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## COMPANY ALERT

### Del Monte Pacific

#### On the right track

## Results Review

### Buy

Reuters:DMPL.SI Exchange:SES Ticker:DMPL

Price (SGD)	<b>0.62</b>
Price target (SGD)	<b>0.90</b>
52-week range (SGD)	<b>0.80 - 0.48</b>
Market cap (USDm)	<b>486</b>
Shares outstanding (m)	<b>1,081.8</b>
Net debt/equity (%)	<b>8.1</b>
Book value/share (USD)	<b>0.21</b>
Price/book (x)	<b>2.1</b>

FYE 12/31	2007A	2008E	2009E
Sales (US-Dm)	289	387	485
Net Profit (USDm)	28.3	37.0	47.0
DB EPS (USD)	0.03	0.03	0.04
PER (x)	14.7	13.1	10.4
Yield (net) (%)	6.9	5.7	7.2

Del Monte Pacific posted a 1H08 revenue growth of 41.1% YoY to US \$160.3m with a net profit rising by 10.1% YoY to US\$11.6m, inline with our expectations and consensus. The slower growth in earnings was attributed to the US\$1.7m losses from its associate, Bharti Del Monte India, higher interest expenses and increases in A&P and corporate overheads. The company has declared an interim dividend of US\$0.008 per share or 75% of its 1H08 earnings, inline with our dividend forecasts.

Sales from S&W rose by more than three-fold to US\$1.9m in the 2Q08 with 1H08 sales of US\$2.5m, helped by the sales of S&W Sweet 16 pineapples and the introduction of its tropical fruit range. While profitability for the S&W division remains insignificant, the company has taken steps to build its organization structure and also taken direct control over sourcing and is looking to broaden its distribution in Asia to grow its sales.

Del Monte Pacific's 40% stake in Bharti Del Monte India continues to post its share of losses of US\$0.8m in the 2Q08 and US\$1.7m in the 1H08. Management has a target to achieve profitability in FY10E as the division is refocusing its fresh division to export corn and move into food service as well as prepare its retail launch of the Del Monte brand into India.

The company has expanded its store coverage of 74,000 stores in June 2008 from 41,000 stores in June 2007 and is on track to meet our 80,000 store coverage in FY08E. Maintain our Buy recommendation on the stock.

Earnings summary					
US\$m	2Q08	2Q07	YoY	1Q08	QoQ
Revenue	88.6	65.7	34.8%	71.7	23.6%
Gross profit	20.9	15.5	34.8%	15.7	33.1%
Operating profit	10.3	8.1	27.3%	7.7	34.9%
Net profit	5.6	5.4	3.1%	6.0	-7.4%
Gross margin	23.6%	23.6%	0.0%	21.9%	7.7%
Net profit margin	6.3%	8.2%	-23.5%	8.4%	-25.1%

Source: Deutsche Bank, Company Data

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## Deutsche Bank AG/Hong Kong

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