

[Fresh Del Monte Produce](#) (NYSE: FDP) has reported a much stronger second financial quarter than last year, which the company's CEO attributed to a recent "strategic shift" by the organization.

Net income was US\$38.1m over the period, compared to a loss of US\$7.9m during the same quarter last year. Other changes include growth in operating income and gross profit, but a slight drop in net sales.

"Our stronger financial performance during the second quarter of 2019 signals that our recent strategic shift towards becoming a value-added and more diversified Company is the right direction for Fresh Del Monte," said Mohammad Abu-Ghazaleh, chairman and CEO.

"We believe that our movement away from being a volume-based business helped us navigate the challenges of adverse weather and low industry volumes far better than we would have in the past.

"Rather than struggle against less-than-ideal market conditions, we are focused on ways to position Fresh Del Monte for further growth opportunities that we believe will drive profitability, and increase shareholder value over the long-term."

Net sales for the second quarter of 2019 were US\$1.24bn, compared with US\$1.27bn in the second quarter of 2018. This was attributed to a decrease in banana and fresh and value-added business segments, primarily due to lower sales volume and the weakening of currencies against the U.S. dollar in selling countries.

Gross profit rose from US\$78.3m to US\$96.3m, thanks to higher profitability in all business segments, primarily due to higher selling prices of bananas in Europe and Asia and higher selling prices in the fresh and value-added segment.

Del Monte said the increase was partially offset by increased fruit production and procurement, and ocean freight costs as well as the negative impact of unfavorable exchange rates.

Meanwhile, operating income increased from US\$13.8m to US\$57.2m, which was attributed to higher gross profit, lower selling, general and administrative expenses and lower asset impairment and other charges, net.

## **Business segment performance**

In the banana category, net sales decreased to US\$440m over the quarter, compared with US\$457.8m in the same period last year.

Del Monte said banana volume was 7% lower than the prior year, while worldwide pricing increased US\$0.42, or 3%, to US\$14.94 per unit, compared with \$14.52 per unit in the second quarter of 2018.

Gross profit in the category increased to US\$35m, compared with US\$23.8m in the second quarter of 2018. Unit cost was in line with the prior year period.

For the fresh and value-added category, net sales decreased to US\$764.3m, compared with US\$780.7m in the second quarter of 2018. The decrease in net sales was primarily due to lower net sales in the non-tropical and gold pineapple product lines.

Gross profit for the second quarter of 2019 increased to US\$58.1 million, compared with gross profit of US\$51.3 million in the second quarter of 2018.

Del Monte provide the following breakdown of the segments in its fresh and value-added category:

Gold pineapple - Net sales were \$126.1 million, compared with \$139.4 million in the prior year period. Volume was 16% lower. Pricing was 8% higher. Unit cost was 1% higher.

Fresh-cut fruit - Net sales were \$147.0 million, in line with the prior year period. Volume increased 1%. Pricing was 1% lower. Unit cost was 3% lower.

Fresh-cut vegetables - Net sales were \$121.4 million, compared with \$125.2 million in the prior year period. Volume was 6% lower. Pricing was 3% higher. Unit cost was 10% higher.

Avocados - Net sales were \$124.9 million, compared with \$95.1 million in the prior year period. Volume decreased 4%. Pricing increased 37%. Unit cost was 45% higher.

Vegetables - Net sales were \$40.6 million, compared with \$38.7 million in the prior year period. Volume increased 10%. Pricing was 5% lower. Unit cost was 7% lower.

Non-tropical - Net sales were \$69.5 million, compared with \$86.5 million in the prior year period. Volume decreased 24%. Pricing was 6% higher. Unit cost was 3% higher.

Prepared food - Includes the Company's prepared traditional products, and meals and snacks product lines. Net sales and gross profit were impacted by a reduction in the Company's prepared traditional products.