

10 in 10 – Delfi Limited (SGX Code: P34)

10 Questions in 10 Minutes with SGX-listed companies



10 Questions for Delfi Limited

Company Overview

Headquartered in Singapore, Delfi has a presence in Asia with leading market share in Indonesia, where the business first started. Its portfolio of confectionery products consists of global legacy brands (e.g. Van Houten and Delfi), and strong heritage national brands (e.g. SilverQueen, Ceres, Goya, Knick Knacks) which have been built over the years. Delfi's products are also sold in over 10 other countries including Thailand, Brunei, India, South Korea and Vietnam. [Link to StockFacts company page](#)

SGX Code: P34	BBG: DELFI SP	RIC: DELF.SI
Market cap on 13 Sep (S\$m)		482.8
Price on 13 Sep (S\$)		0.79
52 wk high/low (S\$)		0.98 - 0.60
12m ADTV (S\$)		342,610
Shares Outstanding (m)		611.2
Float		43.2%
P/E (LTM)		19.0
P/B (LTM)		1.6
Dividend Yield		4.0%

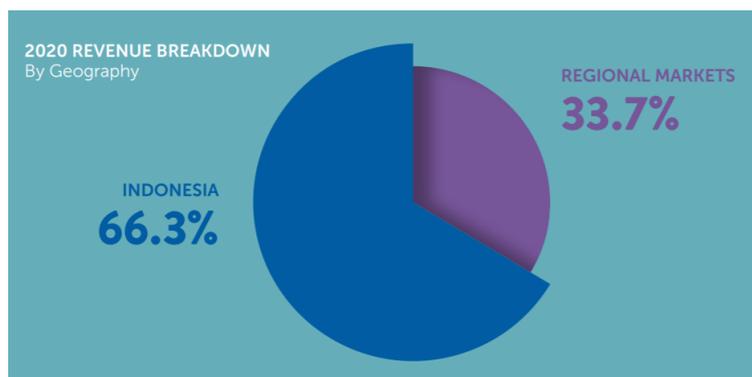
Source: Bloomberg (13 Sep 2021)

1. Can you elaborate more on Delfi's consumer segments in terms of demographics & geographic?

- Asia has always been our geographical market of focus where we have a strong market and brand presence in Indonesia and Philippines. These countries have the largest youngest population bases in Southeast Asia and are also the two largest economies and the fastest growing chocolate confectionery markets in this region.
- Our diverse portfolio of chocolate confectionery brands range from premium to value brands, and this allows us to capture a wide consumer base across different demographics and income levels.

2. How is the Group's revenue split across the various geographical regions?

- Our main markets Indonesia and the Philippines traditionally contribute about 80% of our annual sales revenue. The remaining revenue is derived from Malaysia, Singapore and other countries.



Source: Delfi's Annual Report

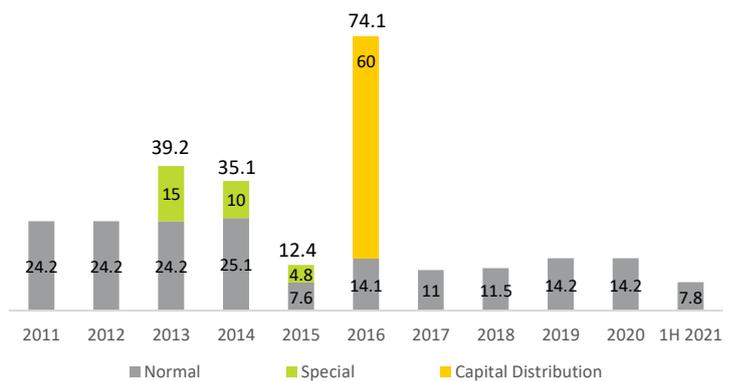
3. Has COVID-19 affected Delfi’s operations and how did you mitigate this?

- Our topmost priorities are the well-being and safety of all our staff and stakeholders as well as ensuring food safety and quality during the pandemic. We invested over US\$1 million in business and operational upgrades, safety and medical equipment. We also introduced systems and processes to minimise the risk of COVID-19 infections in our operations and carefully manage any cases arising.
- The Group has also been actively encouraging all our employees across our geographical locations, who are medically eligible, to get vaccinated as soon as possible. More than 85% of our employees across our geographical locations have now been fully vaccinated, with a target of reaching 100% by end 2021.

4. Does Delfi have a dividend policy?

- The Board decides on the maximum dividend payout each year, after ensuring that Delfi has met its capital requirements to achieve its growth plans. Historically, Delfi’s dividend payout ratio has been about 50%.
- The Board has consistently proposed and declared dividends every year since our listing and we have returned a total of US\$346.3 million to shareholders, of which US\$267.9 million was paid in the last 10 years since 2011 (up till 1H2021).

Money returned to shareholders via normal, special dividends and capital distribution (US\$Mil)



5. What are some notable developments that shareholders can look out for in the near to medium term?

- As a result of COVID-19, our business environment and consumer behaviour have changed and provided new opportunities. Minimarts, for example, have become the go-to place for groceries and sweet treats, as more consumers shop closer to home. In-home consumption has also increased while consumption trends continue to shift towards healthier food choices and value products.
- We have been focusing on these trends and are able to respond immediately through marketing outreach, sales efforts and distribution. To capture the trend of shopping closer to home, we have strengthened our distribution to grow in the modern trade channel, particularly Minimarts. In optimising sales, we are working with our retail customers to increase direct delivery of product shipments to their distribution centres, and better manage the supply chain inventory levels.
- Our brands and agency brands are also able to capture the needs for in-home consumption. On the shift towards healthier choices, we have in place an innovation pipeline of “better-for-you” products to satisfy the preferences of younger customers such as the Gen-Zs. For example, we launched our SilverQueen Very Berry Yoghurt bars which embody an exciting experience which these consumers desire, while offering a product that is relevant to the current trend for healthier ingredients.

Examples of brands owned by the Delfi Group



Examples of third-party brands distributed by Delfi



6. What do you think are some key drivers or trends in this industry?

- We believe consumers' cravings for indulgence will continue to grow in the chocolate confectionery industry. However, there will be a growing trend towards healthier products. Chocolate players will need to better communicate to consumers the ingredients used in products (e.g. where and how they are sourced) and packaging materials. We expect this to drive demand for products such as those which are plant-based, have a higher cocoa content, less sugar and milk, and less plastic being used in packaging.
- Sustainability is also an ongoing trend that will continue to move up on the agendas of our consumers and our other stakeholders. This will have an impact throughout our total value chain as we focus on implementing sustainable practices.

7. What are some key drivers and focus areas for Delfi in the next 2-3 years?

- We have the view that the next few years will likely remain volatile, with lingering effects of COVID-19, and geopolitical uncertainties. Despite this, we believe that the chocolate confectionery market will remain resilient and expect chocolate consumption to continue to grow. We remain optimistic in the markets we operate in which are driven by rising income levels, and a large and young population especially Indonesia and the Philippines.
- For our portfolio of brands, we focus on redesigning product packaging and brand rejuvenation to capture more Gen-Z and Millennial consumers such as our *SilverQueen* and *Van Houten* lines. We relaunched our iconic Van Houten brand with a more striking packaging design, followed by the creation of new flavours and categories.
- Our other focus areas include i) increasing our use of data to enhance our competitive advantage and enable swifter business decisions, and ii) embedding sustainability into our strategy, to ensure that we do good for the environment, the people around us and the future. We will channel more resources towards social media and digital platforms for our customers and will also focus on building an organisation that can take on new challenges by ensuring that we have the right people in the right jobs.

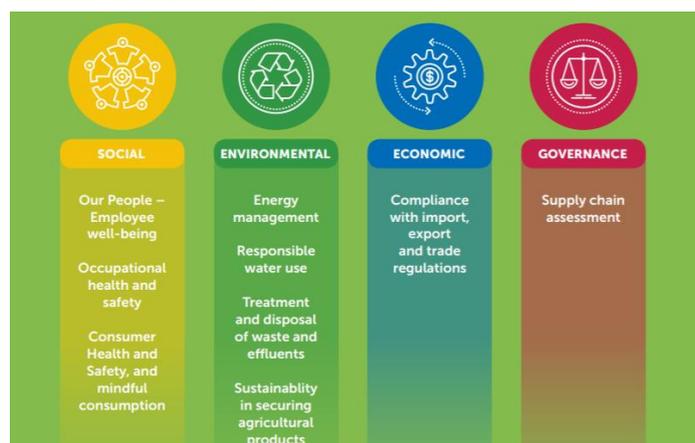
8. With the global trend of ecommerce, are there any plans to bring sales online?

- Our products are already available on ecommerce platforms. These sales are currently at early stages of development, but we look to continue to grow them as we pursue growth in all channels, including the modern trade, traditional trade and others through an omnichannel strategy.
- In the online channels, we are looking for ways to overcome logistics costs and maintain our product quality during transit vis-à-vis its price point and purchase quantity, and in the last-mile delivery, especially in the tropical markets we operate in.

9. Sustainability and ESG have increasingly been a key focus, how is the Group committed to sustainability?

- We are fully committed and firmly support the sustainable development movement. As mentioned, we intend to focus on further embedding sustainability in our strategy. We still have a long way to go, and it will not be easy, but we believe this is essential for us.
- At this stage, our sustainability policies and practices are defined by our “Four Sustainability Pillars” – Social, Environmental, Economic and Governance. Details are shared in our [Sustainability Report 2020](#).

Delfi's Sustainable Value Creation Pillars



10. What is Delfi's value proposition to its shareholders and potential investors?

- Growth potential in the two largest confectionery markets in Southeast Asia – Indonesia and the Philippines. Based on market statistics, the chocolate confectionery markets in these countries are largest in Southeast Asia. We are the market leader in Indonesia with strong leading brands, extensive distribution and a strong culture of innovation. Our products also span across many categories and offer various price points.
- Our strong innovation culture coupled with our expertise in chocolate confectionery manufacturing has allowed us to stay abreast and respond quickly to consumer trends and build a strong portfolio of brands and products.
- We have a strong balance sheet and are in a net cash position. We are profitable and our operations have been able to generate strong free cashflow despite the pandemic, placing us in a good position to overcome challenges and expand on potential opportunities, supported by our committed team of employees.

Source: Company announcements

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Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit sgx.com/research.

For company information, visit www.delfilimited.com
Click [here](#) for the Annual Report 2020

Notes



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