Del Monte Pacific

Bloomberg: DELM SP | Reuters: DMPL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

12 Apr 2013

BUY S$0.76 STI : 3,308.80

(Initiating Coverage)
Price Target : 12-Month S$ 0.97
Reason for Report : Initiation of coverage
Potential Catalyst: Margin expansion, improved share float & liquidity

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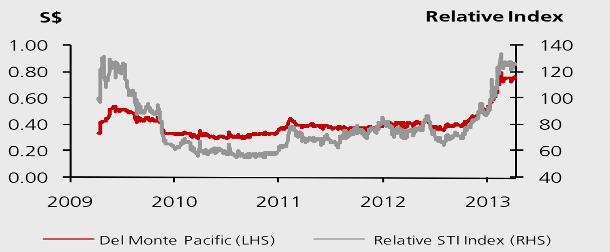
Price Relative



Forecasts and Valuation

FY Dec (US$ m)	2012A	2013F	2014F	2015F
Turnover	460	503	560	626
EBITDA	60	63	78	102
Pre-tax Profit	41	45	59	82
Net Profit	32	35	45	62
Net Pft (Pre Ex.)	32	35	45	62
EPS (S cts)	3.1	3.3	4.3	5.9
EPS Pre Ex. (S cts)	3.1	3.3	4.3	5.9
EPS Gth (%)	17	9	29	38
EPS Gth Pre Ex (%)	17	9	29	38
Diluted EPS (S cts)	3.1	3.3	4.3	5.9
Net DPS (S cts)	2.3	2.5	3.2	4.4
BV Per Share (S cts)	24.3	25.4	27.2	29.9
PE (X)	24.8	22.8	17.7	12.8
PE Pre Ex. (X)	24.8	22.8	17.7	12.8
P/Cash Flow (X)	32.5	15.1	14.6	9.2
EV/EBITDA (X)	15.2	14.5	11.7	8.6
Net Div Yield (%)	3.0	3.3	4.2	5.8
P/Book Value (X)	3.1	3.0	2.8	2.5
Net Debt/Equity (X)	0.4	0.5	0.4	0.4
ROAE (%)	13.2	13.4	16.4	20.8
Consensus EPS (S cts):		3.1	4.2	5.7
Other Broker Recs:		B: 2	S: 0	H: 0

ICB Industry : Consumer Goods
ICB Sector: Food Producers
Principal Business: Engaged in the production, marketing and distribution of premium-branded food and beverage products.

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P

Crowned for growth

- **Initiate coverage: BUY for >30% total return**
- **Consumer play with exposure to the Philippines, established Del Monte and growing S&W brands**
- **Rerating catalysts: better trading liquidity and continued earnings growth**
- **DCF-based TP of S$0.97, offering 3.3% yield**

BUY, S$0.97 TP. We initiate coverage of Del Monte Pacific (DMPL) with a BUY rating for >30% total return. The stock presents an opportunity for investors to leverage on robust growth of the Philippines economy. We are projecting 25% earnings CAGR over FY12-15F.

Established brand in a young Philippines market. Del Monte leads in the canned pineapple juice, tomato sauce/ ketchup and culinary segments in the Philippines, which is South-East Asia's (SEA) second largest consumer market with a 93m population. The robust economic growth there is expected to spur consumption; domestic sales accounted for 60% of DMPL's FY12 revenue. It also has rights to the S&W brand in Asia Pacific.

Visible earnings growth drivers. We project robust near and medium term earnings growth, supported by: (i) rising domestic sales driven by its branded products and larger distribution network; (ii) continued growth of the S&W brand in the Asia Pacific region; (iii) expiry / revision of long term supply contracts to lift margins in FY15F; (iv) expiry of PET toll packing contract in 3Q14; and (v) cost savings from its waste-to-energy project.

Re-rating to continue, driven by earnings growth and better trading liquidity. The stock will continue to re-rate given its strong growth profile and established branding. Its regional/ Philippines consumer peers are trading at 23-27x forward earnings. Our DCF based TP of S$0.97 implies >30% total return including 3.3% dividend yield based on 75% payout ratio. This counter could garner more interest with liquidity improving possibly from the recent bonus shares issue.

At A Glance

Issued Capital (m shrs)	1,078
Mkt. Cap (Sm/USm)	819 / 662
Major Shareholders	
Nutriasia Pacific (%)	78.8
Lee Pineapple Co (%)	7.8
Free Float (%)	13.4
Avg. Daily Vol.('000)	558

Investment Summary

BUY for >30% total return, S$0.97 TP. The stock offers an opportunity for investors to leverage on the growth of the Philippines economy and consumer spending, as DMPL continues to build up the Del Monte brand in the country. Meanwhile, in Asia Pacific, we expect the Group to gain momentum with the S&W brand in the processed and fresh fruit segments.

Projecting 25% net profit CAGR over FY12 – FY15F. We expect net profit to surge 38% y-o-y in FY15F with the expiry of a long term supply contract with Del Monte USA and revision to the supply contract with Fresh Del Monte. In addition, the expiration of its less-than-favourable PET toll packing contracts in 3Q14 would be positive for the Group. Coupled with growth at its Branded segment, we project margins to improve by 3.1ppt from FY12 to FY15F, and earnings to expand at 25% CAGR within this intervening period.

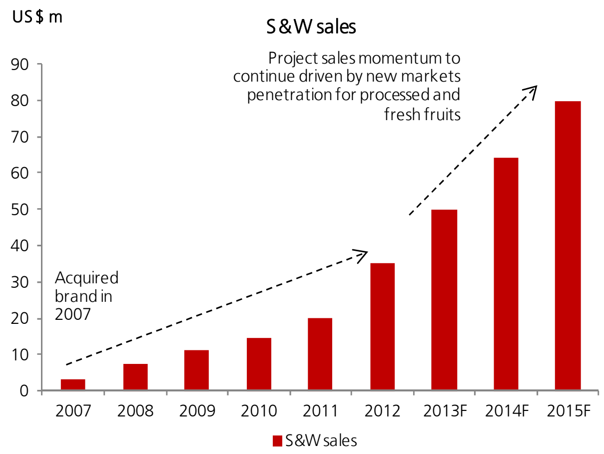
We foresee several growth drivers for DMPL:

a) **DMPL owns rights to the Del Monte brand in the Philippines, increasing distribution reach.** Del Monte is the market leader in the canned pineapple juice, tomato sauce/ ketchup and culinary segments in the Philippines, which is South-East Asia's (SEA) second largest consumer market with 93m population. Philippines' robust GDP growth and young population are positive for consumer companies like DMPL. According to the United Nations Population Division, the Philippines is one of few countries in SEA where the percentage of population aged 15-39 years will grow between 2011 and 2020.

   Going forward, Philippines should continue to contribute about 60% of DMPL' revenues as management continues to build up market share in the sauces, culinary and juices segments through product innovation and by expanding distribution reach. The company estimates its distribution reach was 112,000 points at end 2012 compared to 88,000 a year earlier. It is targeting 150,000 stores by end 2013 and 200,000 by 2015.

b) **S&W brand gaining momentum in Asia Pacific.** S&W revenues have grown10-fold since DMPL acquired the brand in Nov 2007. Since then, the Group has expanded its geographical coverage to new markets (including Singapore, Hong Kong, Vietnam, China, and the Middle East) and introduced the *Sweet 16* brand of fresh pineapples. We expect the momentum to continue and S&W's revenues to grow to US$80m or 13% of Group sales by FY15F, from US$35m and 8% in FY12.

S&W sales projected to see continued momentum



Source: Company reports, DBSVickers

c) **Expiry of long-term supply contract.** The non-branded segment is projected to improve from FY15F following the scheduled expiry of current contracts. These should help to drive revenue and bottomline growth:

   i. Nov 2014: Expiry of processed pineapple contract with Del Monte Foods USA, which will see the removal of certain deductibles from selling prices. It should register 15-20% operating margins if based on market pricing, according to management's estimates.

   ii. 2015: Expected adjustments to selling prices will improve operating margins for the supply of fresh pineapple to Fresh Del Monte Fresh. Management estimates operating profits could improve by US$3-4m annually.

d) **Expiry of toll packing contracts.** The Group has two toll packing contracts (PET bottling) for its Fit' n Right range of beverages. Management has indicated there is potential to improve margins after the contracts expire in 3Q14. This should benefit DMPL and help to lift margins and earnings for the Branded segment in the latter part of FY14F and FY15F.

Experienced management team with FMCG background. The key management team has strong experience in the Fast Moving Consumer Goods (FMCG) industry. Most of the team had spent several years in internationally renowned FMCG companies like Heinz, Kraft Foods, Pepsico, SaraLee, and Unilever at different stages of their careers. Their combined experience and skills will allow them to steer the Group forward, and especially, grow the higher-margin branded business in the Philippines (Del Monte brand) and the Asia Pacific (S&W brand).

Improving liquidity could re-rate stock. DMPL recently received approval for a 2-for-10 bonus issue, in a bid to improve trading liquidity. This could attract new investors who had been put off by the tight trading liquidity, despite its established brands. NutriAsia, DMPL's single largest shareholder, owns 79% of the company, while Lee Pineapple Company Pte Ltd owns 7.78%,only 13% free float. In 2007, NutriAsia sold c.5% stake at S$0.616/share (price adjusted for bonus shares) to improve liquidity.

Risks. The key risks we identified are (i) a drop in pineapple yields at its plantation, (ii) a surge in raw material prices (e.g. tin plates), (iii) weaker USD vs the Philippines Peso, and (iv) execution risks in the planned expansion and penetration of distribution points in the Philippines, and S&W brand in the Asia Pacific.

S$0.97 TP derived from DCF metric with high CoE of 11.2%. Our Discounted Cash Flow Model assumes 8.2% WACC and 2% terminal growth rate. We believe the DCF model is appropriate to capture the potential value accruing from positive changes we expect to see from FY15 onwards. Our assumption for cost of equity (CoE) is high at 11.2% based on 4% risk-free rate, 13% market return, and beta of 0.8. The high CoE, in our view, correctly reflects its exposure to the Philippines, which is still an emerging economy. There may be upside if the risk turns out lower than expected. Our TP implies PE multiples of 29x (FY13F), 22.5x (FY14F) and 16.3x (FY15F).

DMPL trading at below Philippines peers' valuation of 25x – 30x forward PE. DMPL has been overlooked as a consumer play, with substantial c.60% revenues derived from the Philippines but listed in Singapore. It is currently trading at 22.3x FY13F and 17.3x FY14F PE. At current price, valuation is expected to drop to only 12.6x on FY15F earnings with anticipated strong profit growth that year. Meanwhile, consumer peers in the Philippines such as URC and Jollibee are trading at 25-30x forward PE, while regional peers are trading at 23-27x.

Catalysts: improving trading liquidity, continues to deliver earnings growth. The current limited share trading liquidity is capping share price performance, in our view. With the recent 2-for-10 bonus share issue, we believe this could aid in liquidity. Coupled with our expectations that DMPL can continue to deliver on operational performance, these could attract more interest from investors and the stock could re-rate towards our TP.

SWOT Analysis

Strengths	Weakness
• Del Monte brand is established and a strong household name in the Philippines • Largest integrated pineapple plantation and processing factory globally, implying efficiency and economies of scale • Leading market share in the canned beverage and processed fruit segments.	• Tied down by low-margin supply contracts with non-affiliated Del Monte companies until end 2014 • Strong brand in the Philippines, but Del Monte is currently known largely for its tomato sauce and pineapple (sauce and canned drink segments). • Margin susceptible to movements in raw material costs particularly for its non-branded segment • Relatively low free float and trading liquidity

Opportunities	Threats
• Expiry of long-term supply contracts and toll packing (PET bottling) contracts should lift margins from 2015 • Increasing penetration of packaged consumer goods in the Philippines, supported by a rising middle income population • Able to leverage on the Del Monte brand name to launch/introduce other packaged food products. • Sale of variant MD-2 fresh pineapple outside of its long term supply contracts for better margins • Del Monte brand rights in new frontier markets, Myanmar, besides the Philippines and Indian sub-continent	• Fluctuations in pineapple pricing depending on harvest in other major pineapple producing countries such as Thailand and Brazil could have an impact on the Group's non-branded segment • Sales outside of the Philippines are denominated in USD, while materials and labour sourced domestically are in PHP. Currently, its cost and revenue exposure to the PHP and USD are relatively balanced. But, a weaker USD vs the PHP could reduce margins and earnings. • Rising raw material prices, particularly tin plate, although this may be partly mitigated by the development of other packaging formats • About 60% of revenues are derived from the Philippines market. Hence, shocks to the domestic economy could adversely affect revenues and earnings, and growth. • Unfavourable weather could reduce crop yields and push up costs.

Source: DBS Vickers

Company Background

Del Monte Pacific Limited today. Del Monte Pacific Limited is a leading processed food and beverage company in the Philippines with leading market shares in canned pineapple juice, mixed juice drinks, canned fruits and juices, and tomato and spaghetti sauces. It also owns the S&W brand worldwide, except in the Americas, Australia and New Zealand. Additionally, the Group owns and operate a 23,000 hectare pineapple plantation in the Philippines.

Global brand, different owners. The Del Monte brand was established and originated in the United States in the 1890s. Through the years, the brand has passed through several owners. The brand and trademark rights for Del Monte vary across the regions.

DMPL has trademark rights in the Philippines, India and Myanmar. DMPL has rights to the Del Monte trademark in the Philippines, India and Myanmar for processed products. It does not own the trademark rights for fresh fruits, which belongs to Fresh Del Monte Produce, Inc. For fresh produce, DMPL is represented in this product category through the S&W brand in the Philippines, Asia Pacific and the Middle East. The table below illustrates the trademark rights for the respective markets.

Ownership of Del Monte trademark for processed F&B and fresh produce

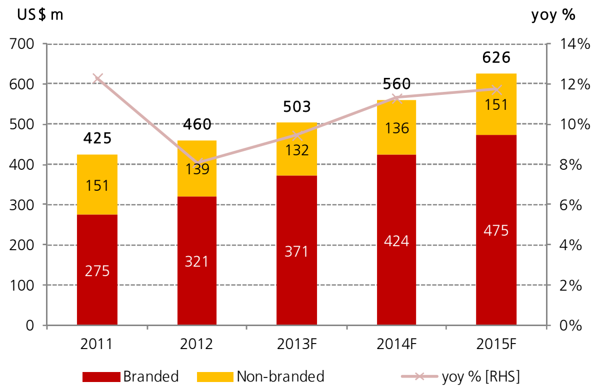
Company	Markets	Product Category
Del Monte Pacific Limited	Philippines, Indian subcontinent and Myanmar	Processed food & beverage
Del Monte Asia Pte. Ltd./ Kikkoman Corp	Asia Pacific (excluding the Philippines, the Indian subcontinent and Myanmar)	Processed food & beverage
Del Monte Foods	USA and South America	Processed food & beverage
Del Monte Panamerican	Central America and the Caribbean	Processed food & beverage
Del Monte Canada	Canada	Processed food & beverage
Fresh Del Monte Produce, Inc.	Europe, Middle East, Africa and the former Soviet Union Worldwide	Processed food & beverage Fresh produce

Source: Company

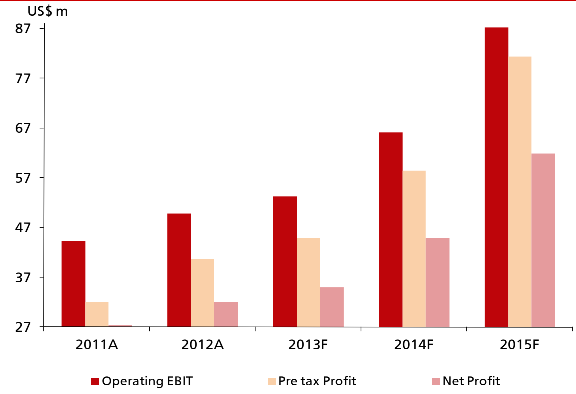
DMPL's rights to Del Monte and S&W trademarks

Source: Company

Sales Trend



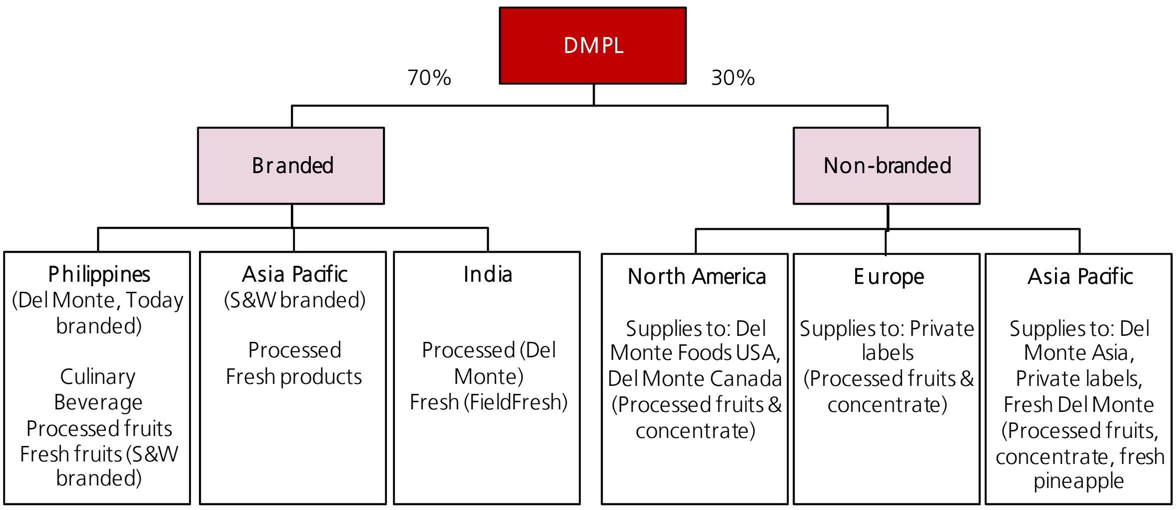
Profitability Trend



Source: Company, DBS Vickers

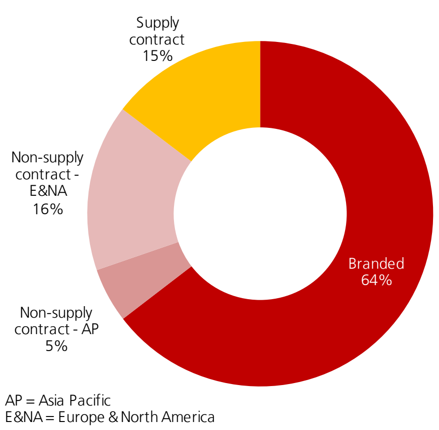
Business

DMPL: Branded and Non-Branded segments (% of revenue contribution in FY12)



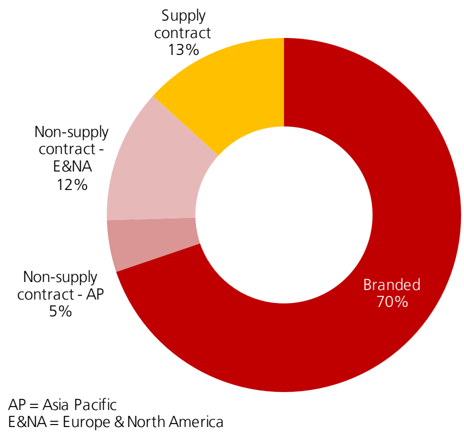
Source: DBSVickers, Company

FY11 (US$425m) revenue contribution by segment



Source: Company, DBSVickers

FY12 (US$460m) revenue contribution by segment



Source: Company, DBSVickers

Business segments: Branded and non-branded. Del Monte's business can be categorised into branded and non-branded segments, which account for about 70% and 30% of sales in FY12, respectively.

(A) Branded segment

This consists of processed and fresh products. It accounted for about **70% of Group revenue in FY12**. The main brands under this segment are Del Monte for processed products in the Philippines and India, and S&W for processed and fresh products in the Asia Pacific region.

In the Philippines, DMPL's processed products are in the culinary, beverage and processed fruit segments. These account for about 40%, 40% and 20% of total sales, respectively.

Market leader in canned pineapple, mixed fruit juices, and tomato and spaghetti sauces in the Philippines. The company estimates it has 80% share of the premium tomato ketchup market and 78% and 58% share of the tomato sauce and spaghetti sauce market, respectively.

Philippines accounted for c.60% of Group revenues in FY12. About 70% of sales were from the general trade channel and 30% from modern trade. We understand that management undertook an initiative last year to expand distribution reach, which saw its products reach about 112,000 stores from 88,000 a year earlier.

DMPL's branded product categories, competition and SKUs (selected) in the Philippines

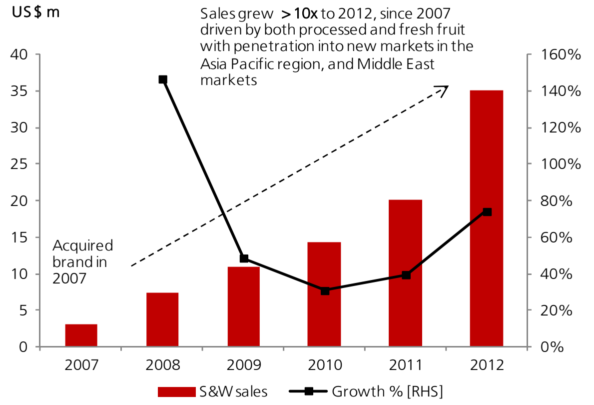
Philippines branded segment (% revenue contribution)	DMPL positioning/ Competition	Products and SKUs (selected) under Del Monte brand
Processed fruits (20%)	Market leader, pricing similar or premium to main competitor, Dole	
Culinary (40%)	Majority share for tomato ketchup, tomato sauce and spaghetti sauce. Competitors are: Hunt's (URC), UFC, Clara Ole (Sysu), Royal (Unilever)	
Beverage (40%)	Market leader in canned juices. Dole main competitor. Competitive market in PET juice drinks. Competition: Tropicana, Sunkist, Zest.o, Smart C+, Minute Maid	

Source: Company, DBSVickers

S&W brand for Asia Pacific, revenue growth >10 folds since acquisition in 2007. In Nov 2007, DMPL acquired the S&W brand for US$10m, giving the Group rights to the brand globally, except in the Americas, Australia and New Zealand. Del Monte Foods owns the S&W brand rights in the USA, while Manassen Foods owns it for Australia and New Zealand.

The Group had intended to use this as a platform for global expansion. Sales have grown more than 10-folds, from US$3m in 2007, to an estimated US$35m in 2012. This has been an asset light strategy, with all its processed products outsourced except its canned pineapple and tropical mixed fruits. DMPL is also using the S&W brand to market its Sweet 16 series of fresh pineapples in the Philippines and the Asia Pacific region.

S&W revenue trend since 2007 (increase by >10x)



Source: Company, DBSVickers

S&W brand and product range

the secret to every great meal

Source: Company website

S&W Sweet 16 Pineapple

Source: Company website

Exposure in India through 46%-owned FieldFresh. DMPL acquired 40% stake of FieldFresh in Sep 2007 for US$22.5m. This was eventually increased to 46% through capital calls, and management intends to develop the Del Monte brand for processed products in India. This operating entity is still incurring losses due to the operating conditions, but losses have progressively declined to -US$4.6m as of 9M12, from US$7.6m in 9M11.

(B) Non-branded business

Non-branded accounts for 30% of revenue. DMPL's non-branded business is categorised into those under: (i) supply contract; and, (ii) non-supply contract. DMPL has long term supply contracts with other Del Monte companies for processed and fresh pineapple. In 2012, non-branded segment accounts for 30% of the Group's revenue, down from 36% in 2011, due to the weaker contribution from Europe and North America arising from the slower economic growth.

(i) Supply contract.

Currently, DMPL has 3 long term supply contracts with Del Monte Foods (USA), Fresh Del Monte and Del Monte Asia. In general, the long term contracts were entered into when DMPL was owned by other Del Monte Companies. Going forward, changes are expected on two contracts (separately with Del Monte Foods (USA) and Fresh Del Monte) that could see more favourable terms for DMPL.

a) **Contract with Del Monte Foods (USA).** In Nov 2011, DMPL served a notice of termination to Del Monte Foods (USA) for processed pineapple. This would come into effect in Nov 2014. Currently, we understand that this contract, while having a cost floor provision in place, limits DMPL's margin below its market rate of about 15%-20%.

b) **Contract with Fresh Del Monte.** The contract with Del Monte Fresh for fresh pineapple is up till 2017. We understand that DMPL is currently supplying fresh pineapple below costs (c.1.5m boxes), thus incurring a loss. However, from 1 Jan 2015, the contract allows for market pricing till the end of the contract term in 2017.

(ii) Non-supply contract.

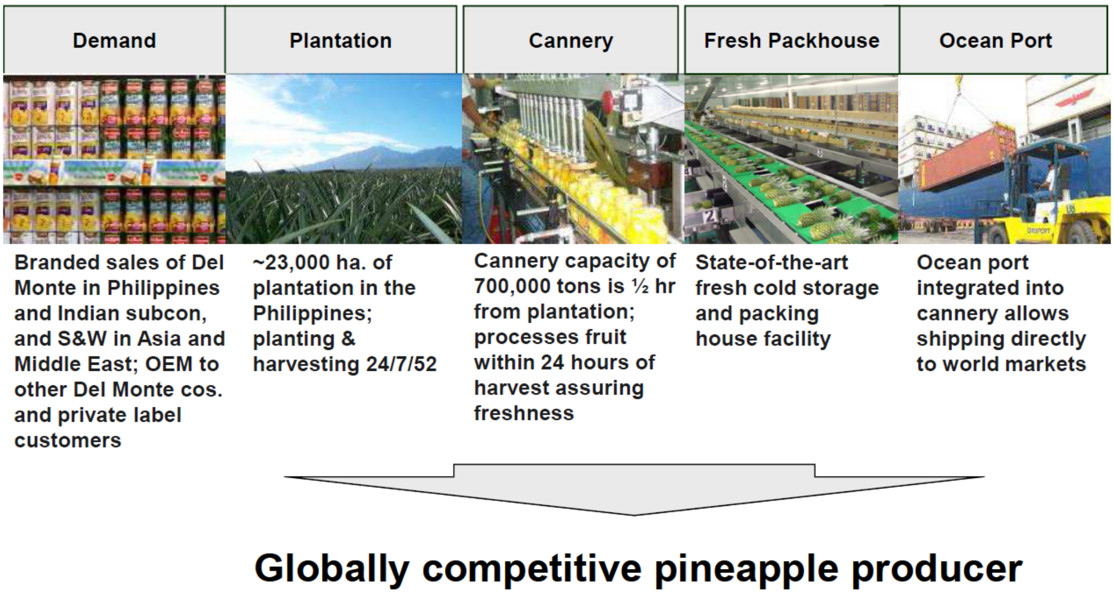
Revenue contribution accounts for about 17% of Group's total in FY12. DMPL's sales under this segment pertain to supply of non-branded processed fruits and pineapple juice concentrates to customers in the Asia Pacific region, Europe and North America. We understand that the customers are retail chains, supermarkets, or other food and beverages company.

Pineapple plantation/ operations

DMPL owns and operates a 23,000 hectares pineapple plantation in the Philippines, and with its 700,000 tons processing capacity, it is the world's largest fully integrated pineapple operations. The plantation has been in operations since 1926 and has a long heritage of 86 years in growing and processing pineapples.

Increasing area for more popular MD-2 variant to 10,000 ha in 5 years. Currently the planting area is for its MD-2 variant, marketed by DMPL as *S&W Sweet 16* fresh pineapple, which stands at around 6,000 hectares. Management intends to increase the planting area progressively by more than 60% to 10,000 ha in the next 5 years to improve its revenue.

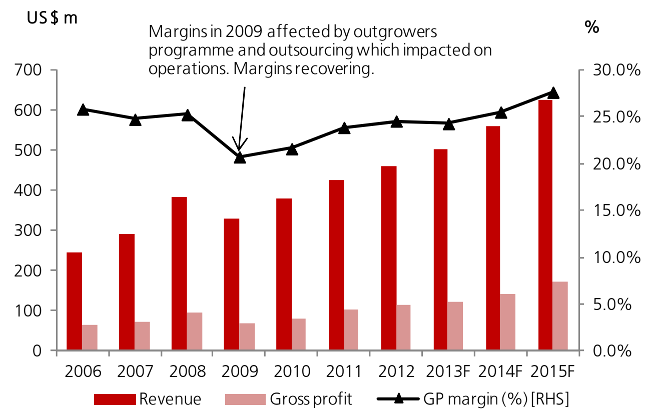
Integrated plantation, cannery and port operations



Source: Company

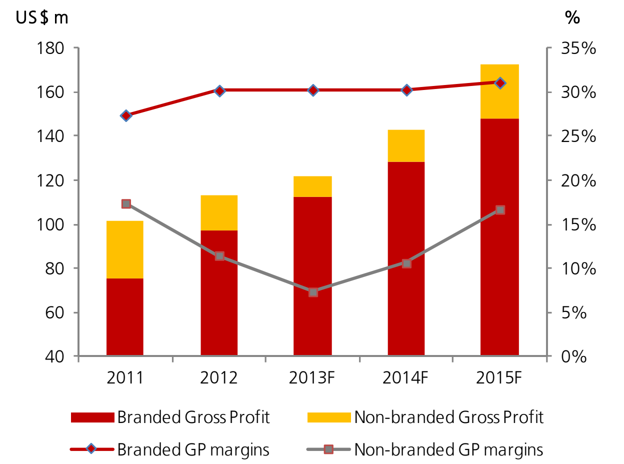
Costs

Historical Gross Profit and Margins



Source: DBSVickers' estimates, Company

Branded & Non-branded Gross profit (US$m)/ margins (%)



Source: Company, DBSVickers

Gross margins hovering in the twenties region. The Group's gross margins have ranged between 20% to 30% historically. In 2009, margins were impacted by higher raw material prices. In addition, several initiatives put in place at its pineapple plantation, such as the outgrowers programme and outsourcing, did not turn out as expected. As a result, yields from its plantation fell, impacting on margins. Since then, gross margins are on the climb back up, and we project this to continue into our forecast years.

Cost of goods structure. DMPL's cost of goods (COGS) is made up of raw materials (c.40%), packaging materials (c.25%), labour (c.10%), distribution and warehousing (c.10%), utilities (c.4%) and other overheads (c.8%).

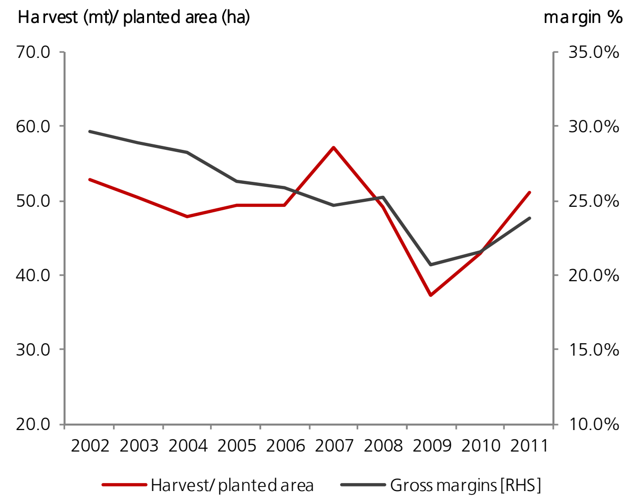
Cost of raw materials forms bulk of costs. Raw materials account for about 40% of the Group's cost of goods. These are made up by cost of pineapples, tomato paste, sugar and others. Given that pineapples form the bulk of its products sold, we believe this would account for the majority of the raw material costs. Other raw materials include tomato paste, papaya, sugar, etc. We note that when harvest per hectare plant falls, this has historically impacted on the Group's gross margins.

Packaging materials includes tin plates, etc. The next largest cost items would be packaging materials, and with the products largely in cans, we understand that tin plates accounts for the largest percentage within this category. Other packaging materials would include stand-up pouches, cartons, bottles, and labels. Currently, prices of tin are around US$23,000/mt and based on consensus estimates, price of tin is expected to show only a slight uptick in prices. A gradual price increase would be manageable as it provides lead time for management to adjust its selling prices, in our view. We project that a +/-10% change in tin prices could have a -/+ 1ppt in gross margins of the Group, all else being equal.

Within the labour costs categories, we understand that it includes toll-packing fees mainly for the products being outsourced, such as tomato ketchup, paste, spaghetti sauces, and condiments, etc.

Purchases are made on a per season basis. We understand that the Group commits to its raw materials price, such as tomato paste, per season basis on the budgeted quantity. This allows some forward visibility in terms of margins, and management would attempt to adjust selling prices to secure its margins. However, in general, we do note that in cases of raw material price spike, as increase in selling prices tend to lag the increase in cost, and will impact on margins in the near to medium term.

Pineapple harvest (mt/ yr) on planted area (ha) vs gross margins



Source: Company, DBSVickers

LME 3-month rolling forward tin prices (US$/ mt)

Source: Bloomberg Finance L.P

History

Chronological brief history of Del Monte Pacific Limited

Date	Brief description of event
1890s	Del Monte branded originated in California, USA
1926	Del Monte Foods (USA) set up operations in Philippines to diversify from disease-affected Hawaiian pineapple plantation.
1991	Del Monte Foods sold its 50% stake in the Philippine unit, Del Monte Philippines, to Del Monte Int'l (Europe) and Kikkoman (Japan)
1996	Del Monte Foods and Kikkoman divested to MCI (Philippines) and Del Monte Int'l.
1999	DMPL incorporated and became holding company of Del Monte Philippines. DMPL listed on SGX.
Mar 2001	Italy-based Cirio SpA bought Del Monte Royal Food's interest in Del Monte International. Post-Cirio acquisition, MCI, Inc held on to 21% of DMPL shares while Cirio SpA increased its stake to approximately 40%. The rest of the shares remained public.
Dec 2005	Cirio SpA sold 29% of its stake to MCI, Inc at US$0.3818/share bringing MCI's stake to almost 50%. MCI, Inc, in turn, sold its 50% stake to NutriAsia Pacific Ltd at US$0.3862/share. NutriAsia Pacific Ltd is a joint venture between the NutriAsia Group of Companies and San Miguel Corporation, both from the Philippines. NutriAsia's acquisition of the 50% stake triggered a General Offer for the remaining 50% of the Company's shares.
Jan 2006	NutriAsia Pacific Ltd increased its stake to 85% after the close of the General Offer. The remaining 15% was held by the public.
Apr 2007	San Miguel sold its 42.2% stake in their JV, NutriAsia Pacific, to NutriAsia Group for US$150m. Reason cited was to concentrate on San Miguel's other business such as power, mining, infrastructure, water and other utilities to develop new sources of revenues. San Miguel also sold off its stake in Coca-Cola Bottlers Philippines Inc. to Atlanta-based Coca-Cola Co. for $590 million.
Jul 2007	NutriAsia reduced stake in DELM by 5% to 79.9% to improve liquidity of the counter.
Sep 2007	Acquired 40% stake in FieldFresh in India for US$22.5m; stake increased to 46% eventually
Nov 2007	Acquired S&W brand for US$10m; sales revenue during acquisition was around US$3m

Source: Company, DBSVickers, Thomson Reuters, media reports

NutriAsia owns 79% of company since 2006. DMPL's largest shareholder is currently NutriAsia Pacific Limited (NPL), which is in turn owned by NutriAsia Group of companies. The NutriAsia Group is the market leader in liquid condiments, specialty sauces and cooking oil in the Philippines.

A long history. Prior to NutriAsia becoming the single largest shareholder in DMPL, the Group has had several changes in owners since its listing on the Singapore Exchange in 1999. In Dec 2005, NutriAsia Pacific (JV between NutriAsia Group and San Miguel) bought a 50% stake from Macondray & Co Inc. (MCI), which also triggered a general offer. In Apr 2007, San Miguel sold its 42% stake in NutriAsia Pacific to NutriAsia Group. Thereafter, NutriAsia emerged as the single largest shareholder in DMPL.

NutriAsia's stake in DMPL estimated at S$0.62/share. Through the series of transactions, we estimate that NutriAsia's cost in DMPL is around S$0.62/share. In Jul 2007, NutriAsia pared down c.4.6% (50m shares) in DMPL in a bid to improve trading liquidity.

Led by experienced team with immense FMCG background. The Group's management is helmed by Mr Joselito D Campos, Jr who is also the Chairman and CEO of NutriAsia Group of companies. The key management team comprises of experience individuals who have been in the fast moving consumer goods (FMCG) industry, and hailed from established companies like Heinz, Kraft Foods, Pepsico, SaraLee, Unilever at different stages of their career. In our view, this reinforces the Group's view to further strengthen its branded business. (see description of key management team in appended table)

Estimated average cost of DMPL for NutriAsia

Date	Target	Stake (%)	Acquiror	Seller	Deal value S$ US$	Per share* S$ US$
Dec-05	DMPL	50%	NutriAsia Pacific	Macondray & Co	348.9 206.5	0.652 0.3862
Dec-05	DMPL	35%	NutriAsia Pacific	Various - General Offer	245.6 145.4	0.652 0.375
Apr-07	NutriAsia Pacific	42.20%	NutriAsia Group	San Miguel	227.3 150.0	0.498 0.329
				Estimated average cost	570.9 353.4	0.621 0.384

**Note: per share figures are prior to adjustment for recent 2-for-10 bonus share*
Source: DBSVickers, Thomson Reuters, Company

Key Management Team

Name, Appointment	Remarks
Mr Joselito Campos, Jr MD and CEO, since 2 May 06	Chairman and CEO of NutriAsia Group of Companies, a major food conglomerate in the Philippines. Also the Chairman of Fort Bonifacio Development Corp and Vice Chairman of Ayala-Greenfield Development Corp, two major Philippine property developers. Holds an MBA from Cornell University. Appointed as Executive Director on 20 Jan 06.
Mr Luis F Alejandro Chief Operating Officer	Has over 25 years experience in consumer products. Started career with Procter & Gamble spending 15 years there in Brand Management before joining Kraft Foods Philippines as President and GM. Later, he joined Southeast Asia Food Inc and Heinz UFC Philippines, Inc, two leading consumer packaged condiment companies of NutriAsia Group, as President and COO. Holds a B.Econs and an MBA from the Atheneo de Manila University and Asian Institute of Management, respectively.
Mr Richard Blossom Senior Vice President	He is the President of GTL Limited, DMPL's principal export arm, and is Managing Director of the Company's Singapore-based subsidiary, DMPL Management Services Pte Ltd. He has over 30 years experience in general management, marketing, sales, distribution and logistics of fast moving consumer goods, having served as President of Pepsi Cola Asia Pacific, PepsiCo Foods Asia Pacific, Revlon Asia Pacific, and CEO of Dohler Asia and EAC Consumer Products. Mr Blossom obtained his MBA in Marketing from New York University's Stern School of Business.
Ms Tan Chooi Kim General Manager S&W Fine Foods International Ltd	Has more than 20 years experience in the fast moving consumer goods industry. Started career at Unilever, spending 12 years. Moved from Unilever Malaysia to Unilever Japan and China. Joined Sara Lee Malaysia as Marketing Director before seconded to Sara Lee Thailand as GM, and most recently President of Sara Lee Malaysia, Singapore and Vietnam.
Mr Ignacio C O Sison CFO, appointed on 1 Oct 06	Holds an MS in Agricultural Economics from Oxford University, among other academic credentials. Has more than 20 years of finance expertise spanning treasury, corporate planning and controllership. Previously VP, Corporate Controller, and VP, Treasury and Corporate Development, of DMPI, and Finance Director of Company's subsidiary in Singapore.
Ms Ma Bella B Javier Chief Scientific Officer	Has almost 30 years of experience in R&D from leading FMCGs in the food industry. Spent 20 years at Kraft Foods, with last assignment as the Director for Asia Pacific Beverage Technology and Southeast Asia Development. Currently heads the Consumer Product and Packaging Development and the Quality Assurance functions for the Group.

Source: Company, DBS Vickers

Competitive Strengths

Strong brand name, leverage on brand to introduce new products. While the trademark of the Del Monte brand is owned by separate companies globally, the brand is a well-known and trusted household brand in Philippines. The brand is known for its canned pineapples, related products (juices, concentrates), tomato ketchup and tomato paste. We believe the Del Monte brand and trademark provides a good launch pad to extend into other product categories, such as convenience foods, other beverages, etc. In fact, the Group already has other product such as condiment/ingredient mixes, pasta, sauces, vinegar and so on.

One of the largest pineapple producers in the world. The Group has over 23,000 hectares of plantation and is a low cost integrated produce of quality pineapples. This provides the availability of raw materials for its processed products such as pineapple solids, juices, concentrates etc. In addition, it is also increasingly putting more resources into planting a newer and sweeter variant of pineapple (MD-2) to be sold under the fresh produce (S&W branding) in favour of the *Chempaka* variant which is mainly used for processed products.

Long history in Philippines. The company has been in existence in Philippines with a history of over 80 years. We believe this provides confidence to its stakeholders in that the Group is committed in its development over the long term. The ability of management to expand its distribution and retail points in a short period of time underscores this positive trait.

Management team and its experience. We noted that key management team has immense experience in the FMCG industry, with most of them having spent a number of years in internationally renowned FMCG companies, like Heinz, Kraft Foods, Pepsico, SaraLee, Unilever at different stages of their career. We believe it brings with them experience to manage the Group and particularly to grow its higher margin branded business in the Philippines (for the Del Monte brand) and the Asia Pacific (for S&W brand).

Existing distribution channel and expanding retail points. In Philippines, the Group has a strong penetration rate within the modern trade channel. 70% of its sales in Philippines are from the general trade, with the remaining 30% from the modern trade. It currently has 16 distributors nationwide in the Philippines. In early 2012, management undertook a renewed drive to increase outlet penetration, and has expanded its product presence in outlets to 112,000 stores, from 88,000 stores. It has a target to hit 150,000 stores by end 2013, and 200,000 stores by 2015 (in 3 years' time).

Del Monte products shelf space in supermarket

Source: DBSVickers

Del Monte Pasta, Tomato Sauce in Supermarkets

Source: DBSVickers

Growth Strategies

After recovering from the global financial crisis in 2009, management continues to focus on the following growth strategies. We segregate growth drivers for the Group into near term and medium term, which should provide sustainable growth for investors.

Near term growth drivers:

1. Philippines: focus on further penetration with Del Monte brand in a young market.

Young consumer base, and robust GDP growth. According to data from United Nations Population Division, Philippines has a population of 93m (as of 2010), and is the second most populous market in South-East Asia, after Indonesia. In Asia, it is the 7th most populous nation.

Philippines to have a relatively young population. Based on data from the UN Population Division, Philippines currently have about 41.5% of total population within the age group of 15-39 years. This age group is projected to increase marginally to 41.9% by 2020, according to the same data set. In fact, the Philippines is projected to be one of the few countries in South-East Asia to buck the trend where the proportion of persons aged 15-39 years age group decline as a percentage to total population. Thus, we believe this should augur well for consumption over the medium to long term.

Indirect benefit - Positive for dining out, and in turn, food service providers. According to BMI's Food and Drinks Jan 2013 report, it was noted that Jollibee and MacDonald's are aggressively expanding its presence in the country to tap on the young population in the fast food segment. In our view, an indirect benefit for this would be the provision of food service beverage and juices, which DMPL is already currently doing.

Philippines: 2nd, 7th most populous country in SEA, Asia

South-East Asia			Asia		
Rank	Country	Pop (m)	Rank	Country	Pop (m)
1	Indonesia	239.9	1	China	1,341.3
2	Philippines	93.3	2	India	1,224.6
3	Viet Nam	87.8	3	Indonesia	239.9
4	Thailand	69.1	4	Pakistan	173.6
5	Myanmar	48.0	5	Bangladesh	148.7
6	Malaysia	28.4	6	Japan	126.5
7	Cambodia	14.1	7	Philippines	93.3
8	Laos	6.2	8	Viet Nam	87.8
9	Singapore	5.1	9	Iran	74.0
10	Timor-Leste	1.1	10	Turkey	72.8

Note: Figures for 2010

Source: United Nations Population Division (Apr'2011), DBSVickers

Proportion of population aged 15-39 (2011, 2020)

	2011	2020	Increase/ (decrease)
WORLD	39.3%	37.6%	decrease
ASIA	40.7%	38.6%	decrease
South-East Asia	42.1%	39.7%	decrease
Brunei Darussalam	44.7%	41.0%	decrease
Cambodia	44.2%	45.7%	increase
Indonesia	42.6%	39.7%	decrease
Laos	44.6%	45.9%	increase
Malaysia	40.2%	39.8%	decrease
Myanmar	43.4%	40.4%	decrease
Philippines	41.5%	41.9%	increase
Singapore	35.3%	31.4%	decrease
Thailand	37.8%	34.7%	decrease
Timor-Leste	37.0%	40.8%	increase
Viet Nam	44.6%	39.9%	decrease

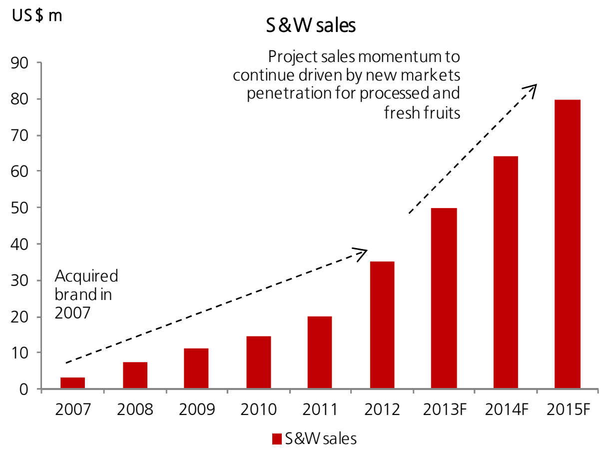
Source: United Nations Population Division (Jun'2011), DBSVickers

2. S&W: Leveraging on the momentum of the S&W brand in Asia Pacific and Middle East.

Momentum of sales growth, >10-folds since acquisition in 2007. Since its acquisition of the S&W brand in Nov 2007, DMPL has managed to grow sales and profit contribution strongly with sales up by more than 10-folds to c.US$35m in 2012. This has been driven by both the processed and fresh fruits segments marketed under the S&W brand. DMPL has undertaken efforts to penetrate new markets in the Asia Pacific region and develop the Sweet16 S&W fresh pineapple product.

We expect management to ride on this strong momentum to further grow the brand within the region, on the back of higher market penetration for the brand. We are projecting continued growth, albeit at a slower pace given a larger base, and S&W's revenue to reach US$80m by FY15F. This is projected to account for 13% of DMPL's Group revenue, up from 8% in FY12.

S&W sales grown >10x since acquired in 2007



Source: Company reports, DBSVickers

Medium term growth drivers

3. Changes in terms of long-term supply contract, equating to better margins.

Currently, DMPL has three long term supply contract with other Del Monte companies. Of these, we understand that management sees room for margins improvement in two separate contracts with Del Monte (USA) and Fresh Del Monte. As a result, we expect margins improvement translating into stronger net profit growth by FY15F, with the expiration and changes in terms of these long term supply contact. Our forecast shows net profit growth of 38% (FY14F – FY15F) whilst gross margins are projected to improve by 1.9ppt to 27.6%.

We expect this to arise from two significant changes in the terms of contract, as follows:

i. Expiration of processed pineapple contract in Nov 2014 with Del Monte Foods USA, which will see the removal of certain deductibles from sales price, which are currently impacting on margins versus operating margins of 15-20% assuming it is based on market pricing.

ii. Improved operating margins for supply of fresh pineapple to Fresh Del Monte Fresh arising from adjustment in selling prices from 2015. We understand that DMPL is currently supplying c.1.5m boxes of fresh pineapple per annum, and management expects the adjustment to improve operating profits by US$3-4m per year.

4. Expiration of toll packing contract

DMPL is expecting the expiration of 2 of its toll packing contracts for its Fit'n Right PET bottled juice drink in 3Q14. We understand that these contracts were entered into when the Fit'n Right brand were launched, with certain volume commitments. At the present moment, the high toll packing fees are undermining its margins; and, management expects that there would be upside to margins based on estimated comparison with current toll packing rates available.

5. Waste-to-energy project

Management is in the process of investing in a waste water treatment plant at its plantation/ cannery for the conversion of gas to energy. This is expected to provide energy to the cannery. The capex is estimated to be US$16m and will be expended over three years from FY13F. Management expects this to yield cost savings of about US$3m per annum once the plant is in operation, which would contribute to the bottomline in the medium term.

6. Turnaround of Indian JV

Its Indian JV with Bharti Group has incurred losses since its formation in 2007, but in the past 2 years, the losses have narrowed. Management continues to expect this trend to continue and towards breakeven by 2015 on the back of increased sales. We are currently assuming lower losses from its JV, but not at breakeven by 2015 as yet.

Key Risks

Susceptible to weather effects and harvest yield. The Group is engaged in the planting and harvesting of pineapples in the Philippines. As with agricultural crops, the yields that can be derived are dependent on weather effects, along with other factors. Harvest of pineapple had an impact on gross margins historically. In 2009, we understood that harvest yield was impacted by DMPL's outgrowers' programme and outsourcing of planting to third parties. This had an impact on harvest (mt) per hectare of planted area.

Packaging material prices. We understand that packaging account for about 25% of the Group's COGS. Tin plates are the largest cost component among this category. Whilst the general forecasts is that tin prices are expected to show a gradual increase, sharp spikes in packaging materials such as tin plates, would likely have an adverse impact on the Group's margins, given the lagged effect of price increases. Furthermore, with supply contracts still in place till 2014, this may also adversely affect margins for the business. We estimate that a 10% increase in tin prices would impact gross margins by c.1%, all else being equal.

Bloomberg mean estimates of tin prices (US$/mt)

Year	Mean estimates (US$/ mt)
2013	23,267
2014	23,950
2015	24,571
2016	24,541

Source: Bloomberg

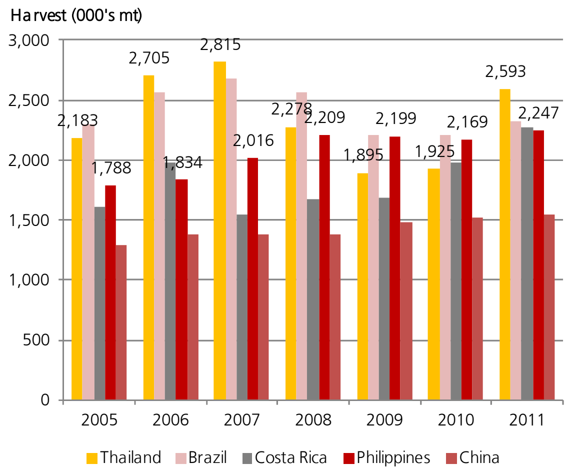
Currency effects of a depreciating US$. The reported currency of the Group is in United States dollar. However, an estimated 60% of its costs are in Philippines pesos. As such, with the continued depreciation of the US$ against the peso, the Group's bottomline could be affected, though at this juncture, its costs and revenue composition in USD/PHP are largely similar.

Reliance on the Philippines market, which accounts for about 60% of Group's revenues. We estimate the Filipino market accounts for about 60% of the Group's revenue. Any adverse political and economic changes affecting the consumption pattern in that country could affect the Group's topline and bottomline.

Execution of S&W brand. We are projecting the robust growth momentum of the S&W brand to continue into FY15, driven by penetration of new markets, and increased sales of its Sweet 16 variant. Based on our forecasts, we are projecting S&W to post FY12-15F CAGR of c.32%, which will then contribute 13% of the Group's revenue (up from 8% in FY12). If this growth does not pan out, the overall growth in the Group may be lower than expected, particularly before the expected positive changes in long term supply contracts takes effect from FY15F.

Non-branded pineapple susceptible to processed pineapple and juice concentrates demand. Pineapple juice concentrates are largely sold as commodities to F&B manufacturers and this is susceptible to demand and supply conditions. On demand side, juices sales were impacted by soft drinks and new product development in 2012. Supply of pineapples, and hence prices, are also dependent on harvest volumes by other large producing countries. Top 5 producing countries account for c.50% of world's total production. As of 2011, Thailand was the world's largest producer, spiking by 34% from a year earlier. As a result, we understand that pineapple juice concentrates has weakened from US$2,100/mt as of Dec'10 to US$1,020/mt as of Jan'13, according to data from Foodnews.

Top producing pineapples countries ('05-'11)



Source: FAO, DBSVickers

Low free float – a double edged sword. Currently, free float for DMPL shares stand at c.13.1% after deducting NutriAsia's 78.9% and Lee Pineapple's 8%. A low free float could be a double-edged sword in terms of share price volatility if there are negative news surrounding the company. Investors could potentially see huge swings in share price given the limited float and trading liquidity at this stage.

Key Assumptions

FY Dec	2011A	2012A	2013F	2014F	2015F
Branded rev. gwth %	5.3	16.8	15.8	14.1	12.0
Non-branded rev gwth %	27.8	(7.8)	(5.1)	3.4	10.9
Branded GP margins	27.4	30.2	30.3	30.3	31.1
Non-Branded GP margins	17.4	11.5	7.4	10.6	16.7

Non-branded revenue and margins to be impacted by weaker contribution from Europe. Project margins to recover by FY15F with changes in terms on supply contract

Sensitivity Analysis

	2013
Tin price +/- 10%	Gross margins +/- 1%

Segmental Breakdown

FY Dec	2011A	2012A	2013F	2014F	2015F
Revenues (US$ m)					
Branded	275	321	371	424	475
Non-supply contract - AP	22	22	26	27	29
Non-supply contract - ENA	67	56	48	49	51
Supply contract	62	61	58	60	72
Total	425	460	503	560	626
Gross profit (US$ m)					
Branded	75	97	112	128	148
Non-supply contract - AP	6	5	6	7	7
Non-supply contract - ENA	15	7	3	5	8
Supply contract	5	4	1	3	11
Total	101	113	122	143	173
Gross profit Margins (%)					
Branded	27.4	30.2	30.3	30.3	31.1
Non-supply contract - AP	25.5	23.6	24.0	24.0	24.0
Non-supply contract - ENA	23.1	11.6	6.0	10.0	15.0
Supply contract	8.5	7.1	1.0	5.0	15.0
Total	23.9	24.5	24.3	25.5	27.6

(AP = Asia Pacific; ENA = Europe, North America)
Source: Company, DBS Vickers

Revenue growth driven by Philippines market, and S&W brand in Asia Pacific. Expect non-branded segment to be impacted by lower prices for pineapple juice concentrates in FY13.

Assuming margins improvement in FY15F with changes in toll packing contracts terms post expiration of the current ones

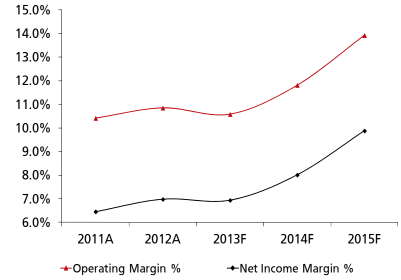
Project branded margins to remain stable at c.30% on the back of stable raw material prices. Non-branded business projected to see dip in gross profit Europe and N. America on lower revenue.

Income Statement (US$ m)

FY Dec	2010A	2011A	2012A	2013F	2014F	2015F
Revenue	379	425	460	503	560	626
Cost of Goods Sold	(297)	(324)	(347)	(381)	(417)	(453)
Gross Profit	82	101	113	122	143	173
Other Opng (Exp)/Inc	(51)	(57)	(63)	(69)	(77)	(86)
Operating Profit	30	44	50	53	66	87
Other Non Opg (Exp)/Inc	0	0	0	0	0	0
Associates & JV Inc	(7)	(11)	(6)	(5)	(4)	(2)
Net Interest (Exp)/Inc	(5)	(2)	(3)	(3)	(3)	(3)
Exceptional Gain/(Loss)	0	0	0	0	0	0
Pre-tax Profit	19	32	41	45	59	82
Tax	(4)	(6)	(9)	(10)	(14)	(20)
Minority Interest	1	1	0	0	0	0
Preference Dividend	0	0	0	0	0	0
Net Profit	16	27	32	35	45	62
Net Profit before Except.	16	27	32	35	45	62
EBITDA	35	47	60	63	78	102
Growth						
Revenue Gth (%)	14.5	12.3	8.1	9.5	11.3	11.7
EBITDA Gth (%)	14.7	33.7	27.0	5.3	23.6	30.8
Opg Profit Gth (%)	17.6	46.1	12.6	6.8	24.3	31.7
Net Profit Gth (%)	39.5	73.6	16.9	8.8	29.2	37.8
Margins & Ratio						
Gross Margins (%)	21.6	23.9	24.5	24.3	25.5	27.6
Opg Profit Margin (%)	8.0	10.4	10.8	10.6	11.8	13.9
Net Profit Margin (%)	4.2	6.5	7.0	6.9	8.0	9.9
ROAE (%)	7.5	12.1	13.2	13.4	16.4	20.8
ROA (%)	4.2	6.7	7.0	6.9	8.4	10.9
ROCE (%)	7.8	11.3	11.6	11.2	12.6	16.0
Div Payout Ratio (%)	75.3	75.3	75.2	75.0	75.0	75.0
Net Interest Cover (x)	6.7	27.7	16.3	15.9	19.4	25.6

Source: Company, DBS Vickers

Margins Trend



Expect losses for India JV to continue, albeit at a lower rate.

Projecting net profit to accelerate in our forecast years, driven by branded segment in FY13/14F, and revisions in long term supply contract terms from FY15F in the non-branded segment.

Assuming payout ratio of 75%, on the back of improving profits. Dividend policy of 33% payout.

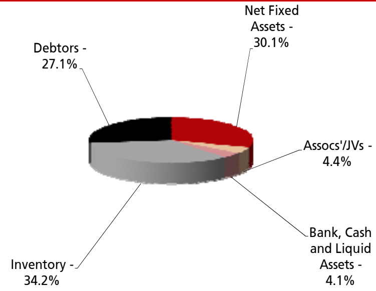
Balance Sheet (US$ m)

FY Dec	2010A	2011A	2012A	2013F	2014F	2015F
Net Fixed Assets	79	85	93	109	122	128
Invts in Associates & JVs	33	24	22	17	13	11
Other LT Assets	29	29	31	30	29	29
Cash & ST Invts	18	21	25	23	23	44
Inventory	77	89	113	126	134	126
Debtors	80	83	102	101	112	125
Other Current Assets	82	92	110	115	120	125
Total Assets	399	424	496	520	553	586
ST Debt	86	105	126	126	126	126
Other Current Liab	74	84	101	115	129	144
LT Debt	18	6	16	16	16	6
Other LT Liabilities	0	0	0	0	0	0
Shareholder's Equity	222	231	255	266	285	313
Minority Interests	(1)	(1)	(2)	(2)	(3)	(3)
Total Cap. & Liab.	399	424	496	520	553	586
Non-Cash Wkg. Capital	166	180	225	227	237	231
Net Cash/(Debt)	(86)	(90)	(117)	(119)	(118)	(88)
Debtors Turn (avg days)	50.2	69.9	73.6	73.6	69.3	69.2
Creditors Turn (avg days)	81.0	81.0	89.1	97.6	99.7	99.7
Inventory Turn (avg days)	93.2	93.2	98.2	111.9	119.5	118.2
Asset Turnover (x)	1.0	1.0	1.0	1.0	1.0	1.1
Current Ratio (x)	1.6	1.5	1.5	1.5	1.5	1.6
Quick Ratio (x)	0.6	0.6	0.5	0.6	0.5	0.5
Net Debt/Equity (X)	0.4	0.4	0.4	0.5	0.4	0.4
Net Debt/Equity ex MI (X)	0.4	0.4	0.5	0.4	0.4	0.3
Capex to Debt (%)	13.8	16.6	12.5	21.3	19.8	16.6

Expect gearing level to revert down c.0.4x, similar to previously (prior to FY12)

Source: Company, DBS Vickers

Asset Breakdown

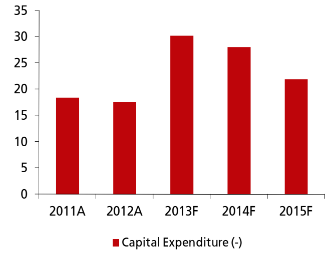


Cash Flow Statement (US$ m)

FY Dec	2010A	2011A	2012A	2013F	2014F	2015F
Pre-Tax Profit	19	32	41	45	59	82
Dep. & Amort.	12	14	16	15	16	17
Tax Paid	(5)	(7)	(6)	(5)	(10)	(14)
Assoc. & JV Inc/(loss)	7	11	6	5	4	2
Chg in Wkg.Cap.	(63)	(14)	(37)	(7)	(14)	0
Other Operating CF	14	4	5	0	0	0
Net Operating CF	(17)	40	25	53	54	86
Capital Exp.(net)	(14)	(18)	(18)	(30)	(28)	(22)
Other Invts.(net)	0	0	0	0	0	0
Invts in Assoc. & JV	(10)	(1)	(3)	0	0	0
Div from Assoc & JV	0	0	0	0	0	0
Other Investing CF	1	(1)	2	0	0	0
Net Investing CF	(24)	(20)	(19)	(30)	(28)	(22)
Div Paid	(2)	(17)	(23)	(24)	(26)	(34)
Chg in Gross Debt	3	7	23	0	0	(10)
Capital Issues	(1)	(1)	0	0	0	0
Other Financing CF	(3)	(3)	(4)	0	0	0
Net Financing CF	(3)	(14)	(5)	(24)	(26)	(44)
Currency Adjustments	2	(2)	3	0	0	0
Chg in Cash	(42)	3	4	(2)	0	21
Opg CFPS (US cts.)	3.6	4.1	4.7	4.6	5.3	6.7
Free CFPS (US cts.)	(2.4)	1.6	0.5	1.7	2.0	5.0

Source: Company, DBS Vickers

Capital Expenditure



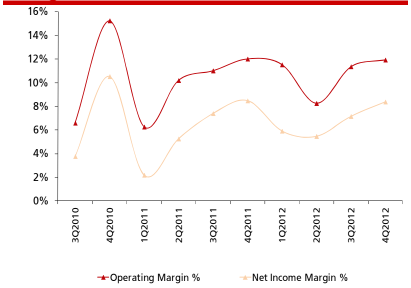
FY13/14 capex projected at US$30m/28m, with investment in waste-to-energy plant.

Quarterly / Interim Income Statement (US$ m)

FY Dec	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Revenue	105	154	75	109	117	160
Cost of Goods Sold	(80)	(116)	(57)	(82)	(87)	(121)
Gross Profit	**25**	**38**	**18**	**27**	**30**	**39**
Other Oper. (Exp)/Inc	(14)	(19)	(9)	(18)	(16)	(20)
Operating Profit	**12**	**19**	**9**	**9**	**13**	**19**
Other Non Opg (Exp)/Inc	0	0	0	0	0	0
Associates & JV Inc	(3)	(2)	(2)	(2)	(2)	(1)
Net Interest (Exp)/Inc	0	(1)	(1)	0	(1)	(1)
Exceptional Gain/(Loss)	0	0	0	0	0	0
Pre-tax Profit	**9**	**15**	**6**	**7**	**11**	**17**
Tax	(1)	(3)	(1)	(1)	(2)	(4)
Minority Interest	0	0	0	0	0	0
Net Profit	**8**	**13**	**4**	**6**	**8**	**13**
Net profit bef Except.	8	13	4	6	8	13
EBITDA	12	20	11	11	16	23
Growth						
Revenue Gth (%)	9.2	46.4	(51.5)	45.8	7.1	36.8
EBITDA Gth (%)	20.1	59.3	(46.0)	0.7	46.1	46.5
Opg Profit Gth (%)	17.9	59.7	(53.5)	4.4	47.3	43.7
Net Profit Gth (%)	53.6	67.7	(66.2)	34.8	40.1	60.2
Margins						
Gross Margins (%)	24.2	24.6	23.6	24.8	25.3	24.2
Opg Profit Margins (%)	11.0	12.0	11.5	8.3	11.4	11.9
Net Profit Margins (%)	7.4	8.5	5.9	5.5	7.2	8.4

Source: Company, DBS Vickers

Margins Trend



4Q traditionally a strongest season

Valuation

Initiate BUY, TP: S$0.97. We initiate with a BUY recommendation on DMPL with a TP of S$0.97, backed by our discounted cash-flow (DCF) model. We believe using a DCF methodology is the most appropriate in order to capture the medium and longer term growth prospects of the Group, which may otherwise be omitted through near term valuation techniques such as PE multiple. This is further illustrated by the expected expiration and changes in terms of long term supply contracts by end 2014. These changes are expected to be beneficial for DMPL in FY15F.

TP: S$0.97, WACC of 8.2%. We derive a cost of equity of 11.2% through the assumption of 4% risk-free rate, an expected market return of 13% and a beta of 0.8. While we note that the historical adjusted beta of DMPL according to Bloomberg is 0.36, we believe this may not reflect the true nature given its relatively low trading turnover. For conservative stake, we use a beta of 0.8, an average of its regional peers. We believe our relatively high CoE correctly reflects the high country exposure to the Philippines, given its emerging market status as well as its growth profile which is expected to show from FY14F and FY15F.

Implied PE to be lowered to 16.3x by FY15F on projected growth. At our target price of S$0.97, the implied PE multiple would be c.29x/ 22x on FY13F/14F earnings. Whilst this looks high, we expect the PE multiple to moderate to c.16.3x (at our TP of S$0.97) by FY15F. We also believe the high PE multiple in FY13F/14F reflects the established brand status of Del Monte in the Philippines, and its dominant position in the canned fruit juices, sauces and culinary segments.

F&B plays in the region have re-rated in the past year on the back of optimism in the Asean region, and partly buoyed by M&As in this region. The most notable one was the General Offer for Asia Pacific Breweries by Heineken, and subsequently ThaiBev's GO for F&N, a property and F&B conglomerate.

Philippines listed peers such as Jollibee, URC, etc are trading at 25x to 30x FY13F and FY14F earnings. Leading consumer companies such as URC (Universal Robina Corporation) and Jollibee are trading at mid-to-high twenty times of forward earnings on the robust outlook in its domestic markets. While we acknowledged these are larger companies, we believe DMPL has also established a strong brand equity for the Del Monte brand in the Philippines. Coupled with the projected surge in growth for FY14F/15F, we believe DMPL could re-rate towards our price target.

Supported by dividend yield of 3.4%/4.4%. DMPL has a dividend payout ratio of 75% since 2005, despite a dividend policy of 33% payout. We expect this to continue with the projected growth in its operating cashflow. Assuming our projections pan out, the dividend yield is projected to rise to 6.1% at current price.

Peer comparison

Company	Curr	Last Px	Mkt Cap (US$ m)	Hist. PE (x)	PE Curr Yr (x)	PE Nxt Yr (x)	P/EBITDA Hist	P/EBITDA Curr	P/B (x)	P/S (x)
Del Monte Pacific Ltd	SGD	0.755	790	24.7	22.3	17.4	12.2	13.9	3.1	1.7
Petra Foods Ltd	SGD	4.21	2,148	82.9	35.5	27.6	18.0	20.4	6.6	1.7
Super Group Ltd	SGD	3.84	1,726	27.0	22.5	19.2	21.8	17.3	5.4	4.1
Mayora Indah Tbk PT	IDR	30500	2,410	32.0	28.3	22.7	16.4	14.7	7.8	2.2
Unilever Indonesia Tbk PT	IDR	22700	17,850	35.8	32.5	29.5	25.3	23.6	43.6	6.3
Indofood Sukses Makmur Tbk PT	IDR	7500	6,696	19.9	16.8	15.1	8.7	8.0	3.1	1.3
Jollibee Foods Corp	PHP	124.50	3,175	34.9	30.5	26.1	18.0	14.3	6.2	1.8
Universal Robina Corp	PHP	110.00	5,996	30.6	29.0	25.3	20.5	18.9	5.1	3.3
Nestle Malaysia Bhd	MYR	60.70	4,754	28.4	26.4	24.8	19.2	18.0	21.8	3.2
Oishi Group PCL	THB	157.00	1,017	45.0	22.7	15.4	24.5	15.1	9.4	2.5
				37.4	27.1	22.9	19.2	16.7	11.8	3.2

Source: Bloomberg Finance L.P (Prices as of 9 Apr'13), DBSVickers

DCF methodology, WACC and target price sensitivity to WACC, terminal growth

Risk Free Rate (Rf)	4.0%
Market Return (Rm)	13.0%
Equity risk premium	9.0%
Beta	0.8
Cost of Equity (Ke)	11.2%
Proportion of debt financing	34.9%
After-tax cost of debt (Kd)	2.6%
WACC	8.2%

FYE Dec (US$m)	FY13F	FY14F	FY15F
EBIT	53.2	66.2	87.1
Add Depreciation and Amortisation	5.2	10.3	14.0
Less Tax Provision	(10.3)	(14.0)	(19.5)
Less Capex	(30.2)	(28.0)	(21.9)
Add changes in Working Capital	(7.1)	(13.8)	0.1
Total FCF to the Firm	10.8	20.6	59.8
Discounted FCF	9.9	18.8	49.6

Terminal Growth (assumed)	2%		
PV of FCF	420.6		
PV of Terminal Value	710.3		
Net Cash (Debt)	(117.0)		
Equity Value (US$m)	1,013.9		
Equity Value (S$m)	1,257.2	@ S$/US$	1.24
No. of shares (including bonus shares)	1,298.1		
Value Per Share (S$)	0.97		

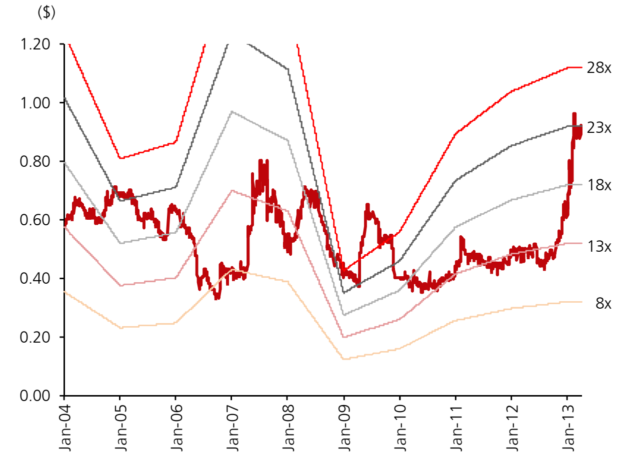
		Terminal growth rate						
		0%	0.50%	1.00%	1.50%	2.00%	2.50%	3.00%
WACC	6.2%	1.12	1.19	1.28	1.39	1.52	1.68	1.90
	7.2%	0.93	0.98	1.04	1.11	1.19	1.29	1.41
	8.2%	0.79	0.83	0.87	0.92	0.97	1.03	1.11
	9.2%	0.68	0.71	0.74	0.77	0.81	0.85	0.90
	10.2%	0.60	0.62	0.64	0.66	0.69	0.72	0.76

Source: DBS Vickers

DMPL fwd PE standard deviation chart

Source: DBSVickers, Bloomberg Finance L.P

DMPL fwd PE band chart

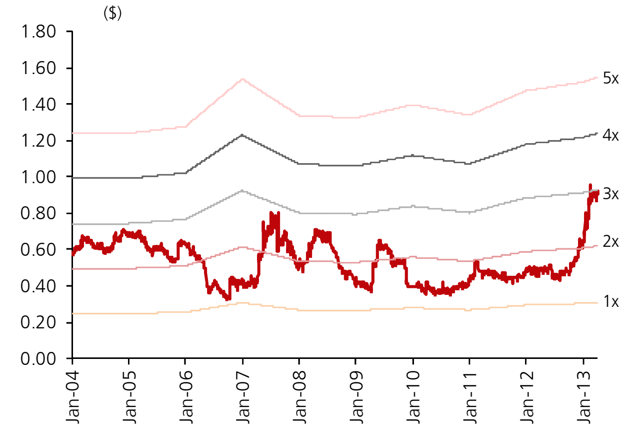


Source: DBSVickers, Bloomberg Finance L.P

DMPL fwd PB standard deviation chart

Source: DBSVickers, Bloomberg Finance L.P

DMPL fwd PB band chart



Source: DBSVickers, Bloomberg Finance L.P

DBSV recommendations are based an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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