Dole plc Q2 2022 Results

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Introduction

James O'Regan

Head of Investor Relations, Dole plc

Welcome

Welcome, everybody. Thank you for joining our Second Quarter 2022 Earnings Conference Call. This conference call is being webcast live on our website and will be available for replay after this call.

Joining me on the call today are Johan Lindén, Chief Operating Officer, and Jacinta Devine, Chief Financial Officer. This is Jacinta's first earnings call since assuming the role of Chief Financial Officer on 1st July. Jacinta has over 25 years of experience in the Group, and we wish her every success in her new role. Our Chief Executive Officer, Rory Byrne, apologises that he is unable to join us today as he is attending to a personal matter.

Disclaimer

During this call, we will be referring to presentation slides and supplemental remarks. And these are available on the Investor Relations section of the Dole plc website. Please note, our remarks today will 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 forth in our SEC filings and press releases. Our earnings press release, financial statements, and related materials for the second quarter can be found on our website at doleplc.com/investors.

Information regarding the use of non-GAAP financial measures may also be found in the press release, which also includes a reconciliation to the most comparable GAAP measures. The details of our statutory forward-looking statements disclaimer can be found in our SEC filings and in the presentation slides, which we will be referring to today.

Our financial statements for the second quarter were also filed with the SEC earlier today and contain reported financial information for Dole plc for the quarters ended 30th June 2022 and 30th June 2021 and half year numbers for both 2022 and 2021. 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 second quarter and first six months of 2021, and that 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.

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

Q2 2022 Highlights

Johan Lindén

COO, Dole plc

Q2 '22 Highlights

Thank you, James. And thank you for joining us today. I want to begin by acknowledging that we recently marked the one-year anniversary of the completion of the IPO and the merger of Total Produce and Dole Food Company. The merger has brought together two highly synergistic and complementary organisations establishing Dole Plc as the global leader in our industry. We are pleased with how well the integration has gone, and we continue to progress well with the synergy initiatives.

In Q2, we again increased inter-company trade, which is a key objective. We are also making good progress in maximising internal utilisation of existing Group assets and by working together to make investments that support the combined businesses. Additionally, we have continued with the rebranding of Total Produce businesses, which is an important step as we expand the presence of the Dole brand in the marketplace.

If we take a step back and reflect on the last year, there have been many headwinds the entire industry has faced. From rising input cost to global supply chain disruptions, the pandemic and the ongoing geopolitical situation causing market disruptions, this is undeniable that it has been a year full of unprecedented uncertainty and challenges. But we have been able to react to and mitigate the impact of these challenges at the speed and efficiency far superior to what we could have done prior to the merger.

We know that the key to succeed in this industry over the long term is scale and diversification, which is why our vertically integrated business model supported by our highly strategic and diversified asset base has allowed us to continue performing well during this uncertain and challenging environment.

Turning to our Q2 performance. Overall, the Group has delivered results for Q2 in line with our expectations. On a pro forma comparative basis, excluding the impact of currency translation and net M&A activity, revenue increased by approximately 3.2%.

Adjusted EBITDA of $109 million was in line with our expectations, although behind last year. The reduction on last year was predominantly due to expected changes in the phasing of our EBITDA and a slower than anticipated turnaround in our Fresh Vegetable business.

Turning to our balance sheet. We are pleased to see our leverage come down to 3.4 times at the end of the quarter, and we expect our leverage to improve further in the second half. In the second quarter, we had a strong focus on cash flow. While we needed to maintain some higher working capital to protect from supply chain shortages, we focused on tight management of working capital and discretionary spend.

We also took a disciplined approach on CapEx focusing on essential projects. And importantly, we made further progress on disposing of non-core assets totalling $10 million in Q2, as we continue to focus on optimising our invested capital. We are pleased to announce

today a cash dividend for the second quarter of $0.08 per share. This continues our commitment to return cash to shareholders.

Operational Review – Q2 '22

Turning to slide eight for our operational highlights. In our Fresh Fruit division, we had a strong quarter, driven by our North American business and commercial cargo. As we referred to in our Q1 call, during the first half, we have implemented cost savings and risk mitigation initiatives, including putting additional hedges in place and progressed the challenging work of rebalancing our supply and demand in bananas after the changes in the marketplace caused by the war.

In the absence of further abrupt changes in the market conditions, like we saw at the start of the war, we are now pleased with the outlook and are looking forward to a strong second half outperforming our prior year comparatives. Our diversified business on a like-for-like basis had a very robust quarter despite ongoing supply chain and inflationary challenges.

We are very pleased to see our diversified segment consistently demonstrating their ability to trade well and dynamically set pricing in response to exceptional market conditions. We expect that robustness to continue in the second half, and we are very pleased with the current progress we are making in these segments.

While we are pleased with our second quarter performance overall, we are disappointed with the progress we have made in our vegetable business. Q2 showed significant improvements over Q1, but not to the levels we anticipated in our turnaround plan. And we expect now to face an unfavourable environment through the second half of 2022.

Inflation continues to impact our value-added salad business. We have been able to push through some price increases. However, recent softness in the category, demand is creating a difficult trade-off for the industry between the pursuit of the volume needed to maximise production efficiencies and the pricing needed to offset inflationary headwinds. To combat these challenges, we are actively engaged in mitigation efforts, while continuing to explore consolidation opportunities as well as strategic opportunities for growth.

While we remain confident in our ability to get vegetable business back to profit, we do not now expect to see a full recovery in our vegetable business until 2023.

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

Financial Review

Jacinta Devine

CFO, Dole plc

Group Results

Thank you, Johan, and thank you all for joining us here today.

Turning to slide 10. As Johan mentioned, we are pleased with the strong results delivered by the Group in what remains a difficult inflationary trading environment. Revenue for the second quarter was $2.4 billion, a decrease of 4% against the pro forma comparative, primarily due to a negative foreign currency translation impact of $112 million and a net

reduction of $69 million from M&A activity, both primarily in our Diversified Fresh Produce EMEA segment.

On a like-for-like basis, revenue increased by 3.2%. This increase in revenue was driven by robust growth in our Fresh Fruit and Diversified Fruits segments, offset in part by decline in the Fresh Vegetables segment as a result of lower volumes and value-added salads, due to both lost volumes following the recall event earlier in the year and due to lower industry demand.

Adjusted EBITDA for the second quarter was $109 million, a decrease of $34.5 million on a pro forma comparative basis. $4 million of the decrease in adjusted EBITDA was as a result of the impact of currency translation on the reported results. On a like-for-like basis, the $30 million decline was primarily due to the strong prior year comparisons in Fresh Fruit and to a loss in Fresh Vegetables.

Group Results

Turning to slide 11. Adjusted net income for the second quarter was $41.3 million, in line with prior year and lower on a pro forma comparative basis. The decrease on the pro forma comparative was predominantly due to the decrease in adjusted EBITDA, offset in part by a lower tax expense.

Adjusted fully diluted EPS for the quarter was $0.44 compared to $0.74 in the prior year and $0.70 on a pro forma comparative basis, again, driven by the reduction in adjusted EBITDA.

I will now provide some more detail on each of the individual segments, starting with Fresh Fruit on slide 13.

Segmental Results

Revenue for the second quarter increased by 3.5% compared to the pro forma comparative for 2021, continuing the good momentum from the first quarter. Revenue was positively impacted by:

- Increased pricing in the commercial cargo.
- Increased pricing in North America for bananas; and
- Higher worldwide volumes and pricing in pineapples.

This was partially offset by lower pricing in non-core markets for bananas.

Adjusted EBITDA for the second quarter decreased by 32.4% compared to the pro forma comparative for 2021. The prior year comparatives had the benefit of strong market conditions due to tight supply following the hurricanes in Central America in November 2020. And as expected, these conditions did not repeat in 2022.

Adjusted EBITDA was also impacted by higher ocean and inland freight costs, higher costs in packaging, fertilizers, and other materials. These higher costs were partially offset by higher pricing in core markets as well as strong performance in commercial cargo business.

Diversified Fresh Produce EMEA

Moving to the Diversified Fresh Produce EMEA on slide 14. Revenue for the second quarter decreased 10.7% compared to the pro forma comparative for 2021. This was primarily driven

by a negative translation impact on currency of $110 million due to the stressing of the US dollar in the quarter against all major European currencies.

In addition, there was a net reduction to revenue from M&A activity of $69 million in the quarter. On a like-for-like basis, revenue grew 8.1% with growth seen across the division, driven by increased pricing; and additionally, due to strong revenue growth in South Africa, driven by different seasonal export timing this year compared to 2021. Revenue growth was partially offset by some logistics challenges in Europe, which impacted volumes.

Adjusted EBITDA for the second quarter decreased by 3.9% compared to the pro forma comparative for 2021. The decrease in adjusted EBITDA was primarily a result of translating the results of European currency businesses into US dollar, which strengthened significantly against European currencies compared to the prior year.

On a like-for-like basis, adjusted EBITDA increased 7.4%, driven by a strong performance from our Spanish and UK businesses in the quarter, offset by a more challenging quarter for our Northern European businesses due to logistical challenges.

Diversified Fresh Produce Americas & ROW

Turning to Diversified Fresh Produce, Americas, and Rest of World. Revenue for the second quarter increased 5.7% compared to the pro forma comparative for 2021. This increase was primarily driven by a good performance in the potato, onion, and avocado categories, as well as recovery in Chilean grape volumes after weather impacted volumes in Q2 of 2021.

Adjusted EBITDA for the second quarter decreased by 5.4%. This decrease was driven by Q2 2021 having a seasonal timing benefit in the quarter compared to Q2 2022 and due to a challenging quarter in the joint venture kiwi business. Excluding timing impacts, there was a positive development in the majority of the North American businesses in the quarter, in particular, in the avocado, potato and onion categories.

Fresh Vegetables

Now turning to Fresh Vegetables on slide 16. Revenue for the second quarter decreased by 6.9% compared to the pro forma comparative for 2021. Revenue was negatively impacted by lower volumes of value-added salad products due both to lost volumes following the value-added salad recalls in December 2021 and January 2022, and lower industry demand.

Revenue was also impacted by a planned decrease in volumes in Fresh Packed Vegetable products. These decreases were partially offset by price increases in value-added salads and significantly stronger pricing in Fresh Packed Vegetable products, supported by the reduced volume strategy.

Adjusted EBITDA for the second quarter was a loss of $5.7 million. Fresh Vegetables' adjusted EBITDA was negatively impacted by lower revenue and lower cost absorption due to lower volumes, as well as by inflationary pressures on freight, packaging, and labour costs. These challenges in the value-added salad business were partially offset by improved performance in the fresh packed products.

Capital Allocation and Leverage

Turning to slide 17. Capital expenditures for the second quarter were $22 million. We have now invested $39.4 million year-to-date spread over reinvestments in farms and glasshouses in our growing regions and in efficiencies in logistics, warehousing, and processing closer to

the market. We are now expecting capital expenditure of $110 million for the year, a reduction of $15 million versus our prior guidance.

After completing the disposal of two non-core warehousing assets in Europe in the quarter, we have now generated approximately $27 million in sales of non-core assets year-to-date and remain focused on optimising our invested capital further in the coming quarters.

Looking at working capital. Earlier this year, in addition to our normal seasonal working capital increases, we took additional precautionary measures by building up inventories to combat potential shortages due to global supply chain concerns. As we ended Q2, we have been starting to see the normal seasonal working capital effects unwind.

And while we expect our working capital to continue to come down as we move into the second half, we do still see an underlying higher level of working capital now compared to prior years, being driven by the precautionary measures we took earlier in the year and higher prices.

Prior to the beginning of 2022, Dole entered into $600 million of interest rate swaps with maturity dates ranging from three to five years, which effectively converted $600 million of our debt from variable to fixed rates. And earlier this year, we added a further $100 million in swaps, such that we now have approximately half of our outstanding debt at fixed interest rates.

We are pleased that we were proactive in mitigating some of our exposure to rising interest rates. However, in light of the recent significant interest rate increases announced by many central banks, driving up underlying base rates, we expect the full year interest expense to be approximately $60 million.

We are continuing to make good progress on management of our global tax outlay after the merger last year. And having considered our latest operational forecast for the year, we expect an adjusted effective tax rate in the range of 23% to 25%.

We are pleased that we were able to further diversify our funding base in Q2. And as planned, we entered into a new three-year committed trade receivables arrangement, giving us increased financial flexibility at a lower cost as we continue to invest in the business and execute the strategy we outlined as part of the IPO.

Our net leverage at the end of the quarter decreased to 3.4 times. We expect leverage to decrease further in the second half of the year.

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

Conclusion

Johan Lindén

COO, Dole plc

FY'22 Outlook

Thank you, Jacinta. The economic environment remains fluid as we look into the second half. And today, we are currently seeing some both positive trends and some further challenges.

On the more challenging side, as we mentioned when referring to our Fresh Vegetables business, we have recently seen some initial signs of adjustments in consumer behaviour with evidence of consumer decreasing the demand for certain value-added products, which have a higher retail selling price.

However, partially compensating for this, we have seen some signs of demand increasing in the banana category as consumers look to substitute more for products with a lower retail selling price, while in our two diversified segments, our extensive range of products and markets leaves us well placed to perform well as economic conditions change.

Additionally, on the positive side, we have recently been seeing some stabilisation in prices in important commodities, like packaging and fertilizers as well as in fuel, and we're also starting to see some signs that we are turning the corner on availability of labour.

In summary, we are pleased with the outlook in the two diversified segments and believe we have an improved outlook in our Fresh Fruit segment compared to Q1. However, due to a slower-than-anticipated return to full operating profitability in Fresh Vegetables and the increasing impact on translation due to the significant strengthening of the US dollar, we believe it is prudent to reduce our full-year adjusted EBITDA guidance by approximately 5.5% to a range of $330 million to $350 million.

FY'22 Strategic Priorities

We remain positive on the long-term outlook, and our priorities for the second half of the year remain in line with what we set out during the last earnings call, with a critical focus on accelerating the turnaround of our value-added salad business.

In closing, we are delighted to have now reached a one-year milestone of operating as Dole plc. And I want to thank again all our talented and dedicated people for the immense contributions they have made to our business in the past year. Because of the strength of our people, and the support of our partners and customers, we are looking to the future with great confidence.

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

Q&A

Patrick Higgins (Goodbody): Three questions for me if that is okay. Firstly, just on the value-added salads business. Could you just give us some colour on the wider market, and is it currently in decline as well? Or how much is Dole underperforming in the market? And I guess how much pricing has the competitive set taken relative to Dole at this point?

Secondly, I think you mentioned looking at consolidation opportunities within this business. Could you just expand on that? Does that include potentially disposing of your business to other operators? Are you looking to maybe add to your business? And what size of deals would you be looking at?

And then finally, could you just give us a sense of your expectations of phasing in that business into H2? So should we expect still loss make in Q3 and then profitable into Q4 and onwards into FY2023? Just interested to hear how that phasing is going to work.

Johan Lindén: Lots of questions, Patrick. Okay. So first of all, we look at the market for value-added. We have seen the category come down. So, the category has lost some space, and that has to do with some of the products within that category as they have higher prices and people are shying away from that for lower priced products such as bananas, potatoes, onions. So, the market or the category has taken a hit, and that hit has actually complicated our return to profitability; because when you have a category that is declining a little bit, it is difficult to go out and ask for new volume at the same time that you actually want to take price. We have taken price, and we are very happy with the price that we took during Q1. But we have a little bit more to take, and we also have seen some additional inflation during the summer as a consequence of the war, right?

There is some more price to be taken, but we expect to take that as we are negotiating the new contracts with the customers. Yes, we have lost some market share. Thus, it is not only the category went down, we have also lost some market share as a consequence of the recall. But we are hopeful to claim back some of that volume going into Q1 of next year.

When it comes to consolidation, yes, we did mention that, and we always look around what is going on in the market. We are always open for M&A activities. However, our sole focus right now for vegetables is to return it to profitability. So that is the only focusing thing that we have for this category.

When it comes to the phasing of the EBITDA, we do expect Q4 to be stronger than Q3.

Adam Samuelson (Goldman Sachs): I guess the first question is just to clarify a little bit. The $20 million reduction to the adjusted EBITDA guidance, could you maybe parse that between reduced outlook for Fresh Vegetables and currency? In the prepared remarks, Johan, you alluded to actually an approved outlook in Fresh Fruit. So maybe just quantify the different moving pieces there. And specifically, the slide said that the second quarter was in line with expectations. So just to clarify that entire $20 million reductions in the second half.

Johan Lindén: Yeah. Q2 was in line with expectations. However, when we were looking into the second half, we have had expected a stronger rebound on vegetables. That is what is driving it. What has changed since Q1 is that when we were talking in Q1, we still saw a very strong category growth for value-added. When the category is growing, it is much easier to go back and reclaim lost volume as a consequence of the recall. And it is also easier to ask for price.

Now when the category has backtracked, that has forced us to re-evaluate how we see our return to profitability plan. So that is by far the driving factor then there is also some translation, as an impact when we compare from Q1 to now, but the bulk of this is coming from a re-evaluation of the vegetable's turnaround.

Adam Samuelson: Okay. That is helpful. And then just as we think about that change in EBITDA relative to the change in free cash flow outlook, the interest went up, the CapEx went down. Those are largely offsetting. Just since you alluded to maybe expecting a full year increase in working capital usage versus the prior expectation. Any way to quantify that as we think about what the free cash flow profile of the business looks like this year?

Jacinta Devine: Yeah. While we do expect our normal working capital inflow, we are coming off a higher base, because of the decisions we made to invest in inventory in the early part of

the year to manage the global supply challenges. We are expecting the normal working capital inflow, but from a higher base, the trends are very similar to what you would have seen in prior years.

Adam Samuelson: Sorry, again, with the combined company, it is hard to go back to prior years to think about what that phasing would be in the Dole versus the total produce kind of working capital.

Johan Lindén: Yeah. Adam, we are around if you take out the recall, which had an impact on the working capital last year, we are going to have an outflow this year of around $40 million to $50 million by year-end.

Christopher Barnes (Deutsche Bank): I just had a quick follow-up on the value-added salad business. Could you just provide some more specificity on when you think you will be done with the turnaround? Like I think just as a follow-up to Patrick's first question, do you expect to return to positive EBITDA in the fourth quarter? Or is that more of a fiscal 2023 endeavour?

Johan Lindén: We will turn it around. We do expect a positive EBITDA for the Vegetable business in Q4. We have stabilised our service to the customers. We are servicing our customers very well. And historically, we have seen when we do service them well and when we do then go out and ask for new volume, that normally follows. So we are optimistic that we see demand coming back for us, and we have started to see some small wins, but we still need more.

Christopher Barnes: Got it. Understood. And then just as a follow-up question. We all have a good sense for your top line exposures by currency, but is there any help you can give us on sensitivities from here from currency as it relates to EBITDA? I mean, to the extent like we have further dollar strength or even a weakening, how should we think about like the resulting impact to profitability?

And then if you could just comment on what portion of your costs are dollar-denominated versus in local currencies, that would be helpful.

Jacinta Devine: Yeah. So just remember, we are talking about translation here rather than transaction exposures. But about 1% strengthening in US dollar has about a $1 million impact on our EBITDA.

So our US dollar expenses, it is about 50%.

Ronald French (Davy): A couple of questions if I could. Maybe just further follow-up questions on the vegetables business and value-added salads in particular. I guess, generally, my interpretation is it is a complex category. It is a complex business. And ultimately, it feels like there needs to be more radical actions taken in that segment. Can you walk through other than pricing, I guess, what actions are being taken, whether it is leadership, whether it is network, whether it is looking at different channels?

And then allied to that, can you remind us how much of that business in salads is private label versus branded? And has that shift to private label, has that weighed on margin? It feels like when you are running more batter on and have more SKUs, it becomes just more complex. So that is the first question. I will let you answer that. I have one more.

Johan Lindén: Yeah, let us see, if I understood and followed all the questions here. Private label versus branded has no real impact on our profitability. It does, to a certain extent, make it a little bit more complicated because you add one SKU into production, but there is no big difference between the profitability.

So if we were to sell more in private label that does not really have an impact. I do not have it in front of me, but my guess is that we have around 60-70% under the Dole brand, and the rest is around private label today.

So what we are doing is that, yes, we have strengthened the management within the organisation. We have added analytical power from corporate. So we have put that in, just to go through all the processes going through all the numbers. So that has happened. Of late, we have also added industry expertise when it comes to operational excellence within the company. So that is also happening.

And of course, we are doing a lot of contingency plans here. So our actions will depend on if we believe that we have some big wins in the near future, then we will act according to one plan. If it is not, we will then reduce some of our fixed costs, which is actually not that complicated for us to do. It would just be a little bit of time consuming and planning.

But if we do not believe we are going to have a big volume win, we will also do some adjustment in the fixed cost. So there are a couple of contingency plans in place depending on how we feel about demand in the near future.

Roland French: Got it. And then maybe my second question just around the banana business and the banana market more generally. You talked to your own actions around the supply side. Can you remind us? I know it was a watch point around trade flows, and you had called out that there was excess supply from Ecuador not making its way into Russia. Can you update us on your own view about the actions that you have taken, and I guess the general thermometer ahead of kind of recontracting rounds into 2023?

Johan Lindén: Yeah. So we normally contract a little bit long. So we normally have a little bit of excess in the first half because the market is normally strong. So we want to make sure that we have volume and if we do not need it in the core markets, we can sell them at profit in non-core markets, such as the Black Sea, Turkey, Middle East, or Asia. This year, when the war happened, those markets just fell away. So we had to re-calibre our supply base. So we took some supply out to not have too much excess also going into the second half. So that was done during the tail end of Q1 and in the beginning of Q2. So that is behind us.

And when we now look into the second half and the end of the year and the season for negotiation, some of the contracts, mostly Europe, but also some American contracts now in the second half, we feel that the market is relatively tight. So the supply is relatively tight. We have seen overall supply come down. And we expect that to continue to come down as we look towards the end of the year.

Roland French: Okay. Great. If I could squeeze in maybe a third and just a high level one around, if we look at the H2 implied EBITDA on the midpoint of the range. It still needs a good [inaudible] growth, 150% and 25% growth. Is that largely coming from Fresh Fruits?

Johan Lindén: As we did say in the prepared remarks upfront, we are optimistic about our diversified segments that they are going to perform well, and we expect a stronger second half of Fresh Fruit compared to last year. So that is correct.

Kenneth Zaslow (Bank of Montreal): Just wanted to follow up on the banana market a little bit. How much supply do you think is going to be reduced this year? Have you seen any retailers push back on any of the price increases? When do your contracts renew? How does that exactly work? I will leave it there.

Johan Lindén: Okay. So contracts work differently in different markets and with different customers. Europe, in general, you can say it is being negotiated in between, say, now and up until November. So that is when you negotiate supply contract in Europe.

In America, you have rolling contracts. So that can happen any time of the year, but we have more volume being negotiated in the second half. Then you contract and then you normally contract for one year, but you can also have a two-year contract. That is when it comes to the contract.

When it comes to pushback, yes, we always have pushbacks from the customers. In the end, we feel that we have been able to pass on the price increases that we needed when it comes to this category. It is a little bit different from market-to-market. We felt very optimistic and good about Europe going into the year and also in the beginning of the year because we then pushed through prices that we were happy with. Then of course, the euro came down, and that has impacted us negatively. Overall, yes, we have been able to push the inflation on to our customers.

When it comes to supply, we have seen so far supply come down from 3% to something, and we expect that, but that is just expectation, who knows. We expect that decline to accelerate going into the second half.

It might not sound like much when we talk about 2.5-3% of decline in volumes. But this is from a category that is used to have a 2% increase year-over-year for at least the last 15 years. So only the last two years, have we seen the supply base come down. And we do not believe that necessarily to be negative for us.

Kenneth Zaslow: Given the banana outlook and your stabilisation in the Fresh Vegetable, do you think that 2023 would be an above algorithm year just because of the recovery from this, or do you think that you have reset the base of which you will grow on algorithm here? And then I will leave it there.

Johan Lindén: It is a very valid question, and I totally understand that you are asking it, but it's too early for us to answer it. We will get back to you when we give the full year guidance later in the year, the full year guidance for next year essentially.

Bryan Spillane (Bank of America Merrill Lynch): I would like to get your perspective on two more macro topics. One is, as we are looking into the colder weather months in Europe and maybe the potential for energy rationing in certain parts of Europe, certainly higher energy costs. Can you talk about just how you are preparing or what potential preparations you are making both operationally to the extent that it affects operations, but also consumer sensitivity if they're seeing much higher home heating costs as we move into the colder weather? Then I have a follow-up.

Johan Lindén: Yeah. When we look at consumers, yes, we do believe that they might change their behaviour. But when it comes to Europe, it is the diversified segment where we are big, right? And there we are selling the full portfolio of products. So if there is any change in one product, it will just be compensated by the other products we are selling. So we do not believe we will be negatively impacted by that directly.

And also when bananas, there we had a big win in Europe, we do not believe that will be impacted because it is a low priced product. So we feel we are in a good position from that perspective.

When it comes to energy costs, yes, all the divisions we are having are out looking and making sure that they have energy into the future. We have done some investments. We have gone into biofuel in some places where we before had gas. We had invested in some solar. We have taken precautions to be ready for a harsh winter. But we are absolutely aware of everything, of course, that is going on. We do believe that it could be a year full of surprises, but we also believe that we are very nimble and with the diversification we have within the product and the type of products we are selling, we believe that we are in a good position.

Bryan Spillane: Understood. Then some of the meteorological forecasts into the winter now are again predicting another La Niña, maybe even one this year that's stronger than last year. Can you just remind us La Niña years, how that affects or what impact that has either positive or negative on sourcing, especially out of South America and the Western US?

Johan Lindén: Yes. This year, what you have seen is that the weather has been cloudier. We have had bad weather. It is a bit a little bit colder, more cloud, less illumination, which has then meant that production has come down in Ecuador and Colombia. You see volumes down in those countries, and we have seen drought then in Western United States. If that continues, you would see that trend then continuing.

Ben Bienvenu (Stephens): I was hoping to revisit the Fresh Vegetables category. I appreciate the colour on the exit rate for profitability this year, but you expect to be back to positive EBITDA in the fourth quarter. I am curious, putting a finer point on some of the comments you have made around mix shift and pricing for that business. When we think about the recovery or continued recovery of margins in 2023, are you expecting a recovery back to what we saw in 2021, or is it in the cards to get back to that 3% margin rate even as the mix has shifted?

Johan Lindén: I mean the target for us is to get back to the 2020.

Ben Bienvenu: Okay. If that is the target, I guess, is the path there to get back, is that a realistic target in 2023? Or would you expect that it takes longer to that just as we think about calibrating our expectations on the recovery?

Johan Lindén: I understand the question. And we are putting all the actions in place that we feel and deem necessary to get back there, and that is the expectations that we are having on the division. And remember also that we have taken other actions already in this year that we were taking actions when it comes to the fresh pack, meaning the whole head products, the whole head ice brands, and such. We are also optimistic looking into next year on those products.

You have to remember the categories coming off from the very, very strong growth phase. The last five years, you have seen a CAGR of 5%. We see a dip right now, but we believe the underlying demand is there, and we believe that the consumers will return to the product even if we have had a small dip right now of some 5% in volume in the first half.

Ben Bienvenu: Then a follow-up question on the pricing commentary that you made that your expectations changed in part because of expected or less than the previously expected pricing increases, is maybe what you noted. Are you expecting to continue to take price, maybe just in smaller doses going forward, or how should we be thinking about the posture that you all would take around price?

Johan Lindén: Yes, we are expecting to continue to take price in the categories, and we expect that the underlying inflation is there. It is there for everyone, so we also expect the competition to do the same. As we renegotiate contracts, we will push for price.

Well, then thanks for all of you for joining the call today and for the continued interest in Dole. We are looking forward to speaking with you soon again. All the best.

[END OF TRANSCRIPT]