

COMPANY RESULTS

Delfi (DELFI SP)

2024: Earnings Miss; Elevated Cocoa Prices Expected To Drag On Growth in 2025

Delfi's 2024 earnings of US\$34m (-27% yoy) missed our expectations, forming 91% of our full-year forecast. This was due to higher-than-expected promotion spending aimed at increasing market share in the competitive environment. A final dividend of 1.18 US cents/share was declared, bringing total 2024 dividend to 3.25 US cents/share (or a decent 6% yield). High cocoa prices continue to pressure profitability. Maintain HOLD with a lower target price of S\$0.82 (S\$0.86 previously).

4Q24/2024 RESULTS

Year to 31 Dec (US\$m)	4Q24	qoq % chg	yoy % chg	2024	yoy % chg
Revenue by Markets:					
Indonesia	74.0	5.0	(12.2)	314.3	(11.0)
Regional Markets	50.2	6.6	12.8	188.4	1.8
Total revenue	124.2	5.6	(3.5)	502.7	(6.6)
Gross profit	31.5	1.6	(2.5)	137.8	(10.1)
Gross margin (%)	25.4	(1.0ppt)	+0.3ppt	27.4	(1.1ppt)
EBITDA	18.7	112.5	(13.4)	60.3	(19.0)
EBITDA margin (%)	15.1	+6.6ppt	(1.7ppt)	12.0	(1.8ppt)
Net profit				33.9	(26.6)
Net margin (%)				6.8	(1.8ppt)

Source: Delfi, UOB Kay Hian

RESULTS

- Earnings miss on higher promotional spending and weaker currencies.** Delfi's 2024 PATMI of US\$34m (-27% yoy) came in below our expectations, forming 91% of our full-year forecast. The earnings miss was due to higher-than-expected promotion spending and a weaker rupiah against the US dollar (-4% yoy). Together with a less favourable product mix of increased lower-margin Agency Brands contribution of 44% (vs 42% in 2023), we see margin compression, with gross and EBITDA margins contracting 1ppt yoy and 2ppt yoy respectively.
- Lower dividend declared but payout ratio is stable.** Management declared a final dividend of 1.18 US cents/share (2023: 1.74 US cents/share) and no special dividend (2023: 0.52 US cents/share). Together with interim dividend of 2.06 US cents/share (2023: 2.06 US cents/share), total dividend for 2024 is 3.24 US cents/share (2023: 4.32 US cents/share). This translates to a stable payout ratio of 58% (2023: 57%) and 6% yield.
- Continued revenue decline.** Revenue fell 7% yoy, but the decline was more moderate at 4% yoy when excluding the effect of weaker regional currencies against the US dollar. This was on the back of softer own brands sales (-9% yoy) with a more significant decline in Indonesia by 10% yoy compared with a 4% yoy decrease in regional markets. Agency brands sales fell 3% yoy mainly due to the termination of an agency brand in 3Q23, excluding which sales rose 5% yoy.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2023	2024	2025F	2026F	2027F
Net turnover	538	503	510	524	537
EBITDA	78	63	60	64	66
Operating profit	67	51	46	50	52
Net profit (rep./act.)	46	34	31	34	35
Net profit (adj.)	46	34	31	34	35
EPS (S\$ cents)	7.6	5.6	5.0	5.5	5.7
PE (x)	7.5	10.2	11.2	10.2	9.9
P/B (x)	1.3	1.3	1.2	1.2	1.1
EV/EBITDA (x)	4.1	5.1	5.4	5.0	4.8
Dividend yield (%)	6.7	5.7	5.2	5.7	5.9
Net margin (%)	8.6	6.8	6.0	6.5	6.5
Net debt/(cash) to equity (%)	(10.0)	(7.2)	(9.8)	(12.1)	(14.5)
Interest cover (x)	64.0	44.5	48.1	51.7	53.3
ROE (%)	18.1	12.8	11.4	11.9	11.7
Consensus net profit	-	-	34	39	-
UOBKH/Consensus (x)	-	-	0.90	0.87	-

Source: Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$0.755
Target Price	S\$0.820
Upside	+8.6%
(Previous TP)	S\$0.86

COMPANY DESCRIPTION

Delfi manufactures, markets and distributes chocolate confectionery products. The company offers a broad range of chocolate and sugar confectionery products such as moulded chocolates, dragees, enrobed wafers, and biscuits, and increasingly more healthy snacks.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	DELFI SP
Shares issued (m):	611.2
Market cap (S\$m):	461.4
Market cap (US\$m):	346.3
3-mth avg daily t'over (US\$m):	0.2

Price Performance (%)

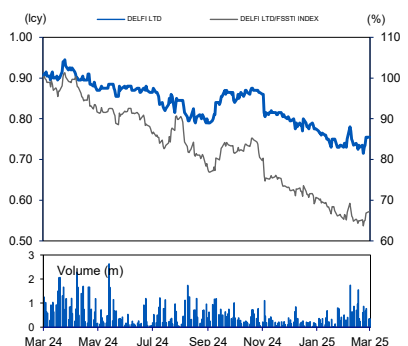
52-week high/low S\$0.96/S\$0.715

1mth	3mth	1mth	3mth	YTD
2.7	(6.2)	(6.2)	(16.6)	(3.2)

Major Shareholders

Shareholder	%
Aerodrome Int'l Ltd	52.0
First Pacific Advisors	8.0
-	-
FY25 NAV/Share (S\$)	0.45
FY25 Net Cash/Share (S\$)	0.04

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Higher promotion spending to capture market share in competitive landscape.** Delfi's competitors continue to offer frequent discounts and promotions. As a result, Delfi increased its promotional spending in 2H24 to fuel long-term growth and stay competitive, resulting in market share growth in Indonesia, particularly in the SilverQueen and Cha Cha brands. Management anticipates the positive momentum seen in its own brands during 2H24 to carry over into 2025. We expect selling and distribution expenses to continue making up around 13% of Delfi's revenue in 2025 (2024: 13%; 2023: 12%).
- **Cocoa prices are still much higher than they have historically been,** as a result of persistent supply issues. Although prices dropped to a four-month low last week on an improving supply outlook and dollar weakness, the low cocoa stockpiles remain due to less production output in the past few years. If the weather continues to be unfavourable in cocoa-producing regions, price increases can be expected. We note that management has raised prices for select brands by approximately 7%, in anticipation of higher raw material costs. They are also exploring other measures to mitigate the impact of rising input costs, such as downsizing products or reformulating them to reduce cocoa content.
- **Steady dividend outlook ahead.** In the face of uncertainty in 2025-26, management has lowered dividend to conserve cash. However, they have also reiterated their commitment to return value to shareholders, and intend to maintain an absolute dividend of 3.24 US cents/share in 2025, barring unforeseen circumstances. This is backed by its strong balance sheet, with cash of US\$43.8m and operating cash flow of US\$52.6m.

EARNINGS REVISION/RISK

- We cut our 2025/26 earnings estimates by 21%/17% respectively after lowering our revenue estimates by 2%/5% on lower own brands sales. We also reduce EBITDA margin forecasts by 1-2ppt as we expect selling and distribution costs to remain high due to the continued stiff competition.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a 3% lower target price of S\$0.82 (S\$0.86 previously),** based on a higher PE-based valuation of 12x 2025 EPS (up from 10x, -1SD). This is pegged to 0.5SD below Delfi's historical mean PE to reflect earnings that are near the bottom of the cycle. While the outlook remains challenging, should cocoa reach a more sustainable price level on improved production, Delfi should see earnings recovery.
- Delfi has declared a final dividend of 1.18 US cents/share and ex-date is fixed on 16 May 25. This translates to a decent dividend yield of 6%.

SHARE PRICE CATALYST

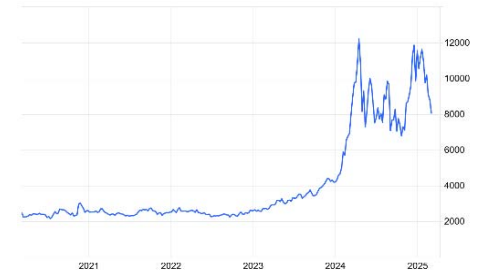
- Better-than-expected margins from easing commodity prices.
- Successful premiumisation or diversification of product offerings.

PEER COMPARISON

Company	Ticker	Price @ 10-Mar-25 (lcy)	Market Cap (US\$m)	PE		P/B		ROE 2025 (%)	Yield 2025 (%)
				2025 (x)	2026 (x)	2025 (x)	2026 (x)		
Indo Peers									
Unilever Indonesia	UNVR IJ	1180	2,754	12.0	11.6	13.3	11.7	129.8	7.7
Indofood Cbp Sukses	ICBP IJ	10600	7,563	11.4	10.3	2.3	2.0	20.3	3.5
Mayora Indah	MYOR IJ	2220	3,037	14.7	12.8	2.6	2.3	18.9	2.6
Garudafood	GOOD IJ	378	853	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nippon Indosari	ROTI IJ	910	344	13.4	11.9	2.2	2.1	16.5	6.1
Average				12.9	11.6	5.1	4.5	46.3	5.0
Delfi	DELFI SP	0.755	347	10.3	9.1	1.2	1.2	12.0	5.1

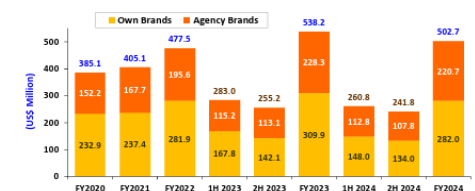
Source: Bloomberg, UOB Kay Hian

COCOA FUTURES, US\$/TONNE (2020 TO DATE)



Source: Trading Economics

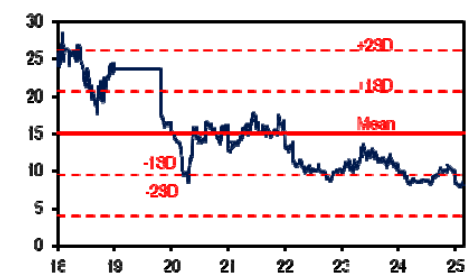
OWN BRANDS & AGENCY BRANDS REVENUE



Note: The half yearly sales performance may vary depending on the timing of holiday festivities.

Source: Delfi

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Net turnover	502.7	510.2	523.5	537.2
EBITDA	63.1	59.6	64.1	66.0
Deprec. & amort.	12.5	13.7	13.9	14.1
EBIT	50.6	45.9	50.2	51.9
Associate contributions	0.0	0.0	0.0	(0.0)
Net interest income/(expense)	(0.1)	(0.1)	(0.1)	(0.1)
Pre-tax profit	(1.4)	(1.2)	(1.2)	(1.2)
Tax	49.1	44.6	48.9	50.6
Minorities	(15.2)	(13.8)	(15.1)	(15.6)
Net profit	0.0	0.0	0.0	0.0
Net profit (adj.)	33.9	30.8	33.8	35.0

CASH FLOW

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Operating	52.6	42.6	44.4	45.8
Pre-tax profit	49.1	44.6	48.9	50.6
Tax	(21.2)	(13.8)	(15.1)	(15.6)
Deprec. & amort.	12.5	13.7	13.9	14.1
Associates	0.1	0.0	0.0	0.0
Working capital changes	10.7	(3.1)	(4.5)	(4.5)
Non-cash items	(0.1)	0.0	0.0	0.0
Other operating cashflows	1.4	1.2	1.2	1.2
Investing	(28.8)	(14.3)	(14.3)	(14.3)
Capex (growth)	(27.5)	(14.3)	(14.3)	(14.3)
Proceeds from sale of assets	0.2	0.0	0.0	0.0
Others	(1.5)	0.0	0.0	0.0
Financing	(34.9)	(19.1)	(20.8)	(21.5)
Dividend payments	(26.5)	(17.9)	(19.6)	(20.3)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(1.9)	0.0	0.0	0.0
Others/interest paid	(6.5)	(1.2)	(1.2)	(1.2)
Net cash inflow (outflow)	(11.1)	9.2	9.3	10.0
Beginning cash & cash equivalent	55.3	43.8	51.9	60.2
Changes due to forex impact	(0.4)	(1.0)	(1.0)	(1.0)
Ending cash & cash equivalent	43.8	51.9	60.2	69.2

BALANCE SHEET

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Fixed assets	110.2	111.8	113.3	114.5
Other LT assets	27.1	27.1	27.1	27.1
Cash/ST investment	43.8	51.9	60.2	69.2
Other current assets	247.2	232.2	237.5	242.9
Total assets	428.2	423.0	438.0	453.7
ST debt	24.8	24.8	24.8	24.8
Other current liabilities	124.4	106.3	107.1	108.1
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	14.5	14.5	14.5	14.5
Shareholders' equity	264.6	277.5	291.7	306.4
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	428.2	423.0	438.0	453.7

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	12.6	11.7	12.2	12.3
Pre-tax margin	9.8	8.7	9.3	9.4
Net margin	6.8	6.0	6.5	6.5
ROA	8.0	7.2	7.8	7.8
ROE	12.8	11.4	11.9	11.7
Growth				
Turnover	(6.6)	1.5	2.6	2.6
EBITDA	(18.9)	(5.7)	7.6	2.9
Pre-tax profit	(24.9)	(9.2)	9.7	3.5
Net profit	(26.6)	(9.3)	9.7	3.5
Net profit (adj.)	(26.6)	(9.3)	9.7	3.5
EPS	(26.6)	(9.3)	9.7	3.5
Leverage				
Debt to total capital	8.6	8.2	7.8	7.5
Debt to equity	9.4	8.9	8.5	8.1
Net debt/(cash) to equity	(7.2)	(9.8)	(12.1)	(14.5)
Interest cover (x)	44.5	48.1	51.7	53.3

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