Co. Reg No: 198700034E
MICA (P) : 099/03/2012

Regional

Acquisition

14 October 2013

Del Monte Pacific

Go Bananas!

Buy (unchanged)

Share price:	SGD0.905
	PHP30.0
Target price:	SGD1.30 *(from SGD1.05)*
	PHP45.0

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Stock Information

Description: Del Monte engages in growing, processing, and selling canned and fresh pineapples, pineapple concentrate, tropical mixed fruit and tomato-based products. These products are sold under the brand names of Del Monte and S&W.

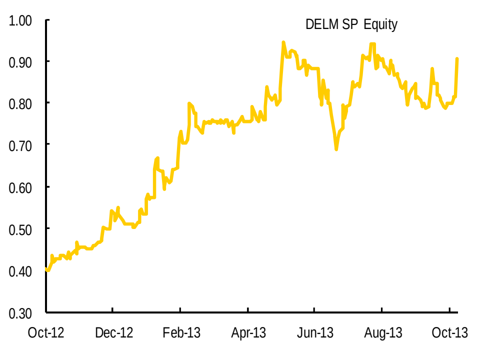
Ticker:	DELM SP
Shares Issued (m):	1,296.6
Market Cap (USD m):	941.8
3-mth Avg Daily Turnover (USD m):	0.3
ST Index:	3,179.71
Free float (%):	33

Major Shareholder:	%
Nutri-Asia	67

Key Indicators

ROE	12.9
Net gearing (%):	68
BVPS/shr (USD):	0.20
Interest cover (x):	7.7

Historical Chart



Performance:

52-week High/Low SGD0.96/SGD0.40

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	14.6	7.1	19.1	126.3	76.6
Relative (%)	12.0	9.4	23.9	115.8	75.9

Turning the tables with this transformational deal. While we foresaw brand consolidation globally, we were pleasantly surprised by Del Monte Pacific's (DMPL) ambition in agreeing to buy its original parents in the US, Del Monte Foods' consumer business, in a deal worth USD1.675b from its private-equity owners. This will change the profile of DMPL dramatically, into a global foods company, owning one of the most iconic brands in the world. Reiterate BUY with higher TP. We host DMPL for NDRs in Singapore (16 Oct) & HK (7 Nov).

Key Transaction Points. This is a leveraged buy-out, with USD930m of ring-fenced debt loaded onto the target business, and DMPL coughing up a further USD745m through a combination of equity/ debt financing. Based on latest financials, this works out to 9.4x EV/EBITDA (19x PER) which compares favorably to the most comparable recent transaction of Lucozade/ Ribena (13.5x EV/ EBITDA). Even in a bear case scenario, the transaction is significantly accretive.

We are positive on the synergies and long-term potential. We see a good fit between the two entities, as they operate in different geographies. The target business is also a major customer for canned pineapples export. Synergies would likely come in the form of brand ownership and cost savings in certain productions. Furthermore, there are pockets of opportunities such as the US juice market, fruit-cups, US Filipinos consumer for sauces and South America which is untapped.

Execution risk exists, but significant upside for investors. Post-transaction, the company will be highly-geared, although its stable business nature mitigates repayment risk. We see upside given that private equity owners have likely saddled additional cost, and put less focus on the business since acquiring in 2011. For example, EBITDA in 2011 was USD241m, compared to USD178m in 2013.

Reiterate BUY. We expect the transaction to close by Feb 2014, given that majority shareholder will vote in favor. Given this special development, we take a longer-term view to account for gestation. Our new TP of SGD1.30 is pegged to our base case scenario 15x FY15F combined entity profit to ordinary shareholders (see details next page).

Del Monte Pacific– Summary Earnings Table *Source: Maybank KE*

FY DEC (USD m)	2011	2012	2013F	2014F	2015F
Revenue	425.2	459.7	525.0	572.1	627.6
EBITDA	57.8	65.5	70.8	82.7	104.3
Recurring Net Profit	27.4	32.1	33.9	43.2	59.0
Recurring EPS (USD cents)	2.1	2.5	2.6	3.3	4.6
DPS (USD cents)	1.9	2.2	2.0	2.5	3.4
PER (x)	32.2	27.5	26.1	20.5	15.0
EV/EBITDA (x)	16.8	15.2	14.2	11.8	9.3
Div Yield (%)	2.8	3.3	2.9	3.7	5.0
P/BV (x)	3.2	2.9	3.3	3.2	3.1
ROE (%)	11.6	12.5	12.9	15.7	20.4
ROA (%)	6.5	6.5	6.5	7.8	10.1
Consensus Net Profit			*34.3*	*43.4*	*59*

Key Transaction Points:

Valuation compares favorably to most recent transaction of Suntory, Lucozade/ Ribena

- DMPL agrees to buy the entire branded consumer business of Del Monte Foods, currently owned by KKR, Vestar and Centerview (private-equity owners).
- Total purchase consideration paid to private-equity owners is USD1.675b, funded by USD745m from DMPL and USD930m debt assumed on target business.
- For fiscal year ended 30 April 2013, the target business had sales of USD1.83b, adjusted EBITDA of USD178m and net profit of USD135m.
- Valuation of 9.4x EV/EBITDA and 19x PER
- For the USD745m equity portion, DMPL will use a combination of preference shares, new common shares, internal borrowings and a loan from majority shareholder, NutriAsia. (see Figure 1).
- Guarantees in place with various institutions for funding, although the exact prices/ rates will be confirmed at a later date.
- Transaction to close by 28 Feb 2014, after an EGM in the meantime. A simple majority is required and NutriAsia has already undertaken to vote in favor.
- Target business to be managed under separate platform, with a CEO already identified. Key suppliers and business relationships will be maintained, with no disruption expected.

Figure 1: Transaction funding details

Total Cost paid consisting of:	**1675**
Company existing credit lines	80
Preference shares	350
New common shares	150
Major shareholder loan	165
Equity portion	**745**
Debt financing at target company level	**930**

Source: Company

Figure 2: Our estimates on combined entity
The transaction is accretive immediately

USD m	Del Monte Pacific FY14F	Acquired Business	Combined entity	Remarks
Sales	572.0	1830	2340.3	DMPL supplied around USD62m to Del Monte Foods
Recurring EBITDA	82.7	178	260.7	Acquired business historical EBITDA USD178m
Depreciation & amort	(19.8)	(43.0)	(62.8)	DMPL based on FY13F estimate, Acquired based on historical
Interest Exp	(5.0)	0.0	(5.0)	DMPL based on FY13F estimate, Acquired based on historical
New Interest Exp	(11.6)	(80.3)	(91.8)	
PBT	51.4	54.8	106.1	
Tax	(11.8)	(19.2)	(31.0)	DMPL based on 23%, Acquired based on 35%
Recurring net profit	39.5	35.6	75.1	
Preference shares dividend @7%	350.0		(24.5)	
Net profit to ord shareholders			50.6	

Source: Company, Maybank KE

Figure 3: Our estimates on debt cost and post-transaction valuations for combined entity

Debt cost estimate	Total (USD m)	Estimated %	Estimated cost (USD m)
Existing credit line	80	2%	(1.6)
Shareholders loan	165	3.0%	(5.0)
Debt financing	930	7.5%	(69.8)
Working capital loan	350	3%	(10.5)
Current Shareprice (SGD)	0.905		
Equity financing (USD m)	150	Exchange rate	1.25
New Shares (m)	207.2		
Previous number of shares (m)	1297.0		
Total Shares (m)	1504.2		
Market cap (SGD m)	1361.3		
Market cap (USD m)	1089.0		
Post transaction PER	21.5		
Post transaction EV/ EBITDA	10.6		

Source: Company, Maybank KE

Figure 4: Our Gearing analysis

Gearing analysis	
Del Monte Pacific FY14F estimated net debt	142
Consolidated new total debt	1667
Del Monte Pacific FY14F estimated equity	275
New equity post transaction	775
New Net-Debt/ Equity	2.2
Interest Cover	3.5
Net debt/ EBITDA	6.4
EBITDA/ Interest Expense	2.8

Source: Company, Maybank KE

#1 market share in packaged fruit and vegetable categories

#2 in packaged tomato and broth categories

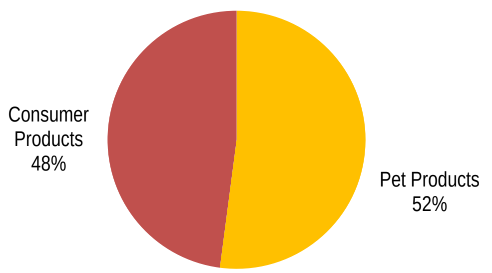
Del Monte Foods background. The Del Monte brand has its origins in California, the United States, in 1892 although by 1990, private equity firm KKR broke up the brand, resulting in a number of unaffiliated Del Monte companies with perpetual ownership of the brand in their respective market/ product category. The “original” parent, Del Monte Foods owned the rights to the Del Monte brand for processed food in the US and South America in their consumer food business but also had a pet food business. It is one of the largest producers, distributors and markets of branded pet products and food products in the US.

Figure 5: Del Monte brand ownership globally

Note: The above map is for processed food. For fresh produce, Fresh Del Monte (Europe) owns the rights globally.

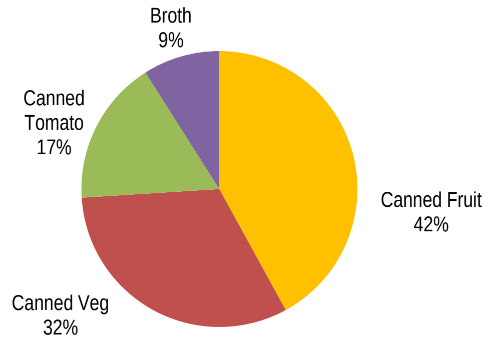
Source: Company

Figure 6: FY13 revenue breakdown, Del Monte Foods
Pet Products however generated more than 70% of profit



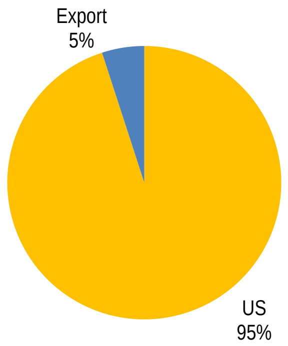
Source: Company filings, Maybank KE

Figure 7: Sales breakdown, Acquired consumer business
Significant gap in products such as juices



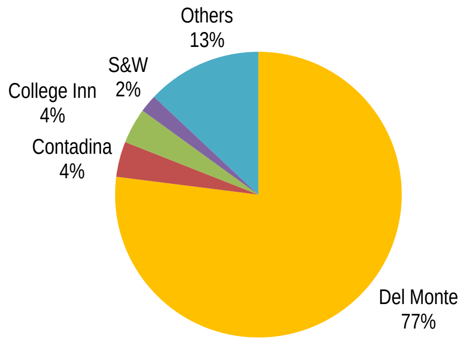
Source: Company, Maybank KE

Figure 8: Sales breakdown, Acquired consumer business
Largely a domestic business despite owning Del Monte brand in South America



Source: Company, Maybank KE

Figure 9: Sales breakdown by brand, Acquired consumer business
Other than Del Monte, DMPL also gains other valuable brands



Source: Company, Maybank KE

Private equity owners sold to concentrate on Pet Products business

Transaction background. In 2011, private-equity owners, again led by KKR took Del Monte Foods private in a deal worth USD5.3b, including debt of USD1.3b. Their focus however, was on the pet products business, which had higher margins and faster growth in the US. The branded food business was subsequently put up for bidding, which DMPL won. We understand the bidding was very competitive, with the likes of ConAgra Foods and Fresh Del Monte likely interested. DMPL were provided preliminary discussions and presentations prior to the bid and will now do formal due diligence and have more extensive discussions with the business managers.

Figure 10: Del Monte Foods, a wide range of products in fruits, vegetables sauces

Source: Company

Figure 11: Del Monte Foods, a wide range of products in fruits, vegetables and sauces

Source: Company

Both revenue and cost synergies expected

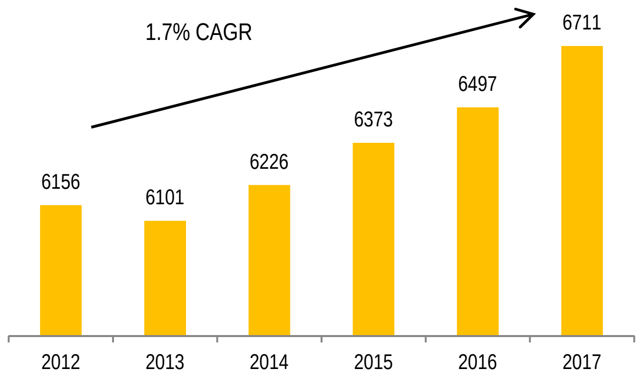
Key synergies. We see a good fit, given that both companies operate in different geographies, despite some similarities in products. There are likely to be both revenue and cost synergies. On the revenue front, we see products from the US which could be sold in existing markets and vice-versa. There would also be benefits to idea-sharing in marketing and branding, which will help drive sales. Management also expects to benefit from the large untapped market of Filipinos residing in the US which are buying sauces from exporters.

On the cost front, Del Monte Pacific is already a supplier to the target business for canned pineapples and concentrates. Its 23,000 hectare plantation can also be used for other fruits. There are also some overhead administrative cost-savings to be expected.

Pockets of opportunities for growth despite mature market status

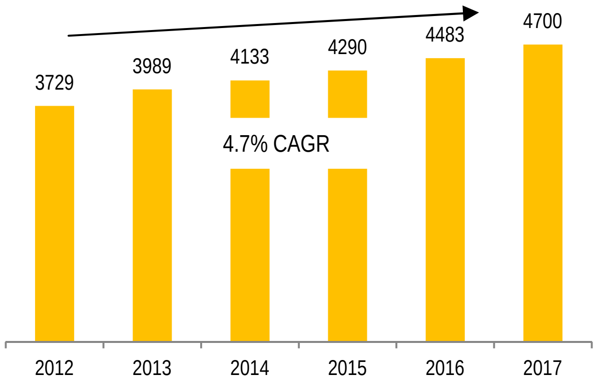
There are still avenues for growth. Management also identified several avenues for the target business to grow. This includes fruit and vegetable juices, which is a significant market that it has not participated in, even though it is a byproduct in some of its production. The plastic fruit-cup business is a new growing trend, and DMPL is already a supplier. The fresh fruit business can be grown using the S&W brand which it owns. South America in particular is also a sizeable market which the target business has no significant presence despite owning the Del Monte brands there.

Figure 12: US market (USD m) for canned fruits, vegetables and tomatoes
A mature market, growth driven mostly by canned vegetables



Source: Euromonitor, Maybank KE

Figure 13: Latin America market (USD m) for canned fruits, vegetables and tomatoes
A fast growing market which the company can participate in



Source: Euromonitor, Maybank KE

Upside for shareholders. We see upside given that private equity owners have likely saddled additional cost, and put less focus on the business since acquiring in 2011. For example, in just two years since taking over, EBITDA has declined significantly from USD241m to USD178m even while revenues remain flattish. Management expects to be able to return margins to FY11 levels within 2-3 years. In addition, they also target revenue growth, which will add another boost to profit.

Figure 14: Acquired Consumer Food Business Historical Figures April YE
Results have declined over the last two years since private-equity owners took over

USDm	FY11	FY12	FY13
Net Sales	**1,881**	**1,814**	**1,830**
Cost of Goods Sold	(1,414)	(1,402)	(1,407)
Gross Profit	**467**	**412**	**424**
Operating expenses	(127)	(124)	(147)
SG&A	(139)	(132)	(144)
Other income/ expenses	1	1	2
Operating Income	202	157	135
Depreciation & Amort	46	44	43
Adjustments for Non-recurring items	(6)	1	0
Adjusted EBITDA	**241**	**202**	**178**

Source: Company

DMPL needs to add value in order for transaction to be truly accretive

Execution risk, DMPL needs to add value. As with most M&A activities, execution would be a key risk, although in this case, management has a good track record of managing F&B businesses as can be seen by the improvement in DMPL since NutriAsia took over in 2006. However, based on our estimated transaction parameters, we believe DMPL would need to add value to the acquired business in order for the transaction to be truly accretive.

High-gearing concerns mitigated by stable cash flow. Post-transaction, we recognize that the company will be highly-geared, although its stable business nature mitigates repayment risk. Upon combination, we estimate interest cover at around 3.5x. We view the ability for the acquired business to secure USD930m long-term debt as a positive sign that banks view the business as low-risk and are confident of its cash flows.

Figure 15: Our Case Scenarios:
Bear Case assumes acquired business remains in current state even by FY15
Base Case assumes acquired business margins revert to 2011 levels with no revenue growth
Bull Case assumes acquired business margins revert to 2011 levels, with 15% revenue growth during this period

Case Scenarios in FY15F	Target business	Target business	Target business
Target Business (USD m)	Bear	Base	Bull
Revenue	1,830.0	1,830.0	2104.5
EBITDA	178.0	241.0	277.2
Depreciation	(43.0)	(46.0)	(48.3)
Interest Expense	(80.3)	(80.3)	(80.3)
PBT	54.8	114.8	148.6
Tax	(19.2)	(40.2)	(52.0)
Net Income	35.6	74.6	96.6
Del Monte Pacific			
Revenue	627.6	627.6	627.6
EBITDA	104.3	104.3	104.3
Depreciation	(20.8)	(20.8)	(20.8)
Interest Expense	(11.6)	(11.6)	(11.6)
PBT	72.0	72.0	72.0
Tax	(16.5)	(16.5)	(16.5)
Net Income	55.4	55.4	55.4
Combined Entity			
Revenue	2,457.6	2,457.6	2,732.1
EBITDA	282.3	345.3	381.5
Depreciation	(63.8)	(66.8)	(69.1)
Interest Expense	(91.8)	(91.8)	(91.8)
PBT	126.7	186.7	220.6
Tax	(35.7)	(56.7)	(68.6)
Net Income	91.0	130.0	152.0
Dividend to preference shares at 7%	(24.5)	(24.5)	(24.5)
Profit to ordinary shareholders	66.5	105.5	127.5
Total new shares (m)	1504.2	1504.2	1504.2
Ordinary EPS (USD)	4.4	7.0	8.5

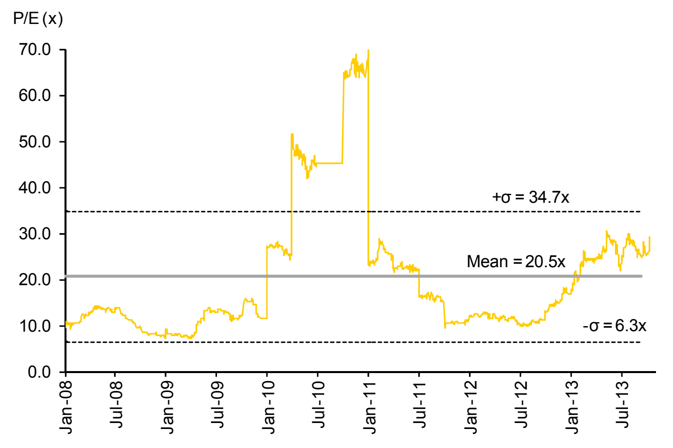
Source: Company, Maybank KE

Figure 16: Peer comparison

	Blbg Code	Rating	Share price (lcl curr)	Target Price (lcl curr)	Market cap (USD m)	PER 2013E (x)	PER 2014E (x)	PER 2015E (x)	3-yr EPS CAGR (%) 12-15E	EV/EBITDA 2013E (x)	ROE 2013E (%)	ROE 2014E (%)	Div yield 2013E (%)
ASEAN F&B													
SUPER GROUP	SUPER SP	Buy	4.05	6.00	1,811	21.8	19.0	16.6	20	15.4	21	21	2.7
YEO HIAP SENG	YHS SP	Hold	2.53	2.55	1,165	25.3	45.2	36.1	(14)	17.9	8	4	0.6
DEL MONTE PACIFIC	DELM SP	Buy	0.91	1.30	942	27.6	21.8	15.6	24	19.4	13	16	2.8
PETRA FOODS	PETRA SP	NR	3.59	NA	1,759	35.1	25.6	23.0	40	19.5	14	17	1.2
NESTLE (MYR)	NESZ MK	Hold	67.80	62.00	5,000	28.8	26.1	22.6	12	19.7	71	75	3.3
OLD TOWN	OTB MK	Buy	2.57	3.55	293	16.8	14.6	12.4	8	9.9	17	18	3.3
DUTCH LADY MILK	DLM MK	NR	46.70	NA	940	23.6	21.9	NA	NA	16.0	58	63	5.5
INDOFOOD CBP	ICBP IJ	NR	11,100	NA	5,695	26.0	23.3	20.5	13	16.3	19	19	1.7
NIPPON INDOSARI	ROTI IJ	NR	6,350	NA	566	34.4	27.0	20.5	28	21.3	19	18	0.6
ULTRAJAYA	ULTJ IJ	NR	4,600	NA	1,169	NA	NA	NA	NA	NA	NA	NA	NA
MAYORA INDAH	MYOR IJ	NR	31,900	NA	2,152	30.1	25.8	20.8	17	16.1	22	22	0.7
CHAROEN POKPHAND	CPF TB	Hold	24.90	26.70	6,168	22.8	18.3	13.1	(9)	26.5	8	9	2.0
MALEE SAMPRAN	MALEE TB	Buy	36.50	44.00	163	11.7	8.9	7.0	(6)	8.2	37	33	3.4
THAI UNION FROZEN	TUF TB	Buy	58.00	52.00	2,129	20.6	13.6	10.9	8	15.0	8	12	2.1
THAI PRESIDENT	TF TB	NR	171.00	NA	985	NA	NA	NA	NA	NA	NA	NA	NA
SERMSUK	SSC TB	NR	106.50	NA	906	NA	NA	NA	NA	NA	NA	NA	NA
PRESIDENT BAKERY	PB TB	NR	43.00	NA	619	NA	NA	NA	NA	NA	NA	NA	NA
OISHI GROUP	OISHI TB	NR	94.25	NA	565	21.0	13.2	7.6	52	14.4	23	30	2.5
UNIVERSAL ROBINA	URC PM	Buy	121.00	154.00	6,119	30.5	26.1	22.6	14	19.1	19	20	1.9
SAN MIGUEL PF	PF PM	Buy	239.00	310.00	923	12.8	12.7	6.7	18	6.1	9	10	2.0
PEPSI-COLA (PHIL)	PIP PM	Buy	4.61	6.05	395	18.4	16.5	12.4	17	6.5	14	14	1.5
RFM CORP	RFM PM	Buy	5.20	6.05	381	19.3	14.9	NA	NA	NA	9	10	1.2
VIETNAM DAIRY	VNM VN	Buy	140,000	148,000	5,530	16.6	14.9	12.1	18	13.5	34	34	2.4
KINH DO CORP	KDC VN	NR	51,500	NA	403	17.8	16.2	13.4	13	8.3	10	11	3.9
Average					23.1	20.3	16.3	15.3	15.2	5.0	21.7	22.7	2.3
Global F&B													
DEL MONTE FRESH	FDP US	NR	29.88	NA	1,655	14.1	12.7	NA	NA	8.6	NA	NA	NA
DOLE FOOD	DOLE US	NR	13.66	NA	1,234	26.0	19.1	14.8	23	10.1	NA	NA	-
CAMPBELL	CPB US	NR	40.88	NA	12,817	15.5	15.7	14.8	4	10.6	67	52	3.0
KELLOGG	K US	NR	60.76	NA	22,022	16.1	14.9	13.9	9	11.2	37	36	2.9
MONDELEZ	MDLZ US	NR	30.85	NA	54,935	19.9	17.9	16.2	11	13.1	8	9	1.7
TYSON FOODS	TSN US	NR	29.76	NA	10,482	13.3	10.4	9.5	18	6.5	13	14	0.7
HERSHEY	HSY US	NR	93.95	NA	20,969	25.3	22.9	20.8	12	14.3	61	56	1.9
CONAGRA FOODS	CAG US	NR	30.85	NA	13,015	13.3	12.0	10.6	10	9.5	17	17	3.2
Average						17.9	15.7	14.4	12.5	10.5	33.9	30.4	1.9

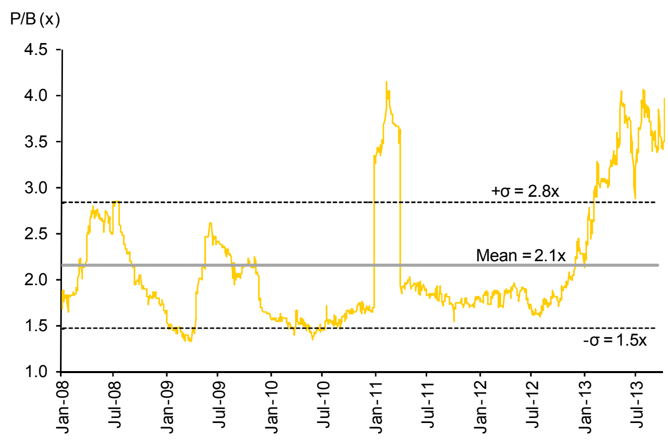
Source: Bloomberg

Figure 17:PER band since 2008



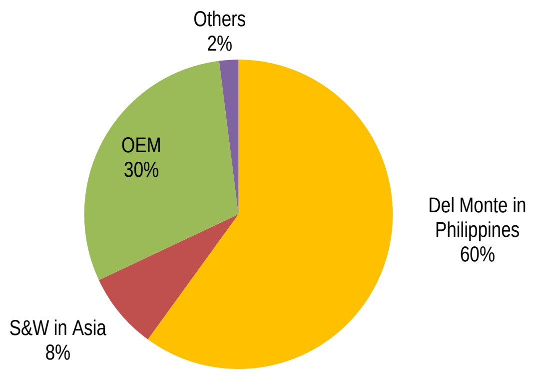
Source: Bloomberg, Maybank KE

Figure 18:P/BV band since 2008



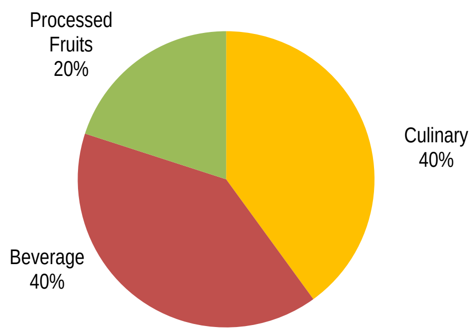
Source: Bloomberg, Maybank KE

Figure 19: Del Monte Pacific – revenue breakdown by segment, FY12



Source: Company, Maybank KE

Figure 20: Del Monte Philippines – revenue breakdown by segment, FY12



Source: Company, Maybank KE

Figure 21: Del Monte companies across the world

Company	Sales/Profit	Location	Nature of business	Listing status	Majority shareholders
Del Monte Canada	NA	Canada	Del Monte branded packaged fruits and vegetables, Aylmer tomato products.	Nil	ConAgra Foods purchased the company from Sun Capital Partners in 2012.
Del Monte Foods	FY12: Revenue of USD3.7b and operating income of USD370m.	USA	One of the largest producers, distributors and marketers of branded pet products and food products. Also owns the rights to S&W in the US.	Nil	Bought by KKR, Vestar Capital and Centerview in 2011, in a deal worth USD5.3b including debt of USD1.3b.
Fresh Del Monte	FY12: Revenue of USD3.4b and net income of USD145m.	Europe	A vertically integrated producer, marketer and distributor of fresh fruit and vegetables globally and prepared food in Europe, Africa and the Middle East.	Listed on NYSE, with a market cap of USD1.6b.	Abu-Ghazaleh family 26%, Fidelity 12.5%.
Del Monte Asia (sub of Kikkoman)	FY12: Revenue of USD3.6b and income of USD114.5m. Del Monte division contributed sales of USD409m and op income of USD82m.	Asia	Kikkoman primarily manufactures and markets tomato-based goods and canned fruits and vegetables.	Kikkoman is listed on TSE with a market cap of USD3.4b.	Kikkoman Corp 4.9%.
Del Monte Pacific	FY12: Revenue of USD460m and net income of USD32m.	Asia	Owns the rights to Del Monte in the Philippines, India and Myanmar. Also owns the rights to S&W outside of the US.	Listed on SGX, with secondary listing in the Philippines, with a market cap of USD0.8b.	NutriaAsia 67%.

Source: Bloomberg, Companies, Maybank KE

Appendix: Colourful ownership history

**Underlined represents directly related to DMPL*

1979: Tobacco giant R.J. Reynolds acquired Del Monte Foods.

1983: Biscuit-maker Nabisco bought R.J. Reynolds, becoming RJR Nabisco.

1990: Kohlberg Kravis Roberts (KKR) took over Nabisco-RJR in the biggest leverage buyout at the time and subsequently sells former Del Monte Corporation units separately, breaking them up into Del Monte Foods and Del Monte Fresh Produce. Kikkoman gained the exclusive marketing rights to the Del Monte brand in all of Asia excluding the Philippines.

1991: Del Monte Foods divested 49.9% of Del Monte Philippines to Kikkoman (15%) and to Europe-based Del Monte International (35%).

1996: Del Monte Foods and Kikkoman divested their entire interest in Del Monte Philippines. Philippine-based MCI and Del Monte International became joint controlling shareholders of Del Monte Philippines.

1996: Fresh Del Monte Produce acquired by IAT Group.

1997: Fresh Del Monte Produce begins trading on the NYSE.

1997: Private equity TPG Group purchases Del Monte Foods.

1999: Del Monte Foods begins trading on the NYSE.

1999: DMPL was incorporated as a holding company for the Del Monte Philippines business and listed on the SGX. Both MCI and Del Monte International (Europe) became joint major shareholders with 37.5% stake each.

2001: Del Monte International (Europe) was bought by Italy-based CirioSpA. CirioSpA subsequently increased its stake in DMPL to 40%.

2004: CirioSpA became insolvent and was broken up. Fresh Del Monte bought Del Monte International (Europe) from CirioSpA.

2005: CirioSpA's stake in DMPL was sold to MCI, which in turn sold its 50% stake to San Miguel-Nutri-Asia, a JV vehicle where Nutri-Asia held 58%. The JV completed a general offer and held an 85% stake in DMPL.

2007: San Miguel sold its 42% stake in the JV to Nutri-Asia, resulting in the latter being the sole majority shareholder of DMPL.

2011: KKR, Vestar and Centerview completed acquisition of Del Monte Foods, taking it private once again.

2012: ConAgra Foods completed its acquisition of Del Monte Canada from Sun Capital Partners.

PROFIT AND LOSS (SGD m)

YE Dec	2011	2012	2013F	2014F	2015F
Sale	425.2	459.7	525.0	572.1	627.6
Cost of sales	(323.8)	(346.9)	(398.4)	(434.2)	(465.5)
Gross Profit	101.4	112.8	126.6	137.9	162.1
SG&A	(57.1)	(62.9)	(73.5)	(75.0)	(78.7)
Operating Profit	44.3	49.9	53.0	62.9	83.4
Net Finance cost	(1.6)	(3.1)	(6.8)	(5.0)	(5.3)
JV/ Associates	(10.6)	(6.1)	(4.0)	(2.0)	(1.0)
Pretax income	32.1	40.7	42.2	55.9	77.2
Income taxes	(5.5)	(9.1)	(8.8)	(13.2)	(18.7)
Minority	0.9	0.5	0.5	0.5	0.5
Reported Net profit	27.4	32.1	33.9	43.2	59.0
Net profit (recurring)	27.4	32.1	33.9	43.2	59.0
EPS (USD cent)	2.1	2.5	2.6	3.3	4.6
EBITDA	57.8	65.5	70.8	82.7	104.3

CASH FLOW (SGD m)

YE Dec	2011	2012	2013F	2014F	2015F
Operating cash flow	38.1	19.5	39.6	43.2	57.3
Pretax profit	26.6	31.6	42.2	55.9	77.2
Depreciation & amortization	13.5	15.7	17.8	19.8	20.8
Share of JV/ assoc	10.6	6.1	4.0	2.0	1.0
Change in working capital	(18.6)	(46.2)	(15.6)	(21.3)	(23.0)
Others	6.0	12.4	(8.8)	(13.2)	(18.7)
Investment cash flow	(19.0)	(20.1)	(25.0)	(25.0)	(20.0)
Net capex	(18.4)	(17.1)	(25.0)	(25.0)	(20.0)
Other investments	(1.1)	(3.6)	0.0	0.0	0.0
Others	0.5	0.6	0.0	0.0	0.0
Financing cash flow	(15.7)	(5.0)	(14.1)	(18.2)	(37.3)
Dividends	(16.8)	(23.4)	(25.4)	(32.4)	(44.2)
Net change in debt	7.1	22.5	11.3	14.2	7.0
Issue of shares	(1.8)	0.0	0.0	0.0	0.0
Others	(4.1)	(4.1)	0.0	0.0	0.0
Net cash flow	3.4	(5.6)	0.4	0.0	0.0
Free cash flow	*19.1*	*(0.6)*	14.6	18.2	37.3

BALANCE SHEET (SGD m)

YE Dec	2011	2012	2013F	2014F	2015F
Total assets	417.4	495.5	523.0	556.8	586.2
Current assets:	278.5	350.1	374.3	404.9	436.1
Cash	20.9	24.6	25.0	25.0	25.0
Inventories	82.9	113.5	114.6	124.9	133.9
Recievables	82.9	102.4	115.1	125.4	137.6
Bio assets	91.8	109.7	119.7	129.7	139.7
Long-term assets:	138.9	145.5	148.7	151.9	150.0
PPE	85.4	93.4	101.2	106.9	106.6
JV/ Associates	24.0	21.5	17.5	15.5	14.5
Intangibles	16.0	15.4	14.9	14.3	13.7
Others	13.5	15.2	15.2	15.2	15.2
Total liabilities	194.8	242.2	261.8	285.2	300.3
Current liabilities:	188.9	226.5	246.8	270.2	285.3
Payables	81.3	95.5	103.7	113.0	121.2
ST Borrowings	105.0	125.9	137.9	152.1	159.0
Others	2.6	5.2	5.2	5.2	5.2
Long-term liabilities	5.9	15.7	15.0	15.0	15.0
Long-term borrowings	5.9	15.7	15.0	15.0	15.0
Others	0.0	0.0	0.0	0.0	0.0
Shareholder's equity	230.5	255.2	263.7	274.5	289.3

KEY RATIOS (SGD m)

YE Dec	2011	2012	2013F	2014F	2015F
Growth (% YoY)					
Sales	12.3	8.1	14.2%	9.0%	9.7%
Operating Profit	46.1	12.6	6.4%	18.6%	32.6%
EBITDA	37.8	13.3	8.1%	16.8%	26.0%
Net Profit (recurring)	73.6	16.9	5.7%	27.4%	36.6%
EPS	73.8	16.9	5.5%	27.4%	36.6%
Profitability (%)					
Operating margin	10.4	10.8	10.1%	11.0%	13.3%
EBITDA margin	13.6	14.3	13.5%	14.5%	16.6%
Net profit margin	6.5	7.0	6.5%	7.5%	9.4%
ROA	6.5	6.5	6.5%	7.8%	10.1%
ROE	11.6	12.5	12.9%	15.7%	20.4%
Stability					
Gross debt/equity (%)	48.1	55.5	58.0%	60.9%	60.2%
Net debt/equity (%)	39.1	45.9	48.5%	51.8%	51.5%
Int. coverage (X)	27.7	16.3	7.7	12.5	15.8
Int. & ST debt coverage (X)	0.4	0.4	0.4	0.4	0.5
Cash flow int. coverage (X)	2.1	-1.8	0.1	0.0	0.0
Cash flow int. & ST debt (X)	0.0	0.0	0.0	0.0	0.0
Current ratio (X)	1.5	1.5	1.5	1.5	1.5
Quick ratio (X)	1.0	1.0	1.1	1.0	1.1
Net debt/(cash) (USD m)	90.0	117.0	127.9	142.1	149.0
Per share data (USD cents)					
EPS	2.5	3.0	2.6	3.3	4.6
CFPS	1.8	(0.1)	1.1	1.4	2.9
BVPS	21.4	23.7	20.3	21.2	22.3
SPS	39.4	42.6	40.5	44.1	48.4
EBITDA/share	5.4	6.1	2.6	3.3	4.6
DPS	1.9	2.2	2.0	2.5	3.4

Source: Company, Maybank KE

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Maybank Kim Eng Research uses the following rating system:

BUY	Return is expected to be above 10% in the next 12 months (excluding dividends)
HOLD	Return is expected to be between - 10% to +10% in the next 12 months (excluding dividends)
SELL	Return is expected to be below -10% in the next 12 months (excluding dividends)

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Some common terms abbreviated in this report (where they appear):

Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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