Delfi (DELFI SP)

3Q26: Resilient Demand For Own Brands Amid Margin Pressure

Highlights

- 9M26 revenue rose 0.1% yoy to US$384.6m, accounting for 75.4% of our full-year forecast. Growth was driven by resilient demand for its own brands.
- Elevated cocoa prices and currency headwinds continue to weigh on margins, although easing input costs and strong demand for its own brands could support recovery in 2027.
- Maintain BUY with a 10% lower target price of S$0.88, pegged to 16x 2027F PE, based on historical mean.

3Q26 Results

Year to 31 Dec (US$m)	3Q26	qoq%	yoy%	9M26	yoy%
Revenue	**118.0**	**9.7**	**(5.5)**	**384.6**	**0.1**
Indonesia	68.1	22.0	(8.2)	225.8	(4.4)
Regional Markets	49.9	(3.7)	(1.4)	158.8	7.2
Gross profit	**27.3**	**4.0**	**(13.8)**	**95.9**	**(6.9)**
Gross profit margin (%)	23.2	(1.2ppt)	(2.2ppt)	24.9	(1.9ppt)
EBITDA	**10.2**	**54.5**	**0.2**	**33.6**	**(2.5)**

Source: Delfi, UOB Kay Hian

Analysis

- **3Q26 revenue declined amid currency headwinds and margin pressures.** Delfi reported 3Q26 revenue of US$118.0m (-5.5% yoy), largely due to weaker regional currencies, alongside softer consumer demand in Indonesia. On a constant currency basis, revenue remained flat yoy. Elevated raw material costs and currency pressures weighed on profitability, with gross margin declining 2.2ppt yoy to 23.2%, while EBITDA remained stable at US$10.2m (+0.2% yoy), supported by lower operating expenses. 9M26 revenue remained stable at US$384.6m (+0.1% yoy), accounting for 75.4% of our full-year forecast, broadly in line with expectations.
- **Own brands remains a key growth driver.** Delfi's own brands business remained resilient in 9M26, with sales in Indonesia growing 11.2% yoy, supported by sustained demand for its key brands despite weaker consumer sentiment and challenging domestic economic conditions. Regional markets also recorded strong own brands performance, particularly in Malaysia and the Philippines, supporting an overall regional revenue growth of 7.2% yoy to US$158.8m. The continued strength of its own brands, which typically command higher margins, remains a key driver of underlying growth.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	503	500	510	523	537
EBITDA	63	62	46	51	59
Operating profit	51	49	34	39	47
Net profit (rep./act.)	34	33	23	26	32
Net profit (adj.)	32	26	23	26	32
EPS (US$ cent)	5.3	4.2	3.7	4.3	5.2
PE (x)	9.5	11.9	13.6	11.7	9.6
P/B (x)	1.2	1.1	1.1	1.0	1.0
EV/EBITDA (x)	3.7	3.8	5.1	4.6	4.0
Dividend yield (%)	6.5	5.4	3.7	4.3	5.2
Net margin (%)	6.8	6.6	4.4	5.0	6.0
Net debt/(cash) to equity (%)	(7.2)	(19.1)	(24.8)	(27.6)	(30.5)
Interest cover (x)	44.5	61.0	44.9	49.7	57.7
ROE (%)	12.8	12.2	7.9	8.8	10.3
Consensus net profit (US$m)	-	-	27	30	35
UOBKH/Consensus (x)	-	-	0.83	0.88	0.91

Source: Delfi, Bloomberg, UOB Kay Hian

Analyst(s)

Shaina Mahtani
shainamahtani@uobkh.com
+65 6590 6633

John Cheong
johncheong@uobkh.com
+65 6590 6623

BUY (Maintained)

Share Price	S$0.645
Target Price	S$0.88
Upside	+36.4%
Previous TP	S$0.98

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	DELFI SP
Shares issued (m):	611.2
Market Cap (S$m):	394.2
Market cap (US$m):	306.0
3-mth avg t'over (US$m):	0.3

Price Performance (%)

52-week high/low				S$1.25/S$0.635
1mth	3mth	6mth	1yr	YTD
(5.8)	(21.3)	(36.1)	(20.9)	(19.9)

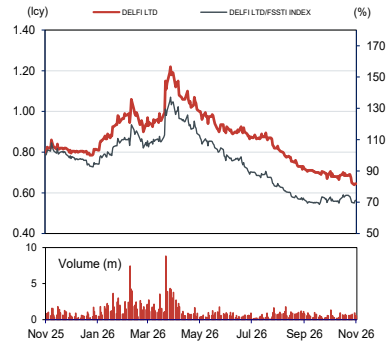
Major Shareholders (%)

John Chuang	52.31

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.48
FY26 Net Cash/ Share (US$)	0.12

Price Chart



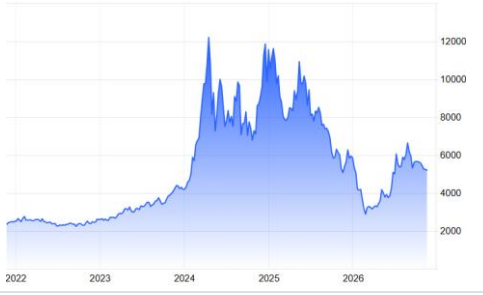
Source: Bloomberg

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 an increasing number of healthy snacks.

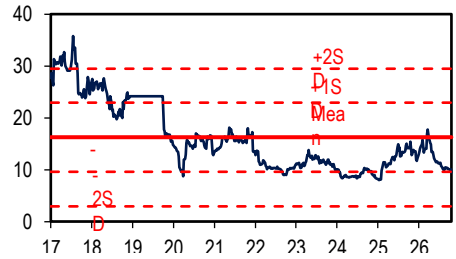
- **Weakness in agency brands continues to weigh on Indonesia's performance.** Indonesia's 9M26 revenue declined 4.4% yoy to US$225.8m, primarily due to rupiah depreciation and lower sales of agency brands following the termination of an agency account in 3Q25. This offset the strong growth in own brands, although Indonesia revenue grew 1.2% yoy on a constant currency basis. Meanwhile, regional markets agency brands sales increased 5.9% yoy, supported by organic growth and contributions from new accounts in Malaysia.
- **Healthy liquidity position despite lower cash generation.** Delfi maintained a cash balance of US$55.5m as at end-Sep 26, compared with US$68.0m at end-Dec 25, after funding US$17.0m in dividends. 9M26 operating cash flow reached US$13.1m, while free cash flow declined to US$7.2m (9M25: US$48.9m), following US$5.8m in capex and advances for property, plant and equipment. Borrowings increased to US$21.8m, while working capital rose to US$139.1m. Nevertheless, improved inventory management reduced average inventory days to 103 from 124 at end-Dec 25, supporting operational efficiency.
- **Cocoa prices and currency volatility remain key near-term headwinds.** While cocoa prices have eased from their 2024/25 peaks, they remain historically elevated, with potential El Niño-related supply disruptions posing further risks. The Indonesian rupiah also depreciated 9.5% yoy in 3Q26, weighing on sales from Delfi's largest market and potentially raising imported raw material costs. Inflationary pressures and geopolitical uncertainty could further constrain profitability. Delfi aims to mitigate these pressures through strategic raw material procurement, cost discipline and manufacturing efficiencies, while investing in core brands, product innovation and distribution to support growth into 2027.

Cocoa Futures, US$/tonne (2022-Present)



Source: Trading Economics, UOB Kay Hian

Long-Term Forward PE Band



Source: Delfi, UOB Kay Hian

Earnings Revision/Risk

- We lower our 2026/27 earnings forecasts by ~5% each to US$22.6m and US$26.1m respectively, mainly to reflect a more gradual gross margin recovery amid elevated raw material costs and currency headwinds. We keep our 2026/27/28 revenue forecasts unchanged at US$509.9m/US$523.0m/US$536.7m respectively, reflecting a cautious near-term outlook.

Valuation/Recommendation

- **Maintain BUY with a 10% lower target price of S$0.88 (previously S$0.98),** pegged to a lower 16x 2027F PE, in line with Delfi's historical mean, compared with 17x previously. The lower valuation multiple reflects a broader sector de-rating, alongside a more cautious margin recovery outlook amid persistent raw material cost pressures and forex volatility. Our revised target price implies approximately 36% upside.

Share Price Catalyst

- Better-than-expected margins from easing commodity prices.
- Stronger Indonesian rupiah against the US dollar.
- Successful premiumisation or diversification of product offerings.

Profit & Loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	**500.1**	**509.9**	**523.0**	**536.7**
EBITDA	62.1	45.7	50.6	58.7
Deprec. & amort.	13.1	12.1	11.9	11.6
EBIT	48.9	33.6	38.7	47.1
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	(0.2)	(0.2)	(0.2)	(0.1)
Net interest income/(expense)	(1.0)	(1.0)	(1.0)	(1.0)
Pre-tax profit	**47.7**	**32.4**	**37.5**	**46.0**
Tax	(14.5)	(9.8)	(11.4)	(13.9)
Minorities	0.0	0.0	0.0	0.0
Net profit	**33.2**	**22.6**	**26.1**	**32.0**
Net profit (adj.)	25.8	22.6	26.1	32.0

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	101.5	100.0	97.5	95.2
Other LT assets	33.5	33.5	33.5	33.5
Cash/ST investment	68.0	86.6	98.3	111.9
Other current assets	233.6	230.3	235.2	240.3
Total assets	**436.5**	**450.5**	**464.5**	**480.9**
ST debt	14.5	14.5	14.5	14.5
Other current liabilities	129.1	131.8	132.7	133.1
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	13.6	13.6	13.6	13.6
Shareholders' equity	279.2	290.5	303.6	319.6
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	**436.5**	**450.5**	**464.5**	**480.9**

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	**78.2**	**41.6**	**35.1**	**40.0**
Pre-tax profit	47.7	32.4	37.5	46.0
Tax	(13.6)	(9.8)	(11.4)	(13.9)
Deprec. & amort.	13.1	12.1	11.9	11.6
Associates	0.2	0.0	0.0	0.0
Working capital changes	30.4	5.9	(4.0)	(4.7)
Non-cash items	(1.2)	0.0	0.0	0.0
Other operating cashflows	1.6	1.0	1.0	1.0
Investing	**(25.2)**	**(10.7)**	**(9.3)**	**(9.3)**
Capex (growth)	(8.1)	(9.3)	(9.3)	(9.3)
Investment	(18.3)	0.0	0.0	0.0
Proceeds from sale of assets	2.5	0.0	0.0	0.0
Others	(1.3)	(1.3)	0.0	0.0
Financing	**(28.7)**	**(12.3)**	**(14.1)**	**(17.0)**
Dividend payments	(13.3)	(11.3)	(13.1)	(16.0)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(4.8)	0.0	0.0	0.0
Others/interest paid	(10.6)	(1.0)	(1.0)	(1.0)
Net cash inflow (outflow)	**24.2**	**18.6**	**11.7**	**13.6**
Beginning cash & cash equivalent	**43.8**	**68.0**	**86.6**	**98.3**
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	**68.0**	**86.6**	**98.3**	**111.9**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.4	9.0	9.7	10.9
Pre-tax margin	9.5	6.4	7.2	8.6
Net margin	6.6	4.4	5.0	6.0
ROA	7.7	5.1	5.7	6.8
ROE	12.2	7.9	8.8	10.3
Growth				
Turnover	(0.5)	2.0	2.6	2.6
EBITDA	(1.7)	(26.4)	10.8	16.1
Pre-tax profit	(2.9)	(32.1)	15.7	22.6
Net profit	(2.1)	(32.1)	15.7	22.6
Net profit (adj.)	(19.7)	(12.5)	15.7	22.6
EPS	(19.7)	(12.5)	15.7	22.6
Leverage				
Debt to total capital	5.0	4.8	4.6	4.4
Debt to equity	5.2	5.0	4.8	4.6
Net debt/(cash) to equity	(19.1)	(24.8)	(27.6)	(30.5)
Interest cover (x)	61.0	44.9	49.7	57.7

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