

## Del Monte Pacific

DELM SP / DMPL.SI

## 2QFY13 RESULTS NOTE

➤ **Market Cap**  
**US\$896.6m**  
S\$1,128m

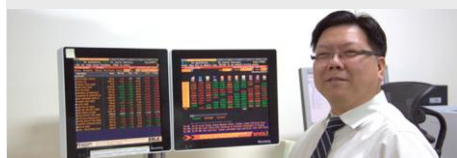
➤ **Avg Daily Turnover**  
**US\$0.26m**  
S\$0.33m

➤ **Free Float**  
**21.3%**  
255.2 m shares

Current **\$0.87**  
Target ➤ **\$1.07**  
Prev. Target **\$1.07**  
Up/Downside **23.0%**

SHORT TERM (3 MTH) LONG TERM  
TRADING BUY **OUTPERFORM**  
TRADING SELL NEUTRAL  
UNDERPERFORM

### CIMB Analyst(s)



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### Share price info

Share price perf. (%)	1M	3M	12M
Relative	3.7	-1.7	111.7
Absolute	3.6	-7.9	117.5
Major shareholders	% held		
NUTRIASIA PACIFIC LTD	67.0		
LEE PINEAPPLE CO PTE LTD	7.8		
WEE POH CHAN PHYLLIS	1.2		

# Non-branded business turned around in 2Q13

*1H13 core net profit was in line with our and consensus expectations. DELM continued to experience strong sales yoy and a key highlight for 2Q13 was the turnaround in the non-branded business vs. a loss in 1Q13. A seasonality effect should help DELM meet CY13 expectations.*

1H13 core net profit was nearly one-third of both our and consensus full-year forecasts. As the second half can account for 67-70% of net profit, DELM's results are considered in line. Our forecasts are unchanged. Maintain Outperform (25x CY14 P/E, 1 SD above its 6-year average). Catalysts are branded sales growth, better terms of trade and an earlier turnaround in its India JV.

### Growth in both branded and non-branded segments ➤

The branded business grew by 8% yoy in 2Q13 (both Del Monte and S&W brands grew, S&W fresh +21%). The non-branded business grew by 21%, driven by strong demand in the US for processed fruits. The branded business accounted for 85% of 2Q13 operating profits while the non-branded business was 15%.

### No M&A at the moment ➤

Recent M&A newsflow in the US (Del Monte Foods USA and Dole) and the listing of Japan's Suntory Beverage & Food have shoved DMPL into the M&A limelight. Based on news wire reports, the purported M&A deals in the US are being contemplated at P/Es of 13x to 17x. Compared to the recent vendor placement at 30x historical and 25x prospective P/Es, it will take a lot more to get NutriaAsia interested.

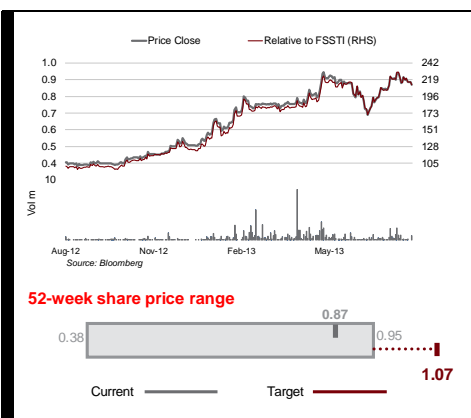
### Outlook still rosy ➤

Going into 2H, we expect DELM to continue its focus on higher-margin own-brand products. The pineapple juice concentrate business could start to see a stabilisation in prices. Net gearing (68.8%) should reduce to 50-60% by end-CY13.

### Results comparison

FYE Dec (US\$ m)	2QFY13	2QFY12	yoy %	1QFY13	qoq %	2QFY13	2QFY12	yoy %	Prev.	
			chg		chg	cum	cum	chg	FY13F	Comments
Revenue	121.0	108.9	11.1	87.4	38.5	208.4	183.6	13.5	516.2	In line, driven by both the branded and non branded businesses
Operating costs	(105.6)	(96.6)	9.3	(74.7)	41.5	(180.3)	(158.9)	13.5	(445.6)	In line
EBITDA	15.4	12.2	25.7	12.7	21.0	28.1	24.7	13.8	70.6	Below
EBITDA margin (%)	12.7	11.2		14.6		13.5	13.5		13.7	Below
Depn & amort.	(4.6)	(3.3)	42.0	(4.7)	(2.3)	(9.4)	(7.1)	31.9	(17.8)	In line
EBIT	10.8	9.0	19.7	8.0	34.8	18.8	17.6	6.5	52.8	Below due to higher warehousing and distribution cost
Interest expense	(1.1)	(0.3)	228.1	(0.8)	34.2	(1.9)	(1.7)	11.9	(4.7)	Above due to higher borrowings
Interest & invt inc	(0.9)	0.1	(706.2)	0.5	(287.9)	(0.4)	0.3	(228.6)	1.1	Below due to lower interest income from operating assets
Associates' contrib	(1.4)	(1.6)	(13.8)	(1.2)	16.2	(2.6)	(3.5)	(25.5)	(4.7)	Indian associate loss continues to narrow
Exceptionals	(0.6)	-		-	(0.6)	-	-		-	
Pretax profit	6.8	7.2	(5.4)	6.4	5.4	13.2	12.7	4.1	44.5	Below due to exceptionals
Tax	(0.8)	(1.3)	(44.2)	(2.0)	(62.5)	(2.8)	(2.6)	5.2	(10.2)	Below due to higher contribution of export income
Tax rate (%)	11.1	18.8	(41.0)	31.2	(64.4)	20.9	20.6	1.0	23.0	Below
Minority interests	0.1	0.1	(22.9)	0.1	18.8	0.2	(0.3)	(166.0)	0.4	
Net profit	6.1	6.0	3.0	4.5	35.8	10.7	10.4	2.8	34.6	Below due to one off expense and currency translation
Core profit	6.7	6.0	13.1	4.5	49.1	11.3	10.4	8.2	34.6	In line with seasonal trend
EPS (cts)	0.5	0.4	14.7	0.4	11.9	0.9	1.0	(7.3)	2.7	Below
Core EPS (cts)	0.5	0.4	26.9	0.4	23.8	0.9	1.0	(2.1)	2.7	In line

SOURCE: CIMB, COMPANY REPORTS



### Financial Summary

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue (US\$m)	425.2	459.7	516.2	589.5	668.3
Operating EBITDA (US\$m)	57.81	65.47	70.60	82.15	99.61
Net Profit (US\$m)	27.44	32.09	34.63	44.54	56.43
Core EPS (US\$)	0.021	0.025	0.027	0.034	0.043
Core EPS Growth	73.8%	16.9%	7.8%	28.6%	26.7%
FD Core P/E (x)	32.63	27.93	25.91	20.14	15.90
DPS (US\$)	0.016	0.022	0.020	0.026	0.033
Dividend Yield	2.30%	3.22%	2.90%	3.72%	4.72%
EV/EBITDA (x)	17.02	15.44	14.44	12.71	10.69
P/FCFE (x)	41.67	39.13	21.50	34.97	24.08
Net Gearing	39.3%	46.2%	48.1%	54.3%	57.8%
P/BV (x)	3.88	3.52	3.42	3.22	3.01
Recurring ROE	12.1%	13.2%	13.4%	16.5%	19.6%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.03	1.04	0.95

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Peer Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x) CY2013	Core P/E (x) CY2014	3-year EPS CAGR (%)	P/BV (x) CY2013	Recurring ROE (%) CY2013	Dividend Yield (%) CY2013
<b>Del Monte Pacific</b>	<b>DELM SP</b>	<b>OUTPERFORM</b>	<b>0.87</b>	<b>1.07</b>	<b>897</b>	<b>25.9</b>	<b>20.1</b>	<b>20.7%</b>	<b>3.42</b>	<b>13.4%</b>	<b>2.9%</b>
Chiquita Brands	CQB US	NR	12.35	NA	575	17.6	11.1	na	na	na	na
HJ Heinz	HNZ US	NR	#N/A N/A	NA	#N/A N/A	na	na	-24.0%	na	36.4%	na
Kraft Foods Group	KRFT US	NR	56.26	NA	33,506	19.5	17.5	7.3%	9.31	46.1%	3.6%
Fresh Del Monte Produce	FDP US	NR	29.50	NA	1,634	14.0	12.6	na	na	na	na
Dole Food	DOLE US	NR	12.81	NA	1,151	24.4	17.9	na	na	2.9%	na
China Huiyuan Juice Group	1886 HK	NR	3.13	NA	596	43.5	49.7	141.5%	0.73	1.5%	0.0%
Tingyi (Cayman Islands)	322 HK	Neutral	19.20	20.50	13,850	32.5	26.1	22.1%	4.97	16.0%	1.5%
Uni-President China	220 HK	Neutral	6.85	7.10	3,179	25.5	20.7	10.9%	2.30	9.4%	1.3%
Universal Robina	URC PM	NR	116.0	NA	5,801	27.8	24.0	2.4%	4.94	18.2%	1.9%
Jollibee Foods	JFC PM	NR	166.0	NA	3,990	39.3	33.9	17.9%	7.29	19.8%	0.9%
San Miguel	SMC PM	NR	84.00	NA	4,582	13.5	14.2	-9.1%	0.65	9.1%	1.5%
TIPCO Foods	TIPCO TB	NR	10.30	NA	159	na	na	na	na	na	na
Kikkoman Corp	2801 JP	NR	1,717	NA	3,733	31.3	23.6	15.2%	1.76	6.8%	1.1%
<b>Simple average</b>						<b>26.2</b>	<b>22.6</b>	<b>20.5%</b>	<b>3.93</b>	<b>16.3%</b>	<b>1.6%</b>

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

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**Spitzer Chart for stock being researched ( 2 year data )**



Distribution of stock ratings and investment banking clients for quarter ended on 31 July 2013		
1188 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	51.8%	7.5%
Neutral	33.4%	4.6%
Underperform/Sell/Trading Sell	14.8%	5.6%

**Recommendation Framework #1 \***

**Stock**

**OUTPERFORM:** The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.  
**NEUTRAL:** The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.  
**UNDERPERFORM:** The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.  
**TRADING BUY:** The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.  
**TRADING SELL:** The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

**Sector**

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.  
**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.  
**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.  
**TRADING BUY:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.  
**TRADING SELL:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

\* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

**Recommendation Framework #2 \*\***

Stock	Sector
<b>OUTPERFORM:</b> Expected positive total returns of 10% or more over the next 12 months.	<b>OVERWEIGHT:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 12 months.
<b>NEUTRAL:</b> Expected total returns of between -10% and +10% over the next 12 months.	<b>NEUTRAL:</b> The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months.
<b>UNDERPERFORM:</b> Expected negative total returns of 10% or more over the next 12 months.	<b>UNDERWEIGHT:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 12 months.
<b>TRADING BUY:</b> Expected positive total returns of 10% or more over the next 3 months.	<b>TRADING BUY:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 3 months.
<b>TRADING SELL:</b> Expected negative total returns of 10% or more over the next 3 months.	<b>TRADING SELL:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 3 months.

*\*\* This framework only applies to stocks listed on the Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2012.**

AAV – not available, ADVANC - Excellent, AEONTS – Good, AMATA - Very Good, ANAN – not available, AOT - Excellent, AP - Very Good, BANPU - Excellent, BAY - Excellent, BBL - Excellent, BCH – not available, BCP - Excellent, BEC - Very Good, BGH - not available, BJC – Very Good, BH - Very Good, BIGC - Very Good, BTS - Excellent, CCET - Good, CENTEL – Very Good, CK - Very Good, CPALL - Very Good, CPF - Very Good, CPN - Excellent, DELTA - Very Good, DTAC - Very Good, EGCO – Excellent, ERW – Excellent, GLOBAL - Good, GLOW - Very Good, GRAMMY – Excellent, HANA - Very Good, HEMRAJ - Excellent, HMPRO - Very Good, INTUCH – Very Good, ITD – Very Good, IVL - Very Good, JAS – Very Good, KAMART – not available, KBANK - Excellent, KK – Excellent, KTB - Excellent, LH - Very Good, LPN - Excellent, MAJOR - Good, MAKRO – Very Good, MCOT - Excellent, MINT - Very Good, PS - Excellent, PSL - Excellent, PTT - Excellent, PTTGC - Excellent, PTTEP - Excellent, QH - Excellent, RATCH - Excellent, ROBINS - Excellent, RS – Excellent, SAMART – Excellent, SC – Excellent, SCB - Excellent, SCC - Excellent, SCCC - Very Good, SIRI - Good, SPALI - Very Good, SRICHA – not available, SSI – not available, STA - Good, STEC - Very Good, TCAP - Very Good, THAI - Excellent, THCOM – Very Good, TICON – Very Good, TISCO - Excellent, TMB - Excellent, TOP - Excellent, TRUE - Very Good, TTW – Very Good, TUF - Very Good, VGI – not available, WORK – Good.