Del Monte Corporation

NYSE:DMC

Earnings Call

Wednesday, July 29, 2026 4:00 PM GMT

Call Participants

EXECUTIVES

Christine Cannella
Vice President of Investor Relations

Mohammad Abu-Ghazaleh
Chairman & CEO

Monica Vicente
Senior VP & CFO

ANALYSTS

Anja Soderstrom

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Presentation

Operator

Good day, everyone, and welcome to Del Monte Corporation's Second Quarter 2026 Conference Call. Today's conference call is being broadcast live over the Internet and is also being recorded for playback purposes. [Operator Instructions] Thank you. For opening remarks and introductions, I would like to turn today's call over to the Vice President, Investor Relations with Del Monte Corporation, Ms. Christine Cannella. Please go ahead, Ms. Cannella.

Christine Cannella
Vice President of Investor Relations

Thank you, Rob. Good day, everyone, and thank you for joining our second quarter 2026 conference call. Joining me in today's presentation of results are Mr. Mohammad Abu-Ghazaleh, Chairman and Chief Executive Officer; and Ms. Monica Vicente, Senior Vice President and Chief Financial Officer. I hope that you had a chance to review the press release that was issued earlier via Business Wire. You may also visit the company's IR website at investorrelations.freshdelmonte.com to access today's earnings materials and to register for future distributions. This conference call is being webcast live on our website and will be available for replay after this call.

Please note that our press release and our call today include non-GAAP measures. Reconciliations of these non-GAAP financial measures are set forth in the press release and earnings presentation, which is available on our website. I would like to remind you that much of the information we will be speaking to today, including the answers we give in response to your questions, may include forward-looking statements within the safe harbor provisions of the federal securities laws. In today's press release and our SEC filings, we detail risks that may cause our future results to differ materially from these forward-looking statements. Our statements are as of today, July 29, 2026, and we have no obligation to update any forward-looking statement we may make.

During the call, we will provide a business update along with an overview of our financial results, followed by a question-and-answer session. With that, I will turn today's call over to Mr. Mohammad Abu-Ghazaleh. Please go ahead.

Mohammad Abu-Ghazaleh
Chairman & CEO

Thank you, Christine. Good morning, everyone, and thank you for joining us. This quarter marks a defining milestone in our company's history. We officially stand as Del Monte Corporation, a premier organization built on decades of world-class leadership in fresh produce, now fully empowered to create exceptional value across fresh, refrigerated, shelf-stable and prepared foods while unlocking the complete potential of our global agricultural platform. That strategic evolution is already delivering clear tangible results. Our Foods division created through the purchase of Del Monte Foods rapidly validated our thesis following the acquisition in March. where we move with speed and precision to execute a clear value creation plan built on operational discipline, targeted product focus, sharpened commercial execution and supply chain rigor across our expanded global distribution network. By the end of the second quarter, I'm proud to announce that our Foods division delivered profitable performance, establishing a strong operational foundation that represents just the beginning of the growth trajectory we have mapped out as we expand our branded platform. What we are building is a fundamentally stronger, more dynamic company designed to deliver enhanced earnings quality, continuous resilience and long-term valuation expansion.

For decades, Fresh has been the foundation of our success, and it remains the core of our business. Our fresh platform delivers massive global scale supply chain expertise and deep retail relationships worldwide, driving our volume, powering operational leverage and anchoring our global market presence. By pairing our fresh strength with our expanded Prepared Foods portfolio, which includes the acquisition of Del Monte Foods, we now operate 2 distinct highly complementary growth engines.

Our shelf-stable prepared foods category bring structurally higher margins, extended shelf life and predictable revenue streams backed by incredible consumer loyalty to the Del Monte brand. Put simply, we have evolved into a fully diversified global food platform that balances the reach and momentum of fresh with the margin quality and brand equity of packaged foods, positioning us to navigate market cycles more smoothly and deliver consistent long-term shareholder value. Equally transformative is how this acquisition unlocks the full strategic potential of the Del Monte brand.

For nearly 4 decades, Brand ownership was divided across separate platform. But now for the first time since the 1980s, the Del Monte brand is under single unified leadership. We now directly control the global brand strategy, the innovation road map and category expansion decisions, creating a major structural competitive advantage. This unified ownership empowers us to expand retail partnerships through cross-selling across fresh, refrigerated and pantry categories, streamlined procurement and logistics under one integrated supply chain and leverage shared consumer insights to extend the brand into high-growth modern consumption occasions.

As we execute our multiyear integration plan, our operational priorities for the remainder of 2026 remain clear and focused. First, we will drive operational rigor across our Food division by maintaining outstanding service levels, deepening customer partnerships and executing a high-performing pack season.

Second, we will capture clear line of sight synergies through early cost efficiencies across procurement, logistics, SG&A and trade spend optimization. Third, we will continue investing in and growing our Fresh division, which remains our primary engine for overall revenue and operational cash flow. The performance of our first 100 days since acquiring Del Monte Foods confirms the strength of our strategy and the best opportunities ahead.

Owning the Del Monte brand outright and leveraging our combined agricultural platform enables us to capture growth in areas this company has never reached before. I am remarkably confident in what we are building. And I believe that Del Monte Corporation of the coming decade will be a stronger, higher margin and significantly more valuable business. With that, I will turn it over to Monica Vicente, our Chief Financial Officer, to discuss our financial results. Monica?

Monica Vicente
Senior VP & CFO

Thank you, Mr. Abu-Ghazaleh, and good morning, everyone. Before I review our second quarter results, I want to address the 3 key strategic initiatives that we believe will support our future growth and performance. We maximized our expanded production portfolio following our first full quarter of Del Monte Foods ownership. We strengthened our liquidity through our expanded revolving credit facility, and we are actively optimizing our global agricultural and production network. Each of these actions reinforces our core priorities, strengthening operational efficiency, maximizing cash generation and elevating long-term shareholder value.

Starting with our transformation and growth initiatives. The second quarter marked a successful first full quarter of Del Monte Foods ownership. Integration is moving swiftly and delivering ahead of our expectations. We acted decisively to capture operational efficiencies and early performance supports our expectations for long-term value creation from this combination. Reflecting this momentum, we are raising our 2026 outlook for Del Monte Foods. We now expect net sales of $625 million, up from $600 million and adjusted EBITDA of $35 million, up from $23 million. We believe this reflects the underlying strength, margin quality and value creation of our expanded business. During the quarter, we initiated target pricing actions, product portfolio enhancements and trade spend optimizations.

Together, these high-return focus areas are expected to generate approximately $9 million in annual margin expansion as they phase in across '26 and 2027. Looking forward, our focus remains in completing a seamless integration, driving procurement and logistics efficiencies and scaling our combined commercial execution. To support our expanded commercial scale and seasonal opportunities, we fortified our financial flexibility. Earlier this month, we expanded the capacity in our revolving credit facility from $750 million to $900 million, maintaining our favorable terms from -- through February of 2029 with the full support of our lending partners.

We believe this enhances our liquidity position as working capital normalizes across seasonal harvest cycles and supports future cash conversion. Across our fresh core operations, we are proactively taking decisive return on capital actions to build an agile, cost-effective production network. In Costa Rica, strategic adjustments to our production footprint are expected to support long-term cost efficiencies.

By optimizing our agricultural footprint, we are repurposing high-value land to scale our premium Del Monte Gold and Honeyglow pineapple production. This directly aligns with strong global demand for our high-margin premium fresh offerings and positions us to pursue accelerated profitable growth into the future.

Turning to our overall financial performance for the quarter. Net sales reached $1.22 billion, up 3% year-over-year, driven by our strategic expansion into prepared categories. On an adjusted basis, net sales rose 9%. Gross profit reached $121 million, yielding a solid 9.9% gross margin despite inflationary headwinds.

Adjusted operating income was $49 million, adjusted net income reached $34 million and adjusted diluted EPS was $0.72. Adjusted EBITDA was a strong $72 million with a 6% margin, underscoring the resilience and earnings quality of our diversified enterprise model. Looking holistically at our combined total fresh operations, comprising our fresh and value-added products and banana segments, demand across our flagship offerings, particularly our proprietary pineapples remains robust.

High per unit realizations across major international markets demonstrate the enduring strength of our brand and customer preference for our premium fresh portfolio. Our primary operational focus for our fresh business is centered on 3 strategies. First is supply and logistics optimization, realigning production networks to maximize throughput, control domestic and ocean logistics and drive margin improvement. Second is high-margin focus, prioritizing capital towards our highest returning fresh premium offerings like the Del Monte Gold and Honeyglow and maximizing yield consistency. And third is pricing and sourcing agility, expanding our global sourcing flexibility to capture favorable market pricing while maintaining delivery reliability for our retail partners worldwide.

Moving on to capital allocation and outlook. Our disciplined capital allocation framework continues to deliver balanced growth and direct return of capital to shareholders. Our operating cash flow reached $94 million for the first half of 2026. Our full year capital expenditure expectations are set between $85 million and $95 million, focused directly on expansion projects in Central America, fresh-cut growth in Europe, investments in the Del Monte Foods business and technology investments.

Our Board has declared a quarterly cash dividend of $0.30 per share, $1.20 annualized. And additionally, we repurchased $16 million in common stock during the quarter, reflecting our ongoing commitment to enhancing shareholder value. Looking at our full year 2026 outlook. We expect adjusted net sales growth of 13% to 15%.

Furthermore, favorable shifts in macro environmental cost factors are providing positive momentum. We now anticipate external cost pressures to moderate significantly to $45 million to $55 million, down from prior estimates of $60 million to $70 million, benefiting our production, ocean freight, logistics and distribution cost profile.

Full year gross margin expectations across our integrated business model remain firm, supported by expanding trade efficiency and strategic sourcing flexibility. For our fresh and value-added segment, our target margins are 11% to 12%. For banana --

Operator

Ladies and gentlemen, we are experiencing some technical difficulties with the conference call. Please stay on the line. We will resume momentarily.

Monica Vicente
Senior VP & CFO

For our full year gross margin expectations across our integrated business model remained firm, supported by expanding trade efficiency and strategic sourcing flexibility. For our fresh and value-added segment, our target margins are 11% to 12%. For bananas, target margins are 3% to 4% as footprint adjustments take effect. For the Prepared Products segment, the target margins are 14% to 15%. And for other products and services, our target margins are 10% to 11%. As far as adjusted EBITDA, we are targeting between $230 million and $240 million.

In summary, we believe our business model is stronger, more diversified and better positioned to enhance cash conversion. Our priorities are clear: capture integration efficiencies, optimize our global supply network, reduce leverage as working capital normalizes and drive disciplined shareholder return. That concludes my remarks. Operator, we're ready to begin Q&A.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Mitch Pinheiro from Sturdivant & Co.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Can you hear me?

Mohammad Abu-Ghazaleh
Chairman & CEO

Yes, Mitch. Sorry for the -- some technical issue.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

That's okay. That caught me off guard. So thanks for the updated guidance, the detailed guidance. That was very helpful. Let me ask -- so good news on the Del Monte Foods. You're sort of raising your guidance or you are raising your guidance on sales and your adjusted EBITDA outlook. What is it in that first 100 days? Can you just maybe give us some examples as to what you're seeing, what you've been able to accomplish and maybe where in the next 6 months for the remainder of this year, what you hope to achieve in that segment?

Mohammad Abu-Ghazaleh
Chairman & CEO

Well, when we acquired the assets and the Del Monte Food company, there were many issues that they were facing. One of them was service levels, other was shortage of volumes to customers. And our management has addressed this, I mean, together with the food management, which is the core, of course, players in this game, but what our management guidance, we have reached service levels, which could be the maximum in any food service environment, 95% and above delivery on time as well as delivering volumes when the volumes are needed, which is very, very important in this business, of course, as you know. And rationalizing our product lines, the SKUs, focusing now on the -- we are in the middle of the harvest and packing season for the green beans, corn and other products. So this is going full speed and scale.

Distribution and logistics have been rationalize and still will be going rationalization, especially storage and warehousing, which is a very important part of the business. That's something that we are -- we have rationalized in some ways, but we still believe that within the next 12 months, we will be able to maximize that rationalization. And of course, that will result in a very significant cost savings and efficiencies. So these are just part as well as the pipeline. We have several products that are in the pipeline, new products that will be introduced probably starting by the end of this year going into '27. So that's in short summary, how we are going forward with the Food division. But as I mentioned earlier on my -- what I just said earlier, the scope and the magnitude of the -- our ability to integrate food and fresh together is significant, is really a dream. So we are very, very optimistic and very bullish for the future.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

And so do you -- I guess the question, looking at this year's adjusted EBITDA and sales, it's a 5.6% EBITDA margin. Is that just a reflection of only really having to run Del Monte Foods -- the food assets for just 9 months. Is that what that is? Or because I would expect your EBITDA margin to be in the double digits, obviously, at some point. Is that where we're heading? And is that the reason why it's not there yet?

Mohammad Abu-Ghazaleh

Chairman & CEO

Absolutely right. Absolutely right. And don't forget that this year, in particular, Mitch, with all the headwinds we are facing since beginning of the year with everything that is going on around the world, we have so many headwinds in all fronts being the transportation, logistics, supply chain and the costs and the fuel transportation. I mean, it's not a normal year, let's say. So hopefully, '27 could be a normal year. Again, that would reflect significantly on the results and the cash flow.

Monica Vicente
Senior VP & CFO

But I agree with you, Mitch, our EBITDA margins going forward should be in that range. that you mentioned.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Okay. Great. And then it was nice to see the costs coming down. Is that -- what were -- what are the costs that $60 million to $70 million down to, I guess, you said, I think, $45 million to $55 million, I wrote down.

Monica Vicente
Senior VP & CFO

$55 million.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Is that...

Monica Vicente
Senior VP & CFO

Go ahead.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

What comprises the reduction?

Monica Vicente
Senior VP & CFO

It's basically bunker fuel, diesel, fertilizer, we feel and we see that the markets have pulled back and they're not as negative as they were in when we first announced these expectations. And we have made also some changes on how we do things, how we're buying our products, our raw materials. So we're seeing an improvement.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

And the Costa Rica colón, is that still a problem?

Monica Vicente
Senior VP & CFO

That's still a headwind. Yes. That's still a headwind.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Okay. Got it. And then on the banana side, lower volumes or, I guess, weak demand in North America. Is that weak demand? Is that sort of -- is that where you've maybe walked away from some unprofitable or less profitable business? Or are you actually seeing consumption declines in that segment, as a category?

Mohammad Abu-Ghazaleh
Chairman & CEO

I don't think it's consumption decline. I think there were -- unfortunately, competition has been extremely severe during the last 6-7 months from different players as well as higher cost at the origin. And going forward, I believe that situation cannot be sustainable, cannot continue like this because for argument's sake today, some competitors are selling fruit in the market for $11 while the cost at the farm is -- it is almost over $11. So that gives you an idea of what is happening in the market. I believe we rationalize our volumes in order not to go into this kind of vicious circle, which never ends. We are rationalizing our supply as well, sourcing itself, like we said earlier, like Monica mentioned. So we will be only sourcing fruit from where it makes sense to be able to be competitive in the market.

Banana is an important part of our business, and this is what we will continue to focus on, but in a much more, I would say, rational way.

Monica Vicente
Senior VP & CFO

And this points, Mitch, to the exit of some banana farms in Costa Rica and repurposing the land for our most important products, which is one of them is Del Monte Gold and Honeyglow. So...

Mohammad Abu-Ghazaleh
Chairman & CEO

Just to give you an idea, just because of the exchange rate in Costa Rica, the cost per box went up over $2 in the last year just because of the exchange rate. Just think about that.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

So I'm sorry.

Mohammad Abu-Ghazaleh
Chairman & CEO

And it doesn't seem that the exchange rate is going to reverse or go back to the -- to what it used to be. I don't believe so. So I think we are going to make some decisions where it makes sense to us as a company and our interest going forward.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

The 4 farms that you've closed the bit on the banana side and repurposing, is that on the East Coast or West Coast?

Mohammad Abu-Ghazaleh
Chairman & CEO

These are on the East Coast.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Okay. And then of those 4 farms, what percentage of the total banana of your own production was those 4 farms that you've closed roughly?

Mohammad Abu-Ghazaleh
Chairman & CEO

It's small actually. The total picture is small.

Monica Vicente
Senior VP & CFO

Yes, about 5% of the Costa Rica production, but some...

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Okay. Okay. And then -- so on the pineapple side, you mentioned in the release higher production costs is that on the fertilizer on that side of the cost side? Or is there other -- is there yield issues or anything along those lines?

Monica Vicente
Senior VP & CFO

So on the pineapple, it's the same as everything else. The fertilizer, the diesel, the exchange rate in Costa Rica, that's what's really impacting the pineapple.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Okay. And I didn't see the Q yet, but how were pineapple sales in the quarter?

Monica Vicente
Senior VP & CFO

They were strong. The volume was a little bit lower this quarter than previous year, but it is just a cycle from the growing cycle and -- but very strong higher pricing.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Okay. Okay. Great. And then I guess last question, just going back to bananas. I wanted to -- we haven't -- I haven't heard any update on the Black Sigatoga or Panama disease. Any update that you could give us on the outlook there?

Mohammad Abu-Ghazaleh
Chairman & CEO

Well, Sigatoga is getting worse, to be honest with you. It's sort of -- especially this year is a lot more rainfall than previous years. So the more rain you get, the more Sigatoga infection spreads. And as far as the TR4, the Panama disease, you know that it has been reported that it's spreading in Ecuador further. And as I said, it's on many occasions before, is not if, it's when. And I think that is going to go to definitely spread to Central America itself down the road. And I mean, this is not a situation that will happen overnight. This can take 10, 15 years. But ultimately, it will happen. And I'm very convinced of that.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

Okay. And then I guess just my final question is the -- on your fresh-cut business. How did that perform in the quarter? And any update on the outlook there?

Monica Vicente
Senior VP & CFO

Fresh-cut did well. It didn't increase from last year, but it stayed steady.

Mohammad Abu-Ghazaleh
Chairman & CEO

It's consistent, Mitch.

Mitchell Brad Pinheiro
Sturdivant & Co., Inc., Research Division

I'm sorry, I missed that.

Mohammad Abu-Ghazaleh
Chairman & CEO

I said the business is consistent. I mean, some variables would be because of fruit cost because what's happening in the market, supply chain, things like that. There were a little bit some difficulties, especially shipping from Mexico, Brazil, Peru and things like that sourcing. So there were hiccups. But all in all, it's consistent business, and we have kind of a strong position in that market.

Monica Vicente
Senior VP & CFO

So pricing was strong and definitely, same as with every other product, we were impacted by some of the inflation, but it's still demand is strong.

Operator

Your next question comes from the line of Anja Soderstrom from Sidoti.

Anja Soderstrom

Congratulations on the acquisition of Del Monte and this new chapter of the company. I'm just curious with the top line synergies, can you just sort of double-click on that and what some sort of near-term opportunities there you see in terms of cross-selling and maybe innovation?

Mohammad Abu-Ghazaleh
Chairman & CEO

Well, innovation, that's something that we will announce when it is already in the market. And as I mentioned earlier, some of these -- some products will start going into the shelves sometime at the end of this year and a lot more will be during '27. So there has been products that have been under development before we acquired Del Monte. Some of these were kind of we spread like we put it on a fast track and others that we kept on the back burner. So we will be announcing -- and the market, of course, will be informed of all these products when the time comes.

Anja Soderstrom

Looking forward to that.

Mohammad Abu-Ghazaleh
Chairman & CEO

I mean we will be introducing products that will be innovative and make a huge difference for the category that we are in.

Anja Soderstrom

And you will be able to sort of cross-innovate between the Del Monte Foods and Del Monte Fresh.

Mohammad Abu-Ghazaleh
Chairman & CEO

Absolutely. Between the fresh and the food, there will be a lot of synergies and a lot of -- I mean, just to give you an idea, pink pineapple, for instance, we were not being able to put it in any kind of packaging before. Now hopefully, by the end of the year, we will be -- this pink pineapple will be packaged as like our grapefruit and other segments in syrup, and it will be in the market within hopefully the next 3 months, 4 months, 5 months.

Anja Soderstrom

Okay. And then I'm just curious, you were talking about the adjustments to the footprint in Costa Rica with the purposing of the land for pineapples. What sort of -- what is the timing of that? And what goes into that in terms of costs? And when will you start seeing revenue coming in from those pineapples?

Monica Vicente
Senior VP & CFO

That's more of a long term. Growing the pineapple has a long growing cycle. So it's about 3- to 4-year cycle, but it's important to keep those lands for the higher-margin products. So this is very high-value land and we can grow pineapple there, but it is a long growing cycle.

Anja Soderstrom

I'm sorry, yes.

Mohammad Abu-Ghazaleh
Chairman & CEO

I will follow up on what Monica just mentioned that the benefit will be -- will appear very quickly because once we shut down these farms, the losses that we were incurring on running these farms will be immediately eliminated and it will show up on the bottom line. So that's very important aside from using these lines to maximize the value of these assets. It depends on how quickly we will transform it into pineapple. It could be 3 years, 4 years if we are not too agile. But I think we will be agile and this could be shortened by a year or 1.5 years.

Anja Soderstrom

Okay. That was helpful. And then I'm just curious, I thought you said you were also starting to repurposing some banana farms.

Mohammad Abu-Ghazaleh
Chairman & CEO

Yes. That's the whole idea is to -- every farm that is very excessive into cost and will never be viable, that farm will be shut down and turned into some other product, which is mainly would be the pineapple.

Anja Soderstrom

Okay. And it's the same there, the cost will go away quite quickly, but it will take a couple of years for that to produce something again?

Mohammad Abu-Ghazaleh
Chairman & CEO

Of course, after shutting these farms, you will take at least 2 years to start seeing the production of pineapples.

Operator

And as there are no further questions, I will now turn the call back over to Mr. Mohammad Abu-Ghazaleh for closing remarks.

Mohammad Abu-Ghazaleh
Chairman & CEO

I would like to thank everyone for participating on this call and hope to talk to you next time with even more exciting news. Thank you very much, and have a good day.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect.