

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

26 Feb 2014

BUY S\$0.61 STI : 3,103.62

Price Target : 12-Month S\$ 0.82

Analyst

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Result Summary

FY Dec (US\$ m)	4Q 2013	4Q 2012	3Q 2013	yoy chg	qoq chg
P&L Items					
Turnover	156.8	159.5	127.0	(1.7)	23.5
Gross Profit	35.8	38.7	31.7	(7.5)	13.1
Opg Profit	(3.8)	19.0	13.1	nm	nm
EBITDA	(4.9)	22.7	16.2	nm	nm
Net Profit*	(1.7)	13.4	7.2	nm	nm
Net Profit (recurring)	13.2	13.5	8.9	(1.8)	48.3
Other Data					
Gross Margin (%)	22.8	24.2	24.9		
Opg Margin (%)	(2.4)	11.9	10.3		
Net Margin (%)	(1.1)	8.4	5.7		

*note: includes transaction costs amounting to US\$14.9m in 4Q13 (net of tax)

Financial Summary

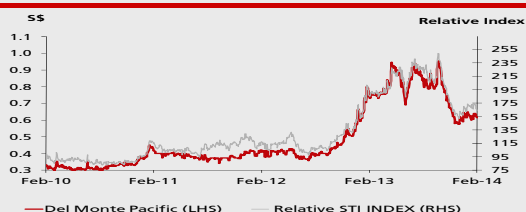
FY Dec (US\$ m)	2012A	2013A	2014F	2015F
Turnover	460	492	541	601
Operating Profit	50	27	51	86
EBITDA	60	42	63	101
Net Pft (Pre Ex.)	32	16*	33	62
EPS (S cts)	3.1	1.6	3.3	6.0
EPS Pre Ex. (S cts)	3.1	1.6	3.3	6.0
EPS Gth (%)	17	(50)	108	85
EPS Gth Pre Ex (%)	17	(50)	108	85
PE. (X)	19.5	38.9	18.7	10.1
PE Pre Ex. (X)	19.5	38.9	18.7	10.1
EV/EBITDA (X)	12.5	18.3	11.9	7.0
Net Div Yield (%)	3.8	1.3	1.8	3.3
P/Book Value (X)	2.5	2.8	2.5	2.1
Net Debt/Equity (X)	0.4	0.5	0.7	0.5
ROAE (%)	13.3	6.7	14.0	22.4

*note: includes transaction costs amounting to US\$14.9m in 4Q13 (net of tax)

At A Glance

Issued Capital (m shrs)	1,297
Mkt. Cap (S\$m/US\$m)	791 / 626
Avg. Daily Vol. ('000)	2,332

Price Relative



Source: Company, DBS Bank

Look beyond current results

- Core recurring net profit within expectations
- Share price correction since late Oct'13 presents entry opportunity
- Key share price catalyst is post-acquisition integration, execution and extraction of synergies
- Maintain BUY, TP unchanged at S\$0.82

Highlights

Core recurring net profit within expectations, but headline impacted by huge one-off M&A expenses. FY13 net profit slipped by 50% to US\$16.1m, mainly on the back of higher one-off acquisition expenses relating to the acquisition of US-based Del Monte Foods' consumer business (DMFI). Excluding those and related Philippines dual-listing expenses (US\$17.6m), core recurring net profits ended at US\$33.9m (+5% y-o-y), which were within expectations on the back of 7% growth in revenue to US\$492.2m.

Topline growth driven by the Non-Branded business, S&W brand.

Topline growth in FY13 was driven by Non-Branded (+11% y-o-y), while the Branded segment grew by a smaller 5%. Within the Branded segment, S&W delivered sales growth of 16%, while revenue from Philippines increased by a smaller 4% due to a tactical change in product mix in 4Q13 towards lower-priced and bundled products for its culinary segments.

Our View

Integration, cost synergies and focus on growing business.

The US\$1.675bn acquisition of DMFI was completed on 18 Feb 2014. Going forward, with the consolidation of DMFI, DMPL's financial year end will be adjusted to April, instead of December. Our current forecast have not factored that in for now.

Management expects higher recurring earnings in 1Q14, but lower non-recurring income due to one-off costs. However, it remains optimistic that earnings will improve in its new FY15 (May'14 to Apr'15) on the potential of the acquisition and intends to focus on cost synergies coupled with growing the business.

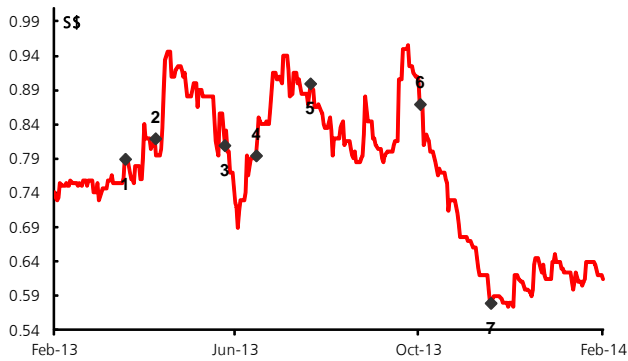
Uncertainty of acquisition financing largely over. With the >30% share price correction since late last Oct, we believe this presents a buying opportunity, especially with financing of the acquisition largely firmed up through issuance of bonds and bank financing. The company still intends to refinance US\$530m of bank and shareholder's loans with preference shares (c.US\$350m) and rights issue (>c.US\$165m) over the next 4-6 months. The potential fundraising has been indicated previously, and we believe this should have been factored into its current share price.

Recommendation

Maintain BUY, TP: S\$0.82. Maintain BUY, TP remains at S\$0.82.

Key risks to our recommendation are higher interest rates, hiccups in integration and performance of the combined entity, and overhang from potential equity financing.

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	12 Apr 13	0.79	0.97	Buy
2:	02 May 13	0.82	0.97	Buy
3:	17 Jun 13	0.81	0.97	Buy
4:	08 Jul 13	0.80	0.97	Buy
5:	13 Aug 13	0.90	0.97	Buy
6:	25 Oct 13	0.87	0.96	Hold
7:	11 Dec 13	0.58	0.82	Buy

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

Source: DBS Bank

DBS Bank 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)

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

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