if you go back at a year ago, the dollar somewhere around $1.20 at the start of last year to $1.04, $1.05 this week, and a big chunk of our profit comes from Europe. Translating that back into US dollars

for reporting purposes, obviously, it brings down the number. They are the main components of it.

Adam Samuelson: Okay. Then you brought up the point about inflation. Just would love to get updated thoughts on how you feel pricing is being received in the marketplace. Any evidence of demand elasticity that you are seeing on the part of both retailers and consumers in your various categories? Then where incremental cost inflation, whether it is fuel and freight or packaging or fertilizer, how you feel you are able to recover those costs, potentially, with incremental pricing actions later in the year.

Rory Byrne: Yes. In our diversified businesses, which have pretty much short-term pricing, we have been pretty successful in getting through price adjustments in that segment of the business. On our annual pricing contracts, we had a high degree of success in getting through the prices. There is no doubt that the inflationary pressures continue. I think there is a period of adjustment from consumers just generally reacting to having less buying power, and how all of the other elements of the economic chain react to that in terms of wage inflation and giving people more buying power, whether it is short-term, long-term, the retailers themselves having increased cost base, trying to adjust and trying to get the balance right between keeping demand for the consumers.

There is a complex process underway at the moment. In terms of elasticity, no material changes in demand, neither up nor down. The consumers are pretty much adapting to the new prices out there, so nothing strategically of concern there. However, there is no doubt that the overall backdrop with a complex inflationary environment just managing it from the consumer having less buying power, the retailers themselves trying to maintain their own profit margins and ourselves as suppliers predominantly into that sector trying to react appropriately. However, we have had constructive dialogue with all of our customers and we believe we are making pretty good progress all around.

Adam Samuelson: Okay. If I could just squeeze one more, and maybe this is just for Frank. Any council on phasing of earnings since second quarter and the back half as we think about the cadence, obviously last year I think the layout of the quarters, I think, was somewhat unusual for you. Any council on how we think earnings will lay out over the balance of year?

Frank Davis: Yes. As we said, Adam, it was a stronger first half last year, because of the reasons that we stated there in the announcement. We would expect probably comparative recovery in the second half of the year. Probably comparable one would be the outturn for 2020. 2020 is probably a more direct comparator.

Adam Samuelson: Okay. That is really helpful. I will pass it on. Thank you.

Ben Bienvenu (Stephens): Hey, thanks. Good morning. You mentioned you have taken some price; you plan to take additional price. When you look at the revenue guidance update that you provided this morning, can you talk about the buckets of FX impact versus incremental pricing that is incorporated into there? It sounds like there is not a lot of demand elasticity, so maybe the volume expectations have not changed, but just any clarity there would be helpful.

Rory Byrne: Yes. There are a few moving parts, Ben in the revenue guidance. We scaled back some business in Holland last year, which was an impact on it. FX, I think we call out in

the press release, correct me if I am wrong, it is something like $112 million of a negative impact in the period on revenue. It is quite significant given the magnitude of our business. Then in volume, we are, broadly speaking, holding our volumes level for the year. I think that is the summary of it, Ben.

Ben Bienvenu: Okay. Then understanding that the products you sell are definitely defensive within the consumer purchasing basket; you talked about translational headwinds, but the inflation is changing consumer spending habits both in the US and internationally. There is particularly acute inflation in Europe. Would you say whether it is shift in how the customer is purchasing your products or where? That would be helpful to hear. Then what are you guys doing to maybe encourage customer engagement with your products, whether it be innovation or otherwise?

Rory Byrne: Yes, there are mixed trends across the different markets that we operate in. Some of our markets have seen a recovery in the food service business, gradually, post the pandemic. The UK is a particular standout for us, where that business has recovered as food service activity increased. We have lots of ongoing interactions with our retail base to try and encourage consumption of our products, in-store tasting, lots of other programs to try and do that, and underpinned with the Dole brand in the US market in particular.

I think the overall pressure on consumers' buying power has not had a material impact on Fresh Fruit. I think people are continuing to look at healthier eating trends. I think we are getting some benefit from post-pandemic where health and wellness is still a big factor in people's minds. I do not know, Johan, anything further you could add there on this?

Johan Linden: No, I think you hit it. I mean, the customers are looking for affordability. Our bananas are very affordable, so we still see people going in to buy bananas. We see the people buying value-added are more people with higher incomes. They are not as impacted, they do not change their habits very much, so therefore we see good traction still in that. When it comes to diversified business, in all different categories, also there we see relatively good demand.

Also, I want to add that because of COVID and everything, there were less promotions, especially in our salad category. Those promotions are coming back, and those are also driving volume. Overall, with the focus on affordability and sustainability, we feel that we are still in a very good place and therefore we see relatively good volumes within produce.

Ben Bienvenu: Okay. Understood. Thanks very much.

Christopher Barnes (Deutsche Bank): Hey, good afternoon. First, I just wanted to clarify the impact of the banana supply adjustments that you guys called out. Is that expected to be weighted to any particular quarter, like the second quarter, or is it just going to be balanced throughout the balance of the year?

Johan Linden: It is mainly an impact for the first half of the year, when we now adjusted the balance, because normally we go into the year a little bit long of volume because the market is very good, normally, for bananas, especially, in some of adjacent markets. However, because of the war in Ukraine, those markets kind of fell off and they were not as strong in pricing, therefore we adjusted the supply. Therefore, you would not see that impact in the second half.

Christopher Barnes: Okay, got it. Then you talked a lot about pricing actions today to recover cost inflation, but could you just comment on what other actions you are taking to drive productivity and cost savings throughout the organisation? I mean, to the extent you do receive increased pushback from here as retailers adapt to the inflationary environment. I am just trying to understand what other levers you have to protect EBITDA.

Rory Byrnes: Yes, in times like this to take a critical look at all aspects of your business, Chris. We have obviously been trying to get geared up to react to all the needs of the IPO; quarterly reporting, conversion to US GAAP over European numbers; and now, we are going to start a very intensive program to look at all of our cost structures associated with our admin and back office to see if we can streamline that a little bit further.

Therefore, within all elements of our business, as part of our ongoing processes, we are looking at our own internal costs, our own internal efficiencies, and if there are better ways of doing things: automation, technology, constantly looking at even the production side is there a better way of irrigation, better way of picking, better ways of packing. However, that is an ongoing process that probably there is a heightened focus on during these times of increased costs.

On freight, obviously there is a limited amount that we can do. We have the balance of our own ships, and as Johan highlighted on the backhaul services, we have been getting some offset from those services. Then it is working closely with our customers to get the balance right in terms of getting the price increases through that the consumer understands; but I think everybody does because it is not unique to our sector, these inflationary trends. It is across a wide, wide, wide range of sectors.

A lot of self-help in this. We do take a close, hard look at how we do everything right from production through to marketing, administration, and all other aspects of the business, and it is a close and microscopic look at all the costs incur to see if we can extract any further efficiencies from the business.

Christopher Barnes: Okay, great. That is very helpful colour, Rory. Just last one if I may. On the new receivable's facility, to the extent you actually utilise it, could you just clarify if those transactions have any recourse for you just from a financial liability perspective? Thanks.

Frank Davis: Yes, I can answer that one. Basically, as part of the overall financing agreement package that we were putting together, this is the final element of it and we put in place a $255 million receivables facility. Under that facility, there is no recourse; if we use that, there is no recourse to the company. It is a saleable receivable.

Christopher Barnes: Perfect. Thanks so much.

Roland French (Davy): Thank you, and good morning, gents. A couple of questions on my side, maybe just starting with the balance sheet. You called out some consolidation opportunities, potentially, in your prepared remarks, and clearly, there is some working capital timing in that Q1 profile, but just trying to dial into what firepower you might have through 2022 in context of maintaining the 3x leverage target? Start with that.

Rory Byrne: Thanks Roland. Yes, we are going to be cautious, obviously, Roland, just in the current environment in terms of we are not going to unduly stretch the balance. The only

thing I can say to you is that, as you know from following us for a long time, we have always found the appropriate balance to find an answer if the right opportunity arises, and we have every confidence that we have enough capacity between the package facility we have got to be able to take advantage of appropriate opportunities for us. However, we will be conservative at the moment, no doubt about it.

Roland French: Got it. Okay, thanks. Then just in terms of the guidance, can you confirm whether that reduction in the vegetable business; is that located predominantly in the bagged salads business, or is there an element of the fresh packed within that too?

Rory Byrne: Predominantly in the bagged salads.

Roland French: Okay. Any colour, just in terms of that that industry backdrop in fresh packed?

Rory Byrne: Fresh packed, we have done a lot of work in realigning that business. It is performing better this year, and so we are pretty comfortable where we are on that. I do not know, Johan, if you want to add a little further on the fresh packed side of things?

Johan Linden: No, you are right on. We took an approach last year when we cut back some volume and the industry did that overall and it is working well. The strategy is working.

Roland French: Okay, thanks. Maybe just finally, any update on synergies? Maybe include within that some parameters around the scale of the Exotics business?

Johan Linden: Overall when it comes to synergies, we are working according to plan. The main thing, then, that we have done during the last quarter is we did a rebranding in Ireland and Denmark. It is a small thing, but it is actually emotionally quite a big thing and it also brings really the company much more together when you say you work for the same company. It is a small step, but a very important step.

When it comes to the Exotics, we have big ambitions to become one of the major players in the European markets in avocados, and separately we were medium-size players, but now putting it together, we have a very good position. What differentiates us from the rest of the main competitors is that we believe that we are actually going to have a little bit of late-mover's advantage, because a lot of the people now have built up some relatively big and expensive infrastructure in the ports, let's say in Holland, whereas we are going to try and focus and use our extensive ripening network and warehousing network that we have in the markets. We are going to jump one step directly closer to the markets, be closer to the customers, be quicker to adjust to supply. We believe we are in a very good position to take a relatively big piece of the avocado business.

Roland French: Okay, guys. That is nice colour. Thanks very much, and best of luck, Frank.

Frank Davis: Thanks, Roland.

Ken Zaslow (Bank of Montreal): Hey guys, how are you? A couple of questions. If the banana business was a little bit weaker but it did not change your guidance, why do you suspect that that did not change your guidance in any way if it came in a little lighter? What is the actual path to recovery for the bananas? Is it just that you just wait for the demand to come back? Is Ecuador oversupply an issue? Russia and Ukraine absorption, how does that play out?

Rory Byrne: I think in terms of our banana business, it came in pretty much in line with our expectation. Ecuador obviously is a big issue; Ecuador, primarily as a country, it is still the single largest exporter of bananas in the world and 20% plus of its market has come under pressure since the Russian/Ukraine invasion. You look at Russia, Belarus and the Ukraine, it is a 200-million-people market. There are still a reasonable number of supplies going into that market because food is not subject to sanctions, but there are a lot of pressures because of the banking sanctions. It may stabilize over time and it may recover a little bit, but a lot of that fruit is not capable for phytosanitary or other reasons of going into the European or the US market, and indeed the incremental costs from the basic costs of the fruit are so high now that the risk reward is not worth it. We see a reduction in volume coming out of Ecuador in total over the coming year or so, and where that ends long-term is going to depend on the ultimate outcome of Russia and Ukraine and whether food supplies both ways get back to a higher degree of normality. However, it is an uncertainty.

I think in broad terms our banana business, we have taken a lot of actions to cut back volume into those excess markets, and to the markets that have been affected by it, our big supermarket business, our control over the supply chain of our own ships, particularly in the North American market and into the Northern European markets, have left us with a strong ability to work our way through the current environment.

Johan Linden: Maybe if I can add there, Rory, is that just if you look at the banana business, we have been in a very good position this year and we continue to be in a good position where we put them on our own ships, and since the ocean cargo business has been so competitive, we have been able to sell open space, which means that we have been able to prioritise price over volume. Therefore, we have been able to push some really good pricing increases through. The comparables are that we had very high prices last year because of a tight supply in the first half, then the prices came down. Then in the end of this year, we were able to renegotiate the prices again, basically up to the same level as we had last year. This year we are going to have the same prices for this full year instead of last year when we only had the high prices in the first half. That is the explanation.

Ken Zaslow: Perfect. The next question I have is just a follow-up. You said that you were able to raise prices but the promotional activity is actually accelerating. How do you balance promotions versus raising prices, and how does that work? Net-net is it still a price increase? Is some of the promotions discounting some of the price increase? How does that balance work?

Johan Linden: It is a price increase. It is just that during COVID there, and the increases in demand that we had in Value Added Salads during that period made it impossible for the stores to staff with the right people, for us to produce. There was no possibilities to do any pricing promotions. Now we have a balance in our supply in a different way. Staffing is maybe not great in the stores and the retails, but they are in position when they need to drive volumes again. We are price increasing, but yes, there are promotions, but it is not taking away from price increases.

Rory Byrne: I think they are not material, Ken, to the overall equation, but tactically used to try and maintain and boost consumption.

Ken Zaslow: Great. My very last question is you said that there was a consolidation opportunity, I think you said in vegetables, is that an accelerated consolidation opportunity, or is that just typical strategic stuff, because you always have a consolidation story, but it seems like you mentioned it in, I believe, the vegetables division when you said it. I did not know if there was something of interest that you wanted to kind of elaborate on? I will leave it there and I appreciate your time.

Rory Byrne: No, there is nothing specific that we are going to highlight, but we are constantly looking and re-examining the strategic positioning of all the players in those individual segments. Obviously with the Fresh Vegetable and the dynamics around that business over the last year in particular, you always have a close look at it, and we do think there are opportunities for change there. However, there is nothing imminent on that.

Ken Zaslow: Great. I appreciate it, guys.

Rory Byrne: Okay, thank you. I think just in summary, we made some very good progress on the very difficult scenario that we had with the Value-Added Salad recall. Just a little bit unlucky that we had such a recall against the backdrop of an unprecedented world that we are currently living in. I think we have done a lot of work. We are back on track with a little more to do. The strengthening of the dollar where the dollar has become the safe haven, that is a little bit unhelpful to us for sure. I think our fundamentals, our global strength, our infrastructure leaves us very well-positioned to get through this year in a satisfactory way, and hopefully then when the world returns to a more normal place moving forward in future years. Thank you very much for joining us today.

[END OF TRANSCRIPT]