

Singapore Result Snapshot

Del Monte Pacific

Bloomberg: DELM SP | Reuters: DMPL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

13 Aug 2013

BUY S\$0.87 STI : 3,232.24

Price Target : 12-Month S\$ 0.97

Analyst

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Result Summary

FY Dec (US\$ m)	2Q 2013	2Q 2012	1Q 2013	% Chg y-o-y	% Chg q-o-q
P&L Items					
Turnover	121.0	108.9	87.4	11.1	38.5
Gross Profit	28.4	27.0	19.8	5.2	43.3
Opg Profit	10.2	9.0	8.0	13.1	27.4
EBITDA	13.4	10.6	11.0	26.1	21.3
Net Profit	6.1	6.0	4.5	3.0	36.2
Other Data					
Gross Margin (%)	23.4	24.8	22.6		
Opg Margin (%)	8.4	8.3	9.1		
Net Margin (%)	5.1	5.5	5.2		

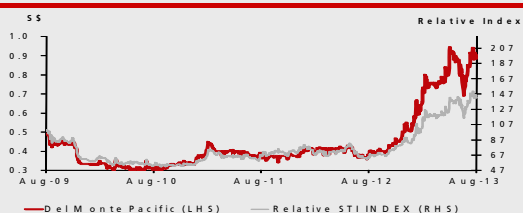
Financial Summary

FY Dec (US\$ m)	2012A	2013F	2014F	2015F
Turnover	460	503	560	626
Operating Profit	50	53	66	87
EBITDA	60	63	78	102
Net Pft (Pre Ex.)	32	35	45	62
EPS (S cts)	3.1	3.4	4.4	6.0
EPS Pre Ex. (S cts)	3.1	3.4	4.4	6.0
EPS Gth (%)	17	9	29	38
EPS Gth Pre Ex (%)	17	9	29	38
PE Pre Ex. (X)	28.0	25.7	19.9	14.5
EV/EBITDA (X)	16.9	16.1	13.0	9.6
Net Div Yield (%)	2.7	2.9	3.8	5.2
P/Book Value (X)	3.5	3.4	3.2	2.9
Net Debt/Equity (X)	0.4	0.5	0.4	0.4
ROAE (%)	13.2	13.4	16.4	20.8

At A Glance

Issued Capital (m shrs)	1,297
Mkt. Cap (S\$m/US\$m)	1,128 / 897
Avg. Daily Vol.('000)	387

Price Relative



Source: Company, DBS Vickers

Expect a seasonally stronger 2H

- **2Q13 core earnings in line; branded segment and Philippines market remain major profit contributors**
- **Declared 0.62 US cts DPS for 1H13, implying 75% payout ratio**
- **Long term growth intact; maintain BUY rating and S\$0.97 TP**

Highlights

2Q13 core earnings in line. Net profit grew only 3% to US\$6.1m on 11% revenue growth to US\$121m. But excluding non-recurring secondary listing expenses and unrealised forex losses, core net profit was stronger at US\$6.7m, up 13%. Dividend payout ratio was similar to previous years'.

Broad-base topline growth still driven by the Philippines.

Philippines accounted for 56% and 76% of Group revenue and operating profit, respectively. S&W processed and fresh fruits revenues grew 8% and 22%, respectively. Non-branded revenues also saw strong revenue growth of 18% in 2Q13, driven by robust sales in North America of higher-margin products such as fruit in plastic cups. Overall gross margin fell marginally due to higher warehousing and distribution costs, but were largely within our expectation.

Our View

2H13 should be stronger. 1H13 results are in line at 31% of our full year estimates (1H12: 32%). We expect 2H to be seasonally stronger, driven by growth in the Philippines market as well as the S&W brand.

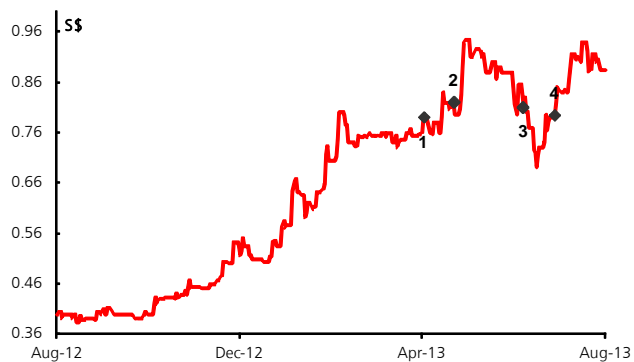
But watch for gearing, working capital to moderate Group net gearing had increased to 69% at end 2Q13, from 62% in 1Q13 and 54% in 2Q12. This was due to higher capex in 1H13 and higher working capital arising from larger inventories of packaging materials (tin plates, etc) and finished goods (pineapple juice concentrate). But gearing should moderate to around 0.5x by year end.

Recommendation

Long term growth story intact, maintain BUY rating and S\$0.97 TP. DMPL remains as a long-term growth story with accelerating earnings growth into FY15F, driven by Del Monte brand in the Philippines market and S&W brand in Asia Pacific/Middle East, and positive changes to its supply contracts which are expected to benefit FY15F earnings.

Del Monte Pacific

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	12 Apr 13	0.79	0.97	Buy
2:	02 May 13	0.82	0.97	Buy
3:	17 Jun 13	0.81	0.97	Buy
4:	08 Jul 13	0.80	0.97	Buy

Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Vickers

DBSV recommendations are based on 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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