


Company Note

Singapore

HOLD (no change)

Consensus ratings*: Buy 0 Hold 3 Sell 0

Current price: S\$0.35
 Target price:  S\$0.35
 Previous target: S\$0.36
 Up/downside: 0.4%
 CIMB / Consensus: -3.8%

Reuters: DMPL.SI
 Bloomberg: DELM SP
 Market cap: US\$474.1m

Average daily turnover: US\$0.08m
 S\$0.11m

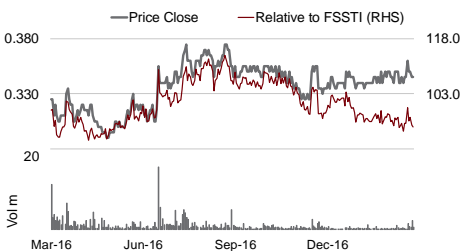
Current shares o/s: 1,944m

Free float: 26.5%

*Source: Bloomberg

Key changes in this note

- FY17F EPS decreased by 6.3%.
- FY18F EPS decreased by 2.8%.
- FY19F EPS decreased by 3.1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.4	3	-12.7
Relative (%)	-2.5	-3.5	-24

Major shareholders	% held
NutriAsia Pacific Ltd	59.4
Bluebell Group Holdings	7.6
Lee Pineapple Co	5.5

Analyst(s)



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Del Monte Pacific

3QFY17: DMFI continues to disappoint

- 9MFY17 reported net profit was below expectations at 59% of our FY4/17 forecast due to sales decline in the US and higher-than-expected interest expense.
- Gross margin contracted to 14.7% in 3QFY17 due to lower pricing in non-retail channels. DMFI incurred net loss of US\$14.6m in 3QFY17 (3Q16: US\$17.3m profit).
- However, DMPL continued to gain strength with 3QFY17 net profit of US\$21.2m, an 81% yoy gain.
- Preference share issuance has been postponed again. We estimate the earliest that the issuance will take place is 2QCY17.
- Maintain Hold with lower target price of S\$0.35.

9MFY17 earnings below expectations

9MFY17 reported net profit was below expectations at 59% of our full-year forecast. During the quarter, the company incurred one-off expenses of US\$12.4m (on pretax basis) related to DMFI.

Del Monte's US business (DMFI)

DMFI accounted for 75% of group revenue in 3QFY17. Sales declined 2.3% yoy in 3QFY17 due to continued weakness in the canned fruit industry and lower sales to private labels. Gross margin was also lower at 14.7% in 3QFY17 versus 15.5% in 3QFY16. In 3QFY17, DMFI retained its number one position in terms of market share for packaged vegetables and packaged fruit.

Del Monte's Philippines business (DMPL)

DMPL's business is still in the pink of health, registering sales growth of 3.2% yoy in 3QFY17. S&W continued to make inroads with double-digit sales growth in the Asia Pacific region, driven by fresh pineapple and packaged products. The Asia Pacific region (DMPL + S&W brand) achieved gross margin of 33% in 3QFY17.

Update on debt situation

Del Monte's proposed preference share issuance of up to US\$360m has been postponed again to 2QCY17. Depending on demand, management guided for an initial tranche of US\$250m, with the balance issuable within the following three years. We deem the coupon cost that the group could be comfortable with at 6.5-7.0%. Net gearing fell to 5.48x at end-3QFY17 (2QFY17: 6.05x, 1QFY17: 5.32x).

Challenging outlook

DMFI continues to present challenges to the group due to the ongoing industry contraction, changing consumer preferences and excess capacity in the industry. We believe that the group will have a clearer strategy in FY18F as the consultants would have presented their findings by then. We still expect the US business to incur one-off expenses in FY18F. The Del Monte brand still has strong presence in the US and we believe the group will focus on increasing sales of higher-margin branded products.

Maintain Hold

We cut FY17-19F core EPS by 3-6% as we factor in the delay of preference share issuance to FY18F. We assume that the preference shares will be issued in an initial tranche of US\$250m in FY18F, followed by two tranches of US\$40m each in FY19-20F. Still based on P/E multiple of 11.3x (1 s.d. below the historical average of US peers), our target price is S\$0.35. Upside risk is lower-than expected one-off expenses incurred by DMFI, while downside risks are deterioration in US sales and larger one-off expenses.

Financial Summary	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
Revenue (US\$m)	2,187	2,268	2,237	2,322	2,413
Operating EBITDA (US\$m)	77.1	204.8	188.1	214.8	242.9
Net Profit (US\$m)	(43.17)	51.53	31.07	29.97	47.41
Core EPS (US\$)	(0.027)	0.027	0.016	0.015	0.024
Core EPS Growth	7.2%		(39.7%)	(3.5%)	58.2%
FD Core P/E (x)	NA	9.20	15.25	15.80	9.99
DPS (US\$)	-	0.013	-	-	-
Dividend Yield	0.00%	5.45%	0.00%	0.00%	0.00%
EV/EBITDA (x)	27.72	11.39	12.07	10.50	9.14
P/FCFE (x)	NA	4.81	3.10	NA	3.53
Net Gearing	519%	493%	442%	179%	165%
P/BV (x)	1.79	1.56	1.42	0.66	0.62
ROE	(19.2%)	18.1%	9.8%	8.6%	12.2%
% Change In Core EPS Estimates			(6.32%)	(2.77%)	(3.06%)
CIMB/consensus EPS (x)			0.84	0.70	0.76

Figure 1: Results comparison

FYE Apr (US\$ m)	3QFY17	3QFY16	yoy % chg	qoq % chg	3QFY17 Cum	3QFY16 Cum	yoy % chg	Prev FY17F	Comments
Revenue	604	602	0.3	(5.1)	1,706	1,748	(2.4)	2,227	In line. US sales fell 3% yoy in 3Q
Operating costs	(559)	(568)	(1.5)	(1.5)	(1,569)	(1,591)	(1.4)	(2,031)	Lower pineapple costs
EBITDA	45	34	30.6	(34.4)	137	157	(12.8)	196	
EBITDA margin (%)	7	6	30.2	(30.9)	8	9	(10.7)	9	
Depn & amort.	(16)	(19)	(16.4)	16.7	(47)	(53)	(11.2)	(70)	
EBIT	28	15	92.1	(47.5)	89	103	(13.6)	126	
Interest expense	(28)	(25)	9.5	(4.1)	(84)	(72)	15.8	(75)	Conversion to fixed rates and higher funding requirement for working capital
Interest & invt inc	-	0	na	na	-	0	na	1	
Associates' contrib	(0)	(0)	28.2	8.9	(1)	(1)	(2.1)	(2)	Negatively impacted by demonetisation in India
Exceptionals	(1)	0	na	na	3	1	124.1	4	
Pretax profit	(0)	(11)	(95.7)	na	8	32	(75.6)	54	
Tax	7	4	94.4	191.9	9	2	390.9	(5)	Tax credit
Tax rate (%)	na	na	na	na	na	na	na	10	
Minority interests	(2)	(2)	(16.7)	na	(3)	1	na	3	
Preference dividends	-	-	na	na	-	-	na	(12)	
Net profit	8.4	(4.8)	274.4	(59.1)	20	32	(39.5)	33.1	Below due to higher than expected interest expense and lower gross margin
Core net profit	9.1	(5.0)	280.7	(44.8)	16	31	(46.9)	29.3	Below due to higher than expected interest expense and lower gross margin
EPS (cts)	0.43	(0.25)	274.4	(59.1)	1.00	2	(39.5)	2	
Core EPS (cts)	0.47	(0.26)	280.7	(44.8)	0.84	2	(46.9)	2	

SOURCE: CIMB RESEARCH, COMPANY

Figure 2: Earnings revision

(US\$m)	2016		2017F		2018F		2019F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	2,267.8	2,367.5	(5.5)	2,473.4	2,321.9	(6.1)	2,586.1	2,412.8	(6.7)
EBITDA	235.9	205.1	(7.8)	238.8	215.8	(9.6)	279.8	243.9	(12.8)
Reported net profit	51.5	37.9	(18.0)	51.0	30.0	(41.2)	78.9	47.4	(39.9)

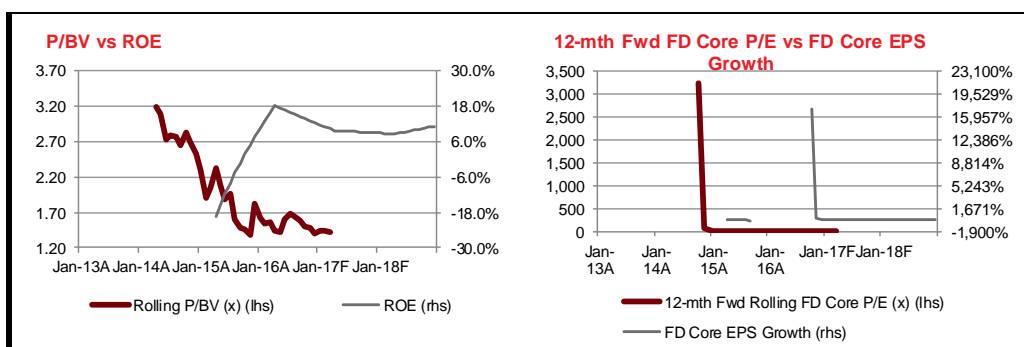
SOURCE: CIMB RESEARCH, COMPANY

Figure 3: Peers comparison

Company	Bloomberg Ticker	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x) CY17F	3-year EPS CAGR (%)	P/BV (x) CY17F	Recurring ROE (%) CY17F	Dividend Yield (%) CY17F			
Del Monte Pacific	DELM SP	HOLD	0.35	0.35	474	15.6	11.4	20.3%	0.80	9.0%	0.0%
Campbell Soup Co	CPB US	NR	59.05	NA	17,974	18.9	17.8	-5.2%	11.14	62.5%	2.5%
ConAgra Foods Inc	CAG US	NR	41.02	NA	17,852	22.4	20.9	36.0%	4.17	21.5%	2.0%
Fresh Del Monte Produce Inc	FDP US	NR	57.74	NA	2,960	13.9	14.1	-1.5%	1.76	10.1%	1.0%
General Mills Inc	GIS US	NR	60.52	NA	35,102	18.6	17.7	-21.7%	7.45	36.1%	3.2%
Tingyi Cayman Islands Holding Corp	322 HK	Hold	8.80	9.80	6,351	25.4	21.5	na	2.03	8.2%	2.0%
Uni-President China Holdings Ltd	220 HK	Reduce	5.44	4.60	3,026	24.6	21.0	na	1.63	6.8%	1.0%
Universal Robina Corp	URC PM	Add	164.6	221.2	7,209	24.0	20.8	14.3%	4.92	20.9%	2.0%
TIPCO Foods PCL	TIPCO TB	NR	16.60	NA	227	26.1	24.1	-14.5%	1.55	12.7%	1.6%
Kikkoman Corp	2801 JP	NR	3,450	NA	6,308	34.3	26.5	-34.7%	2.77	10.5%	1.1%
Simple average excluding Del Monte Pacific						23.1	20.5	-3.9%	4.16	21.0%	1.8%

SOURCE: CIMB RESEARCH, COMPANY

BY THE NUMBERS



Profit & Loss

(US\$m)	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
Total Net Revenues	2,187	2,268	2,237	2,322	2,413
Gross Profit	467	556	554	585	623
Operating EBITDA	77	205	188	215	243
Depreciation And Amortisation	(59)	(74)	(70)	(72)	(75)
Operating EBIT	18	131	118	143	168
Financial Income/(Expense)	(99)	(97)	(98)	(93)	(91)
Pretax Income/(Loss) from Assoc.	(2)	(2)	(2)	(2)	(2)
Non-Operating Income/(Expense)	17	31	1	1	1
Profit Before Tax (pre-EI)	(67)	63	19	49	76
Exceptional Items	0	0	0	0	0
Pre-tax Profit	(67)	63	19	49	76
Taxation	18	(8)	9	(5)	(11)
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	(49)	55	28	44	65
Minority Interests	6	(3)	3	3	3
Preferred Dividends	0	0	0	(18)	(20)
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	(43)	52	31	30	47
Recurring Net Profit	(43)	52	31	30	47
Fully Diluted Recurring Net Profit	(43)	52	31	30	47

Cash Flow

(US\$m)	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
EBITDA	77.1	204.8	188.1	214.8	242.9
Cash Flow from Inv. & Assoc.	2.5	1.7	1.6	1.6	1.6
Change In Working Capital					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	172.7	(176.4)	36.6	(23.3)	(23.2)
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0	0.0
Tax Paid	(12.6)	(0.0)	2.4	(4.9)	(11.4)
Cashflow From Operations	239.6	30.2	228.6	188.1	209.9
Capex	(75.2)	(60.3)	(65.0)	(65.0)	(65.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	(79.8)	2.2	(0.6)	(0.6)	(0.6)
Cash Flow From Investing	(155.0)	(58.1)	(65.6)	(65.6)	(65.6)
Debt Raised/(repaid)	(141.3)	126.4	(10.0)	(360.0)	(10.0)
Proceeds From Issue Of Shares	152.1	0.0	0.0	350.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	(25.8)	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	(17.5)	(20.3)
Other Financing Cashflow	(88.1)	(84.8)	(103.9)	(93.2)	(91.6)
Cash Flow From Financing	(77.3)	15.8	(113.9)	(120.7)	(121.9)
Total Cash Generated	7.4	(12.1)	49.2	1.8	22.4
Free Cashflow To Equity	(56.6)	98.4	153.0	(237.5)	134.3
Free Cashflow To Firm	84.7	(28.0)	163.0	122.5	144.3

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
Total Cash And Equivalents	36	47	96	98	121
Total Debtors	183	183	184	191	198
Inventories	750	845	831	857	884
Total Other Current Assets	137	118	108	112	116
Total Current Assets	1,105	1,194	1,219	1,259	1,319
Fixed Assets	578	564	566	567	564
Total Investments	23	23	21	20	18
Intangible Assets	760	750	743	735	728
Total Other Non-Current Assets	165	164	175	175	175
Total Non-current Assets	1,526	1,501	1,505	1,496	1,484
Short-term Debt	446	727	727	727	727
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	374	301	294	305	317
Other Current Liabilities	17	18	45	45	45
Total Current Liabilities	837	1,046	1,067	1,078	1,090
Total Long-term Debt	1,273	1,116	1,106	746	736
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	196	167	158	161	163
Total Non-current Liabilities	1,469	1,283	1,264	907	900
Total Provisions	0	0	0	0	0
Total Liabilities	2,306	2,330	2,331	1,985	1,990
Shareholders' Equity	266	303	334	714	761
Minority Interests	59	62	59	56	53
Total Equity	324	365	393	770	814

Key Ratios

	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
Revenue Growth	194%	4%	(1%)	4%	4%
Operating EBITDA Growth	2564%	166%	(8%)	14%	13%
Operating EBITDA Margin	3.5%	9.0%	8.4%	9.2%	10.1%
Net Cash Per Share (US\$)	(0.87)	(0.93)	(0.89)	(0.71)	(0.69)
BVPS (US\$)	0.14	0.16	0.17	0.37	0.39
Gross Interest Cover	0.18	1.31	1.14	1.53	1.83
Effective Tax Rate	0.0%	13.0%	0.0%	10.0%	15.0%
Net Dividend Payout Ratio	NA	50.1%	NA	NA	NA
Accounts Receivables Days	33.25	29.49	29.92	29.45	29.43
Inventory Days	166.0	170.5	181.8	177.4	177.5
Accounts Payables Days	67.09	72.17	64.50	62.99	63.47
ROIC (%)	0.82%	5.99%	5.12%	6.30%	7.34%
ROCE (%)	0.89%	6.25%	5.57%	6.41%	7.44%
Return On Average Assets	1.96%	5.71%	4.67%	5.01%	5.61%

Key Drivers

	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
ASP (% chg, main prod./serv.)	380.6%	3.1%	-4.0%	2.0%	2.0%
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	17.6%	6.6%	10.0%	10.0%	10.0%
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , tertiary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , tertiary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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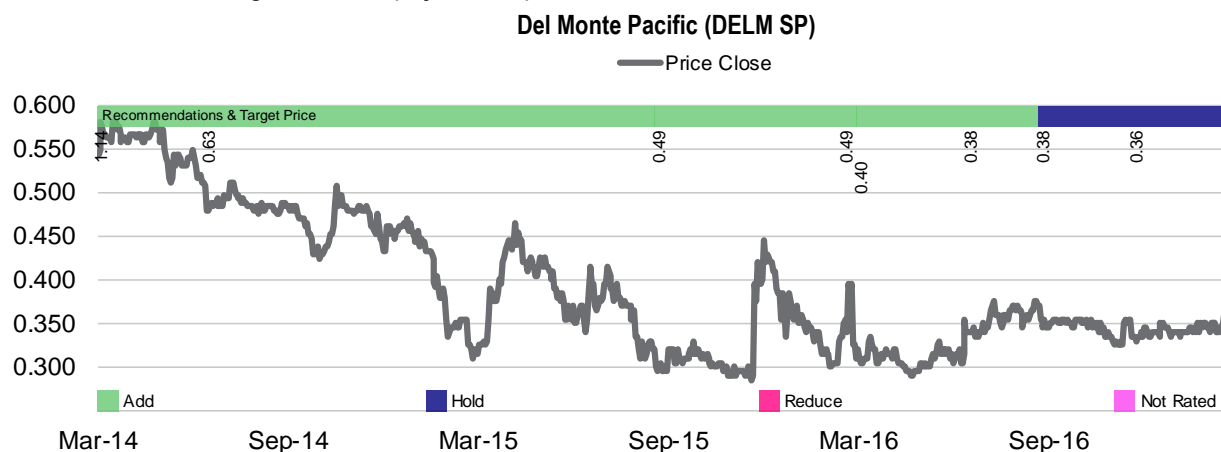
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1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

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 (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BCP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared,

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- Companies certified by CAC

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
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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.

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Definition:

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