Del Monte Pacific Limited

Turnaround underway

SINGAPORE | CONSUMER | INITIATION (AMENDED)

- US subsidiary Del Monte Foods Inc. (DMFI) turned profitable in FY21. It had been suffering losses since the acquisition in 2014. Loss-making factories were closed, low margin products exited, new products introduced and more distribution channels were established.
- Del Monte Philippines Inc. (DMPI) enjoys dominant market shares as high as 90% in the Philippines. Growth is expected from a new dairy product line, expanding distribution points and exports of fresh pineapples into China.
- Initiate coverage with BUY and TP of S\$0.60. DMPL is currently trading at 8.2x FY22e, below the industry average of 16x. We apply a 20% discount to industry valuation due to comparatively higher leverage. Stock catalysts expected from turnaround of DMFI and stable growth of DMPI in the Philippines. We peg DMPL to 13x FY22e P/E.

Company Background

Dual-listed on the Singapore Exchange and Philippine Stock Exchange, Del Monte Pacific Limited (DMPL) produces and markets packaged vegetable and fruit, beverage and culinary products (refer to Appendix 1).

In the US, DMFI is ranked first in canned vegetables and second in canned fruits, as consumers continue to turn to trusted brand names for meal preparation and healthy snacks. DMPI's dominant market shares in the Philippines of as high as 90% in key categories have continued to rise. Retailers are carrying fewer brands and focused on the largest.

Investment Merits

- Turnaround of the US business. DMFI was acquired in February 2014 for US\$1.7bn. In 1. FY21, DMFI generated a net profit of US\$15.8mn, reversing years of operating losses. The path to profitability was from the closure of loss-making factories, exit of low margin private label products, new product innovation, raising prices and penetrating new distribution channels including food services. We expect the continuing introduction of new products and margin expansion to contribute to gross profit growth at CAGR of 13% over next two years. New products launched in the past three years accounted for 6% of FY21 revenue.
- 2. Del Monte's dominant market share in the Philippines is expected to continue driving sales. DMPI is DMPL's most profitable subsidiary, generating a record net profit of US\$94.5mn in FY21, up 40%. Primarily present in the Philippines, the Asia Pacific segment made up 29% of FY21 revenue, but 49% of operating income. DMPI entered into a joint venture with Vinamilk, the largest dairy manufacturer in Vietnam to expand into the dairy sector in the Philippines. The JV will import dairy products from Vinamilk under four product lines and distribute them in the Philippines. DMPI products are available across the Philippines in more than 100,000 stores. There are plans to raise this to 200,000 stores in five years.
- Significant undervaluation of DMPL. DMPL is trading at FY22e P/E of 8.2x, far below 3. the industry average of 16x. The company had been underperforming since the acquisition of US subsidiary DMFI in 2014. Over the years, the new management has turned DMFI around successfully, steering towards innovation to address shifting consumer habits and expanding distribution into key growth areas. We believe another reason for the undervaluation is the debt level of US\$1.3bn, resulting in high interest expenses of US\$111mn, which we expect to wind down gradually. We apply a 20% discount to the industry average, due to its gearing level which is higher than peers and smaller market capitalization.





StocksBnB.com BEAR

26 October 2021

BUY (Initiation)

AND

CLOSING PRICE	SGD 0.38
FORECAST DIV	SGD 0.02
TARGET PRICE	SGD 0.60
TOTAL RETURN	63.1%

COMPANY ΠΔΤΛ

COMPANY DATA	
Bloomberg CODE:	DELM SP
O/S SHARES (MN) :	1,944.0
MARKET CAP (USD mn / SGD mn) :	548/739
52 - WK HI/LO (SGD) :	0.48/0.12
3M Average Daily T/O (mn) :	1.23

MAJOR SHAREHOLDERS	
Mr. Joselito D. Campos, Jr.	71.7%

PRICE PERFORMANCE (%

	1MTH	3MTH	YTD
COMPANY	7.0	(10.6)	101.6
STI RETURN	5.2	2.7	15.9



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Apr, USD (mn)	FY20	FY21	FY22e	FY23e	
Revenue	2,128.3	2,162.7	2,270.3	2,383.9	
EBITDA	270.5	402.1	423.1	495.8	
PATMI	-81.4	63.3	86.3	115.3	
Adj. PATMI	32.2	63.3	86.3	115.3	
Adj. EPS (US cents)	1.7	3.3	3.4	5.8	
EPS (US cents)	-5.2	2.2	3.4	5.8	
EPS (SG cents)	-7.1	3.0	4.6	8.1	
P/E (x)	n.a.	12.5	8.2	4.7	
Dividend Yield	19.8%	4.2%	5.2%	6.9%	
ROE	5.7%	9.9%	16.7%	22.4%	
ROA	1.3%	2.6%	3.6%	4.7%	
Source: Company, PSF	2				

VALUATION METHOD

13x FY22e P/E

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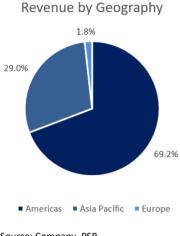
REVENUE

Del Monte Foods Inc (DMFI). DMFI is Del Monte's US subsidiary, under which they have both branded and private retail sales. This segment was acquired in 2014 and is mainly present in the US. It has been accounting for the bulk of DMPL's revenue, and made up 70% of FY21 revenue, driven by branded retail sales (Figure 2). The majority of sales under the Americas segment are sold under the Del Monte brand but also include products under the Contadina, S&W, College Inn and other brands. This segment also includes sales of private label food products. Sales are distributed in all channels serving retail markets, and to certain export markets, the food services industry and other food processors.

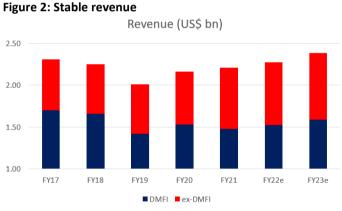
Del Monte Philippines Inc (DMPI). This is DMPL's second-largest and most profitable subsidiary. In the Philippines, sales are derived from general trade, modern trade and food services. General trade (GT) includes retailing to a network of retailers, wholesalers, and dealers. Modern Trade (MT) includes the distribution of goods to supermarket chains. Food services include selling through restaurants. The GT and MT combined grew by 13.4% in FY21, delivering record sales of US\$705.8mn.

DMPI products are also exported to Europe and S&W markets. This includes exports of fresh and packaged pineapples. Sales increased from higher sales of fresh pineapples in China, Japan and South Korea, and packaged pineapple, mixed fruit and juice drinks.

Figure 1: Americas (USA, South America and Canada) contributed to 69.2% of FY21 revenue



Source: Company, PSR



Source: Company, PSR

Figure 4: Packaged fruit and vegetables remain largest contributor

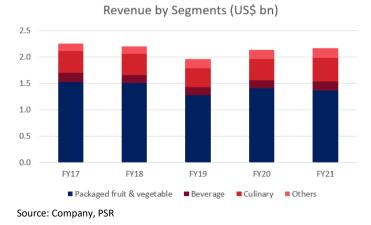
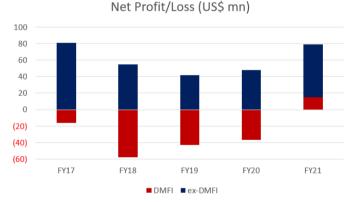


Figure 3: US subsidiary DMFI turned around to be profitmaking in FY21



Source: Company, PSR



EXPENSES

Costs primarily include metal packaging, packaging and raw material costs. DMPL has introduced various cost cutting measures over the years.

DMPL has high levels of borrowing, with net debt of US\$1.3bn in FY21. This also comes with interest burden of US\$111mn. The company has progressively reduced net debt over the past five financial years. It may take another three years before reduction of interest expenses to below US\$100mn, as we expect repayment of some short-term borrowings.

In 2017, DMPL completed the offering and listing of 20mn Series A-1 and 10mn Series A-2 preference shares, both at an offer price of US\$10 per share in the Philippines, at a fixed rate of 6.625% and 6.5% per annum. We have factored in assumptions that Series A-1 and A-2 preference shares would be redeemed by FY22 and FY23 respectively.

MARGINS

DMFI generated a gross profit margin of 22.6% in FY21, up from 17.6% in FY20. This was driven by higher sales from branded retail, combined with lower promotional trade spend and cost improvement including lower cash discounts. There were also lower packing costs from the asset light strategy, with production outsourced. Plant closures in FY20 generated savings, in line with DMPL's asset-light strategy.

We expect DMFI gross margins to climb further in FY22e and FY23e. Levers to raise margins to include reducing overhead and trade spending, and capacity expansion in packaging. To alleviate recent cost pressures, DMFI raised product prices in May and September this year. We believe the strength of the brand will keep volumes resilient despite the higher prices.

DMPL generated an average gross profit margin of 21.8% over the past five financial years, and EBITDA margin of 13.3%, which we expect to remain stable.



Figure 5: Improving gross margins for DMFI

Source: Company, PSR



BALANCE SHEET

Assets. Fixed assets have remained largely stable over the past five financial years from FY17 to FY21, at US\$680mn. DMPL has adopted IFRS 16 since 1 May 2019.

Intangible assets and goodwill is the biggest component of DMPL's assets, consisting of trademarks, including the right to use the "Del Monte" trademarks in connection with the production, manufacturing, sales and distribution of food products, in various markets (Figure 6).

As of 30 April 2021, DMPL carries goodwill of US\$203.4mn and indefinite life trademarks of US\$408mn, with US\$394mn relating to DMFI.

Liabilities. DMPL has been gradually reducing its net debt, to US\$1.3bn in FY21 (Figure 8), and gearing was lowered from 2.4x to 2.0x equity.

DMFI issued US\$500mn of 11.875% Senior Secured Notes on 15 May 2020. They will mature on 15 May 2025 and are redeemable at the option of DMFI beginning in May 2022. The Notes make up 50.4% of total non-current liabilities (Figure 7). Interest paid under this loan in FY21 was US\$29.7mn, accounting for 27% of total interest expense.

Recently, S&P Global Ratings raised credit rating on DMFI to 'B' from 'B-', and issue-level rating on its debt to 'B' from 'B-'. This is on the back of continued deleveraging, with 11% revenue growth and high profitability in 1QFY22, with EBIT margin of 9.3%. This resulted in improvement in leverage from 10x to about 3.5x for 12 months ending 1 August 2021.

Cash flow. DMPL has been generating positive operating and free cash flows from FY17 to FY21. Operating cash flow was lower in FY21 due to higher working capital. Capex has remained relatively stable at an average of US\$115mn over the past five financial years (Figure 9).

DMPL's dividend policy is to distribute a minimum of 33% of net profit. In FY21, DMPL paid 37% of PATMI in FY21, and 50% of PATMI in FY19. In FY20, although it was a loss-incurring financial year due to plant closures resulting in one-off expenses, DMPL declared a special dividend due to the one-off gain generated from the sale of a 13% stake in DMPI. Preferred dividends were also paid.

Figure 8: Stable fixed assets and falling net debt from FY17 to FY21

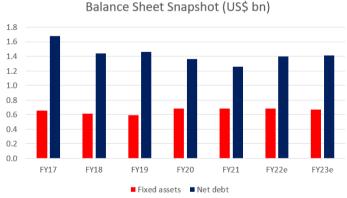


Figure 6: FY21 balance sheet

FY21 asset breakdown	% of assets
Intangible assets & goodwill	28.7
Inventories	23.1
PPE	22.5
Right-of-use assets	5.6
Trade & other receivables	7.7

FY21 liabilities breakdown	% of liab
Loans and borrowings	72.4
Trade & other liabilities	14.3
Lease liabilities	5.8

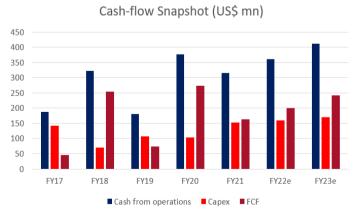
Source: Company, PSR

Figure 7: Senior secured notes major component of non-current liabilities

		% of
Noncurrent		noncurrent
liabilities	Amount	liab
Senior	USD 500mn	50.4%
secured		
notes		
Bonds	PHP 6.48bn /	12.9%
payable	USD 127.7mn	
Other loans	USD 366mn	36.9%
Equity	Amount	
Preference	USD 300mn	
shares		

Source: Company, PSR

Figure 9: Historical record of generating positive FCF



Source: Company, PSR

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- Turnaround of the US business. DMFI was acquired in February 2014 for US\$1.7bn. In FY21, DMFI generated a net profit of US\$15.8mn, reversing years of operating losses. The path to profitability was from the closure of loss-making factories, exit of low margin private label products, new product innovation, raising prices and penetrating new distribution channels including food services. We expect the continuing introduction of new products and margin expansion to contribute to gross profit growth at CAGR of 13% over next two years. New products launched in the past three years accounted for 6% of FY21 revenue.
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- 3. Significant undervaluation of DMPL. DMPL is trading at FY22e P/E of 8.2x, far below the industry average of 16x. The company had been underperforming since the acquisition of US subsidiary DMFI in 2014. Over the years, the new management has turned DMFI around successfully, steering towards innovation to address shifting consumer habits and expanding distribution into key growth areas. We believe another reason for the undervaluation is the debt level of US\$1.3bn, resulting in high interest expenses of US\$111mn, which we expect to wind down gradually. We apply a 20% discount to the industry average, due to its gearing level which is higher than peers and smaller market capitalization.

KEY RISKS

- 1. Increased raw material costs. Costs have gone up in various segments, including tin plating, packaging, shipments, which impact the bottom line directly. DMPL emphasizes an assetlight strategy, including outsourcing production of certain goods and reduction of fixed production costs. Through capacity expansion and price raises, the company has managed to alleviate the effect through higher prices.
- 2. High finance costs. DMPL has high levels of borrowing, with net debt of US\$1.3bn in FY21. This also comes with an interest burden of US\$111mn. The company has progressively reduced net debt over the past five financial years. It may take another three years before reduction of interest expenses to below US\$100mn, as we expect repayment of some short-term borrowings.
- 3. Exchange rate risks. DMPL's businesses are transacted in various currencies. Currencies contributing to this risk are primarily the Philippine Peso and Mexican Peso. DMPL manages its exposure to fluctuations in foreign currency exchange rates by entering into forward contracts to cover a portion of its projected expenditures paid in foreign currency and accounts for these contracts as cash flow hedges. According to the sensitivity analysis, a 10% strengthening or weakening of the USD against the Philippine Peso in FY21 would have increased or decreased profit before taxation by US\$12mn, which represents an 11.6% change. YTD Oct21, the USD has appreciated 5.8% relative to the Philippine Peso.

INDUSTRY

Del Monte Pacific ranks among the top players in the US (Figure 10) and has a dominant share in the Philippines (Figure 11).

Increasing interest in culinary home meal preparation has accelerated due to Covid-19. As a result, more consumers are looking for quick, convenient and healthy food options, and they are turning to strong brands, including Del Monte.

The personal consumption expenditure on processed fruits and vegetables in the US was recording steady growth until the Covid-19 pandemic hit in early 2020, and spiked in March 2020 (Figure 12). Consumers had to prepare their meals at home during the lockdowns, which led to pantry loading and higher demand for meal preparation products. This has also led to steady growth in the prices of processed foods (Figure 13). DMFI has also raised prices over the year.

Figure 10: Market share of products in the US

Product	Market share	Position
Canned Vegetable	18.6%	1
Canned Fruit	19.9%	2
Fruit Cup Snacks	25.5%	2
Canned Tomato	5.2%	3

Source: Company, PSR

Figure 12: Expenditure on processed foods spiked due to pantry-loading and remains far above pre-Covid levels

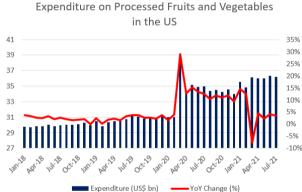
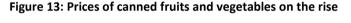


Figure 11: Market share of products in the Philippines

Product	Market share	Position
Packaged Pineapple	89.8%	1
Canned Mixed Fruit	77.2%	1
RTD Juices ex foil pouches	48.6%	1
Tomato Sauce	86.4%	1
Spaghetti Sauce	38.7%	1

Source: Company, PSR



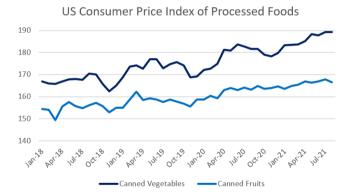




Figure 15: EBITDA margin of DMFI below industry average

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Company	EBITDA
	Margin (%)
Kraft Heinz Co	12.4
Hormel Foods Corp	13.8
Conagra Brands Inc	19.8
Indofood CBP	22.6
Universal Robina Corp	17.6
Indofood Sukes Makmur	20.3
Treehouse Foods	9.1
B&G Foods Inc	17.9
Dole PLC	n.a.
Delfi Ltd	11.2
RFM Corp	15.1
Del Monte Pacific Ltd	18.5
Del Monte Foods Inc.	11.5
	15.0

Source: Bloomberg, PSR

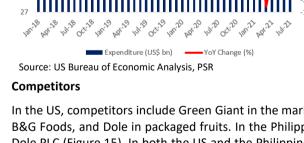
In the US, competitors include Green Giant in the market for canned vegetables, a brand under B&G Foods, and Dole in packaged fruits. In the Philippines, competitors include RFM Corp and Dole PLC (Figure 15). In both the US and the Philippines, DMPL has been coming up with more innovative products.

In 2021, DMFI won a "Product of the Year" award, the world's largest consumer-voted award for product innovation. Del Monte Deluxe Gold Pineapple, a premium canned pineapple produced by DMPI and Del Monte Veggieful Pocket Pies won the award in the Fruit and Convenience meal categories respectively (Figure 14).

Figure 14: Products awarded 2021 "Product of the Year"



Source: Company



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VALUATION

We initiate coverage with a BUY rating and target price of S\$0.60. The consumer staples industry is trading at around 16x FY22e P/E (Figure 16). We apply a 20% discount due to its gearing level which is higher than industry average, but smaller market capitalization, valuing the company at 13x FY22e P/E. DMPL is currently trading below 5-year average adjusted P/E (Figure 17).

Del Monte is poised for another stage of growth as DMFI, its US subsidiary, which is the biggest revenue contributor, turned profitable. It is on track for continued revenue growth with new product offerings, expansion into more channels and price increases combined with cost reductions.

Other than the major turnaround of DMFI, share price catalysts are also expected from its dominant market share in the Philippines, which would contribute to a strong trajectory of growth and leading market position in the distribution of fresh and packaged pineapples under the S&W brand.

Figure 16: Valuations below industry, gearing above average

Company	1 Mth	3 Mth	YTD	Currency	Share Px	Mkt. Cap.		P/E		P/B	Dividend	ROE	EV/	Gearing	EBITDA
	Perf.	Perf.	Perf.		Local Crcy	(US\$ m)	Yr O	Yr 1	Yr 2	(x)	Yield		EBITDA (x)		Margin
Kraft Heinz Co	1.2%	-7.6%	5.0%	USD	36.38	44,507	125.0	13.5	14.0	0.89	4.4%	4.4%	21.8	57.6%	12.4%
Hormel Foods Corp	0.8%	-11.7%	-10.6%	USD	42.01	22,793	25.1	24.2	21.3	3.35	2.3%	13.2%	21.7	22.1%	13.8%
Conagra Brands Inc	1.1%	-3.4%	-8.1%	USD	33.34	15,993	12.3	13.5	12.4	1.84	3.5%	14.5%	11.3	106.9%	19.8%
Indofood CBP	11.1%	8.5%	-3.7%	IDR	9100.00	7,497	16.1	16.1	14.4	3.24	2.4%	20.9%	12.8	63.0%	22.6%
Universal Robina Corp	6.0%	5.2%	-7.5%	PHP	140.00	6,076	28.7	25.6	24.3	3.07	2.4%	14.3%	15.3	49.2%	17.6%
Indofood Sukes Makmur	8.9%	2.7%	-2.2%	IDR	6650.00	4,125	9.0	8.5	7.7	1.27	4.2%	16.3%	7.4	67.6%	20.3%
Treehouse Foods	-0.7%	-15.2%	-8.9%	USD	38.60	2,152	155.9	17.8	15.7	1.13	n.a.	3.1%	11.5	128.3%	9.1%
B&G Foods Inc	-2.7%	-4.5%	5.7%	USD	29.09	1,886	14.3	15.0	13.7	2.26	6.5%	13.3%	12.3	284.8%	17.9%
Dole PLC	0.9%	-3.6%	-3.6%	USD	15.25	1,447	18.1	11.0	9.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Delfi Ltd	-2.6%	-10.7%	7.1%	SGD	0.75	340	19.5	15.8	12.7	1.50	4.2%	8.4%	8.5	22.5%	11.2%
RFM Corp	-1.1%	2.2%	1.1%	PHP	4.65	309	12.2	n.a.	n.a.	1.21	4.9%	10.8%	6.1	8.1%	15.1%
Del Monte Pacific Ltd	7.0%	-10.6%	101.6%	SGD	0.38	548	12.5	8.2	4.7	1.01	4.1%	16.7%	5.2	220.2%	18.5%
	2.3%	-5.7%	-1.8%			107,671	26.7	15.4	14.7	1.87		10.1%	17.8	62.9%	15.0%

Source: Bloomberg, PSR (Closing prices as at 22 October 2021)

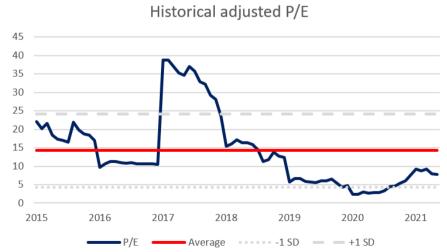


Figure 17: Historical adjusted P/E has been volatile, averaging about 15x

Source: Bloomberg, PSR. Adjusted or normalised P/E excludes PATMI from non-recurring items and does not consider preferred dividends





Appendix 1: Company Background

BUSINESS SEGMENTS

Del Monte Foods Inc (DMFI). DMFI is the US subsidiary of DMPL, and major contributor of revenue. In 1QFY22, DMFI generated 64.5% of total sales. They mainly sell canned vegetables, canned fruit, fruit cup snacks. The Del Monte brand continues to be one of the top trusted brand names for meal preparation and healthy snacks.

Over the past few years, DMFI has been pushing out a wide variety of new products to the market (Figures 22 and 23), to cater to changing consumer preferences, for delicious and healthy products. DMFI's branded retail and foodservice sales grew by a combined 17% YoY in 1QFY22 which more than offsets the decline in low-margin private label sales as planned.

Del Monte Philippines Inc (DMPI). The Philippines accounts for approximately two-thirds of DMPI's sales. The company continues to increase their presence in terms of products such as packaged fruit, tomato and spaghetti sauces in both retail and food services. Culinary and beverage are the major contributors to sales in the Philippines. Under the culinary section, there are packaged tomato-based products including ketchup and pasta sauce. In the mixed fruit section, there are canned fruit mixes and canned pineapples.

DMPI entered into a joint venture with Vinamilk, the largest dairy manufacturer in Vietnam to expand into the dairy sector in the Philippines. The JV will import dairy products from Vinamilk, market and distribute them in the Philippines, starting September 2021. This includes 4 product lines, including flavoured yogurt drinks, milk tea, fresh and flavoured milk (Figure 20).

S&W Fine Foods International Ltd. S&W is the brand platform for Asia outside the Philippines and the Indian subcontinent. They are the largest fresh pineapple exporter to China with 53% value share, and one of the three biggest fresh pineapple exporters to Japan, South Korea and the Middle East. Other than fresh pineapples, S&W also sells canned fruit beverages, fruit slices, fruit cups, etc. It is also in the food service business.

FieldFresh India. DMPL ventured into the Indian market, which has still been incurring losses due to higher expected costs in the early years. In 1QFY22, DMPL's share in the FieldFresh joint venture in India was a US\$0.7mn loss, unchanged from prior quarter share in losses.

Seasonality of operations. DMPL's business is subject to seasonal fluctuations as a result of increased demand during the year end festive season. As such, sales are usually highest from August to December.

Figure 21: Sauces sold in the Philippines



Source: Company

Figure 22: Breaking into beverage with Joyba Bubble Tea



Source: Company

Figure 18: Brands under DMFI in the US



Source: Company

Figure 19: Pineapple products sold under S&W brand



Source: Company

Figure 20: Fruit and yoghurtflavoured milk drink launched in the Philippines in 2021



Figure 23: Convenient healthy snacks with plant-based protein





Management. Gregory Longstreet was appointed as DMFI's CEO in 2017. He has more than 27 years of experience in the consumer industry. Past experiences include President and CEO of two large wholly-owned subsidiaries of Hormel Foods, Farmer John Foods and CytoSport Inc, and led the successful integration of three acquisitions.

In 2017, Gregory outlined a four-point growth strategy for the brand: building relevance through product differentiation, driving innovation to address shifting consumer habits, expanding distribution into key growth areas – perimeter of store and foodservice, and optimizing the supply chain to make it more efficient and agile. Gregory leads the continued growth, innovation, and transformation journey of Del Monte Foods and its family of brands, including Del Monte, Contadina, College Inn, and S&W.

Bibie Wu was appointed as DMFI's Chief Marketing Officer in 2018, and leads the innovation, marketing and R&D for the portfolio of brands.



Appendix 2: Corporate information

Figure 24: Timeline of major events

History

Timeline	Event
1886	Del Monte started in California
1926	Del Monte US set up operations in the Philippines
1979	RJR acquires Del Monte US, now called Del Monte Corporation
1988	KKR buys RJR-Nabisco
1989	KKR sells DMC and breaks up the Del Monte brand
1996	DMC fully divests from Del Monte Philippines (DMPI)
1997	TPG acquires DMC
1999	 DMC lists on NYSE Del Monte Pacific Limited (DMPL) is incorporated as parent of DMPI DMPL lists on the Singapore Exchange
2006	NutriAsia Pacific Ltd acquires 85% of DMPL
2007	 DMPL buys S&W brand for Asia and EMEA from DMC DMPL enters into JV with the Bharti group in India to form FieldFresh Foods Pte Ltd
2011	KKR investor group reacquires DMC and takes it private
2013	 DMPL lists on the Philippine Stock Exchange (PSE) at PHP 26.44 NutriAsia Pacific Ltd reduced its stake to 67%
2014	 DMPL acquires the consumer food business of DMC from KKR for US\$1.675bn; US consumer food business was renamed Del Monte Foods Inc. (DMFI) DMPL entered into JV with Nice Fruit SL and Ferville Ltd to establish a company that will hold all the shares of stock in a Philippine company that will own/control and operate a modern dehydro freezing facility in DMPL's pineapple plantation in Mindanao, Philippines and engage in the production and sale of frozen fruit products
2017	 In September, DMPL listed preference shares on the PSE, with total volume of 20,000,000 Series A-1 Preference Share sold at offer price of US\$10/share, generating total amount of US\$200mn Entered into agreement to sell Sager Creek vegetable business to McCall Farms, Inc In December, DMPL raised and listed another US\$100mn of preference shares (Series A-2 shares) Used the US\$300mn proceeds from issuance of preference shares to substantially refinance the US\$350mn BDO Unibank, Inc Ioan due in February 2019.
2020	 Private equity firm owns 13% stake in DMPI In June 2020, DMFI launched premium canned pineapple called Deluxe Gold produced by DMPI DMPI issued peso-denominated fixed rate bonds. As of 30 April 2021, US\$121.1mn (Php5.8bn) three-year fixed-rate and US\$13.4mn (Php645.9mn) five-year fixed-rate bonds were issued
2021	 DMPI and Vinamilk established JV to enter growing dairy sector in the Philippines DMFI completed repayment of First and Second Lien Loans, gearing lowered from 2.4x to 2.0x equity

Source: Company, PSR

Appendix 3: Products offered by Del Monte in the United States

Figure 25: Del Monte portfolio of products in the US





Appendix 4: Products offered by Del Monte in the Philippines

Figure 26: Del Monte portfolio of products in the Philippines





Appendix 5: Products offered by Del Monte in Asia and the Middle East

Figure 27: Products sold under S&W brand in Asia and the Middle East





Appendix 6: Products offered by Del Monte in India

Figure 28: Products sold under Del Monte brand in India







Appendix 7: Market positions

Figure 29: Leading market positions of S&W in Asia



LEADING MARKET POSITIONS IN ASIA







Beans Top 2 in Hong Kong, Singapore and Indonesia



Canned Pineapple and Tropical Fruit Top 2 in China, South Korea and Hong Kong



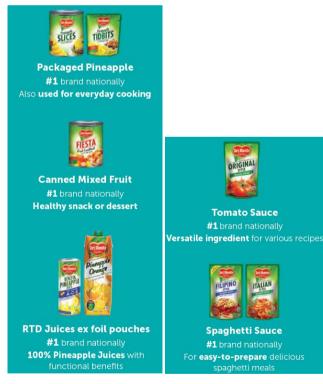
Middle East

Fresh Pineapple

#1 imported pineapple in China

Source: Company

Figure 31: Leading market positions in the Philippines



Source: Company

Figure 30: Fresh pineapples sold under S&W



Source: Company

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DEL MONTE PACIFIC LIMITED INITIATION



Financials

Income Statement					
Y/E Apr, USD '000	FY19	FY20	FY21	FY22e	FY23e
Revenue	1,954,842	2,128,343	2,162,709	2,270,335	2,383,852
Cost of sales	(1,559,857)	(1,676,186)	(1,606,746)	(1,636,618)	(1,684,697)
Gross profit	394,985	452,157	555,963	633,717	699,155
Selling & distri expenses	(202,839)	(213,414)	(200,417)	(231,574)	(243,153)
General & admin expenses	(115,540)	(120,010)	(144,053)	(147,572)	(149,383)
Other operating income/(loss)	3,516	(67,547)	357	1,135	1,192
Interest income	18,125	5,814	4,674	4,415	2,869
EBIT	97,658	50,039	214,787	257,170	307,819
Finance costs	(96,958)	(114,693)	(111,044)	(119,039)	(120,978)
Profit before tax	700	(64,654)	103,743	138,130	186,841
Taxation	13,524	(29,176)	(27,273)	(36,313)	(49,119)
Minority interest	6,095	12,436	(13,214)	(15,544)	(22,412)
PATMI	20,319	(81,394)	63,256	86,273	115,310
Adj PATMI (excl. non-recurring items)	15,800	32,200	63,300	86,273	115,310

Per share data (USD Cents)					
Y/E Apr	FY19	FY20	FY21	FY22e	FY23e
Adj. EPS (US cents)	0.81	1.66	3.26	3.42	5.76
EPS before pref div (US cents)	1.05	-4.19	3.25	4.44	5.93
EPS (US cents)	0.03	-5.20	2.24	3.42	5.76
EPS (SG cents)	0.04	-7.07	3.04	4.62	8.06
DPS (US cents)	0.52	1.54	1.20	1.46	1.96
DPS (SG cents)	0.70	2.07	1.61	1.97	2.63
BVPS (US cents)	30.92	29.11	33.05	26.54	26.52
BVPS (SG cents)	41.51	39.08	44.37	35.62	35.60

Cash Flow					
Y/E Apr, USD '000	FY19	FY20	FY21	FY22e	FY23e
CFO					
Profit after tax	14,224	(93,830)	76,470	101,817	137,722
Adjustments	201,013	368,723	323,463	316,824	355,215
WC changes	(27,482)	149,530	(53,195)	(22,133)	(30,903)
Cash generated from ops	187,755	424,423	346,738	396,509	462,034
Income taxes paid	(6,830)	(46,982)	(31,464)	(36,313)	(49,119)
Cashflow from ops	180,925	377,441	315,274	360,196	412,915
<u>CFI</u>					
CAPEX, net	(107,273)	(103,215)	(152,269)	(160,000)	(170,000)
Others	715	(914)	115,148	4,415	2,869
Cashflow from investments	(106,558)	(104,129)	(37,121)	(155,585)	(167,131)
CFF					
Interest paid	(87,494)	(94,648)	(83,006)	(119,039)	(120,978)
Loans, net of repayments	25,648	(102,727)	(81,472)	131,394	23,072
Dividends paid	(19,750)	(29,862)	(62,670)	(28,470)	(38,052)
Others	(130)	(34,427)	(58,271)	-	-
Cashflow from financing	(81,726)	(261,664)	(285,419)	(216,116)	(235,958)
Net change in CCE	(7,359)	11,648	(7,266)	(11,505)	9,826
CCE, end	21,636	33,465	29,435	17,930	27,756

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet					
Y/E Apr, USD '000	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
Trade and other receivables	146,534	320,603	185,049	181,627	190,708
Cash	21,636	33,465	29,435	17,930	27,756
Inventories	664,922	482,463	557,602	590,287	619,801
Total current assets	918,407	964,071	854,285	872,043	920,465
PPE & IA	1,299,455	1,218,932	1,239,473	1,233,586	1,215,599
Others	180,832	371,350	324,145	324,145	324,145
Total non-current assets	1,480,287	1,590,282	1,563,618	1,557,731	1,539,744
Total Assets	2,398,694	2,554,353	2,417,903	2,429,774	2,460,209
LIABILTIES					
Trade and other liabilities	188,669	276,893	254,729	261,859	269,552
Bank borrowings	492,740	1,298,292	332,453	332,453	332,453
Others	29,332	60,026	66,654	66,654	66,654
Total current liabilities	710,741	1,635,211	653,836	660,966	668,659
Long-term borrowings	985,915	97,737	953,290	1,084,684	1,107,756
Others	100,897	255,508	168,281	168,281	168,281
Total non-current liabilities	1,086,812	353,245	1,121,571	1,252,965	1,276,037
Total Liabilities	1,797,553	1,988,456	1,775,407	1,913,931	1,944,695
Net assets	601,141	565,897	642,496	515,843	515,513
Represented by:					
Share capital	19,449	19,449	19,449	19,449	19,449
Share premium	208,339	208,339	208,339	208,339	208,339
Preference shares	300,000	300,000	300,000	100,000	-
Retained earnings	96,074	60,763	83,349	141,152	218,410
Others	(65,827)	(77,474)	(29,953)	(29,953)	(29,953)
Non-controlling interest	43,106	54,820	61,312	76,856	99,268
Total Equity	601,141	565,897	642,496	515,843	515,513

Valuation Ratios					
Y/E Apr	FY19	FY20	FY21	FY22e	FY23e
P/E (x)	n.a.	n.a.	12.50	8.23	4.72
P/B (x)	0.92	0.97	0.86	1.07	1.07
EV/EBITDA (x)	9.21	7.77	4.96	5.05	4.34
Dividend Yield (%)	5.2%	19.8%	4.2%	5.2%	6.9%
Growth & Margins					
Growth					
Revenue	-11.0%	8.9%	1.6%	5.0%	5.0%
EBITDA	3.8%	13.5%	48.7%	5.2%	17.2%
EBIT	42.2%	-48.8%	329.2%	19.7%	19.7%
Net profit	31.7%	103.8%	96.6%	36.3%	33.7%
Margins .					
Gross margin	20.2%	21.2%	25.7%	27.9%	29.3%
EBITDA margin	12.2%	12.7%	18.6%	18.6%	20.8%
EBIT margin	5.0%	2.4%	9.9%	11.3%	12.9%
Net profit margin	0.8%	1.5%	2.9%	3.8%	4.8%
Key Ratios					
ROE (%)	2.6%	5.7%	9.9%	16.7%	22.4%
ROA (%)	0.7%	1.3%	2.6%	3.6%	4.7%
Net Gearing (x)	2.4	2.4	2.0	2.7	2.7
Net Debt/EBITDA (x)	6.1	5.0	3.1	3.3	2.8

DEL MONTE PACIFIC LIMITED INITIATION





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