

Singapore Company Focus

Del Monte Pacific

Bloomberg: DELM SP | Reuters: DMPL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

18 Jun 2014

HOLD S\$0.575 STI : 3,274.44

(Downgrade from BUY)

Price Target : 12-Month S\$ 0.62 (Prev S\$ 0.82)

Reason for Report : Change in financial year-end, forecasts, recommendation

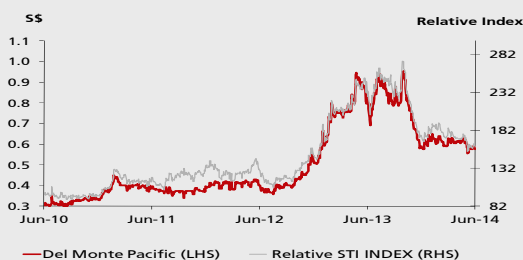
Potential Catalyst: Higher-than-expected synergies, results

DBS vs Consensus: Not comparable, given that consensus' forecasts have yet to reflect DMFI's earnings consolidation

Analyst

Andy SIM CFA +65 6682 3718
andysim@dbs.com

Price Relative



Forecasts and Valuation

FY Dec / +Apr (US\$ m)	2013A	2014A*	+2015F	+2016F
Revenue	492	379	2,128	2,306
EBITDA	42	(38)	106	239
Pre-tax Profit	17	(72)	(25)	108
Net Profit	16	(43)	(40)	50
Net Pft (Pre Ex.)	16	(43)	(40)	50
EPS (S cts)	1.6	(4.1)	(2.8)	3.5
EPS Pre Ex. (S cts)	1.6	(4.1)	(2.8)	3.5
EPS Gth (%)	(50)	nm	nm	nm
EPS Gth Pre Ex (%)	(50)	nm	nm	nm
Diluted EPS (S cts)	1.6	(4.1)	(2.8)	3.5
Net DPS (S cts)	0.8	0.0	0.0	1.1
BV Per Share (S cts)	21.7	17.2	21.9	25.4
PE (X)	37.0	nm	nm	16.6
PE Pre Ex. (X)	37.0	nm	nm	16.6
P/Cash Flow (X)	21.9	6.8	7.4	6.7
EV/EBITDA (X)	17.6	nm	24.1	10.6
Net Div Yield (%)	1.3	0.0	0.0	2.0
P/Book Value (X)	2.6	3.3	2.6	2.3
Net Debt/Equity (X)	0.7	7.5	1.8	1.6
ROAE (%)	6.7	(21.2)	(16.2)	14.7

Earnings Rev (%) :

Other Broker Recs: B: 5 S: 0 H: 0

*Note: *2014 shows transition period from Jan-Apr 2014 only
+2015/2016 indicates FYE Apr*

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 Bank, Bloomberg Finance L.P

More time needed

- **Transition from DMFI acquisition to take a while; expect losses in FY15 on non-recurring expenses**
- **Forecasts are revised to reflect new enlarged entity and April financial year-end**
- **Preferential and common share offerings expected in FY15 to raise US\$350m and US\$180m respectively to refinance bridge loans**
- **Turnaround expected only in FY16F; for mid- to longer-term investors; meanwhile downgrade to HOLD as we await better clarity, TP: S\$0.62.**

Transition to take a while; expect FY15F to see losses still.

Post-DMPL reporting of its results for the transition period from Jan – Apr 2014 and change of its FYE to Apr, we revised our forecasts and the consolidation of recently acquired Del Monte Food, Inc. (DMFI). We project that FY15F will still register losses (c.US\$40m, including pref share dividends) from the US\$43m loss registered for Jan-Apr'14, before jumping to a net profit of US\$50m in FY16F, as DMFI targets a reversion to its historical performance trend (sales revenue of c.US\$1.8bn).

Pref shares and new equity to refinance bridging loans.

DMPL is looking to issue preference shares (to raise US\$350m) within the next six months, subject to Philippine authorities' regulatory approvals. A further US\$180m is to be financed by new common shares/ rights issue, while US\$100m will be financed by medium-term loans. We have assumed a 10 shares-for-4 rights shares to raise US\$180m. Following the exercise, we estimate that net D/E should drop to 1.8x and 1.6x by end FY15F/16F respectively.

A medium-term outlook needed; TP revised to S\$0.62, downgrade to HOLD.

While we see the longer-term stability and potential of the enlarged entity, we expect to see a meaningful turnaround only in FY16F. Our TP is revised to S\$0.62, based on 18x FY16F earnings from a DCF-based methodology previously. At this juncture, we believe the upside to its share price could be limited in the near term, and the counter could appeal instead to investors with mid- to longer-term horizons. Downgrade to HOLD.

At A Glance

Issued Capital (m shrs)	1,297
Mkt. Cap (S\$m/US\$m)	746 / 596
Major Shareholders	
Nutriasia Pacific Ltd (%)	67.1
Lee Pineapple Co Pte Ltd (%)	8.2
Free Float (%)	24.7
Avg. Daily Vol.('000)	880

Del Monte Pacific

More time needed to see benefits

Transition the focus for FY15F. With the recent completion of its US\$1.675bn acquisition of US-based Del Monte Foods Inc. (DMFI), the focus for DMPL in FY15F will be the transition and integration into a larger Group. With the change in its financial year-end to Apr from Dec, and its segmental, coupled with the expected changes in capital structure (equity raising, preferential shares), we revised our financial model and revisit our assumptions.

Expect to see losses in FY15F, before turning around in

FY16F. Our revised forecasts show that DMPL will see headline losses for its current FY15 financial year (till April 2015), and a turnaround in FY16F. While we see DMPL progressively building up its scale with enlarged operations, this is some time away, from our perspective, with a 12 to

18-month horizon. Currently, the counter may only suit investors with a mid-to-longer-term horizon, in our view.

Losses projected in FY15F are largely on the transition for management to revert to historical performance, and recognition of non-recurring expenses arising from the upward revaluation of inventory during the acquisition. This, however, does not have a cashflow impact, but nonetheless impacts the Group's income statement.

TP lowered to S\$0.62. With the change in forecasts and the consolidation of DMFI, we switched our valuation methodology to PE basis from DCF, given the uncertainty in cashflow at this juncture. As we expect FY15F to be loss making, we peg our TP to 18x on FY16F earnings instead, and derive a TP of S\$0.62.

Summary of Transition Period (TP) Jan to Apr 2014

FY Dec (m)	TP 2013	TP 2014	yoy %	Comments
Sales	127.6	379.2	nm	Consolidation of DMFI
Cost of Goods Sold	(96.8)	(352.1)	nm	Includes higher fixed manufacturing costs and higher revalued inventory (US\$23m & US\$21.5m)
Gross Profit	30.9	27.0	nm	
<i>Distribution & selling expenses</i>	<i>(10.9)</i>	<i>(30.6)</i>	nm	
<i>General & admin expenses</i>	<i>(8.3)</i>	<i>(51.1)</i>	nm	<i>Includes US\$9.6m transaction fees for acquisition of DMFI</i>
<i>Other expenses</i>	<i>(0.3)</i>	<i>1.7</i>	nm	
Other Operating Expenses	(19.6)	(80.0)	nm	
EBIT	11.3	(52.9)	nm	
Non-Operating Income	0.0	0.0	nm	
Interest Income	0.3	1.0	nm	
Interest Expense	(1.1)	(19.0)	nm	Higher interest costs with debt for acquisition and bridging loan
Share of Associates' or JV Income	(1.5)	(1.1)	(24.4)	Lower FieldFresh losses
Pretax Profit	8.9	(72.1)	nm	
Tax	(2.4)	23.5	nm	
Minority Interests	(0.1)	5.7	nm	
Net Profit	6.5	(42.8)	nm	

Source: Company, DBS Bank

Review of results for transition period of Jan – Apr 2014

Affected by large one-off costs amounting to US\$46.7m. Del Monte Pacific reported its transitional period of Jan – Apr 2014. The Group registered a loss of US\$42.8m compared to US\$6.6m in the corresponding period, arising from transaction costs and one-off costs amounting to US\$46.7m. Excluding those non-recurring items, net profit would have been US\$3.8m. Sales revenue for the period was US\$379.2m, up significantly from US\$127.6m, due to the consolidation of Del Monte Food Inc (DMFI).

Lower sales in Philippines a downside surprise, but could be due to "kitchen sinking" for a new reporting period. Excluding DMFI, DMPL's sales dropped due to lower sales in the Philippines, which surprised us on the downside. Management indicated that it was the result of its strategy to lower inventory levels from its General Trade channels in view of changes to its financial period, which accounted for 65% of its

portfolio. They shared that sales has rebounded strongly for its General Trade channel in May, and remain optimistic of achieving higher sales revenue in FY15.

Strong operating cashflow a positive. On the dismal headline figures, the positive point that stood out was its strong operating cashflow of US\$87.9m, compared to US\$24.1m in the earlier corresponding period. This came about mainly from DMFI's operations, which we believe was a strong attraction to acquire the business for DMPL.

DMFI – FY15 a transition year

Strategy to drive volume and return to historical growth trend. DMFI’s management shared that they are optimistic of DMFI’s prospects with a new set of shareholders. Management is looking to re-adopt its “sales volume-driven” strategy from “margin-driven” strategy implemented when KKR was its owner. They indicated that it was a proven strategy and are optimistic that DMFI should revert to its historical performance trend with sales of c.US\$1.8bn and gross margins within the 20% level, in FY16.

Key initiatives by DMFI to return to historical performance trend. Management shared that they are undertaking several initial key initiatives at DMFI to aid in growing sales and profits, as follows:

- Restoring can packaging label to Del Monte “classic” (with green backing) from the current packaging which was introduced when KKR became shareholders;
- Lowering ASP on products below US\$1 price points to compete more effectively with rivals, and to recapture market share. This is currently in process;
- Targeting to improve sales back to historical trend. We estimate sales of US\$1.7bn in FY15F, US\$1.8bn in FY16F and have factored these into our forecasts.

DMFI’s FY15F to be impacted by non-recurring expenses.

While we expect FY15F to register better results on a recurring basis, we expect non-recurring items to weigh on the Group’s bottomline. This is largely arising from higher cost of goods, given the upward revaluation of its inventory.

Segmental Analysis

Revision of our forecasts post-acquisition of DMFI. Pursuant to the completion of DMFI and the transition into a new financial reporting year-end (to Apr, from Dec), we revised our forecasts to reflect this change. We consolidated financials of DMFI into DMPL, coupled with the related financial costs and expenses. Our sales revenue forecast is thus revised up significantly to **US\$2.12bn** but we expect headline losses to continue in FY15F, given expectations of several non-recurring expenses. We project DMPL to turn around and return a profit in FY16F.

Preferential rights offering and new equity are expected in FY15. Of the US\$1.675bn acquisition price, US\$705m will be financed by equity. Of these currently, US\$630m is financed by bridging loans. Management is looking at launching of its preference shares (US\$350m) within the next six months, subject to Philippine authorities’ regulatory approvals. A further US\$180m is to be financed by new common shares/

rights issue, and US\$100m to be financed by medium-term loans.

DMFI acquisition funding details

	Amount (US\$m)	Rate (%)	Interest costs / yr (US\$ m)	Remarks
Perpetual Pref shares	350	7.5%	26.3	TBC
Rights issue	180			TBC. Assuming 10-for-4 rights
Medium term loan	100	4.0%	4.0	TBC
Equity at DMFI	75			Done
	705			
Loan	710	4.25%	30.175	LIBOR + 3.25%, LIBOR floor 1%; 7 yrs term
	260	8.25%	21.45	LIBOR + 7.25%, LIBOR floor 1%; 7.5 yrs term
	970			
	1675			

Source: Company, DBS Bank

Assuming pref shares coupon rate at 7.5% and rights issue.

We have factored the following equity fund raising assumptions into our forecasts:

- Cumulative **preferential share** issuance to raise **US\$350m** at a coupon rate of **7.5%**;
- **Rights offering** (10 shares-for-4 rights) to raise **US\$180m**, based on 26% discount to current price (c.S\$0.585). This will expand its outstanding shares by c.40% (520m shares) to c.1,820m shares;
- In terms of timeline, we expect preferential shares to be issued sometime in the middle of FY15. The proceeds will be used to repay bridging loans outstanding for the acquisition.

Gearing post-equity/preferential rights issue to be at 1.8x/ 1.6x by FY15F/ 16F. Debt-to-equity as at end-Apr stood at a high of 7.5x, but this should be significantly reduced when its preferential shares and new equity shares exercises are completed. We estimate that net debt-to-equity should drop to 1.8x and 1.6x by end FY15F/16F, respectively.

Not expecting dividends in FY15. Given the transition in FY15, we are not expecting any payout of dividends. DMPL’s current dividend policy has been at 33% of net profits, but this is likely be subjected to review considering the Group’s gearing, even after its equity raising.

Revision in forecasts – previous based on FYE Dec to FYE Apr with consolidation of DMFI

	Previous		New		Remarks
	FYE Dec FY14F	FYE Dec FY15F	FYE Apr FY15F	FYE Apr FY16F	
Sales	541	601	2,128	2,306	Consolidation of DMFI
Gross profit	129	161	367	490	FYE Apr'15 includes revalued inventory costs
EBITDA	63	101	108	240	Consolidation of DMFI
Operating Profit	51	86	48	179	
Net profit	33	62	(27)	108	Losses due to interest expenses
Pref shares dividends	-	-	(13)	(26)	Assume pref shares of US\$350 @7.5%
Net profit less pref shares div.	33	62	(40)	50	

Source: DBS Bank Ltd

Valuation

TP revised to S\$0.62, downgrade to HOLD as turnaround seen only in FY16F. We switched our valuation methodology to PE basis, based on 18x PE on FY16F fully-diluted EPS (after preference shares), which is inline with blended peers average. While we see the longer-term stability of the consolidated entity and its potential, we still expect losses in FY15 during this transition phase. We should only see a meaningful turnaround in FY16F. In the meantime, DMPL will need to conclude its equity fund raising for preferential shares and common equity/ rights shares within FY15. As such, at this juncture, we believe upside to share price could be limited in the near term, coupled with expectations of equity fund raising.

Key Risks

Risks to our recommendation and forecasts include:

Upside risks – better-than-expected margins and synergies from DMFI thus prompting an earlier-than-expected turnaround in operations before our expected FY16. In terms of equity fund raising, lower-than-expected dilution will be a positive for DMPL.

Downside risks – include uncertainty, timing and details of equity fund raising, which is dependent on market conditions. Should this not proceed, DMPL's gearing will remain elevated, and this could impact on refinancing and exposure to interest rate movements. Integration between DMPL and DMFI has just begun, and there is no certainty that management is able to reverse declining profits and margins at DMFI.

Sensitivity of FY16F PE based on rights issue (assumed 10 shares-for-4 rights) actual share price (S\$/share) vs discount (%)

	Discount to share px (%)	Traded share price (S\$/ share)										
		0.550	0.560	0.570	0.580	0.590	0.600	0.610	0.620	0.630	0.640	0.650
	5%	16.1	16.0	15.9	15.9	15.8	15.7	15.7	15.6	15.6	15.5	15.5
	10%	16.3	16.2	16.2	16.1	16.0	16.0	15.9	15.8	15.8	15.7	15.7
	15%	16.6	16.5	16.4	16.3	16.3	16.2	16.1	16.0	16.0	15.9	15.9
	20%	16.8	16.7	16.7	16.6	16.5	16.4	16.4	16.3	16.2	16.2	16.1
	25%	17.2	17.1	17.0	16.9	16.8	16.7	16.7	16.6	16.5	16.4	16.4
	30%	17.5	17.4	17.3	17.2	17.1	17.1	17.0	16.9	16.8	16.7	16.7

Source: DBS Bank

Peer valuation table

Company	Market Cap (USD m)	Px Last Date	PE (Act)	PE (Yr 1)	PE (Yr 2)	P/BV (x)	P/Sales (x)	ROE (%)	Operating Margin (%)	Net Margin (%)	Dvd Yield (%)	ROE (%)
Del Monte Pacific	607	0.580	37.6	nm	16.9	2.6	1.2	nm	5.6	3.3	nm	nm
South East Asia Peers												
Petra Foods	1,902	3.900	32.0	29.7	27.7	6.0	7.5	26.9	15.3	11.7	1.3	26.9
Super Group	1,231	1.350	15.4	18.9	17.8	3.2	nm	26.4	16.7	17.9	3.3	26.4
Mayora Indah	2,216	29,225	25.1	29.7	26.6	6.7	2.2	39.6	10.9	8.7	0.7	39.6
Unilever ID	19,181	29,425	42.8	38.4	36.4	40.3	7.1	174.1	23.2	17.4	1.1	174.1
JFC	4,216	176.0	37.9	34.9	32.3	7.8	2.2	28.7	7.4	5.8	0.4	28.7
Universal Robina	7,696	153.6	31.3	29.7	26.3	6.7	3.9	23.8	12.7	12.4	1.0	23.8
Regional average			28.8	29.2	27.1	14.0	5.6	66.8	16.5	13.9	1.6	66.8
US Peers												
Campbell Soup	17,913	45.7	21.3	17.9	17.5	8.8	1.8	90.3	14.9	8.6	2.5	90.3
Kellogg	30,269	67.4	12.9	16.8	16.3	6.9	1.6	87.6	19.8	12.2	2.7	87.6
Fresh Del Monte	2,055	29.5	(99.4)	13.8	13.5	1.0	0.4	(1.0)	3.1	(0.9)	1.7	(1.0)
Conagra Foods	17,263	32.8	17.3	14.6	13.6	2.4	0.8	23.7	10.3	5.0	3.0	23.7
Hormel Foods	15,976	48.4	23.1	22.0	20.1	3.6	1.4	26.1	8.9	6.0	1.4	26.1
Int'l average			18.6	17.0	16.2	4.5	1.2	45.3	11.4	6.2	2.3	45.3
Weighted avg				19.4	18.4							

Source: Thomson Reuters; DBS Bank

Del Monte Pacific

*Note: Changes to financial year-end to Apr (prev. Dec) from 2014 onwards. 2014A shown here is for transition period of Jan – Apr 2014

Segmental Breakdown

FY Dec / Apr+	2012A	2013A	*2014A	+2015F	+2016F
Revenues (US\$ m)					
Americas	-	-	295	1,789	1,947
Asia Pacific	-	-	74	310	331
Europe	-	-	9	28	29
*Branded	321	336	-	-	-
*Non-Branded	139	156	-	-	-
Total	460	492	379	2,128	2,306
Gross profit (US\$ m)					
Americas	-	-	19	281	393
Asia Pacific	-	-	13	84	96
Europe	-	-	0	2	2
*Branded	97	101	-	-	-
*Non-Branded	16	14	-	-	-
Total	113	116	32	367	490
Gross profit Margins (%)					
Americas	-	-	6.4	15.7	20.2
Asia Pacific	-	-	17.6	27.1	29.0
Europe	-	-	3.2	7.6	7.5
*Branded	30.2	30.1	-	-	-
*Non-Branded	11.5	9.2	-	-	-
Total	24.5	23.5	8.5	17.2	21.3

*Segmentals changed with consolidation of DMFI from 2014

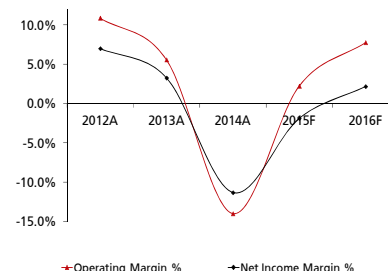
Changes in segmental reporting with consolidation of DMFI from Jan-Apr transitional period

Income Statement (US\$ m)

FY Dec / Apr +	2012A	2013A	*2014A	+2015F	+2016F
Revenue	460	492	379	2,128	2,306
Cost of Goods Sold	(347)	(377)	(352)	(1,761)	(1,816)
Gross Profit	113	116	27	367	490
Other Opg (Exp)/Inc	(63)	(88)	(80)	(319)	(311)
Operating Profit	50	27	(53)	48	179
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	(6)	(5)	(1)	(3)	(1)
Net Interest (Exp)/Inc	(3)	(5)	(18)	(70)	(70)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	41	17	(72)	(25)	108
Tax	(9)	(2)	24	(5)	(24)
Minority Interest	0	0	6	3	(8)
Preference Dividend	0	0	0	(13)	(26)
Net Profit	32	16	(43)	(40)	50
Net Profit before Except.	32	16	(43)	(40)	50
EBITDA	60	42	(38)	106	239
Growth					
Revenue Gth (%)	8.1	7.1	Nm	nm	8.4
EBITDA Gth (%)	26.1	(29.3)	nm	nm	125.7
Opg Profit Gth (%)	13.0	(45.1)	nm	nm	275.9
Net Profit Gth (%)	17.4	(50.0)	nm	6.3	nm
Margins & Ratio					
Gross Margins (%)	24.5	23.5	7.1	17.2	21.3
Opg Profit Margin (%)	10.9	5.6	(14.0)	2.2	7.8
Net Profit Margin (%)	7.0	3.3	(11.3)	(1.9)	2.2
ROAE (%)	13.3	6.7	(21.2)	(16.2)	14.7
ROA (%)	7.0	2.9	(2.7)	(1.6)	1.9
ROCE (%)	11.7	6.7	(11.7)	3.5	6.1
Div Payout Ratio (%)	74.9	50.0	0.0	0.0	33.0
Net Interest Cover (x)	16.4	5.4	(2.9)	0.7	2.6

Source: Company, DBS Bank

Margins Trend



Includes "stepped up" revalued inventory costs.

Assume pref shares issuance in mid FY15 at 7.5% coupon rate.

Assume 0% in FY15 and min 33% payout in FY16F. No updates on changes in payout as yet.

Quarterly / Interim Income Statement (US\$ m)

FY Dec	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Revenue	160	87	121	127	157
Cost of Goods Sold	(121)	(68)	(93)	(95)	(121)
Gross Profit	39	20	28	32	36
Other Oper. (Exp)/Inc	(20)	(12)	(18)	(19)	(40)
Operating Profit	19	8	10	13	(4)
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	(1)	(1)	(1)	(1)	(1)
Net Interest (Exp)/Inc	(1)	0	(2)	(2)	(1)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	17	6	7	10	(6)
Tax	(4)	(2)	(1)	(3)	4
Minority Interest	0	0	0	0	0
Net Profit	13	5	6	7	(2)
Net profit bef Except.	13	5	6	7	(2)
EBITDA	23	11	13	16	2

Growth

Revenue Gth (%)	36.8	(45.2)	38.5	4.9	23.5
EBITDA Gth (%)	46.9	(51.4)	21.3	20.6	(90.5)
Opg Profit Gth (%)	44.2	(58.1)	27.4	29.2	nm
Net Profit Gth (%)	60.7	(66.3)	36.2	17.4	nm

Margins

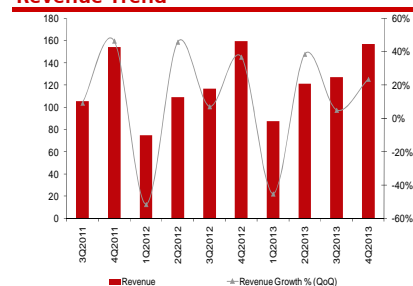
Gross Margins (%)	24.2	22.6	23.4	24.9	22.8
Opg Profit Margins (%)	11.9	9.1	8.4	10.3	(2.4)
Net Profit Margins (%)	8.4	5.2	5.1	5.7	(1.1)

Balance Sheet (US\$ m)

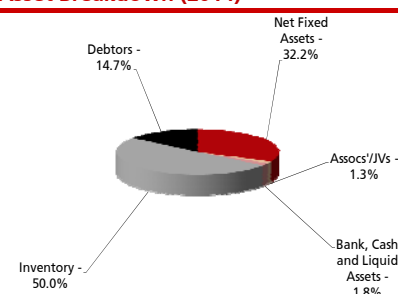
FY Dec / Apr +	2012A	2013A	*2014A	+2015F	+2016F
Net Fixed Assets	93	94	514	564	579
Invt in Associates & JVs	22	20	21	19	18
Other LT Assets	32	34	828	823	817
Cash & ST Invt	25	133	29	123	52
Inventory	113	99	798	680	702
Debtors	102	111	235	266	288
Other Current Assets	110	113	118	123	128
Total Assets	497	606	2,543	2,598	2,585
ST Debt	126	265	926	496	396
Creditor	94	100	281	283	292
Other Current Liab	5	1	9	5	24
LT Debt	16	14	931	931	931
Other LT Liabilities	5	2	152	152	152
Shareholder's Equity	253	226	178	668	719
Minority Interests	(2)	(2)	67	64	72
Total Cap. & Liab.	497	606	2,543	2,598	2,585
Non-Cash Wkg. Capital	226	223	861	781	802
Net Cash/(Debt)	(117)	(147)	(1,828)	(1,303)	(1,274)
Debtors Turn (avg days)	73.6	79.3	166.5	42.9	43.9
Creditors Turn (avg days)	89.1	96.6	99.1	206.5	60.6
Inventory Turn (avg days)	98.2	111.7	108.6	486.5	158.7
Asset Turnover (x)	1.0	0.9	0.2	0.8	0.9
Current Ratio (x)	1.6	1.2	1.0	1.5	1.6
Quick Ratio (x)	0.5	0.6	0.7	0.2	0.5
Net Debt/Equity (X)	0.5	0.7	7.5	1.8	1.6
Net Debt/Equity ex MI (X)	0.5	0.6	10.2	1.9	1.8
Capex to Debt (%)	12.5	8.7	1.0	7.4	5.3
Z-Score (X)	3.5	2.4	2.6	2.8	0.0

Source: Company, DBS Bank

Revenue Trend



Asset Breakdown (2014)



Included pref shares and rights issue to raise US\$350m and US\$180m respectively to refinance bridge loans

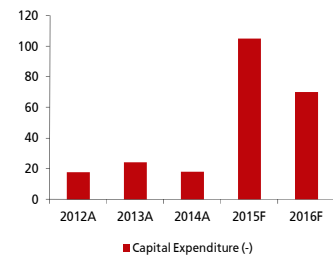
Del Monte Pacific

Cash Flow Statement (US\$ m)

FY Dec / Apr +	2012A	2013A	*2014A	+2015F	+2016F
Pre-Tax Profit	41	17	(72)	(25)	108
Dep. & Amort.	16	20	16	61	61
Tax Paid	(6)	(11)	(4)	(9)	(5)
Assoc. & JV Inc/(loss)	6	5	1	3	1
Chg in Wkg.Cap.	(37)	(12)	147	84	(40)
Other Operating CF	5	8	1	0	0
Net Operating CF	25	27	88	113	125
Capital Exp.(net)	(18)	(24)	(18)	(105)	(70)
Other Invts.(net)	0	0	(1,821)	0	0
Invts in Assoc. & JV	(3)	(4)	(2)	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	2	0	0	0	0
Net Investing CF	(19)	(27)	(1,841)	(105)	(70)
Div Paid	(23)	(24)	0	(13)	(26)
Chg in Gross Debt	23	147	1,580	(430)	(100)
Capital Issues	0	0	0	180	0
Other Financing CF	(4)	(5)	69	350	0
Net Financing CF	(5)	117	1,650	87	(126)
Currency Adjustments	3	(8)	0	0	0
Chg in Cash	4	108	(104)	95	(71)
Opg CFPS (US cts.)	4.7	3.0	(4.5)	1.6	9.1
Free CFPS (US cts.)	0.5	0.2	5.4	0.4	3.0

Source: Company, DBS Bank

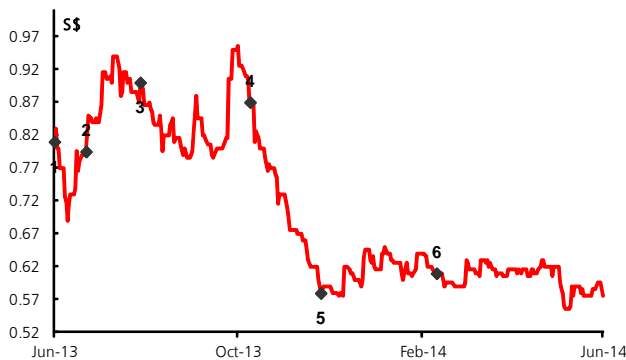
Capital Expenditure



Project operating cashflow to remain strong despite losses on contribution from DMFI and non-cash of higher revalued inventory.

Pref shares and rights issue to raise US\$350m and US\$180m respectively to refinance bridge loans

Target Price & Ratings History



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

S.No.	Date	Closing Price	Target Price	Rating
1:	17 Jun 13	0.81	0.97	Buy
2:	08 Jul 13	0.80	0.97	Buy
3:	13 Aug 13	0.90	0.97	Buy
4:	25 Oct 13	0.87	0.96	Hold
5:	11 Dec 13	0.58	0.82	Buy
6:	26 Feb 14	0.61	0.82	Buy

Source: DBS Bank

DBS Bank recommendations are based on 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

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd and DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates (collectively, the "DBS Vickers Group") only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company (or companies) referred to in this report.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months.

ANALYST CERTIFICATION


The research analyst primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report. As of the date the report is published, the analyst and his/her spouse and/or relatives who are financially dependent on the analyst, do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities).

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd., DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 30 Apr 2014.
2. DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may beneficially own a total of 1% of any class of common equity securities of the company mentioned as of 30 Apr 2014.
3. **Compensation for investment banking services:**
DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may received compensation, within the past 12 months, and within the next 3 months may receive or intends to seek compensation for investment banking services from the company mentioned.

DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is being distributed in Hong Kong by DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Securities Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR") (formerly known as HwangDBS Vickers Research Sdn Bhd). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.  Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. Research reports distributed are only intended for institutional clients only and no other person may act upon it.
United Kingdom	This report is being distributed in the UK by DBS Vickers Securities (UK) Ltd, who is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
Dubai	This research report is being distributed in The Dubai International Financial Centre ("DIFC") by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3 rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United States	Neither this report nor any copy hereof may be taken or distributed into the United States or to any U.S. person except in compliance with any applicable U.S. laws and regulations. It is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Bank Ltd.

12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Company Regn. No. 196800306E