

Buy (Unchanged)

Share price: SGD0.865
 PHP29.00
 Target price: SGD1.05 (from 1.00)
 PHP36.50

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Stock Information

Description: Del Monte operates as an investment holding company, which 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.

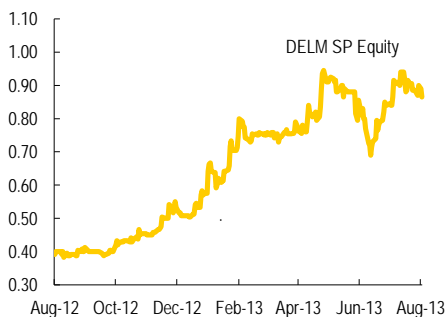
| | |
|-----------------------------------|---------|
| Ticker: | DELM SP |
| Shares Issued (m): | 1,296.6 |
| Market Cap (USD m): | 883.0 |
| 3-mth Avg Daily Turnover (USD m): | 0.3 |
| ST Index: | 3197.53 |
| Free float (%): | 33 |

| | |
|---------------------------|----|
| 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 SGD0.955/SGD0.375

| | 1-mth | 3-mth | 6-mth | 1-yr | YTD |
|--------------|-------|-------|-------|-------|------|
| Absolute (%) | 3.0 | -6.0 | 8.1 | 116.3 | 68.8 |
| Relative (%) | 3.6 | 1.3 | 10.8 | 106.7 | 66.8 |

Del Monte Pacific

Underlying growth intact

Muted 2Q13 headline numbers not a concern. Despite muted headline numbers, DMPL's recent 2Q13 results were positive and we remain of the view that growth trends are affirmative and structural margin improvements forthcoming. During the quarter, revenue grew 11% yoy and net profit of USD6.1m eked out a 2% yoy growth.

Expect stronger growth trend for branded consumer segment. One curiosity was the mere 8% yoy growth for this segment, following more than six quarters of consistent double-digit growth, and conducive consumer spending in its main market, Philippines. We believe this is a temporary blip linked to logistics issues and remain comfortable with our expectation of 17% segment revenue growth for the full-year.

S&W resumes growth after ironing out distributor issues. Outside of the Philippines, S&W resumed double-digit growth after ironing out distributorship problems in Middle East, which partly contributed to the poor showing last quarter. Fresh fruits sold under this label grew 22% yoy, which is an encouraging trend given this sub-sector has the highest margins across all its business units. Plans to launch new product offerings for 2H13 both for Del Monte Philippines and S&W may provide additional impetus to growth.

Profit growth hindered by non-operating expenses. Net profit growth of 2% yoy was weighed down by one-off listing fees incurred from its recent PSE dual-listing as well as forex losses. Current debt profile, where there are more USD loans results is unfavorable in the environment of USD appreciation against mainly Peso-denominated revenue. Management is in the process of changing this mix to reflect a more natural hedge. Operating profit was up 12% yoy.

Maintain BUY. We make minor upward adjustments to our estimates and corresponding increase our TP to SGD1.05, still pegged to 25x FY14F. This is justified by a 22% 3-year net profit CAGR profile. Share price has increased 17% since our initiation in July, but we still see more than 20% upside from here. PSE-dual listing has almost doubled trading liquidity, which is supportive of upward re-rating for the stock.

Del Monte Pacific– Summary Earnings Table

| 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 (SG cents) | 2.1 | 2.5 | 2.6 | 3.3 | 4.6 |
| DPS (SG 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 |

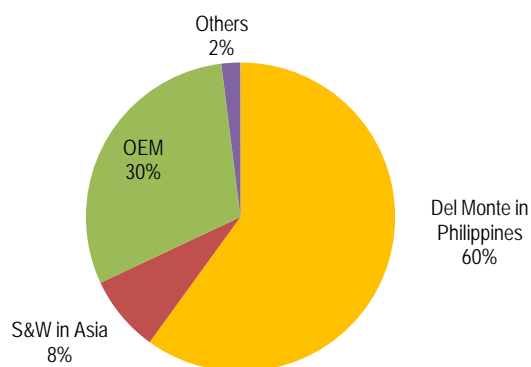
Source: Maybank KE

Figure 1: 2Q13 Results Summary

| FYE Dec (USD'm) | 2Q13 | 1Q13 | 2Q12 | % YoY | % QoQ | MBKE FY2013F | YTD as % of FY forecast | Remarks |
|---------------------|--------|--------|--------|-------|---------|-----------------|----------------------------|---------------------------------|
| Sales | 121.0 | 74.7 | 108.9 | 11% | 62% | 525.0 | 37% | Sales seasonally stronger in 2H |
| Cost of sales | (92.7) | (57.1) | (81.9) | 13% | 62% | (398.4) | 38% | |
| Gross profit | 28.3 | 17.6 | 27.0 | 5% | 61% | 126.6 | 36% | |
| SG&A | (18.2) | (9.0) | (17.9) | 2% | 101% | (73.5) | 37% | |
| Operating profit | 10.2 | 8.6 | 9.1 | 12% | 18% | 53.0 | 35% | |
| Net finance | (2.0) | (1.2) | (0.2) | 965% | 66% | (6.8) | 46% | |
| JV & Associates | (1.4) | (1.9) | (1.6) | -14% | -25% | (4.0) | 82% | Losses from India narrowing |
| Pretax profit | 6.8 | 5.5 | 7.3 | -6% | 23% | 42.2 | 29% | |
| Taxation | (0.8) | (1.3) | (1.4) | -45% | -41% | (8.8) | 23% | |
| Minorities | 0.1 | 0.2 | 0.1 | -23% | -33% | 0.5 | 50% | |
| Reported Net income | 6.1 | 4.4 | 6.0 | 2% | 39% | 33.9 | 31% | |
| Recurring NP | 6.1 | 4.4 | 6.0 | 2% | 39% | 33.9 | 31% | |
| EPS (US cents) | 0.5 | 0.41 | 0.55 | -15% | 15% | 2.6 | 34% | |
| DPS (USD cents) | 0.62 | 0 | 0.72 | -14% | #DIV/0! | 2.0 | 32% | |
| Gross margin | 23.4% | 23.6% | 24.8% | | | 24.1% | | |
| Operating margin | 8.4% | 11.5% | 8.3% | | | 8.0% | | |
| Net margin | 5.1% | 5.9% | 5.5% | | | 6.5% | | |

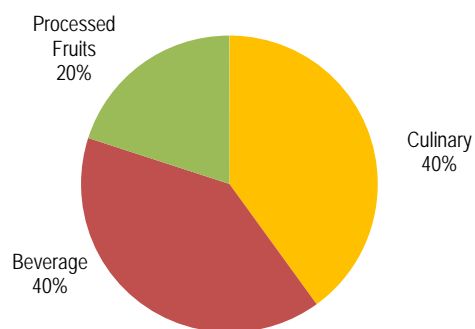
Source: Company, Maybank KE

Figure 2: Del Monte Pacific – revenue breakdown by segment, FY12



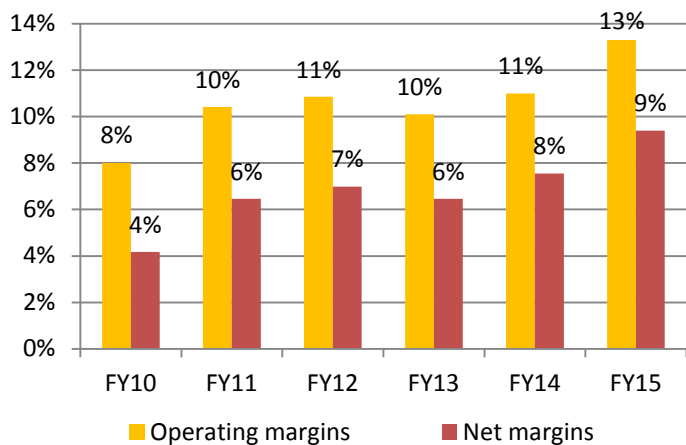
Source: Company, Maybank KE

Figure 3: Del Monte Philippines – revenue breakdown by segment, FY12



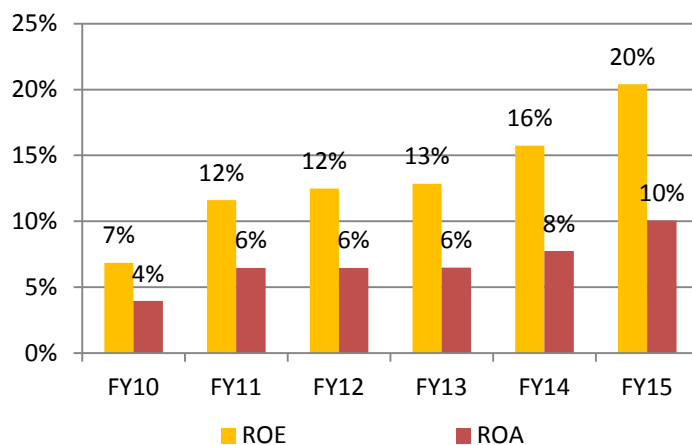
Source: Company, Maybank KE

Figure 4: Better margins expected



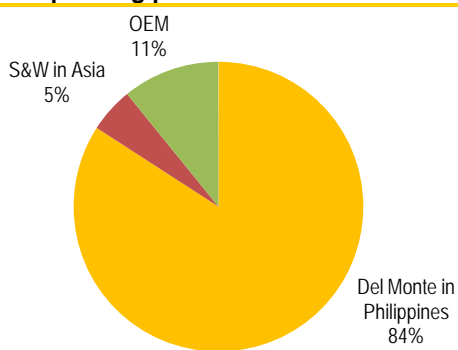
Source: Company, Maybank KE

Figure 5: Better ROE profile going forward



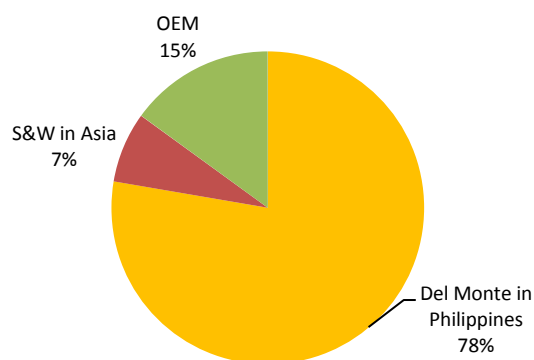
Source: Company, Maybank KE

Figure 6: FY12 operating profit breakdown



Source: Company, Maybank KE

Figure 7: FY15F operating profit breakdown



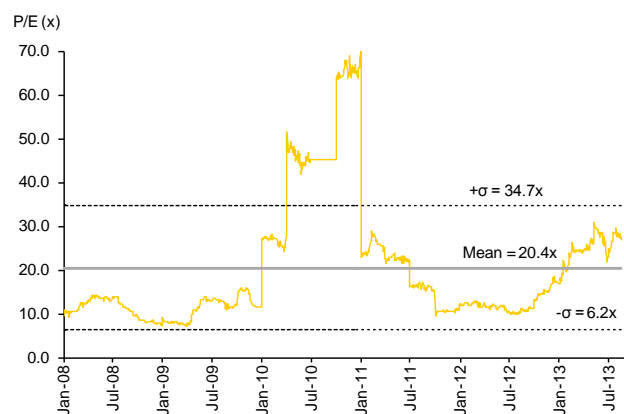
Source: Company, Maybank KE

Figure 8: Peer comparison

| | Exchange | Share price (cl curr) | Market cap (USD m) | PER | | | EPS growth | | | 3-yr EPS CAGR (%) 12-15E | P/B 2013E (x) | ROE | | Div yield 2013E (%) |
|--------------------------|----------|--------------------------|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------------|---------------------|--------------|--------------|---------------------------|
| | | | | 2013E (x) | 2014E (x) | 2015E (x) | 2013E (%) | 2014E (%) | 2015E (%) | | | 2013E (%) | 2014E (%) | |
| Singapore F&B | | | | | | | | | | | | | | |
| SUPER GROUP LTD | SGD | 4.80 | 2,109 | 26.2 | 23.1 | 19.8 | 29 | 14 | 16 | 20 | 5.8 | 24 | 23 | 2.1 |
| YEO HIAP SENG | SGD | 2.65 | 1,199 | 33.1 | 66.3 | 51.0 | (35) | (50) | 30 | (25) | 2.1 | 6 | 3 | 0.4 |
| PETRA FOODS LTD | SGD | 4.00 | 1,927 | 41.5 | 25.6 | 22.0 | (15) | 62 | 16 | 50 | 5.4 | 16 | 19 | 1.0 |
| DEL MONTE PAC LT | SGD | 0.87 | 889 | 26.4 | 20.8 | 14.9 | 4 | 27 | 39 | 23 | 3.4 | 13 | 16 | 2.8 |
| ASEAN F&B | | | | | | | | | | | | | | |
| NESTLE (MALAY) | MYR | 67.50 | 4,831 | 29.1 | 27.0 | 24.6 | 8 | 8 | 10 | 8 | 20.0 | 75 | 78 | 3.3 |
| INDOFOOD CBP SUK | IDR | 11,000 | 6,157 | 25.5 | 22.2 | 19.8 | 15 | 15 | 12 | 14 | 4.9 | 21 | 21 | 1.6 |
| INDOFOOD SUKSES | IDR | 6,650 | 5,605 | 15.9 | 14.0 | 12.1 | 13 | 14 | 16 | 14 | 2.5 | 16 | 16 | 2.6 |
| MAYORA INDAH | IDR | 33,000 | 2,428 | 28.7 | 24.2 | 20.1 | 21 | 19 | 20 | 20 | 6.9 | 26 | 26 | 0.7 |
| NIPPON INDOSARI | IDR | 8,400 | 816 | 41.5 | 31.4 | 24.2 | 37 | 32 | 30 | 33 | 10.3 | 27 | 28 | 0.5 |
| MALEE SAMPRAN | THB | 33.25 | 149 | 8.3 | 6.3 | 5.0 | (13) | 31 | 26 | 13 | 3.8 | 42 | 42 | 5.4 |
| THAI VEGETABLE | THB | 19.30 | 499 | 12.0 | 10.5 | 13.3 | (28) | 14 | (21) | (13) | 2.3 | 17 | 20 | 5.1 |
| THAI UNION FROZE | THB | 56.25 | 2,063 | 19.0 | 11.1 | 9.7 | (32) | 71 | 15 | 10 | 1.6 | 10 | 14 | 3.1 |
| RFM CORP | PHP | 4.80 | 347 | 17.8 | 13.7 | na | 25 | 30 | na | na | na | 16 | 19 | 1.3 |
| PEPSI-COLA PROD | PHP | 6.00 | 506 | 21.4 | 18.5 | 16.2 | 22 | 16 | 14 | 17 | 3.2 | 15 | 16 | 2.3 |
| UNIVERSAL ROBINA | PHP | 120.70 | 6,015 | 29.7 | 25.9 | 22.3 | 10 | 14 | 16 | 14 | 5.2 | 18 | 19 | 1.7 |
| SAN MIGUEL | PHP | 87.20 | 4,740 | 14.3 | 15.6 | 13.5 | (47) | (9) | 16 | (11) | 0.7 | 9 | na | 1.4 |
| VIET NAM DAIRY P | VND | 150,000 | 5,923 | 18.8 | 16.3 | 13.7 | 14 | 15 | 19 | 16 | 6.5 | 38 | 36 | 2.3 |
| KINH DO CORP | VND | 54,000 | 422 | 20.2 | 18.3 | 14.1 | 17 | 10 | 30 | 19 | 2.2 | 11 | 11 | 4.1 |
| <i>Average</i> | | | | 23.9 | 21.7 | 18.6 | 2.5 | 18.5 | 17.9 | 13.7 | 5.1 | 22.2 | 23.9 | 2.3 |

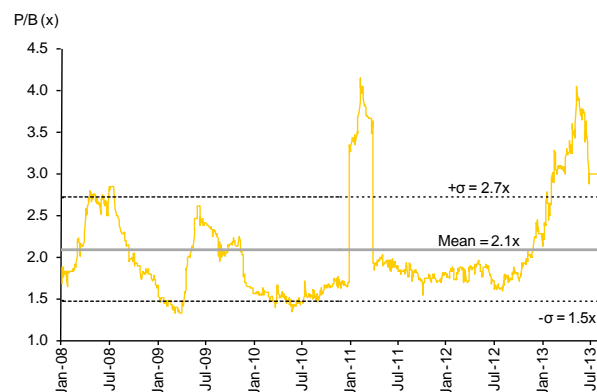
Source: Bloomberg

Figure 9: PER band since 2008



Source: Bloomberg, Maybank KE

Figure 10: P/BV band since 2008



Source: Company, Maybank KE

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 |
| Receivables | 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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