



**Dairy
Farm**

2019 Interim Results

2nd August 2019

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- 1. 2019 Interim Highlights**
2. Financial Results
3. Strategic Priorities & Business Review
4. Outlook

Transformation Plan on Track

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- The background of the slide is a photograph of a grocery store's produce section, featuring various colorful vegetables like bell peppers and tomatoes in white plastic bins. A semi-transparent white box is overlaid on the center of the image to contain the text.
- Total sales up 13%
 - Subsidiary sales down 3% following portfolio changes
 - Underlying profit up 5%
 - Continuing positive sales growth in 4 out of 5 Divisions
 - Improving trends in SE Asia
 - Multi-year transformation continues on track

Agenda



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Sales and Underlying Profit

(US\$' m)	1H2019	1H2018	%Δ	CCY%Δ
Total Sales				
Including Associates & JVs	13,781	12,215	+13	+16
Subsidiaries	5,761	5,929	-3	-1
Subsidiaries Underlying Operating Profit	234	247	-5	-5
Share of Results of Associates and JVs	72	52	+39	+42
Underlying Profit	177	168	+5	+6
Non-Trading Items (Post-Tax)	1	10	n.m.	n.m.
Reported Profit	178	178	-	-
Underlying EPS (US¢)	13.05	12.38	+5	+6
Interim Dividend Per Share (US¢)	6.50	6.50	n/a	n/a

Sales Growth from 4 out of 5 Divisions

Sales (US\$' m)	1H2019	1H2018	%Δ	CCY%Δ
Food	3,758	4,101	-8	-7
Supers & Hypers	2,677	3,072	-13	-11
7-Eleven	1,081	1,029	+5	+6
Health and Beauty	1,632	1,481	+10	+11
IKEA	371	347	+7	+10
<u>Key Associates*</u>				
Maxim's	1,230	1,154	+7	+7
Yonghui	5,472	5,037	+9	+15
RRHI	1,299	n/a	n.m.	n.m.

* Includes 100% of Maxim's, Yonghui (2018 Quarter 4 to 2019 Quarter 1) and RRHI's (November 2018 to 2019 Quarter 1) sales revenue.

Subsidiaries Underlying Operating Profit

IFRS16 [Separately Identified]

(US\$' m)	Underlying Op. Profit				Op. Margin	
	1H2019	1H2018	\$Δ	%Δ	%	Δpp
Food	59	60	-1	-2	1.6	+0.1
Supers & Hypers	26	26	-	-	1.0	+0.1
7-Eleven	33	34	-1	-2	3.1	-0.2
Health and Beauty	171	152	+19	+12	10.5	+0.2
IKEA	19	34	-15	-43	5.2	-4.6
SG&A	(68)	(40)	-28	-69		
IFRS16 Adjustment – PBIT	53	41				
Subsidiaries Underlying Operating Profit	234	247	-13	-5		

Subsidiaries Underlying Operating Profit

IFRS16 [Integrated]

(US\$' m)	Underlying Op. Profit				Op. Margin	
	1H2019	1H2018	\$Δ	%Δ	%	Δpp
Food	98	89	+9	+10	2.6	+0.4
Supers & Hypers	57	49	+8	+17	2.1	+0.5
7-Eleven	41	40	+1	+1	3.8	-0.1
Health and Beauty	181	160	+21	+13	11.1	+0.3
IKEA	23	38	-15	-38	6.3	-4.7
SG&A	(68)	(40)	-28	-69		
IFRS16 Adjustment – PBIT	-	-				
Subsidiaries Underlying Operating Profit	234	247	-13	-5		

Solid Cash Flow and Stable Dividend

(US\$' m)

	1H2019	1H2018
Underlying EBITDAR	757	802
ΔWorking Capital	(27)	(18)
Net Financing Costs and Others	(82)	(96)
Dividends Received	24	23
Operating Cash Flow	672	711
Normal Capex	(156)	(138)
Free Cash Flow	516	573
Investments	-	(41)
Dividends Paid	(196)	(196)
Principal Elements of Lease Payments	(399)	(399)
FX Changes	3	(8)
Net Cash Flow	(76)	(71)
	1H2019	FY2018
Net Cash / (Debt)	(820)	(744)

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Strategic Priorities and Improvement Programmes

Strategic Priorities



Improvement Programmes

Fresh
Supply Chain
Efficiency

Labour
Productivity

Assortment
Optimisation

Procurement
Centralisation

Strategic Priorities – Grow in China

7-Eleven

- Strong LFL sales growth
- Improvement in new product development
- Additional 104 stores added, c.1150 stores now opened

Mannings

- Performance proving more challenging
- Store optimisation plan in place
- Strong growth in e-commerce

Yonghui

- Strong sales growth and exceptional profit growth achieved
- Significant store network expansion of 480+ stores

Strategic Priorities – Maintain HK Strength



NA Food

- Positive LFL sales growth in both mass and premium stores in HK
- Wellcome sales encouraging; cost pressures continue
- Price campaign launched in response to increasing competition in Taiwan
- Positive sales growth in 7-Eleven supported by strong NPD

Mannings

- Sales & profit growth achieved against strong comparatives
- Performance underpinned by effective space strategy

Maxim's

- Continued positive performance overall
- Increasing new franchises
- New Starbucks franchise acquired for Thailand – 382 stores
- Starbucks franchise now secured in 5 markets

IKEA

- Positive sales growth from both HK and Taiwan

Fastest Growing Franchise Globally

- Strong sales growth from each market
- Strongest growth from e-commerce, +60%
- New websites developed, HK and Indonesia
- Aggressive space expansion plan underway
- Latest new store opened in Taipei in May 2019
- 5 new stores under construction (3x Indonesia, 1x Taiwan, 1x Macau)
- From 11 to 17 stores in 2 years
- Consistent with Dairy Farm's dynamic space optimisation plan

SE Asia Food

- Portfolio optimisation plan underway
- Improving trend in underlying performance
- New format pilots introduced in each market
- Further refinement required but early results encouraging
- Positive contribution from **Robinsons Retail** investment

Health & Beauty

- Encouraging Guardian performance, particularly Malaysia and Indonesia
- Strengthened beauty participation through improved range and pricing
- 62 stores opened in HY1, total now 1230+ across region

IKEA

- Double digit sales growth achieved from Alam Sutra, Indonesia
- 3 further stores under construction
 - Including Giant hypermarket conversion in Sentul

Strategic Priorities – Drive Digital Innovation

Digital Development

- SAP integrated into all Singapore businesses
- Strong e-commerce growth continues in all IKEA markets
- IKEA website relaunched – Indonesia and HK; Taiwan to follow
- c.200% growth in Mannings cross-border e-commerce
- New CRM system now introduced into 7-Eleven China
- Facial recognition now in over 900 stores in China
 - 62% penetration rate in the store with highest adoption

Strategic Priorities – Build Capability

Investment in Talent

- Further investment in leadership capability
- Growing mid-tier talent on-going
- Focusing on building leadership strength and depth
- Opportunities utilised to promote internal talent
- Store based training now being prioritised
- Senior leadership engagement with over 6500 store managers

Strategic Priorities and Improvement Programmes

Strategic Priorities



Improvement Programmes



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Building a Better Business

- A dynamic portfolio and space optimisation plan
...the core of the transformation strategy
- Macro and competitive challenges in every market
- Underperformance being addressed and improvements emerging
- Market growth potential driving space investment
- Synergy and scale driving portfolio change
- Significant change across Dairy Farm being driven at pace
- Still in early stages of our recovery plan
- Green shoots emerging but scale of change
will take time to deliver successfully

Thank you!



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