



Company Note

I Singapore

HOLD (previously ADD)

Consensus ratings*: Buy 3 Hold 1 Sell 0

Current price: S\$0.37
 Target price: S\$0.38
 Previous target: S\$0.38
 Up/downside: 3.4%
 CIMB / Consensus: -14.0%

Reuters: DMPL.SI
 Bloomberg: DELM SP
 Market cap: US\$533.9m

Average daily turnover: S\$719.0m
 US\$0.39m
 S\$0.52m

Current shares o/s: 1,944m
 Free float: 26.5%

* Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.8	15.6	23.3
Relative (%)	2	14.5	23

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

Reduction in 1QFY17 net loss

- 1QFY17 loss was in line with our expectation as 1Q is seasonally weak.
- DMFI continued to be loss making, incurring one-off costs of US\$2.8m net of tax in 1QFY17.
- DMPL continued to see strong revenue growth of nearly 10% yoy and reported US\$9.5m net profit in 1QFY17.
- Preference share issuance is on track for CY16.
- Downgrade from Add to Hold but retain target price of S\$0.38, as we believe the positives have been priced in.

1QFY17 sales in line

1QFY17 sales were within expectations, at 20% of our and consensus FY17 forecasts, in line with DMPL's seasonality (historically 1Q accounted for 19-21% of full-year sales). Group sales fell 2.8% yoy but net losses fell by 18.3% yoy to US\$8.7m, driven by various cost reduction initiatives since DMFI acquisition. Yoy sales decline in 1Q was due to lower non-branded sales in the US, while Asia Pacific still posted strong growth.

DMFI was loss making in 1QFY17

DMFI, which accounted for 75% of group sales in 1QFY17) saw revenue decline of 6.1% yoy due to its unsuccessful bids for USDA contracts and lower sales to private label and food service businesses. Gross margin fell to 15.5% in 1QFY17 (19% in 1QFY16) as trade spending normalised and closure of the North Carolina factory incurred a one-off US\$1.5m charge. Total one-off expenses for DMFI were US\$2.8m net of tax in 1QFY17.

DMPL continued to see good sales growth

Thanks to the resolution of the pineapple shortage issue, DMPL sales rose by c.10% yoy and gross margin improved to 31.3% in 1QFY17 (27.3% in 1QFY16), with higher productivity, improved pricing and lower packaging costs. The key Philippines market saw 1QFY17 revenue growth of 14% yoy (in peso) or 8.7% (in US\$). S&W revenue rose 12% yoy due to strong canned fruit sales in North Asia and improved distribution reach.

Positive FY17 earnings outlook

The group expects to remain profitable at net profit level in FY17 and thinks that DMFI will be in the black as well, as the benefits from cost reduction measures undertaken in FY16 materialise in FY17. DMPL estimates that the restructuring initiatives announced in 1QFY17 (cost of US\$4.9m pretax) will generate annual cost savings of US\$9.0m.

Debt situation

On the proposed preference share issuance of up to US\$360m (initial tranche of US\$250m, with the balance issuable within three years), approvals from the Philippine Securities and Exchange Commission (SEC) and central bank have been received. The only outstanding approval is that of the Philippines Stock Exchange. DMPL expects to complete this offering by end-CY16. At end-1QFY17, its net gearing ratio was 5.32x.

Downgrade from Add to Hold

We make no changes to our EPS forecasts but downgrade our call to Hold, as the share price has reached our target price. Our target price remains S\$0.38, based on 11.3x CY17 P/E (1 s.d. below historical average of US peers). Upside risks are lower than expected one-off expenses in the remaining nine months till end FY4/17.

Financial Summary	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
Revenue (US\$m)	2,187	2,268	2,368	2,473	2,586
Operating EBITDA (US\$m)	77.1	204.8	201.1	234.8	275.8
Net Profit (US\$m)	(43.17)	51.53	37.87	50.97	78.93
Core EPS (US\$)	(0.027)	0.027	0.020	0.026	0.041
Core EPS Growth	7.2%		(26.5%)	34.6%	54.8%
FD Core P/E (x)	NA	10.36	14.08	10.46	6.76
DPS (US\$)	-	0.013	-	-	-
Dividend Yield	0.00%	4.84%	0.00%	0.00%	0.00%
EV/EBITDA (x)	28.37	11.68	11.69	9.87	8.16
P/FCFE (x)	NA	5.42	NA	3.95	3.16
Net Gearing	519%	493%	186%	169%	145%
P/BV (x)	2.01	1.76	0.77	0.72	0.65
ROE	(19.2%)	18.1%	11.8%	13.9%	18.3%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.72	0.82	

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Results comparison

FYE Apr (US\$ m)	1QFY17	1QFY16	yoy % chg	4QFY16	qoq % chg	Prev FY17F	Comments
Revenue	466	473	(1.5)	520	(10.5)	2,368	Achieved 20% of our and consensus forecasts.
Operating costs	(442)	(456)	(3.1)	(456)	(3.2)	(2,162)	Lower operating expenses.
EBITDA	24	17	38.8	64	(62.6)	205	
EBITDA margin (%)	5.1	4	41.0	12	(58.2)	9	
Depn & amort.	(17)	(17)	0.9	(21)	(17.6)	(70)	Higher depreciation from combined entity.
EBIT	7	0	na	43	(84.3)	135	
Interest expense	(27)	(22)	20.2	(27)	1.3	(75)	Due to debt assumed for the acquisition of DMFL.
Interest & invt inc	0	0	(99.9)	0	(99.8)	0	
Associates' contrib	(0)	(1)	(99.9)	(0)	(99.9)	(2)	
Exceptionals	0	1	na	15	na	-	
Pretax profit	(20)	(22)	(8.8)	31	na	59	
Tax	9	8	12.4	(10)	na	(6)	
Tax rate (%)	credit	credit	na	32.2	na	10.0	Tax credit in the US.
Minority int & pref div	(2)	(2)	28.5	2	na	(9)	
Net profit	(9)	(12)	(28.6)	19	na	44	Lower loss yoy
Core net profit	(9)	(13)	(31.9)	5	na	44	Lower loss yoy
EPS (US cts)	(0.5)	(0.6)	(18.2)	1	na	2	
Core EPS (US cts)	(0.5)	(0.6)	(30.6)	0	na	2	

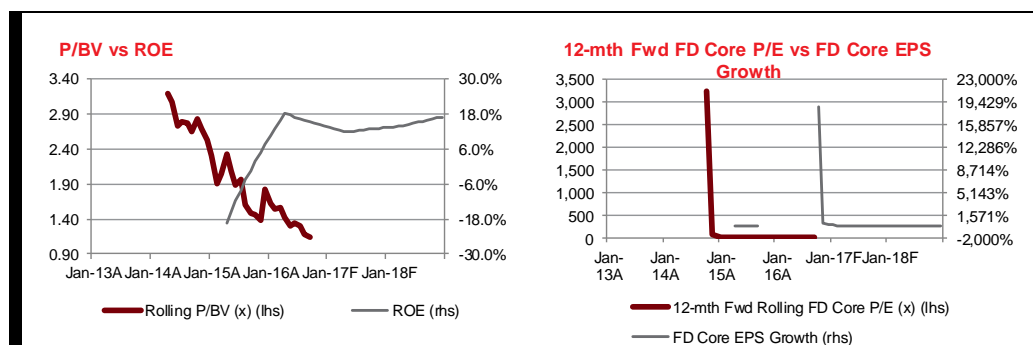
SOURCE: CIMB RESEARCH, COMPANY

Figure 2: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x) CY2016	3-year EPS CAGR (%)	P/BV (x) CY2016	Recurring ROE (%) CY2016	Dividend Yield (%) CY2016
Del Monte Pacific	DELM SP	HOLD	0.37	0.38	534	12.6	11.4	61.6%	0.95	13.7%
Campbell Soup Co	CPB US	NR	56.16	NA	17,334	30.9	17.9	16.8%	10.96	45.2%
ConAgra Foods Inc	CAG US	NR	44.88	NA	19,718	na	17.9	na	5.06	8.7%
Fresh Del Monte Produce Inc	FDP US	NR	58.95	NA	3,022	14.5	15.6	49.6%	1.97	12.0%
General Mills Inc	GIS US	NR	67.47	NA	40,452	23.8	20.5	12.1%	7.40	32.7%
China Huiyuan Juice Group Ltd	1886 HK	NR	2.91	NA	1,002	na	83.1	na	0.63	-0.8%
Tingyi Cayman Islands Holding	322 HK	Hold	8.44	8.00	6,097	33.6	25.1	-18.9%	2.06	6.2%
Uni-President China Holdings L	220 HK	Add	6.08	7.40	3,386	23.4	20.7	12.5%	1.80	8.1%
Universal Robina Corp	URC PM	Add	180.4	221.2	8,353	30.4	26.8	11.2%	5.66	19.2%
Jollibee Foods Corp	JFC PM	Reduce	240.4	200.4	5,485	46.9	40.0	15.8%	7.81	17.7%
San Miguel Corp	SMC PM	NR	80.80	NA	4,079	na	na	na	na	na
TIPCO Foods PCL	TIPCO TB	NR	13.10	NA	182	na	na	na	na	na
Kikkoman Corp	2801 JP	NR	3,255	NA	6,706	31.7	27.5	8.7%	2.66	9.9%
Simple average						27.5	27.9	18.8%	4.27	17.5%

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	2,368	2,473	2,586
Gross Profit	467	556	566	604	654
Operating EBITDA	77	205	201	235	276
Depreciation And Amortisation	(59)	(74)	(70)	(72)	(75)
Operating EBIT	18	131	131	163	201
Financial Income/(Expense)	(99)	(97)	(75)	(78)	(78)
Pretax Income/(Loss) from Assoc.	(2)	(2)	(2)	(2)	(2)
Non-Operating Income/(Expense)	17	31	4	4	4
Profit Before Tax (pre-EI)	(67)	63	59	87	125
Exceptional Items	0	0	0	0	0
Pre-tax Profit	(67)	63	59	87	125
Taxation	18	(8)	(6)	(9)	(19)
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	(49)	55	53	78	106
Minority Interests	6	(3)	(3)	(3)	(3)
Preferred Dividends	0	0	(12)	(25)	(25)
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	(43)	52	38	51	79
Recurring Net Profit	(43)	52	38	51	79
Fully Diluted Recurring Net Profit	(43)	52	38	51	79

Cash Flow

(US\$m)	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
EBITDA	77.1	204.8	201.1	234.8	275.8
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)	156.6	(17.0)	(14.3)
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0	0.0
Tax Paid	(12.6)	(0.0)	14.0	(8.7)	(18.8)
Cashflow From Operations	239.6	30.2	373.3	210.7	244.3
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	(360.0)	(10.0)	(10.0)
Proceeds From Issue Of Shares	152.1	0.0	350.0	0.0	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	(12.3)	(24.5)	(24.5)
Other Financing Cashflow	(88.1)	(84.8)	(74.9)	(78.4)	(78.4)
Cash Flow From Financing	(77.3)	15.8	(97.1)	(112.9)	(112.9)
Total Cash Generated	7.4	(12.1)	210.6	32.2	65.8
Free Cashflow To Equity	(56.6)	98.4	(52.3)	135.1	168.7
Free Cashflow To Firm	84.7	(28.0)	307.7	145.1	178.7

BY THE NUMBERS

Balance Sheet

(US\$m)	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
Total Cash And Equivalents	36	47	81	107	167
Total Debtors	183	183	195	203	213
Inventories	750	845	887	920	951
Total Other Current Assets	137	118	123	127	132
Total Current Assets	1,105	1,194	1,285	1,358	1,463
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	147	147	147
Total Non-current Assets	1,526	1,501	1,477	1,468	1,456
Short-term Debt	446	727	727	727	727
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	374	301	311	325	340
Other Current Liabilities	17	18	18	18	18
Total Current Liabilities	837	1,046	1,057	1,071	1,086
Total Long-term Debt	1,273	1,116	756	746	736
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	196	167	193	199	206
Total Non-current Liabilities	1,469	1,283	949	946	942
Total Provisions	0	0	0	0	0
Total Liabilities	2,306	2,330	2,006	2,016	2,028
Shareholders' Equity	266	303	691	742	821
Minority Interests	59	62	65	68	71
Total Equity	324	365	756	810	891

Key Ratios

	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
Revenue Growth	194%	4%	4%	4%	5%
Operating EBITDA Growth	2564%	166%	(2%)	17%	17%
Operating EBITDA Margin	3.5%	9.0%	8.5%	9.5%	10.7%
Net Cash Per Share (US\$)	(0.87)	(0.93)	(0.72)	(0.70)	(0.67)
BVPS (US\$)	0.14	0.16	0.36	0.38	0.42
Gross Interest Cover	0.18	1.31	1.75	2.08	2.56
Effective Tax Rate	0.0%	13.0%	10.0%	10.0%	15.0%
Net Dividend Payout Ratio	NA	50.1%	NA	NA	NA
Accounts Receivables Days	33.25	29.49	29.10	29.36	29.35
Inventory Days	166.0	170.5	175.5	176.4	176.8
Accounts Payables Days	67.09	72.17	61.99	62.14	62.86
ROIC (%)	0.82%	5.99%	5.69%	6.98%	8.52%
ROCE (%)	0.89%	6.25%	5.91%	7.21%	8.67%
Return On Average Assets	1.96%	5.71%	4.68%	5.60%	6.42%

Key Drivers

	Apr-15A	Apr-16A	Apr-17F	Apr-18F	Apr-19F
ASP (% chg, main prod./serv.)	380.6%	3.1%	3.0%	3.0%	3.0%
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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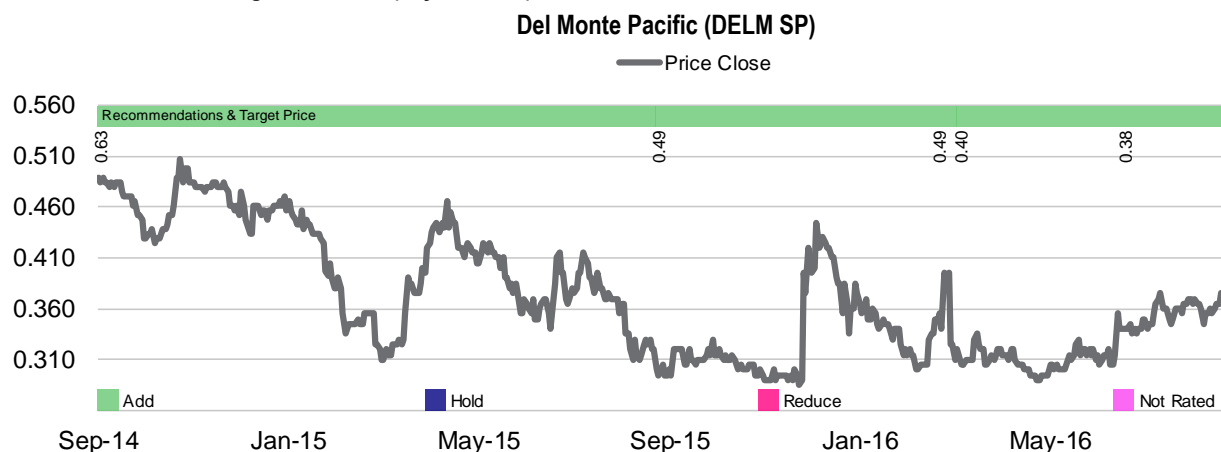
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2016		
1574 companies under coverage for quarter ended on 30 June 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	56.5%	7.1%
Hold	32.2%	2.9%
Reduce	9.8%	0.6%

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 2015, Anti-Corruption Progress Indicator 2015.

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

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.