

FRESH DEL MONTE PRODUCE INC

Form 6-K

May 02, 2003

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K
REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the quarter ended March 28, 2003

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)

Walker House, Mary Street

P.O. Box 908GT

George Town, Grand Cayman

(Address of Registrant's Principal Executive Office)

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 files or will file annual reports under cover of Form 20-F or
Form 40-F.]

Form 20-F Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to
the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.]

Yes No

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| Exhibit: | |
| 2.13 Amended and Restated Credit Agreement dated as of March 21, 2003 by and among Fresh Del Monte Produce Inc. and Certain Subsidiaries Named Herein, as Borrowers, and the Lenders Named Herein, as Lenders, Harris Trust and Savings Bank, as Syndication Agent, ING Capital LLC, as Documentation Agent, and Cooperative Centrale Raiffeisen-Boerenleenbank B.A. Rabobank Nederland, New York Branch, as Administrative Agent | 24 |

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AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(U.S. dollars in millions)

| | <u>March 28, 2003</u> | <u>December 27, 2002</u> |
|--|---------------------------|------------------------------|
| | <u>Unaudited</u> | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 16.1 | \$ 9.5 |
| Trade accounts receivable, net of allowance of \$18.4 and \$17.8, respectively | 210.0 | 162.4 |
| Advances to growers and other receivables, net of allowance of \$17.0 and \$16.7, respectively | 56.6 | 34.7 |
| Inventories | 204.4 | 188.4 |
| Deferred income taxes | 4.7 | 4.8 |
| Prepaid expenses and other current assets | 19.0 | 9.4 |
| | <u>510.8</u> | <u>409.2</u> |
| Investments in unconsolidated companies | 24.6 | 23.0 |
| Property, plant and equipment, net | 718.5 | 703.9 |
| Deferred income taxes | 22.9 | 22.5 |
| Other noncurrent assets | 30.8 | 22.3 |
| Goodwill | 159.4 | 81.9 |
| | <u>\$ 1,467.0</u> | <u>\$ 1,262.8</u> |

See accompanying notes

Table of Contents**FRESH DEL MONTE PRODUCE INC.
AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (continued)**

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

| | March 28, 2003 | December 27, 2002 |
|---|---------------------------|------------------------------|
| | Unaudited | |
| Liabilities and shareholders equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 272.5 | \$ 231.0 |
| Current portion of long-term debt and capital lease obligations | 20.7 | 40.0 |
| Deferred income taxes | 8.6 | 8.6 |
| Income taxes payable | 23.4 | 26.2 |
| | <u>325.2</u> | <u>305.8</u> |
| Total current liabilities | 325.2 | 305.8 |
| Long-term debt | 130.0 | 31.1 |
| Capital lease obligations | 15.6 | 16.2 |
| Retirement benefits | 58.6 | 59.2 |
| Other noncurrent liabilities | 58.7 | 56.7 |
| Deferred income taxes | 25.7 | 26.0 |
| | <u>613.8</u> | <u>495.0</u> |
| Total liabilities | 613.8 | 495.0 |
| Minority interest | 8.5 | 8.3 |
| Commitments and contingencies | | |
| Shareholders equity: | | |
| 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; 56,223,012 and 56,206,012 shares issued and outstanding, respectively | 0.6 | 0.6 |
| Paid-in capital | 355.4 | 355.3 |
| Retained earnings | 505.8 | 420.5 |
| Accumulated other comprehensive loss | (17.1) | (16.9) |
| | <u>844.7</u> | <u>759.5</u> |
| Total shareholders equity | 844.7 | 759.5 |
| Total liabilities and shareholders equity | <u>\$1,467.0</u> | <u>\$1,262.8</u> |

See accompanying notes

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**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 | |
|--|-------------------|-------------------|
| | March 28, 2003 | March 29, 2002 |
| Net sales | \$ 643.8 | \$ 537.4 |
| Cost of products sold | 536.8 | 430.8 |
| | 107.0 | 106.6 |
| Gross profit | | |
| Selling, general and administrative expenses | 25.2 | 23.9 |
| Asset impairment charges | | 4.7 |
| | 81.8 | 78.0 |
| Operating income | | |
| Interest expense | 2.8 | 4.8 |
| Interest income | 0.2 | 0.4 |
| Other income/(loss) | 14.6 | (0.3) |
| | 93.8 | 73.3 |
| Income before provision for income taxes and cumulative effect of change in accounting principle | | |
| Provision for income taxes | 5.7 | 6.2 |
| | 88.1 | 67.1 |
| Income before cumulative effect of change in accounting principle | | |
| Cumulative effect of change in accounting principle | | (6.1) |
| | 88.1 | 61.0 |
| Net income | \$ 88.1 | \$ 61.0 |
| Net income per share Basic: | | |
| Income before cumulative effect of change in accounting principle | \$ 1.57 | \$ 1.24 |
| Cumulative effect of change in accounting principle | | (0.12) |
| | 1.57 | 1.12 |
| Net income per share Basic | \$ 1.57 | \$ 1.12 |
| Net income per share Diluted: | | |
| Income before cumulative effect of change in accounting principle | \$ 1.55 | \$ 1.21 |
| Cumulative effect of change in accounting principle | | (0.11) |
| | 1.55 | 1.10 |
| Net income per share Diluted | \$ 1.55 | \$ 1.10 |
| Dividends declared per ordinary share | \$ 0.05 | \$ 0.05 |

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Weighted average number of ordinary shares outstanding:

| | | |
|---------|------------|------------|
| Basic | 56,215,957 | 54,223,085 |
| Diluted | 56,995,384 | 55,392,568 |

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)**

| | Quarter ended | |
|---|-------------------|-------------------|
| | March 28, 2003 | March 29, 2002 |
| Operating activities: | | |
| Net income | \$ 88.1 | \$ 61.0 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization other than goodwill | 14.9 | 14.0 |
| Amortization of debt issuance costs | 0.9 | 0.5 |
| Cumulative effect of change in accounting principle | | 6.1 |
| Asset impairment charges | | 4.7 |
| Equity in earnings of unconsolidated companies, net of dividends | (0.4) | (0.6) |
| Other, net | (0.6) | 1.7 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Receivables | (44.7) | (47.6) |
| Inventories | (11.5) | (19.7) |
| Accounts payable and accrued expenses | 8.9 | 49.5 |
| Prepaid expenses and other current assets | (9.5) | (10.2) |
| Other noncurrent assets and liabilities | (0.7) | (1.3) |
| | 45.4 | 58.1 |
| Net cash provided by operating activities | 45.4 | 58.1 |
| Investing activities: | | |
| Capital expenditures | (13.6) | (17.4) |
| Purchase of subsidiary, net of cash acquired | (99.8) | |
| Other investing activities, net | | 1.8 |
| | (113.4) | (15.6) |
| Net cash used in investing activities | (113.4) | (15.6) |

See accompanying notes

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**FRESH DEL MONTE PRODUCE INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

**Unaudited
(U.S. dollars in millions)**

| | Quarter ended | |
|--|-------------------|-------------------|
| | March 28, 2003 | March 29, 2002 |
| Financing activities: | | |
| Proceeds from long-term debt | \$ 327.1 | \$ 92.6 |
| Payments on long-term debt | (250.1) | (136.2) |
| Proceeds from stock options exercised | 0.1 | 3.9 |
| Payment of cash dividends | (2.8) | (2.7) |
| Other, net | | (0.6) |
| | 74.3 | (43.0) |
| Net cash provided by (used in) financing activities | 74.3 | (43.0) |
| Effect of exchange rate changes on cash and cash equivalents | 0.3 | 0.5 |
| | 6.6 | |
| Cash and cash equivalents: | | |
| Net change | | |
| Beginning balance | 9.5 | 13.0 |
| | \$ 16.1 | \$ 13.0 |
| Ending balance | \$ 16.1 | \$ 13.0 |
| Supplemental cash flow information: | | |
| Cash paid for interest, net of capitalized interest | \$ 1.9 | \$ 4.5 |
| | \$ 8.1 | \$ 1.9 |
| Cash paid for income taxes | \$ 8.1 | \$ 1.9 |
| Supplemental non-cash activities: | | |
| Capital lease obligations for new assets | \$ 1.4 | \$ 11.9 |
| | \$ 1.4 | \$ 11.9 |
| Capital lease obligations for new assets | \$ 1.4 | \$ 11.9 |

See accompanying notes

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**FRESH DEL MONTE PRODUCE INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

1. General

Fresh Del Monte Produce Inc. (Fresh Del Monte) was incorporated under the laws of the Cayman Islands on August 29, 1996 and is 47.9% owned by IAT Group Inc., which is 100% owned by members of the Abu-Ghazaleh family. In addition, members of the Abu-Ghazaleh family directly own 8.7% of the outstanding ordinary shares of Fresh Del Monte.

In the opinion of management, the accompanying unaudited consolidated financial statements of Fresh Del Monte and subsidiaries include all adjustments, consisting of normal recurring adjustments, necessary to present fairly their financial position as of March 28, 2003 and their operating results and cash flows for the period then ended. Interim results are subject to significant seasonal variations and may not be indicative of the results of operations that may be expected for the entire 2003 year.

The quarter ended March 29, 2002 has been restated to reflect the \$6.1 million cumulative effect of change in accounting principle related to the adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142). Reported net income, net income per basic share and net income per diluted share was \$67.1 million, \$1.24 and \$1.21, respectively. Certain amounts from 2002 have been reclassified to conform to the 2003 presentation. The balance sheet at December 27, 2002 has been derived from the audited financial statements at that date.

For additional information, see Fresh Del Monte s Consolidated Financial Statements included in Fresh Del Monte s Annual Report on Form 20-F for the year ended December 27, 2002.

2. Standard Fruit and Vegetable Co. Acquisition

On January 27, 2003, Fresh Del Monte acquired Standard Fruit and Vegetable Co., Inc. (Standard), a Dallas, Texas based integrated distributor of fresh fruit and vegetables, which serves retail chains, foodservice distributors, and wholesalers in approximately 30 states. The acquisition provides Fresh Del Monte with a highly complementary distribution network, which includes four distribution facilities and increases Fresh Del Monte s presence in key markets in the United States. In addition, the acquisition allows Fresh Del Monte to increase its product offerings to include tomatoes, potatoes, onions and an extensive line of specialty items. The total consideration paid in connection with the Standard acquisition was approximately \$102.2 million (including \$2.2 million in acquisition costs). The purchase price of \$100.0 million is subject to certain escrow/holdback provisions valued at \$10.0 million to secure payment by the seller of any amounts that become due to Fresh Del Monte under the acquisition agreement. Of the total escrow/holdback provision pursuant to the acquisition agreement, \$2.5 million was held back by Fresh Del Monte and \$7.5 million was placed in escrow. The holdback of \$2.5 million is recognized as a liability in other noncurrent liabilities in the accompanying balance sheet at March 28, 2003. The assets acquired consisted primarily of current assets and property, plant and equipment.

The acquisition has been accounted for as a purchase under Statement of Financial Accounting Standards No. 141, Business Combinations , and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed. The purchase price allocation is preliminary and is pending the fair

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AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Unaudited****2. Standard Acquisition (continued)**

valuation of certain assets and liabilities. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed amounted to approximately \$87.3 million, of which \$9.7 million was preliminarily allocated to separately identified intangible assets and the remaining \$77.6 million was allocated to goodwill. The goodwill and other intangible assets are being accounted for under SFAS 142. Effective January 28, 2003, the operating results of the Standard operations were consolidated with the operating results of Fresh Del Monte.

The following table summarizes the estimated fair values of the tangible assets acquired and liabilities assumed at the date of acquisition (U.S. dollars, in millions):

| | |
|-------------------------|---------|
| Current assets | \$ 17.3 |
| Property and equipment | 14.9 |
| Other noncurrent assets | 1.7 |
| Current liabilities | (19.0) |
| | <hr/> |
| Net assets acquired | \$ 14.9 |
| | <hr/> |

The following unaudited pro forma information presents a summary of 2003 and 2002 consolidated results of operations of Fresh Del Monte as if the Standard acquisition had occurred as of December 29, 2001 (U.S. dollars in millions, except share and per share data):

| | Quarter ended | |
|---|-------------------|-------------------|
| | March 28, 2003 | March 29, 2002 |
| Net sales | \$ 666.7 | \$ 614.1 |
| Income before cumulative effect of change in accounting principle | \$ 88.6 | \$ 68.2 |
| Net income | \$ 88.6 | \$ 62.1 |
| Basic per share income before cumulative effect of change in accounting principle | \$ 1.58 | \$ 1.26 |
| Basic net income per share | \$ 1.58 | \$ 1.15 |
| Diluted per share income before cumulative effect of change in accounting principle | \$ 1.56 | \$ 1.23 |
| Diluted net income per share | \$ 1.56 | \$ 1.12 |
| Number of ordinary shares used in computation: | | |
| Basic | 56,215,957 | 54,223,085 |
| Diluted | 56,995,384 | 55,392,568 |

The unaudited pro forma results have been prepared for comparison purposes only and do not purport to represent what the actual results of operations would have been had the acquisition occurred on December 29, 2001 and may not be indicative of future results of operations.

Table of Contents**FRESH DEL MONTE PRODUCE INC.
AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Unaudited****3. Inventories**

Inventories consisted of the following (U.S. dollars in millions):

| | March 28, 2003 | December 27, 2002 |
|---------------------------------------|---------------------------|----------------------------------|
| Fresh produce, principally in transit | \$ 73.1 | \$ 54.7 |
| Raw materials and packaging supplies | 64.7 | 67.1 |
| Growing crops | 66.6 | 66.6 |
| | \$204.4 | \$ 188.4 |

4. Impairment of Long-Lived Assets

Effective December 29, 2001, Fresh Del Monte adopted Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144). SFAS No. 144 superseded Statement of Financial Accounting Standards No. 121,

Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of (SFAS No. 121) and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. SFAS No. 144 also amended Accounting Research Bulletin No. 51, Consolidated Financial Statements, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. Consistent with SFAS No. 121, SFAS No. 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amount. Based on the continued operating losses of certain distribution facilities in South Africa and Argentina related to the other fresh produce segment and fair value estimates related to these assets, a charge of \$4.7 million for impairment of long-lived assets was recorded during the first quarter of 2002.

5. Long-Term Debt

On March 21, 2003, Fresh Del Monte, and certain wholly-owned subsidiaries entered into a \$400.0 million, four-year syndicated revolving credit facility (the New Credit Facility), with Rabobank Nederland, New York Branch, as administrative agent, which replaced the existing \$450.0 million revolving credit facility including the \$135.0 million five-year term loan maturing on May 10, 2005 (Term Loan). With drawdowns from the New Credit Facility, Fresh Del Monte paid off all amounts outstanding under the previous credit facility including the remaining unpaid balance of the Term Loan of \$25.0 million.

The New Credit Facility includes a swing line facility and a letter of credit facility as was the case with the previous credit facility. The New Credit Facility is collateralized directly or indirectly by substantially all of Fresh Del Monte's assets, permits borrowings with an interest rate based on a spread over London Interbank Offer Rate (LIBOR) and expires on March 21, 2007. Outstanding borrowings at March 28, 2003 were \$111.1 million, bearing interest at an average interest rate of 2.9%.

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**FRESH DEL MONTE PRODUCE INC.
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Unaudited**

6. Comprehensive Income

Fresh Del Monte had comprehensive income of \$87.9 million and \$62.2 million for the three months ended March 28, 2003 and March 29, 2002, respectively. Comprehensive income for the quarters ended March 28, 2003 consisted of net income of \$88.1 million, unrealized foreign currency translation losses of \$1.1 million and net unrealized gains on derivatives of \$0.9 million. Comprehensive income for the quarter ended March 29, 2002 consisted primarily of net income of \$61.0 million, unrealized foreign currency translation gains of \$0.4 million and net unrealized gains on derivatives of \$0.8 million.

7. Stock Based Compensation

As permitted under Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation Transition and Disclosure an amendment of FAS 123 (SFAS No. 148), which amended Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), Fresh Del Monte has chosen to account for its Stock Plan under the intrinsic value method as allowed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25) and related interpretations. Under APB No. 25, because the exercise price of Fresh Del Monte's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. SFAS No. 148 requires disclosure of the estimated fair value of employee stock options granted and pro forma financial information assuming compensation expense was recorded using these fair values.

For purposes of pro forma disclosures required by SFAS No. 148, the estimated fair value of the options is amortized to expense over the options vesting period. The following information shows the effect on net income and earnings per share as if Fresh Del Monte had applied the fair value recognition provisions of SFAS No. 123 for the first quarter of 2003 and 2002 (U.S. dollars in millions, except share and per share data):