

FRESH DEL MONTE PRODUCE INC

Form 10-Q

July 28, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 26, 2009

OR

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

For the transition period from _____ to _____

Commission file number 1-14706

FRESH DEL MONTE PRODUCE INC.

(Exact Name of Registrant as Specified in Its Charter)

The Cayman Islands
(State or Other Jurisdiction of
Incorporation or Organization)

N/A
(I.R.S Employer
Identification No.)

c/o Walkers SPV Limited

Walker House, 87 Mary Street

George Town, Grand Cayman, KY1-9002

Cayman Islands
(Address of Registrant's Principal Executive Office)

N/A
(Zip Code)

(305) 520-8400

(Registrant's telephone number including area code)

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

c/o Del Monte Fresh Produce Company

241 Sevilla Avenue

Coral Gables, Florida 33134

(Address of Registrant's U.S. Executive Office)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

As of July 17, 2009, there were 63,553,211 ordinary shares of Fresh Del Monte Produce Inc. issued and outstanding.

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Forward-Looking Statements

This report, information included in future filings by us and information contained in written material, press releases and oral statements, issued by or on behalf of us contains, or may contain, statements that constitute forward-looking statements. In this report, these statements appear in a number of places and include statements regarding the intent, beliefs or current expectations of us or our officers (including statements preceded by, followed by or that include the words believes, expects, anticipates or similar expressions) with respect to various matters, including our plans and future performance. These forward-looking statements involve risks and uncertainties. Fresh Del Monte's actual plans and performance may differ materially from those in the forward-looking statements as a result of various factors, including (i) the depth and duration of the current global recessionary environment, which could persist throughout and beyond 2009, and the extent to which it may affect our results, including our ability to command premium prices for certain of our principal products, and increased competitive pressures within the industry, (ii) the impact of governmental initiatives in the United States and abroad to stabilize the financial markets and spur economic activity, including the effects of significant government monetary or other market interventions on inflation, price controls and foreign exchange rates, (iii) our anticipated cash needs in light of our liquidity and financing plans, (iv) the continued ability of our distributors and suppliers to have access to sufficient liquidity to fund their operations, (v) our ability to successfully integrate acquisitions into our operations, (vi) trends and other factors affecting our financial condition or results of operations from period to period, including changes in product mix or consumer demand for branded products such as ours, particularly as consumers become more price-conscious in the current economic environment, as well as anticipated price and expense levels, the impact of weather on crop quality and yields, the impact of prices for petroleum based products and the availability of sufficient labor during peak growing and harvesting seasons, (vii) our plans for expansion of our business (including through acquisitions) and cost savings, (viii) the impact of foreign currency fluctuations, (ix) the impact of competition, (x) the timing and cost of resolution of pending legal and environmental proceedings, and (xi) the impact of changes in tax accounting or tax laws (or interpretations thereof), and the impact of settlements of adjustments proposed by the IRS or other taxing authorities in connection with our tax audits. All forward-looking statements in this report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements.

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

	June 26, 2009 (Unaudited)	December 26, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 26.7	\$ 27.6
Trade accounts receivable, net of allowance of \$16.4 and \$15.8, respectively	348.0	348.0
Other accounts receivable, net of allowance of \$13.6 and \$14.0, respectively	41.7	62.0
Inventories	408.3	459.8
Deferred income taxes	14.8	19.2
Prepaid expenses and other current assets	45.5	58.0
Total current assets	885.0	974.6
Investments in and advances to unconsolidated companies	8.6	8.0
Property, plant and equipment, net	1,083.0	1,085.2
Deferred income taxes	45.5	43.6
Other noncurrent assets	133.1	138.5
Goodwill	410.3	401.1
Total assets	\$ 2,565.5	\$ 2,651.0
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 362.5	\$ 379.6
Current portion of long-term debt and capital lease obligations	6.4	358.0
Deferred income taxes	26.6	26.0
Income taxes and other taxes payable	8.4	10.8
Total current liabilities	403.9	774.4
Long-term debt and capital lease obligations	328.7	154.8
Retirement benefits	64.1	61.4
Other noncurrent liabilities	54.0	54.1
Deferred income taxes	89.4	92.4
Total liabilities	940.1	1,137.1
Commitments and contingencies		
Shareholders equity:		

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Preferred shares, \$0.01 par value; 50,000,000 shares authorized; none issued or outstanding		
Ordinary shares, \$0.01 par value; 200,000,000 shares authorized; 63,553,211 issued and outstanding	0.6	0.6
Paid-in capital	553.6	549.8
Retained earnings	1,051.7	964.6
Accumulated other comprehensive loss	(1.0)	(18.1)
Total Fresh Del Monte Produce Inc. shareholders' equity	1,604.9	1,496.9
Noncontrolling interests	20.5	17.0
Total shareholders' equity	1,625.4	1,513.9
Total liabilities and shareholders' equity	\$ 2,565.5	\$ 2,651.0

See accompanying notes.

Table of Contents**FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

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

	Quarter ended		Six months ended	
	June 26, 2009	June 27, 2008	June 26, 2009	June 27, 2008
Net sales	\$ 978.4	\$ 972.2	\$ 1,858.1	\$ 1,867.1
Cost of products sold	887.4	872.6	1,683.3	1,670.6
Gross profit	91.0	99.6	174.8	196.5
Selling, general and administrative expenses	42.4	42.8	79.3	82.2
Asset impairment and other charges, net	1.1	11.6	1.5	16.2
Operating income	47.5	45.2	94.0	98.1
Interest expense	3.5	2.5	6.1	5.9
Interest income	0.3	0.5	0.4	0.8
Other income (expense), net	5.0	2.7	(0.9)	14.3
Income before income taxes	49.3	45.9	87.4	107.3
Provision for (benefit from) income taxes	(3.6)	3.7	(1.0)	2.4
Net income	\$ 52.9	\$ 42.2	\$ 88.4	\$ 104.9
Less: net income (loss) attributable to noncontrolling interests	0.7	0.3	1.3	(0.6)
Net income attributable to Fresh Del Monte Produce Inc.	\$ 52.2	\$ 41.9	\$ 87.1	\$ 105.5
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. - Basic	\$ 0.82	\$ 0.66	\$ 1.37	\$ 1.67
Net income per ordinary share attributable to Fresh Del Monte Produce Inc. - Diluted	\$ 0.82	\$ 0.66	\$ 1.37	\$ 1.66
Weighted average number of ordinary shares:				
Basic	63,553,211	63,455,713	63,553,211	63,157,388
Diluted	63,559,309	63,804,052	63,603,524	63,581,121

See accompanying notes.

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FRESH DEL MONTE PRODUCE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(U.S. dollars in millions)

	Six months ended	
	June 26, 2009	June 27, 2008
Operating activities:		
Net income	\$ 88.4	\$ 104.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42.1	40.9
Amortization of debt issuance costs	2.1	0.9
Gain on pension liability		(1.4)
Stock-based compensation expense	3.8	3.8
Asset impairment charges	2.8	12.6
Change in uncertain tax positions	(3.9)	(1.9)
Gain on sales of assets	(1.9)	(5.7)
Equity in (gain) loss of unconsolidated companies	(0.5)	3.1
Deferred income taxes	0.1	0.9
Foreign currency translation adjustment	4.9	(1.9)
Changes in operating assets and liabilities:		
Receivables	24.0	(21.6)
Inventories	47.2	29.4
Prepaid expenses and other current assets	0.4	(10.6)
Accounts payable and accrued expenses	(2.4)	60.7
Other noncurrent assets and liabilities	15.2	(1.8)
Net cash provided by operating activities	222.3	212.3
Investing activities:		
Capital expenditures	(44.1)	(43.3)
Proceeds from sales of assets	7.3	8.6
Purchase of subsidiaries, net of cash acquired		(400.6)
Net cash used in investing activities	(36.8)	(435.3)
Financing activities:		
Proceeds from long-term debt	124.9	517.6
Payments on long-term debt	(310.9)	(307.8)
Proceeds from stock options exercised		21.3
Payments for additional interest in noncontrolling interests	(2.4)	(3.4)
Net cash (used in) provided by financing activities	(188.4)	227.7
Effect of exchange rate changes on cash	2.0	(1.3)
Net (decrease) increase in cash and cash equivalents	(0.9)	3.4
Cash and cash equivalents, beginning	27.6	30.2

Cash and cash equivalents, ending	\$ 26.7	\$ 33.6
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