

5 Things To Know About Delfi Limited (SGX:P34), The Company Behind Chocolate Brands Like Van Houten, Delfi and SilverQueen

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Chocolate is a beloved sweet treat for many people. However, not many people know where their chocolates come from, even fewer know that Southeast Asia actually has the suitable climate for growing cocoa beans and that Indonesia is one of the larger global producers of cocoa bean.

As someone who occasionally dabbles in baking and has a weakness for chocolate, I am pleasantly surprised to discover that a chocolate confectionery company is listed on the Singapore Exchange – Delfi Limited (SGX: P34). Delfi Limited is the company behind notable chocolate brands such as Van Houten, Delfi, SilverQueen, Ceres, Goya and Knick Knacks. While Singaporeans may not have heard of some of these brands, they would be familiar to Indonesians and Filipinos who would have snacked on these established brands in their childhood.

While Delfi had divested its cocoa ingredient processes capabilities in 2013 to focus on the sales and distribution of their confectionery brands, they still own two confectionery manufacturing facilities in Indonesia and Philippines. This enables them to innovate and manufacture new confections to capture changing consumer tastes.

Overall, Delfi is geographically concentrated in Indonesia with 66.3% of their 2020 revenue from Indonesia and the remaining 33.7% coming from regional markets including Philippines and Singapore.

If you are interested to invest in a chocolate confectionery company, here are 5 things to know about Delfi's business.

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Understanding your customers is one of the best ways to retain and build business. What are some things Delfi has learned about its customers changing needs in a post-pandemic world?

Consumers are looking for healthier options, firms and products that are committed to the sustainability agenda. Consumers, particularly the Gen-Z and Millennials, eschew businesses, brands and products that drive profits only. Consumers assess brands and products based on their level of transparency and authenticity and consumers gravitate towards sustainable businesses.

Shopping patterns have shifted rapidly during the pandemic and this trend is likely to stay. We would need to leverage on data to be responsive to the changes to shopping patterns and to ultimately capture higher sales.

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



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

What is one lesser-known business area of Delfi that you wish more people/investors know about?

There is huge potential for growth in our key markets, and our two key markets of Indonesia and Philippines account for more than half of Southeast Asia's total population. These two markets are the largest chocolate confectionery market in this region, and combining both, the market size is almost as large as that of India.

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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.

On a lighter note, in both good times and bad, consumers need some cheer in their life and we believe chocolate fulfils this intrinsic need in all of us. Our wide array of products across different price points caters to the purchasing power of diverse groups of consumers.

This is something that we have seen through many economic cycles. That is why we manufacture a full range of products and offer different sizes to match the demographics within each market. This is to ensure the accessibility and affordability of our products for all consumers.

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Editor's Note: Some answers for this article were extracted from the SGX 10 in 10 series published on 14 September 2021 and have been republished with permission. You can read more on the SGX website.

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