



# Dairy Farm

## 2018 Interim Results

27 July 2018

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# Solid Overall Results, but Mixed Individual Performance



- Consolidated sales up 6% at constant currency
- Underlying profit 2% higher
- Strong Health and Beauty results, particularly North Asia
- Continuing decline in Southeast Asia Food
- Positive performance from other formats
- Restructured organisation with strong, new leadership
- Business transformation plan in place
- Interim dividends of US\$6.50 per share

# Resilience in Overall Portfolio

Profit and Loss (US\$m)	1H2018	%△		CCY %△	
Sales					
- Including Associates & JVs	12,215	↑	17	↑	13
- Subsidiaries	5,929	↑	8	↑	6
Underlying Operating Profit	218	↑	9	↑	9
Share of Results of Associates and JVs	62	↑	2	↔	0
Underlying Net Profit	215	↑	2	↑	1
Underlying EPS (US¢)	15.88	↑	2	↑	1
Interim Dividend per Share (US¢)	6.50				



# Positive Sales Performance in Most Markets

Sales (US\$m)	1H 2018	%Δ		CCY %Δ	
Food - Supermarkets and Hypermarkets	<b>3,072</b>	↑	2	↑	0
North Asia	1,344	↑	4	↑	4
Southeast Asia	1,728	↑	1	↓	(2)
Food - Convenience Stores	<b>1,029</b>	↑	6	↑	5
Health and Beauty	<b>1,481</b>	↑	20	↑	19
Home Furnishings	<b>346</b>	↑	14	↑	13
<u>Key Associates*</u>					
Maxim's	<b>1,154</b>	↑	18	↑	19
Yonghui	<b>5,037</b>	↑	30	↑	21

\* Includes 100% of Maxim's and Yonghui

# Profit Conversion More Challenging

(US\$m)	<u>Op. Profit</u>		<u>Op. Profit Δ</u>	
	1H 2018	1H2017	\$	Δ
Food - Supermarkets and Hypermarkets	<b>33</b>	71	↓	38
North Asia	<b>55</b>	64	↓	9
Southeast Asia	<b>(22)</b>	7	↓	29
Food - Convenience Stores	<b>36</b>	34	↑	2
Health and Beauty	<b>154</b>	89	↑	65
Home Furnishings	<b>34</b>	33	↑	1
	<b>257</b>	227	↑	30
Central G&A	<b>(39)</b>	(27)	↓	12
Underlying Operating Profit	<b>218</b>	200	↑	18

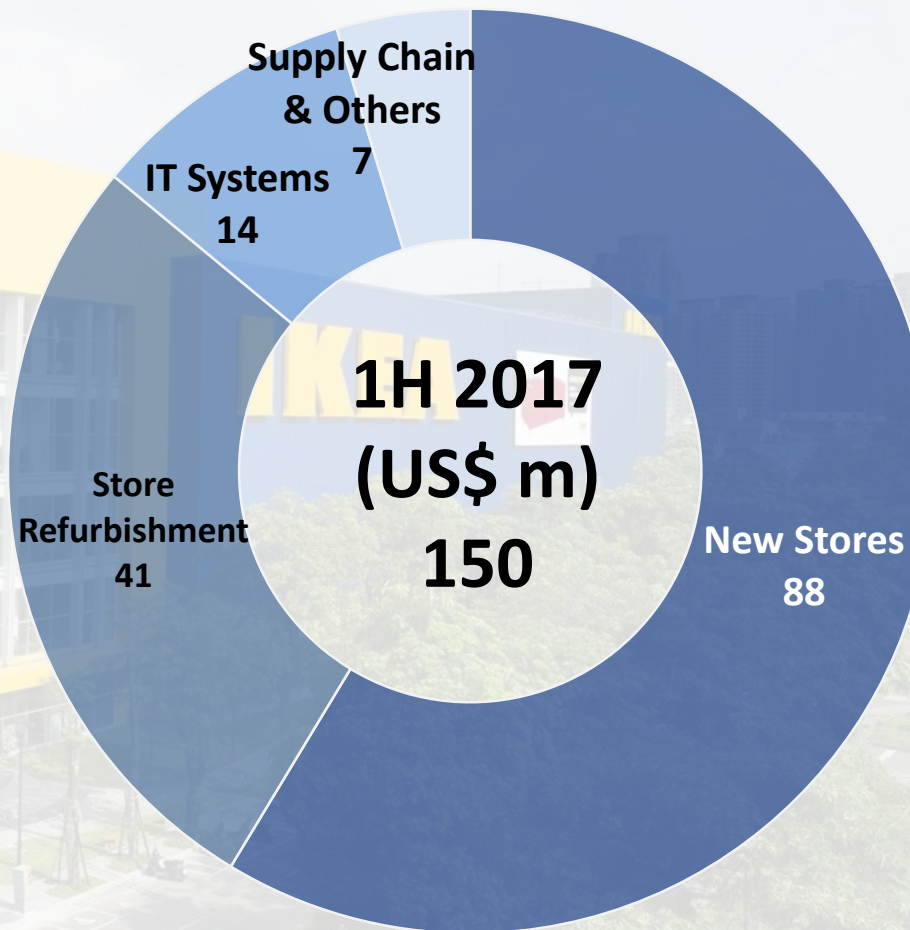
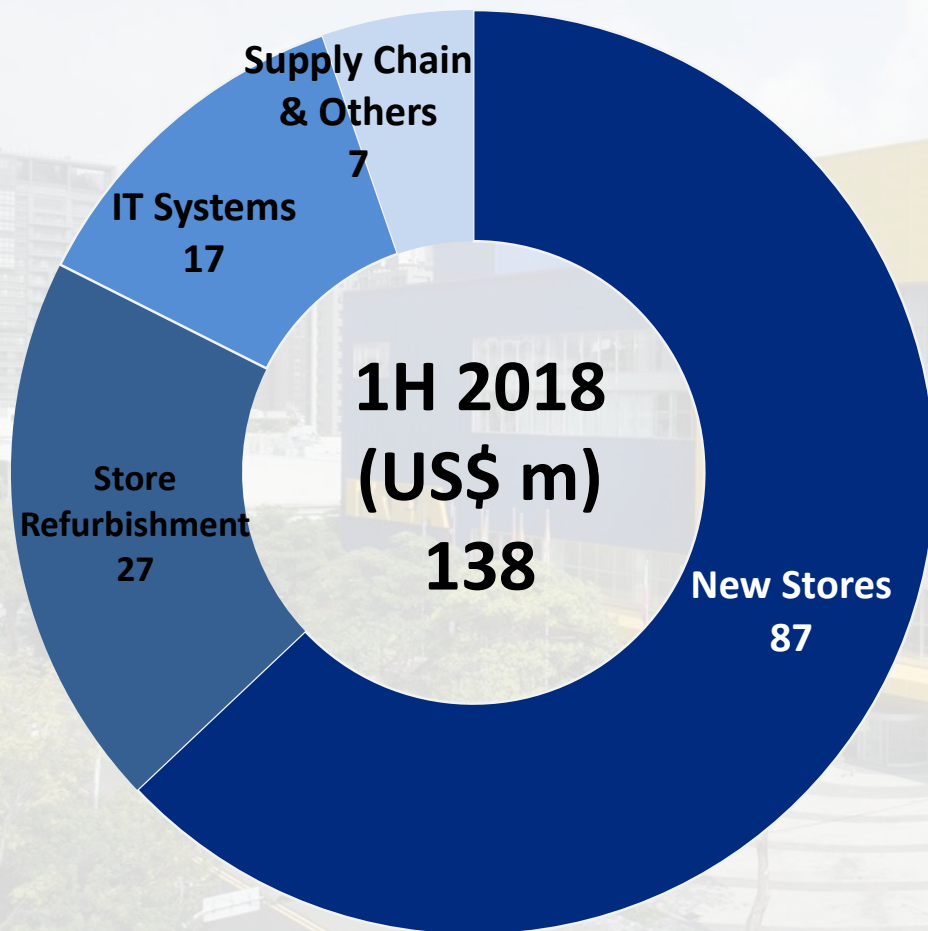


# Operating Cash Flow Solid



(US\$m)	1H2018	1H2017
EBITDA	343	308
Operating Cash Flow	312	306
Capex	(138)	(150)
Free Cash Flow	174	156
Investments and Net Financing Cost	(245)	(200)
Net Cash Flow	(71)	(44)
	1H2018	FY2017
Net Debt	670	599

# Measured Capex in 1H while Investment Strategy Assessed **Dairy Farm**





# Strategy Update



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# Key Improvement Programmes to Underpin Business Strategy

## Business Strategy



## Improvement Programmes

Fresh  
Supply Chain  
Efficiency

Labour  
Productivity

Assortment  
Optimisation

Procurement  
Centralisation



# Three Phases to Build Sustainable Growth



Performance ↑	Building a Strong Base	Delivering Consistently Well	Making a Difference for Every Customer
	1. <b>Build a strong leadership team</b>	1. Establish leadership strength in depth	1. High performing teams with strong succession plans
	2. <b>Define store brand customer proposition by sector and country</b>	2. Store portfolio structured to customer needs (online and offline)	2. Strong and dynamic market proposition
	3. <b>End-to-end supply chain review</b>	3. Efficient, well run stores supported by strong supply chain	3. Strong, efficient supply chain a core competence
	4. <b>Implement plans to leverage scale</b>	4. Scale sourcing a standard practice	4. Optimised product sourcing strategy
	5. <b>Improve IT infrastructure &amp; digital capability</b>	5. Strong digital capacity and IT backbone	5. Strong, omni-channel, personalisation capability
	6. <b>Align resource to business challenges</b>	6. Central support aligned to business need	6. High capability, streamlined support centres servicing customers and stores
	7. <b>Establish cultural values</b>	7. Motivated, well-trained teams	7. An engaged, motivated, customer-focused workforce, appreciative of each other
	1-2 years	3-4 years	5+ years

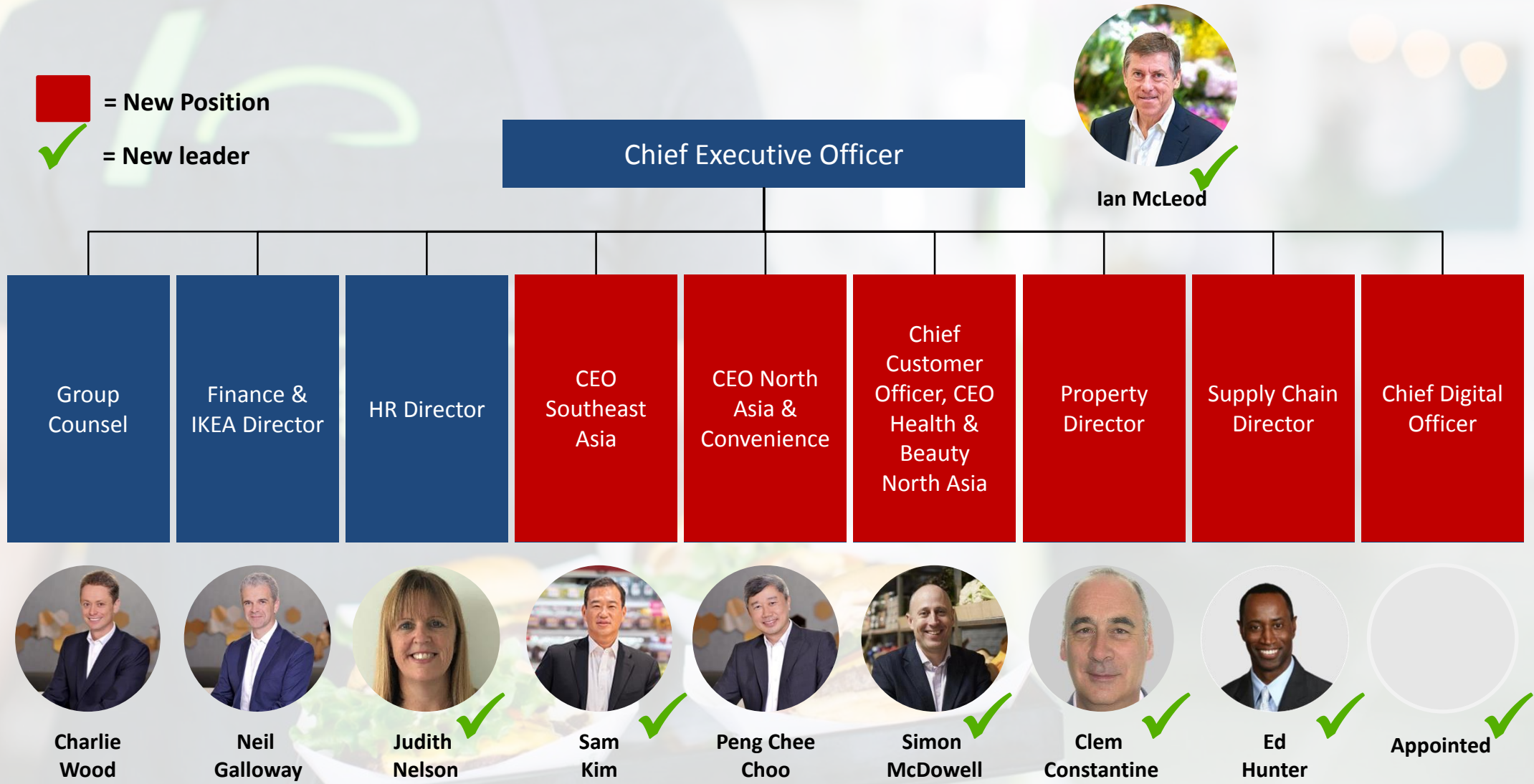
# Key Improvement Programmes to Underpin Business Strategy





# Build Capability: New Leadership Team in Place

 = New Position  
 = New leader

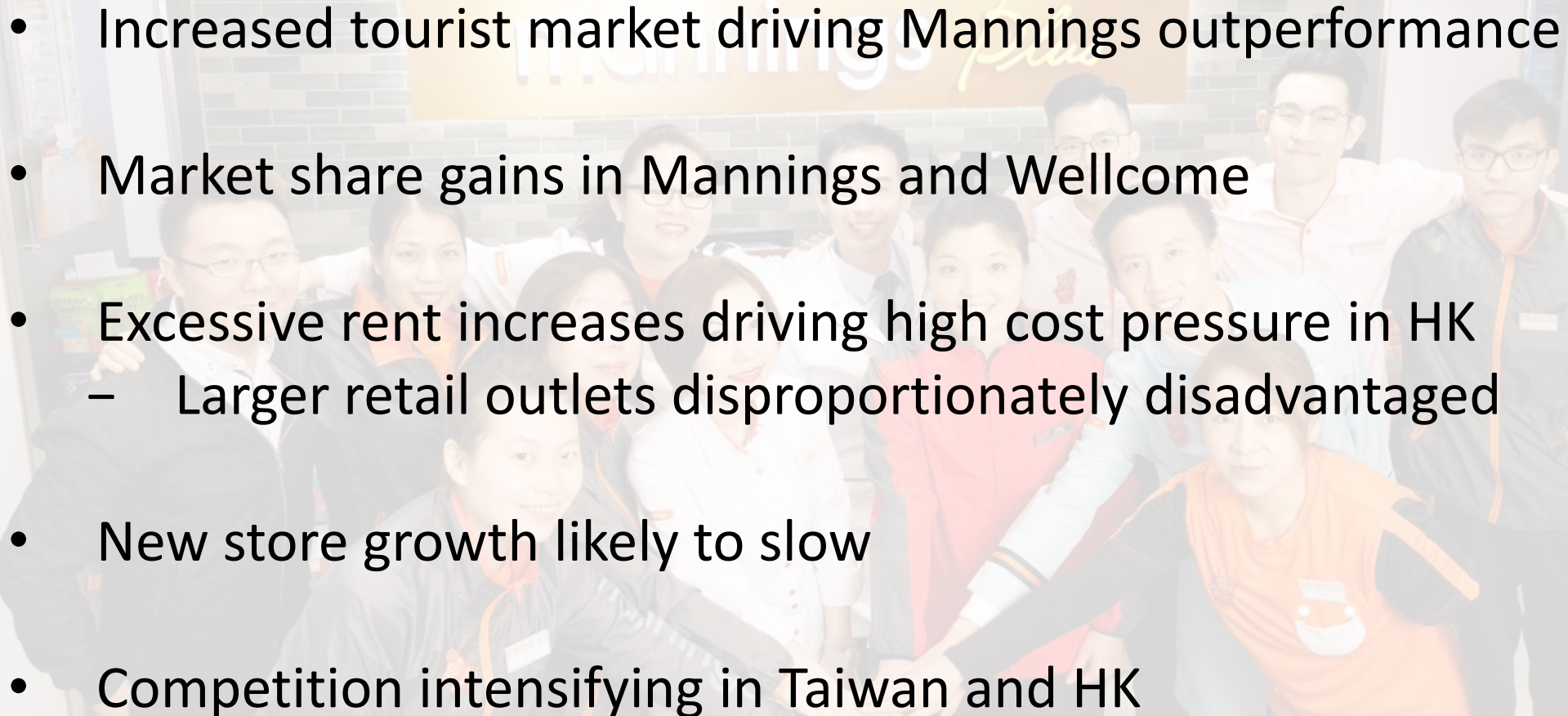


# Grow in China: Expansion Continuing on Track



- New CEOs appointed into 7-Eleven and Mannings
- Improving performance in both businesses
- Network expansion planned for both banners:
  - 1,000+ 7-Eleven stores by end 2018
- Technology trials in pilot:
  - O<sub>2</sub>O, scan&go, virtual wall, facial recognition
- Tencent mini-program pilots



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- A group of approximately 15 Mannings staff members posing for a photo in a store. They are wearing dark jackets with orange accents and Mannings-branded aprons. A "Mannings" sign is visible in the background.
- Increased tourist market driving Mannings outperformance
  - Market share gains in Mannings and Wellcome
  - Excessive rent increases driving high cost pressure in HK
    - Larger retail outlets disproportionately disadvantaged
  - New store growth likely to slow
  - Competition intensifying in Taiwan and HK

# Substantial Retail Rent Increases in Hong Kong



## Top Five Largest Rent Renewal Increments (Supermarkets)

<u>Store</u>	<u>2014</u>	<u>2017</u>
1.	+55%	+279%
2.	+45%	+118%
3.	+21%	+113%
4.	+17%	+82%
5.	+13%	+79%



# Revitalise Southeast Asia: No Short-Term Fix



- Health and Beauty performance improving
- IKEA Indonesia a strong growth business
- Food performance decline a focus
- Hypermarket performance weak in each market
- Major transformation needed: 5 year timeline
- Key Southeast Asia leadership now in place:
  - CEO
  - H&B CEO
  - Chief Commercial Officer

# Drive Digital Innovation: Organisation Redesign Underway



- Two key new appointments
  - Chief Digital Officer
  - Group IT Director
- Two transformation essentials
  - Fixed the basics
  - Step-change digital capability
- Key workstreams
  - SAP integration and development
  - Major data and process redesign
  - Enhanced store information systems
  - Accelerating digital functionality/engagement
  - Digital expertise investment
  - Drive data analytics
- Build advanced technology trials in parallel



- Leadership capability significantly improved
- Fragmented, complex portfolio structure now removed
- 5-year transformation plan priorities now in place
- Multi-faceted, multi-sector, multi-program plan required
- Southeast Asia Food malaise will take time to address
- Building a better, customer focused business for the future

**Thank you!**



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