

## Del Monte Pacific

DELM SP / DMPL.SI

## 1QFY15 RESULTS NOTE

<b>Market Cap</b> <b>US\$539.4m</b> S\$680.7m	<b>Avg Daily Turnover</b> <b>US\$0.18m</b> S\$0.23m	<b>Free Float</b> <b>21.3%</b> 1,297 m shares	Current <b>\$S0.53</b> Target <b>\$S0.63</b> Prev. Target <b>\$S0.63</b> Up/Downside <b>20.0%</b>	<b>STOCK RATING</b> <b>ADD</b> HOLD REDUCE
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### CIMB Analyst(s)



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### Share price info

Share price perf. (%)	1M	3M	12M
Relative	-0.3	-11.9	-41.6
Absolute	1	-10.3	-34.4
Major shareholders	% held		
NutriAsia Pacific Ltd	67.0		
Lee Pineapple Co Ltd	8.2		
Warburg Invest	1.1		

## A year best forgotten

DMPL's 1QFY04/15 net loss was larger than our and consensus estimates, equivalent to our FY15 net loss forecast. The net loss was due to one-off costs (including financing costs) related to the DMFI acquisition, partly offset by a tax credit. We widen our FY15 net loss forecast by 152% but keep our FY16-17 net profit forecasts unchanged. Note that we have factored in a planned rights issue into our estimates. Our target price is still S\$0.63, based on 12.4x CY16 P/E, as we expect FY15 to be loss making. We maintain our Add rating. We reiterate that re-rating catalyst can only be from FY16 onwards if the DMFI acquisition is successfully integrated.

### Poor start to FY15

Our FY15 net loss forecast was spot on... for 1QFY15, unfortunately. The net loss was caused by the US\$10m upward revaluation of inventory, US\$2.4m acquisition-related costs and higher interest expenses as a result of the debt assumed to finance the DMFI acquisition. On a recurring basis, DMFI would have earned operating profit of US\$11.3m. DMPL's reported net loss of US\$22m was alleviated by a tax credit of US\$12.1m.

### Widening our FY15 net loss forecast

FY15 continues to be a year of limited visibility for earnings forecast purposes. Visibility is clouded as this is the first full year of integration for DMPL and DMFI operations. We expect cost of goods sold to remain elevated in FY15 as the company works off the inventory with higher revalued cost. We have widened our FY15 net loss forecast by 152%.

### Update on planned capital-raising

The plans for new share offering, perpetual share offering, followed by rights issue remain in place. The timeline has been extended from 4QCY14 to 1QCY15. DMPL's share price appears to have troughed as there was no reaction to its 1QFY15 results. The planned equity issuance is the final possible de-rating catalyst in FY15.

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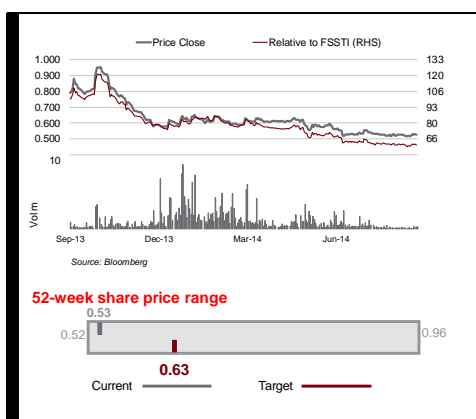
### Results comparison

FYE Apr (US\$ m)	1QFY15	1QFY14	yoy % chg	4QFY14	qoq % chg	Prev FY14F	Comments
Revenue	445	119	nm	379	nm	2,161	Achieved 20% of our and consensus forecasts.
Operating costs	(445)	(106)	nm	(416)	nm	(2,042)	Higher costs from combined entity and acquisition-related costs.
EBITDA	1	13	nm	(37)	nm	119	Affected by transition issues.
EBITDA margin (%)	0.2	11	nm	(10)	nm	5	
Depn & amort.	(13)	(5)	nm	(16)	nm	(68)	Higher depreciation from combined entity.
EBIT	(12)	8	nm	(53)	nm	51	
Interest expense	(24)	(2)	nm	(19)	nm	(66)	Due to debt assumed for the acquisition of DMFI.
Interest & invt inc	0	0	nm	1	nm	1	
Associates' contrib	(1)	(2)	nm	(1)	nm	(3)	
Exceptionals	-	-	nm	-	nm	-	
Pretax profit	(36)	5	nm	(72)	nm	(18)	
Tax	12	(0)	nm	24	nm	-	
Tax rate (%)	na	10.6	nm	na	nm	-	Tax credit in the US.
Minority int & pref div	2	0	nm	6	nm	(4)	
<b>Net profit</b>	<b>(22)</b>	<b>4</b>	<b>nm</b>	<b>(43)</b>	<b>nm</b>	<b>(21)</b>	<b>1QFY04/15 net loss was equivalent to our full-year forecast.</b>
<b>Core net profit</b>	<b>(22)</b>	<b>4</b>	<b>nm</b>	<b>(43)</b>	<b>nm</b>	<b>(21)</b>	<b>1QFY04/15 net loss was equivalent to our full-year forecast.</b>
EPS (US cts)	(2)	0.3	nm	(3)	nm	(2)	
Core EPS (US cts)	(2)	0.3	nm	(3)	nm	(2)	

\* not meaningful, pre-acquisition data only

\*\* Jan-Apr 2014

SOURCE: CIMB, COMPANY REPORTS



### Financial Summary

	Apr-13A	Apr-14A	Apr-15F	Apr-16F	Apr-17F
Revenue (US\$m)	470	920	2,160	2,373	2,469
Operating EBITDA (US\$m)	59.2	113.5	86.4	252.0	327.4
Net Profit (US\$m)	26.99	55.79	(53.72)	54.50	87.67
Core EPS (US\$)	0.021	0.043	(0.031)	0.032	0.051
Core EPS Growth	(7%)	107%	(173%)	NA	61%
FD Core P/E (x)	19.98	9.66	NA	14.39	8.94
DPS (US\$)	0.017	0.004	-	-	-
Dividend Yield	4.08%	1.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	11.19	5.98	24.70	8.32	6.11
P/FCFE (x)	19.76	13.73	NA	11.07	5.97
Net Gearing	50%	50%	191%	170%	139%
P/BV (x)	2.15	1.87	1.20	1.11	0.98
ROE	11.0%	21.0%	(11.4%)	8.0%	11.6%
% Change In Core EPS Estimates			(152%)	0%	0%
CIMB/consensus EPS (x)			2.85	0.94	

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) CY2014	Core P/E (x) CY2015	3-year EPS CAGR (%)	P/BV (x) CY2014	Recurring ROE (%) CY2014	Dividend Yield (%) CY2014
<b>Del Monte Pacific</b>	<b>DELM SP</b>	<b>ADD</b>	<b>0.53</b>	<b>0.63</b>	<b>539</b>	<b>31.2</b>	<b>37.9</b>	<b>66.2%</b>	<b>1.36</b>	<b>5.2%</b>	<b>0.0%</b>
Campbell Soup Co	CPB US	NR	43.40	NA	13,624	16.6	17.3	11.2%	7.90	52.6%	3.0%
ConAgra Foods Inc	CAG US	NR	32.34	NA	13,727	44.9	13.4	27.5%	2.40	12.1%	3.1%
Fresh Del Monte Produce Inc	FDP US	NR	33.13	NA	1,838	13.1	12.0	na	na	na	na
General Mills Inc	GIS US	NR	52.79	NA	32,205	18.2	16.6	5.1%	4.61	26.0%	3.1%
Kraft Foods Group Inc	KRFT US	NR	57.72	NA	34,284	18.2	16.9	-7.1%	6.33	35.9%	3.7%
China Huiyuan Juice Group Ltd	1886 HK	NR	3.26	NA	918	37.0	14.4	12.7%	0.49	1.3%	0.6%
Tingyi Cayman Islands Holding	322 HK	Hold	21.40	22.40	15,469	30.2	24.8	22.4%	4.85	16.9%	1.7%
Uni-President China Holdings L	220 HK	Reduce	7.37	6.40	4,107	37.3	31.8	25.9%	2.26	6.5%	0.6%
Universal Robina Corp	URC PM	NR	175.1	NA	8,664	31.2	26.8	4.1%	6.67	22.1%	1.7%
Jollibee Foods Corp	JFC PM	Hold	186.6	196.0	4,484	35.5	30.8	16.2%	8.29	24.0%	1.8%
San Miguel Corp	SMC PM	NR	78.60	NA	4,239	15.7	10.8	-12.0%	na	na	1.3%
TIPCO Foods PCL	TIPCO TB	NR	7.50	NA	112	na	na	na	na	na	na
Kikkoman Corp	2801 JP	NR	2,221	NA	4,355	35.4	26.8	14.3%	2.10	6.8%	1.0%
<b>Simple average</b>						<b>28.0</b>	<b>21.6</b>	<b>15.5%</b>	<b>4.30</b>	<b>19.0%</b>	<b>1.8%</b>

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

### Profit & Loss

(US\$m)	Apr-14A	Apr-15F	Apr-16F	Apr-17F
<b>Total Net Revenues</b>	<b>920</b>	<b>2,160</b>	<b>2,373</b>	<b>2,469</b>
<b>Gross Profit</b>	<b>226</b>	<b>343</b>	<b>494</b>	<b>569</b>
<b>Operating EBITDA</b>	<b>114</b>	<b>86</b>	<b>252</b>	<b>327</b>
Depreciation And Amortisation	(32)	(68)	(71)	(84)
<b>Operating EBIT</b>	<b>81</b>	<b>18</b>	<b>181</b>	<b>244</b>
Financial Income/(Expense)	(7)	(66)	(56)	(73)
Pretax Income/(Loss) from Assoc.	(6)	(3)	(3)	(2)
Non-Operating Income/(Expense)	0	1	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>68</b>	<b>(50)</b>	<b>123</b>	<b>169</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>68</b>	<b>(50)</b>	<b>123</b>	<b>169</b>
Taxation	(12)	0	(34)	(47)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>55</b>	<b>(50)</b>	<b>88</b>	<b>122</b>
Minority Interests	0	8	(9)	(9)
Preferred Dividends		(12)	(25)	(25)
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>56</b>	<b>(54)</b>	<b>54</b>	<b>88</b>
Recurring Net Profit	56	(54)	54	88
<b>Fully Diluted Recurring Net Profit</b>	<b>56</b>	<b>(54)</b>	<b>54</b>	<b>88</b>

### Balance Sheet

(US\$m)	Apr-14A	Apr-15F	Apr-16F	Apr-17F
Total Cash And Equivalents	43	6	52	159
Total Debtors	119	444	488	507
Inventories	129	846	875	885
Total Other Current Assets	136	124	130	137
<b>Total Current Assets</b>	<b>426</b>	<b>1,420</b>	<b>1,546</b>	<b>1,688</b>
Fixed Assets	113	516	516	511
Total Investments	17	18	15	13
Intangible Assets	14	688	682	668
Total Other Non-Current Assets	15	135	135	135
<b>Total Non-current Assets</b>	<b>159</b>	<b>1,357</b>	<b>1,348</b>	<b>1,328</b>
Short-term Debt	166	400	400	400
Current Portion of Long-Term Debt				
Total Creditors	112	533	585	609
Other Current Liabilities	2	9	9	9
<b>Total Current Liabilities</b>	<b>280</b>	<b>942</b>	<b>995</b>	<b>1,018</b>
Total Long-term Debt	20	970	970	970
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	152	153	154
<b>Total Non-current Liabilities</b>	<b>20</b>	<b>1,122</b>	<b>1,123</b>	<b>1,124</b>
Total Provisions	0	0	0	0
<b>Total Liabilities</b>	<b>300</b>	<b>2,064</b>	<b>2,118</b>	<b>2,142</b>
Shareholders' Equity	288	655	709	797
Minority Interests	(3)	58	67	77
<b>Total Equity</b>	<b>286</b>	<b>713</b>	<b>776</b>	<b>874</b>

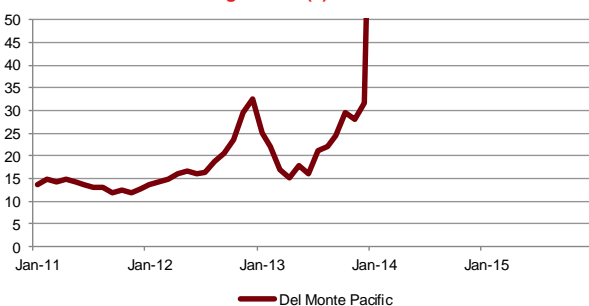
### Cash Flow

(US\$m)	Apr-14A	Apr-15F	Apr-16F	Apr-17F
EBITDA	113.5	86.4	252.0	327.4
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(42.1)	(11.6)	(26.7)	(11.8)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0
Other Operating Cashflow		2.6	1.6	1.7
Net Interest (Paid)/Received	(7.1)	(65.5)	(55.7)	(72.7)
Tax Paid	(12.2)	0.0	(34.3)	(47.3)
<b>Cash Flow From Operations</b>	<b>52.2</b>	<b>11.9</b>	<b>136.8</b>	<b>197.3</b>
Capex	(46.4)	(66.0)	(66.0)	(66.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(3.3)	0.0	0.0	0.0
Other Investing Cashflow		0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(49.7)</b>	<b>(66.0)</b>	<b>(66.0)</b>	<b>(66.0)</b>
Debt Raised/(repaid)	36.8	(486.3)	0.0	0.0
Proceeds From Issue Of Shares	0.0	530.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(18.5)	0.0	0.0	0.0
Preferred Dividends		(12.3)	(24.5)	(24.5)
Other Financing Cashflow	0.0	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>18.2</b>	<b>31.5</b>	<b>(24.5)</b>	<b>(24.5)</b>
Total Cash Generated	20.7	(22.7)	46.3	106.8
<b>Free Cashflow To Equity</b>	<b>39.3</b>	<b>(540.4)</b>	<b>70.8</b>	<b>131.3</b>
<b>Free Cashflow To Firm</b>	<b>11.2</b>	<b>11.7</b>	<b>126.8</b>	<b>204.3</b>

### Key Ratios

	Apr-14A	Apr-15F	Apr-16F	Apr-17F
Revenue Growth	96%	135%	10%	4%
Operating EBITDA Growth	92%	(24%)	192%	30%
Operating EBITDA Margin	12.3%	4.0%	10.6%	13.3%
Net Cash Per Share (US\$)	(0.11)	(0.72)	(0.70)	(0.64)
BVPS (US\$)	0.22	0.35	0.38	0.42
Gross Interest Cover	9.37	0.28	3.23	3.34
Effective Tax Rate	18.1%	0.0%	28.0%	28.0%
Net Dividend Payout Ratio	9.6%	NA	NA	NA
Accounts Receivables Days	43.68	47.54	71.83	73.55
Inventory Days	63.5	98.0	167.6	169.1
Accounts Payables Days	54.7	64.8	108.8	114.7
ROIC (%)	16.0%	3.2%	5.9%	7.9%
ROCE (%)	18.9%	1.4%	8.6%	11.1%

### 12-month Forward Rolling FD P/E (x)



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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
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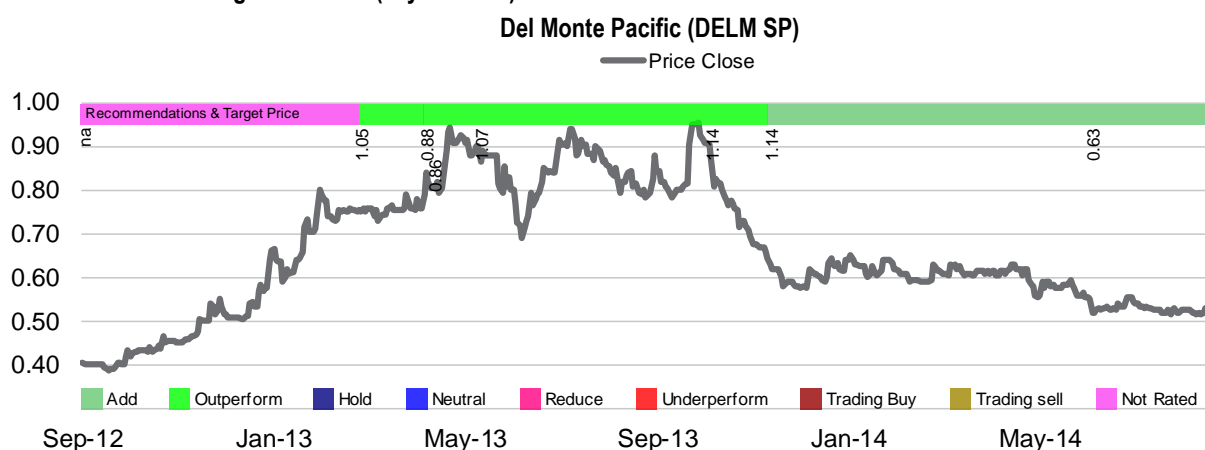
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2014		
1467 companies under coverage for quarter ended on 30 June 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.9%	7.2%
Hold	27.9%	3.9%
Reduce	13.2%	1.0%

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



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2013.**

**AAV** - Good, **ADVANC** - Excellent, **AMATA** - Very Good, **ANAN** - Good, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** - Good, **BCP** - Excellent, **BEAUTY** - Good, **BEC** - Very Good, **BECL** - Excellent, **BGH** - not available, **BH** - Very Good, **BIGC** - Very Good, **BJC** - Very Good, **BMCL** - Very Good, **BTS** - Excellent, **CCET** - Very Good, **CENDEL** - Very Good, **CHG** - not available, **CK** - Excellent, **CPALL** - Very Good, **CPF** - Excellent, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Excellent, **EA** - Good, **EGCO** - Excellent, **GFPT** - Very Good, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** - Excellent, **HANA** - Excellent, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **ICHI** - not available, **INTUCH** - Excellent, **ITD** - Very Good, **IVL** - Excellent, **JAS** - Very Good, **KAMART** - not available, **KBANK** - Excellent, **KCE** - Very Good, **KKP** - Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **M** - not available, **MAJOR** - Very Good, **MAKRO** - Very Good, **MC** - not available, **MCOT** - Excellent, **MEGA** - not available, **MINT** - Excellent, **OFM** - Very Good, **PS** - Excellent, **PSL** - Excellent, **PTT** - Excellent, **PTTGC** - Excellent, **PTTEP** - Excellent, **QH** - Excellent, **RATCH** - Excellent, **ROBINS** - Excellent, **RS** - Excellent, **SAMART** - Excellent, **SAPPE** - not available, **SC** - Excellent, **SCB** - Excellent, **SCC** - Excellent, **SCCC** - Very Good, **SIM** - Excellent, **SIRI** - Very Good, **SPALI** - Excellent, **STA** - Good, **STEC** - Very Good, **SVI** - Excellent, **TASCO** - Very Good, **TCAP** - Excellent, **THAI** - Excellent, **THCOM** - Excellent, **TICON** - Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Excellent, **TTW** - Excellent, **TUF** - Very Good, **VGI** - Excellent, **WORK** - Good.

**CIMB Recommendation Framework**

**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

*\*Prior to December 2013 CIMB recommendation framework for 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 were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Outperform: Expected positive total returns of 10% or more over the next 12 months. Neutral: Expected total returns of between -10% and +10% over the next 12 months. Underperform: Expected negative total returns of 10% or more over the next 12 months. Trading Buy: Expected positive total returns of 10% or more over the next 3 months. Trading Sell: Expected negative total returns of 10% or more over the next 3 months.*