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COMPANY ALERT**Del Monte Pacific****1Q09 results were above expectations****Results****Buy**

Reuters:DMPL.SI Exchange:SES Ticker:DMPL

Price (SGD)	0.52
Price target (SGD)	0.58
52-week range (SGD)	0.70 - 0.30
Market cap (USDm)	378
Shares outstanding (m)	1,081.8
Net debt/equity (%)	9.8
Book value/share (USD)	0.20
Price/book (x)	1.7

FYE 12/31	2008A	2009E	2010E
Sales (US-Dm)	381	401	425
Net Profit (USDm)	37.0	40.1	45.8
DB EPS (USD)	0.03	0.04	0.04
PER (x)	11.6	9.4	8.3
Yield (net) (%)	6.4	7.9	9.1

1Q09 results above expectations and consensus. DELM's 1Q09 revenue declined 15.8% YoY to US\$60.4m on lower export sales (-US\$7.1m), negative currency translation (-US\$6.8m) and the absence of sales from Great Lakes (-US\$6.4m). Stripping out the last two factors, the company's revenue increased 3.0% YoY. Core earnings dropped 19% YoY to US\$4.1m on higher interest charges, hedging loss and streamlining costs.

Management maintains its guidance for the remainder of the year to return to growth. We remain confident of our earnings forecast as the company can benefit from lower tin plate prices (-20.7% YoY to US\$1150/ton), continued optimization programme and operating efficiencies (savings of up to US\$2.0m pa). Gross margin for 1Q09 improved 3.9ppt to 25.8% and is expected to improve further.

Increase in net debt to fund the increase in working capital. Net debt level increased from US\$62.8m to US\$108.1m mainly due to an increase in working capital (+US\$32.9m). Management is planning to lower its working capital by reducing its inventory of tin plate orders from 3.5 months to 1 month, selling excess tomato paste at cost and working to reduce its credit terms. It is confident that working capital will normalize as it aims to lower receivables that are overdue by May '09.

Increase in store coverage to drive domestic sales. Store coverage increased 30.7% YoY to 89,932 in 1Q09, and is on track to reach 140,000 stores by FY10E. The Philippine market remained strong with sales rising 22% YoY in Peso terms, underpinned by higher beverage revenue led by Fit 'n Right and the launch of new kids' beverage products. DELM has a 29% share in RTD juice and tea market, and it is preparing to launch new beverages this year.

1Q09 Results breakdown			
US\$m	1Q08	1Q09	YoY
Revenue	71.7	60.4	-15.8%
Gross profit	15.7	15.5	-1.1%
Operating profit	7.7	7.1	-7.4%
Core earnings	5.0	4.1	-19.0%
Gross margin	21.9%	25.8%	

James Tan
Research Analyst
(+65) 6423 5139
james-s.tan@db.com

Deutsche Bank AG/Hong Kong

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