

Singapore Company Guide

Del Monte Pacific

Version 4 | Bloomberg: DELM SP | Reuters: DMPL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

7 Dec 2016

HOLD

Last Traded Price (6 Dec 2016): S\$0.36 (STI : 2,949.12)

Price Target 12-mth: S\$0.37 (4% upside)

Potential Catalyst: Stronger turnaround in operational performance

Where we differ: Below consensus on higher expenses; preference sharecoupons

Analyst

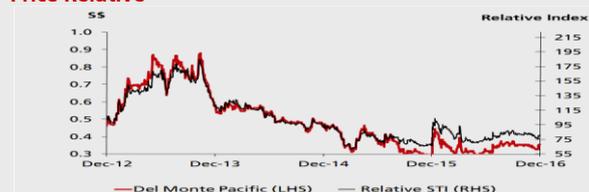
Andy SIM CFA +65 6682 3718 andysim@dbs.com

Alfie YEO +65 6682 3717 alfieyeo@dbs.com

What's New

- **2Q17 core profits within expectations**
- **Lower US sales offset by strong Asia Pacific performance**
- **Preference shares planned for 1QCY2017**
- **Maintain HOLD, TP: S\$0.37**

Price Relative



Forecasts and Valuation

FY Apr (US\$ m)	2015A	2016A	2017F	2018F
Revenue	2,187	2,268	2,394	2,513
EBITDA	91.5	234	223	244
Pre-tax Profit	(66.9)	62.7	57.6	80.3
Net Profit	(43.2)	51.5	36.8	49.0
Net Pft (Pre Ex.)	(43.2)	51.5	36.8	49.0
Net Pft Gth (Pre-ex) (%)	(34.0)	nm	(28.7)	33.3
EPS (S cts)	(4.2)	3.77	2.69	3.58
EPS Pre Ex. (S cts)	(4.2)	3.77	2.69	3.58
EPS Gth Pre Ex (%)	(29)	nm	(29)	33
Diluted EPS (S cts)	(4.2)	3.77	2.69	3.58
Net DPS (S cts)	0.0	1.89	0.0	0.0
BV Per Share (S cts)	19.4	22.1	22.9	26.5
PE (X)	nm	9.4	13.2	9.9
PE Pre Ex. (X)	nm	9.4	13.2	9.9
P/Cash Flow (X)	1.5	16.1	4.9	3.2
EV/EBITDA (X)	23.0	10.0	10.5	9.3
Net Div Yield (%)	0.0	5.3	0.0	0.0
P/Book Value (X)	1.8	1.6	1.6	1.3
Net Debt/Equity (X)	5.2	4.9	2.4	2.1
ROAE (%)	(19.4)	18.1	11.9	14.5

Earnings Rev (%): -

Consensus EPS (S cts): -

Other Broker Recs: B: 2 S: 0 H: 1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

Tracking within expectations

Maintain HOLD, improvement in US operations and deleveraging are key catalysts. We maintain our HOLD

recommendation on DMPL with an unchanged TP of S\$0.37. While its Asia Pacific operations are posting strong growth, we believe firmer performance from its US operations (DMFI) and the fruition of its deleveraging plans are keys to the re-rating of the counter.

2Q17 results within expectations. 2Q17 revenue was US\$636m (-4.6% y-o-y) while core recurring net profit ended at US\$20m (+33% y-o-y). Revenue decline was dragged by DMFI (its US operations) sales which dropped by 9.3% y-o-y to US\$492m, offset partially by Asia Pacific sales which grew 21% y-o-y to US\$141m. Gross margin improved 0.7ppt to 23.1%, while core EBIT was US\$54m (+3% y-o-y) stripping out a one-off gain from 2Q16 (US\$33.4m, due to write-back of retirement plan benefits).

Preference shares planned for launch in early 2017. DMPL's planned issuance of an initial US\$250m tranche of perpetual preference shares has been deferred from end-2016 to beginning 2017. It is now awaiting approval from the Philippine Stock Exchange. It hopes to launch the preference shares in early CY17 subject to market conditions. We have factored US\$250m (coupon rate of 6.5%) in our forecasts and estimate this to lower the group's gearing to 2.4x/2.1x by end-FY17F/18F.

Valuation:

Our target price is maintained at S\$0.37 based on 12x FY17F/18F PE (post preference share coupon). This is at a 40% discount to consumer peers listed in the US and Philippines, given its higher gearing and uncertainty on the pace of its growth, particularly for its US operations.

Key Risks to Our View:

Turnaround in performance. The main proposition of our recommendation is the turnaround of profit in the absence of non-recurring expenses and better operational performance. This is also contingent on sales, and in turn consumer sentiment and the broader economy.

At A Glance

Issued Capital (m shrs)	1,943
Mkt. Cap (S\$m/US\$m)	690 / 486
Major Shareholders (%)	
Nutriasia Pacific Ltd	59.4
Bluebell Group Holdings	7.4
Free Float (%)	23.4
3m Avg. Daily Val (US\$m)	0.14

ICB Industry : Consumer Goods / Food Producers

WHAT'S NEW**Tracking within expectations**

2Q17 results in line. 2Q17 revenue was US\$636m (-4.6% y-o-y) while core recurring net profit was US\$20m (+33% y-o-y). Revenue decline was dragged by DMFI (its US operations) sales which dropped by 9.3% y-o-y to US\$492m, offset by Asia Pacific sales which grew 21% y-o-y to US\$141m.

Gross margin improved 0.7ppt to 23.1%, while core EBIT was US\$54m (+3% y-o-y) stripping out a one-off gain from 2Q16 of US\$33.4m arising largely from write-back of retirement plan benefits. Including those, headline EBIT fell 37% y-o-y. Core recurring EBIT margins increased from 7.9% to 8.5%, aided by DMFI's operating margins. Asia Pacific's margins ticked up marginally.

US sales declined marginally, but core recurring margins improved. The sales decline arose from slower inventory build-up by retailers and weakness in canned fruit and packaged vegetable segments. While gross margin for DMFI declined by 0.2ppt to 20.1% on sales mix, recurring operating margins improved from 7.9% to 8.5%.

The reported headline fall in DMFI's operating margins included a one-time gain of US\$33.4m of retirement benefits in 2Q16. Stripping this out, operating profit would have declined by a mere 4.4% y-o-y due to lower sales.

Asia Pacific operations continue to grow. Asia Pacific sales reached US\$251m (+16.5% y-o-y), driven by Packaged Fruit and Others, which grew 32.8% and 48.3% y-o-y respectively. Expanded penetration and increased consumption also in the foodservice channel helped to support revenue growth. There were product launches and re-introduction for Culinary and ketchup products in the Philippines, along with strong sales of S&W brands in fresh and packaged segments, canned fruit, foodservice in Asia and Middle East.

Gross margins improvement in Asia Pacific. Gross margins improved to 23.1% in 2Q17, from 22.4% a year ago. On the back of that, operating margins ticked up slightly by 10bps to 12.6%, from 12.5% in 2Q16.

Productivity improvements have led to better operating expenses including the production and plantation functions.

Philippines market continued to show a strong performance, with sales growing by 12% y-o-y (in PHP terms, or +10% in USD terms). We estimate that sales in Philippines account for about 16% of group sales in 1H17. In addition, growth in the Asia Pacific was helped by the improved sales of S&W brands (packaged and fresh fruits), particularly in China and Middle East.

Preference shares planned for launch in early 2017. DMPL's planned issuance of an initial US\$250m tranche of perpetual preference shares has been deferred from end-2016 to beginning 2017. The Philippines SEC has recently approved its rules for PSE's dollar-denominated securities. It is now awaiting approval from the Philippine Stock Exchange. It hopes to launch the preference shares in early CY17 subject to market conditions. The planned preference share issuance has been accounted for in our forecasts. We have assumed a coupon rate of 6.5%.

Forecasts and Valuation

1H17 results tracking within forecasts. While 1H17 profits account for 31% of our full-year forecasts (post preference share coupon), we expect a further improvement in 2H17. Note that 1Q is usually the slowest season, with losses registered. We are maintaining our estimates for now.

Maintain HOLD, TP: S\$0.37. We are maintain our HOLD recommendation with an unchanged TP of S\$0.37, based on 12x FY17F/18F PE (post preference share coupon). While DMPL (ex-DMFI) operations are posting strong results, the pace of improvement at DMFI (US operations) will probably need some time given its competitive and matured market. We believe the route to achieve a similar core EPS prior to the acquisition of DMFI would likely take place only in FY18F. While the stock now trades at a seemingly undemanding PE of 13.9x FY17F PE, the uncertainties on the pace of growth, coupled with the outcome of the preference shares to deleverage the group, could hold back a significant re-rating of the counter.

Quarterly / Interim Income Statement (US\$m)

FY Apr	2Q2016	1Q2017	2Q2017	% chg yoy	% chg qoq	Comments
Revenue	667	466	636	(4.6)	36.7	Lower sales from US, offset partially by growth in Asia Pacific
Cost of Goods Sold	(517)	(372)	(489)	(5.4)	31.6	
Gross Profit	149	93.6	147	(1.6)	57.0	
Other Oper. (Exp)/Inc	(63.3)	(86.8)	(92.7)	46.4	6.8	2Q16 includes US\$33.4m one-off gains, of which US\$39.4m came from retirement plan amendment. 2Q17 includes a US\$1.5m charge due to closure of plant and severance package.
Operating Profit	86.1	6.76	54.2	(37.0)	702.3	Excluding the one-off items, operating profit up by 6%
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm	
Associates & JV Inc	(0.3)	(0.4)	(0.4)	(28.3)	(16.2)	
Net Interest (Exp)/Inc	(23.8)	(26.6)	(25.1)	(5.3)	5.9	
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm	
Pre-tax Profit	61.9	(20.2)	28.7	(53.6)	nm	
Tax	(9.3)	9.41	(7.7)	(17.3)	(181.6)	
Minority Interest	(4.9)	2.10	(0.9)	82.1	(141.7)	
Net Profit	47.8	(8.7)	20.2	(57.8)	nm	Recurring profit up by 33%
Net profit bef Except.	47.8	(8.7)	20.2	(57.8)	nm	
Net profit (excluding one-offs)	15.9	(8.7)	20.2	33.0	nm	
EBITDA	85.7	6.40	67.7	(21.0)	958.4	
Margins (%)						
Gross Margins	22.4	20.1	23.1			
Opg Profit Margins	12.9	1.5	8.5			
Net Profit Margins	7.2	(1.9)	3.2			

Source of all data: Company, DBS Bank

One-off items in 2Q16 vs 2Q17

In US\$ m	2Q FY16	2Q FY17	Booked under
Closure of North Carolina plant	-	1.2	CGS
ERP implementation at DMFI	2.0	-	G&A expense
Sager Creek integration	1.3	-	G&A expense
Severance	2.7	0.3	G&A expense
Retirement plan amendment	(39.4)	-	G&A expense
Total (pre-tax basis)	(33.4)	1.5	
Total (net of tax and minority interest)	(31.9)	0.9	

Source: Company presentation

CRITICAL DATA POINTS TO WATCH

Earnings Drivers:

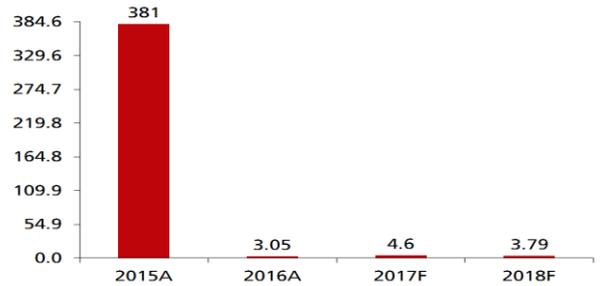
Main revenue contributor is from the US. With the acquisition of Del Monte Foods Inc. (DMFI) in 2012, DMPL's largest revenue contribution comes from the Americas, accounting for c.78% of group revenue. Since the acquisition, the group has reverted to competitive pricing levels for its products, reintroduced the well-recognised classic Del Monte label as well as partnered with complementary brands such as Tyson Foods, Walmart and Fleischmann's ® Yeast to drive top-line growth. Also, recipes using the group's products are distributed for free across magazines and the internet.

Asia Pacific growth driven by Philippines, Middle East. With the Philippines economy growing at a healthy rate, we project consumption to continue on an uptrend. This will benefit the group given that it is the market leader in the processed fruits and vegetables segment. New products such as the 1L tetra juice drinks are also well received by consumers. Sales of Del Monte in the Philippines were up 12% (in peso terms) and S&W brands' business sales in Asia and the Middle East grew by 8% in FY16. While Asia Pacific and the Philippines contribute only 22% of revenue in FY16, the strong growth in revenue from these markets will be important for the group's organic growth.

Leveraging on its US operations. In the short term, canned pineapple products from the Philippines are sold in the US market to generate top-line growth. Given the group's success in this product segment in its Asian and Philippine markets, this strategy will likely generate positive results. In the medium term, the group is focused on developing the Del Monte range of products for the ethnic markets (Hispanics, Asians) in the US. The group is also planning to use its US operations as a base to penetrate into the South and Central American markets.

Synergistic benefits from acquisitions. Product teams from the different markets are able to share product knowledge, map out product innovations, and identify cross-border selling opportunities. This will help to ensure that resources are more effectively deployed across the group. Furthermore, the acquisition of Sager Creek has enabled the group to expand rapidly into foodservice and new vegetable segments. It is also reported that this acquisition will achieve significant operating synergies in terms of production and distribution in the US market.

Americas rev gwth %



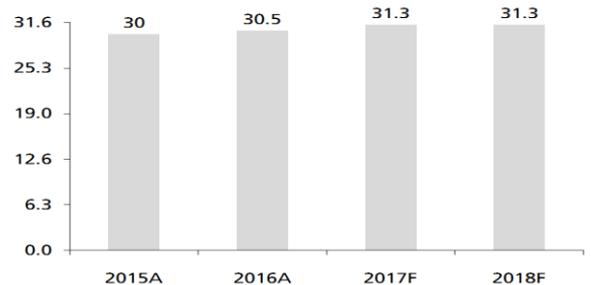
Americas GP mgn



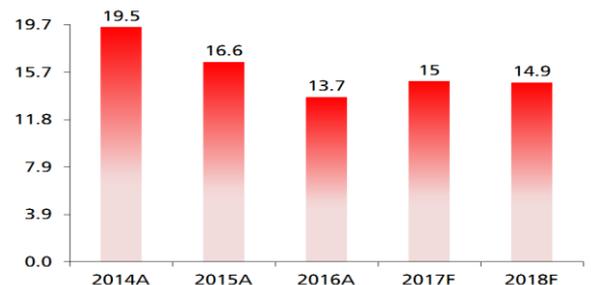
Asia Pac rev gwth %



Asia Pac GP mgn



SG&A as % of sales



Source: Company, DBS Bank

Balance Sheet:

High gearing due to leverage for buyout. Gearing is high and stood at c.5x as of end-FY16, but is projected to drop to 2.4x by end-FY17F based on our assumptions/projections. Management is focused on de-leveraging its balance sheet and is looking to issue preference shares.

Capex to moderate. With the group now focused on the integration of the acquired businesses (DMFI & Sager Creek), capex should be significantly lower as no further significant acquisitions are planned.

Share Price Drivers:

Pace of earnings turnaround. Since the acquisition of DMFI, the group registered losses for FY14 and FY15. It registered a profit in FY16, as per expectations. However, we expect ongoing pace of growth, while robust from a relatively low base, will be slower than previously envisaged. An improvement in the pace would aid in driving the share price up.

Key Risks:

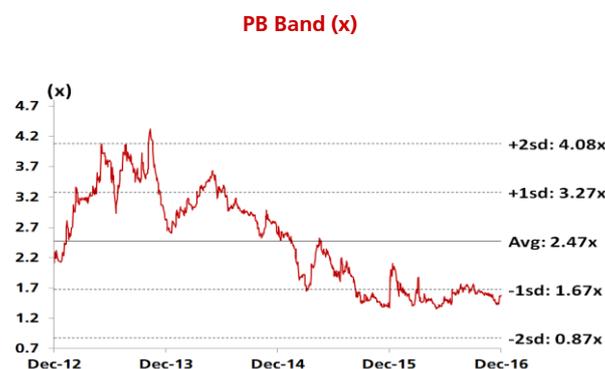
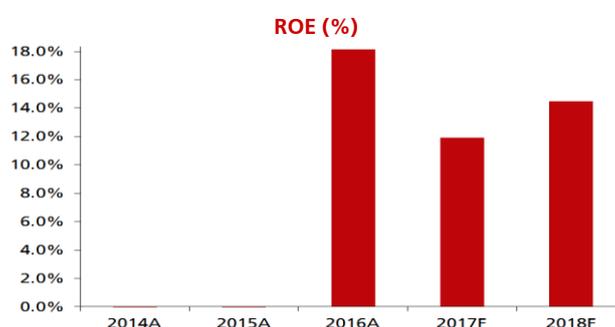
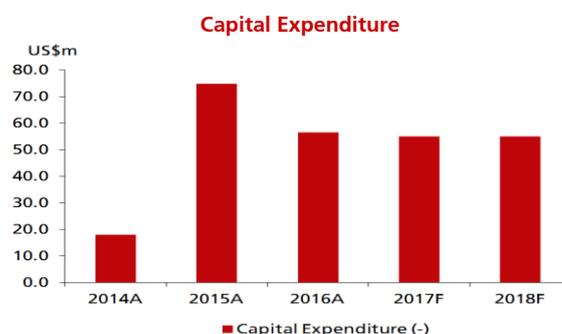
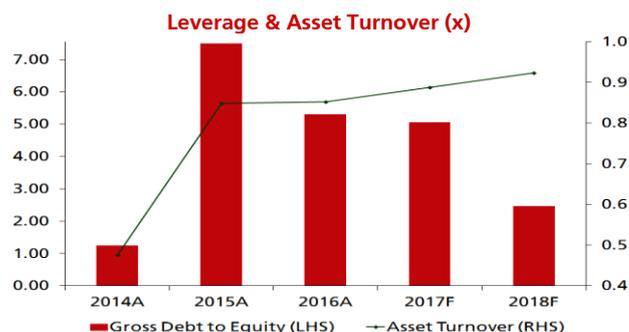
Higher interest costs. While a portion of loans has been swapped to a fixed rate, a higher interest rate environment could undermine future refinancing options.

Performance turnaround; raw material price. We expect operational performance to improve in the absence of one-off expenses, coupled with better efficiencies. This is contingent on sales, and in turn consumer sentiment and the broader economy.

Overhang from potential preference share issuance. The terms and actual timing of the preference share issuance and fruition are uncertain, and will depend on market conditions.

Company Background

Del Monte Pacific Limited is a consumer F&B-focused group. It acquired the consumer food business of Del Monte Corp in the US and completed the deal in February 2014 and thus extending the footprint of the group to the US and South America, along with trademarks such as Del Monte, S&W, Contadina, College Inn, etc. The group now has exclusive rights to use the Del Monte trademarks for packaged products in the United States, South America, the Philippines, Indian subcontinent and Myanmar. It owns another premium brand, S&W, globally except in Australia and New Zealand.



Source: Company, DBS Bank

Key Assumptions

FY Apr	2015A	2016A	2017F	2018F
Americas rev gwth %	381	3.05	4.60	3.79
Americas GP mgn	15.9	18.6	18.6	19.0
Asia Pac rev gwth %	24.7	6.58	9.60	9.60
Asia Pac GP mgn	30.0	30.5	31.3	31.3
SG&A as % of sales	16.6	13.7	15.0	14.9

Segmental Breakdown

FY Apr	2014A	2015A	2016A	2017F	2018F
--------	-------	-------	-------	-------	-------

Revenues (US\$m)

Americas	357	1,717	1,770	1,851	1,921
Asia Pacific	349	436	464	509	558
Europe	36.8	33.7	33.8	33.8	33.8

Total	743	2,187	2,268	2,394	2,513
--------------	------------	--------------	--------------	--------------	--------------

Gross profit (US\$m)

Americas	32.6	273	329	344	365
Asia Pacific	88.4	131	142	159	174
Europe	(0.2)	4.44	11.5	5.67	4.91

Total	121	408	482	509	545
--------------	------------	------------	------------	------------	------------

Gross profit Margins (%)

Americas	9.1	15.9	18.6	18.6	19.0
Asia Pacific	25.3	30.0	30.5	31.3	31.3
Europe	(0.4)	13.2	34.1	16.8	14.5

Total	16.3	18.7	21.2	21.3	21.7
--------------	-------------	-------------	-------------	-------------	-------------

Income Statement (US\$m)

FY Apr	2014A	2015A	2016A	2017F	2018F
--------	-------	-------	-------	-------	-------

Revenue	743	2,187	2,268	2,394	2,513
Cost of Goods Sold	(622)	(1,779)	(1,786)	(1,885)	(1,968)
Gross Profit	121	408	482	509	545
Other Opng (Exp)/Inc	(154)	(373)	(320)	(359)	(374)
Operating Profit	(33.6)	35.0	162	150	170
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	(4.6)	(2.5)	(1.7)	(1.0)	(0.7)
Net Interest (Exp)/Inc	(22.1)	(99.5)	(97.4)	(91.3)	(89.2)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	(60.2)	(66.9)	62.7	57.6	80.3
Tax	23.1	17.9	(8.1)	(5.8)	(8.0)
Minority Interest	4.95	5.81	(3.0)	(7.0)	(7.0)
Preference Dividend	0.0	0.0	0.0	(8.1)	(16.3)
Net Profit	(32.2)	(43.2)	51.5	36.8	49.0
Net Profit before Except.	(32.2)	(43.2)	51.5	36.8	49.0
EBITDA	(22.6)	91.5	234	223	244

Growth

Revenue Gth (%)	51.0	194.2	3.7	5.6	5.0
EBITDA Gth (%)	nm	nm	155.8	(4.7)	9.2
Opg Profit Gth (%)	nm	nm	362.1	(7.3)	13.5
Net Profit Gth (Pre-ex) (%)	nm	(34.0)	nm	(28.7)	33.3

Margins & Ratio

Gross Margins (%)	16.3	18.7	21.2	21.3	21.7
Opg Profit Margin (%)	(4.5)	1.6	7.1	6.3	6.8
Net Profit Margin (%)	(4.3)	(2.0)	2.3	1.5	1.9
ROAE (%)	(15.9)	(19.4)	18.1	11.9	14.5
ROA (%)	(2.1)	(1.7)	1.9	1.4	1.8
ROCE (%)	(7.5)	2.5	6.3	5.8	6.5
Div Payout Ratio (%)	N/A	N/A	50.2	0.0	0.0
Net Interest Cover (x)	(1.5)	0.4	1.7	1.6	1.9

Source: Company, DBS Bank

Quarterly / Interim Income Statement (US\$m)

FY Apr	2Q2016	3Q2016	4Q2016	1Q2017	2Q2017
Revenue	667	594	520	466	636
Cost of Goods Sold	(517)	(472)	(409)	(372)	(489)
Gross Profit	149	122	111	93.6	147
Other Oper. (Exp)/Inc	(63.3)	(97.5)	(52.7)	(86.8)	(92.7)
Operating Profit	86.1	24.5	58.3	6.76	54.2
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	(0.3)	(0.4)	(0.5)	(0.4)	(0.4)
Net Interest (Exp)/Inc	(23.8)	(25.0)	(26.9)	(26.6)	(25.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	61.9	(0.8)	30.9	(20.2)	28.7
Tax	(9.3)	(0.1)	(9.9)	9.41	(7.7)
Minority Interest	(4.9)	1.47	(1.7)	2.10	(0.9)
Net Profit	47.8	0.59	19.3	(8.7)	20.2
Net profit bef Except.	47.8	0.59	19.3	(8.7)	20.2
EBITDA	85.7	24.2	57.8	6.40	67.7

Growth

Revenue Gth (%)	39.3	(10.9)	(12.5)	(10.5)	36.7
EBITDA Gth (%)	4,057.2	(71.8)	139.2	(88.9)	958.4
Opg Profit Gth (%)	3,159.3	(71.5)	137.6	(88.4)	702.3
Net Profit Gth (Pre-ex) (%)	nm	(98.8)	3,162.4	nm	nm

Margins

Gross Margins (%)	22.4	20.5	21.3	20.1	23.1
Opg Profit Margins (%)	12.9	4.1	11.2	1.5	8.5
Net Profit Margins (%)	7.2	0.1	3.7	(1.9)	3.2

Balance Sheet (US\$m)

FY Apr	2014A	2015A	2016A	2017F	2018F
Net Fixed Assets	505	578	564	554	544
Invt in Associates & JVs	21.0	22.6	22.7	21.7	21.0
Other LT Assets	862	925	914	905	896
Cash & ST Invt	28.4	35.6	47.2	27.9	79.0
Inventory	809	750	845	862	861
Debtors	216	224	211	239	251
Other Current Assets	82.5	95.2	90.0	91.0	92.0
Total Assets	2,524	2,630	2,694	2,701	2,744
ST Debt	920	446	727	447	417
Creditor	258	374	301	318	332
Other Current Liab	13.2	17.0	18.1	20.0	22.3
LT Debt	934	1,273	1,116	1,116	1,116
Other LT Liabilities	151	196	167	167	167
Shareholder's Equity	180	266	303	564	613
Minority Interests	67.3	58.6	62.0	69.0	76.0
Total Cap. & Liab.	2,524	2,630	2,694	2,701	2,744
Non-Cash Wkg. Capital	836	678	828	855	850
Net Cash/(Debt)	(1,826)	(1,683)	(1,797)	(1,536)	(1,455)
Debtors Turn (avg days)	80.5	36.8	35.0	34.3	35.6
Creditors Turn (avg days)	99.1	107.5	67.1	72.0	62.3
Inventory Turn (avg days)	108.6	273.0	165.4	170.0	172.1
Asset Turnover (x)	0.5	0.8	0.9	0.9	0.9
Current Ratio (x)	1.0	1.3	1.1	1.6	1.7
Quick Ratio (x)	0.7	0.2	0.3	0.2	0.3
Net Debt/Equity (X)	7.4	5.2	4.9	2.4	2.1
Net Debt/Equity ex MI (X)	10.1	6.3	5.9	2.7	2.4
Capex to Debt (%)	1.0	4.4	3.1	3.5	3.6
Z-Score (X)	0.4	1.1	1.3	1.5	1.6

Source: Company, DBS Bank

Cash Flow Statement (US\$m)

FY Apr	2014A	2015A	2016A	2017F	2018F
Pre-Tax Profit	(60.2)	(66.9)	62.7	57.6	80.3
Dep. & Amort.	29.0	59.0	74.1	74.1	74.1
Tax Paid	(4.1)	(12.6)	0.0	(3.8)	(5.8)
Assoc. & JV Inc/(loss)	4.57	2.45	1.72	1.00	0.70
Chg in Wkg.Cap.	147	178	(168)	(29.3)	3.01
Other Operating CF	(28.0)	79.3	59.2	0.0	0.0
Net Operating CF	87.9	240	30.1	99.7	152
Capital Exp.(net)	(18.0)	(74.8)	(56.5)	(55.0)	(55.0)
Other Invt.(net)	(1,821)	(76.3)	0.0	0.0	0.0
Invt in Assoc. & JV	(2.3)	(4.3)	(2.0)	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.35	0.36	0.0	0.0
Net Investing CF	(1,842)	(155)	(58.1)	(55.0)	(55.0)
Div Paid	0.0	0.0	0.0	(34.0)	(16.3)
Chg in Gross Debt	1,580	(141)	126	(280)	(30.0)
Capital Issues	0.0	155	0.0	0.0	0.0
Other Financing CF	69.0	(91.0)	(84.8)	250	0.0
Net Financing CF	1,649	(77.3)	41.6	(64.0)	(46.3)
Currency Adjustments	(0.2)	(0.1)	(2.1)	0.0	0.0
Chg in Cash	(105)	7.22	11.6	(19.3)	51.1
Opg CFPS (\$ cts)	(5.9)	5.96	14.5	9.43	10.9
Free CFPS (\$ cts)	7.05	16.0	(1.9)	3.26	7.11

Source: Company, DBS Bank

Target Price & Ratings History



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

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	14 Mar 16	0.33	0.39	HOLD
2:	30 Jun 16	0.34	0.37	HOLD
3:	09 Sep 16	0.36	0.37	HOLD

Source: DBS Bank

Analyst: Andy SIM CFA

Alfie YEO

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

Completed Date: 7 Dec 2016 08:13:49 (SGT)

Dissemination Date: 7 Dec 2016 08:19:13 (SGT)

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates 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 and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

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.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

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, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) 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(s) 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 the report. The DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. As of 7 Dec 2016, the analyst(s) and his/her spouse and/or relatives who are financially dependent on the analyst(s), do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities). The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately.

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 31 Oct 2016.
2. DBS Bank Ltd does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

Compensation for investment banking services:

3. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction 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.

Disclosure of previous investment recommendation produced:

4. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

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 being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), both of which are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by or on behalf of, and is attributable to DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission and/or by DBS Bank (Hong Kong) Limited which is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission. Where this publication relates to a research report, unless otherwise stated in the research report(s), DBS Bank (Hong Kong) Limited is not the issuer of the research report(s). This publication including any research report(s) is/are distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS Bank (Hong Kong) Limited. This report is intended for distribution in Hong Kong only to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules promulgated thereunder.) For any query regarding the materials herein, please contact Paul Yong (CE. No. ASE988) at equityresearch@dbs.com.
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"). 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 produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore. This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates 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 DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
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	This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. 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
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E