

# Singapore Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

28 Jun 2017

## Del Monte Pacific (DELM SP) : HOLD

Mkt. Cap: US\$469m | 3m Avg. Daily Val: US\$0.04m

Last Traded Price ( 27 Jun 2017): S\$0.335

Price Target 12-mth: S\$0.36 (9% upside)

### Analyst

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### JVs signed with Fresh Del Monte Produce

- Del Monte Pacific Limited enters into several JVs with Fresh Del Monte Produce
- To expand refrigerated product offerings, amongst others
- Positive development but limited near term contribution
- 4Q17 results to be announced tomorrow evening

#### Forecasts and Valuation

FY Apr (US\$m)	2015A	2016A	2017F	2018F
Revenue	2,187	2,268	2,236	2,321
EBITDA	91.5	234	198	217
Pre-tax Profit	(66.9)	62.7	25.1	55.6
Net Profit	(43.2)	51.5	30.1	41.5
Net Pft (Pre Ex.)	(43.2)	51.5	30.1	41.5
Net Pft Gth (Pre-ex) (%)	(34.0)	nm	(41.5)	37.6
EPS (S cts)	(4.1)	3.68	2.15	2.96
EPS Pre Ex. (S cts)	(4.1)	3.68	2.15	2.96
EPS Gth Pre Ex (%)	29	(190)	(42)	38
Diluted EPS (S cts)	(4.1)	3.68	2.15	2.96
Net DPS (S cts)	0.0	1.84	0.0	0.0
BV Per Share (S cts)	18.9	21.6	21.9	24.9
PE (X)	nm	9.1	15.6	11.3
PE Pre Ex. (X)	nm	9.1	15.6	11.3
P/Cash Flow (X)	1.5	15.6	4.3	3.4
EV/EBITDA (X)	22.9	9.9	11.6	10.3
Net Div Yield (%)	0.0	5.5	0.0	0.0
P/Book Value (X)	1.8	1.5	1.5	1.3
Net Debt/Equity (X)	5.2	4.9	4.8	2.2
ROAE (%)	(19.4)	18.1	9.9	12.7

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

### Company Guide

#### Del Monte Pacific



Summary of our point of view, and highlights the relevant data points, which are actively tracked

### What's New

Del Monte Pacific Limited (DMPL) announced that it has entered into a series of joint ventures with Fresh Del Monte Produce Inc. (FDMP) to expand its refrigerated offerings across all distribution and sales channels, and to develop a new retail food and beverage concept. This F&B concept will be modelled after Fresh Del Monte Produce's business in the Middle East.

The initiative will focus on the US market, and subsequent expansion into other territories in which the companies' businesses complement each other. The full and final settlement of all active litigation between Del Monte Pacific Limited including its subsidiary, Del Monte Foods Inc (DMFI), and Fresh Del Monte Produce Inc has also helped to facilitate the formation of the JVs.

### Our views

**A positive move but limited near term contribution.** There was scarce detailed information shared in the joint conference call announcing the JVs, citing the formalization of business plans. Pending further details, our initial take is that contributions from the new JVs are likely to be limited for DMPL in the near term. Over the longer term, this could be positive for DMFI in its expanded product offerings, and help to mitigate declining sales in the canned food category. With the JVs, we believe this could help in removing overhang for products such as refrigerated fruit/snack cups which borders along the interpretation on whether it is fresh or packaged.

## Flash Note

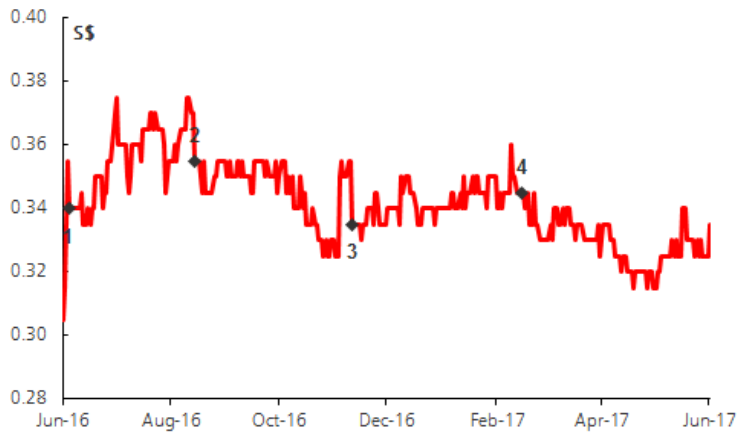
**Settlement of active litigation is positive.** The full and final settlement of active litigation is positive in terms of cost savings.

We retain our HOLD recommendation and S\$0.36 TP for now. DMPL is due to announce its FYE Apr 17 results tomorrow evening (29 June 2017). The key catalyst to the share price, in our view, is the turnaround in sales and

contribution from its US operations, which was still absent from last quarter's results.

Our last note is can be accessed via the link. [Del Monte Pacific: US operations still not up to par](#)

### Target Price & Ratings History



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

Source: DBS Bank

Analyst: Andy SIM CFA

Alfie YEO

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**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*

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