

Singapore Result Snapshot

Del Monte Pacific

Bloomberg: DELM SP | Reuters: DMPL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 May 2013

BUY S\$0.81 STI : 3,368.18

Price Target : 12-Month S\$ 0.97

Analyst

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Result Summary

FY Dec (US\$ m)	1Q 2013	1Q 2012	4Q 2012	yoy chg	qoq chg
P&L Items					
Turnover	87.4	74.7	159.5	17.0	(45.2)
Gross Profit	19.8	17.6	38.7	12.2	(48.8)
Opg Profit	8.0	8.6	19.0	(7.3)	(58.1)
EBITDA	11.0	10.5	22.7	4.6	(51.4)
Net Profit	4.5	4.4	13.4	2.0	(66.3)
Other Data					
Gross Margin (%)	22.6	23.6	24.2	(1.0ppt)	(1.6ppt)
Opg Margin (%)	9.1	11.5	11.9	(2.4ppt)	(2.8ppt)
Net Margin (%)	5.2	5.9	8.4	(0.7ppt)	(3.2ppt)

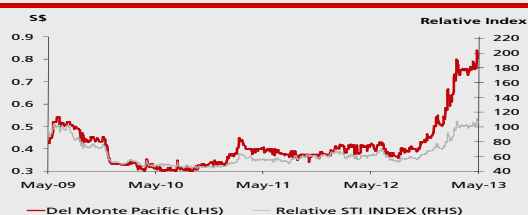
Financial Summary

FY Dec (US\$ m)	2012A	2013F	2014F	2015F
Turnover	460	503	560	626
Operating Profit	50	53	66	87
EBITDA	60	63	78	102
Net Pft (Pre Ex.)	32	35	45	62
EPS (S cts)	3.0	3.3	4.3	5.9
EPS Pre Ex. (S cts)	3.0	3.3	4.3	5.9
EPS Gth (%)	17	9	29	38
EPS Gth Pre Ex (%)	17	9	29	38
PE Pre Ex. (X)	26.6	24.5	18.9	13.7
EV/EBITDA (X)	16.2	15.4	12.4	9.2
Net Div Yield (%)	2.8	3.1	4.0	5.5
P/Book Value (X)	3.3	3.2	3.0	2.7
Net Debt/Equity (X)	0.4	0.5	0.4	0.4
ROAE (%)	13.2	13.4	16.4	20.8

At A Glance

Issued Capital (m shrs)	1,294
Mkt. Cap (S\$m/US\$m)	1,048 / 851
Avg. Daily Vol. ('000)	908

Price Relative



Source: Company, DBS Vickers

Branded segment powers ahead

- 1Q13 dragged down by non-branded segment
- Branded segment post strong 27% revenue growth, accounts for 68% of group sales
- Proxy into Philippines consumer sector with growth accelerating into FY15F, from established Del Monte and fast growing S&W brands
- Maintain BUY, TP: S\$0.97

Highlights

1Q13 marginally slower than expected. DMPL's 1Q13 net profit grew by 2% y-o-y to US\$4.5m on the back of strong topline growth of 17% to US\$87.4m. The robust growth in its Branded segment was offset by weaker Non-branded contribution as a result of weak demand in export markets, particularly for canned fruit, and lower prices for pineapple juice concentrates. Non-branded segment registered a US\$0.74m operating loss, compared to a profit of US\$3.1m a year ago.

Branded segment powers ahead with higher margins. In 1Q13, Branded segment accounted for 68% of group revenue, up from 63% a year earlier, benefitting from the strong 27% rise in revenue. Operating profit for Branded segment surged 58% y-o-y to US\$8.7m as margins improved by 2.9ppt to 14.7% (1Q12: 11.8%). This was despite higher advertising & promotion (A&P) expenses and warehousing costs incurred for the segment in 1Q13. The Philippines market was robust with revenues up by 37%, riding on the buoyant market and aggressive A&P.

Our View

Expect growth to pick up sequentially. Traditionally, DMPL experiences a stronger 2H, and in our view, FY13 will not be an exception. We expect growth to continue to pick sequentially as it reaps the benefits of its A&P spending initiatives coupled with its new juice cans packaging line coming onstream later in the year.

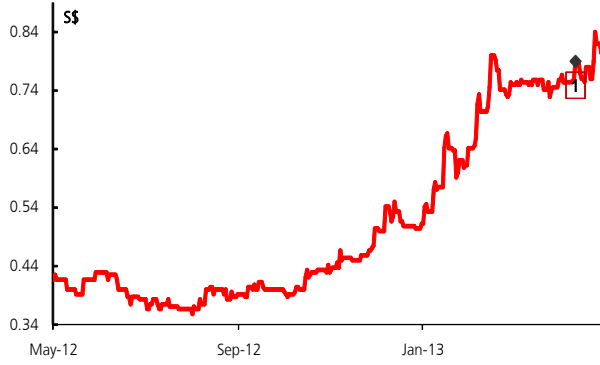
Margins to catch up. 1Q13 gross and operating margins were tracking below our full year expectations at 24.3% and 10.6%, respectively. We believe this was partially due to timing arising from higher warehousing costs and A&P in 1Q, and expect to see margins catch up in 2H13.

Recommendation

Maintain BUY, TP: S\$0.97. We maintain our BUY recommendation as we still expect to see growth accelerating for the group from FY13F - FY15F as it leverages on the growth of the Philippines market, and favourable changes to the terms of several of its supply contracts. We also believe Del Monte may have been overlooked given its listing in Singapore, but should garner investor interest with its significant earnings prospects from its exposure to the Philippines which has a population base of 93m, as well as its established Del Monte and fast growing S&W brands.

Del Monte Pacific

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	12 Apr 13	0.79	0.97	Buy

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

Source: DBS Vickers

DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

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FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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