

## Singapore

**HOLD** (no change)

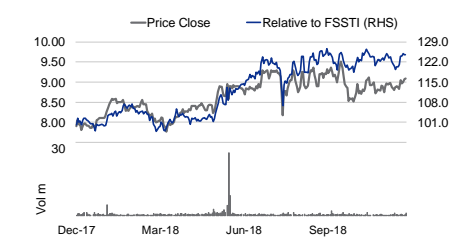
Consensus ratings\*: Buy 3 Hold 5 Sell 0

Current price:	US\$9.09
Target price:	US\$9.77
Previous target:	US\$9.55
Up/downside:	7.5%
CGS-CIMB / Consensus:	1.7%
Reuters:	DAIR.SI
Bloomberg:	DFI SP
Market cap:	US\$12,296m
Average daily turnover:	US\$4.39m
Current shares o/s:	1,352m
Free float:	22.0%

\*Source: Bloomberg

**Key changes in this note**

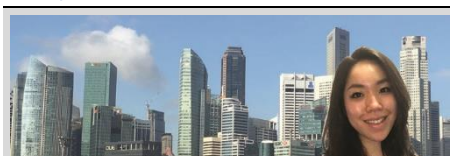
- FY18F/19F/20F EPS reduced by 5.6%/6.0%/5.8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.1	-0.1	14.8
Relative (%)	1.2	0.6	25.1

Major shareholders	% held
Jardine Strategic Holdings	77.6
Franklin Resources	7.4
Aberdeen Asset Management	2.1

**Analyst(s)**

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# Dairy Farm Int'l

## Healing pains

- With North Asia food likely still facing cost pressures and softer Yonghui associate earnings yoy, we believe FY18F net profit growth may be minimal.
- We reiterate that the near-term outlook for DFI remains lacklustre, at least until the Southeast Asia (SEA) food business shows meaningful recovery.
- We cut our FY18-20F estimates and maintain our call with a slightly higher TP of US\$9.77, still on 23.5x P/E, rolled over to FY20F valuations.

### No recovery yet in Southeast Asia (SEA) food

In its 3Q18 interim statement, DFI mentioned Singapore's and Malaysia's food sales and profits fell further, whilst Indonesia's figures were better but still in the red. Singapore is likely to be in store rationalisation mode until early-FY19F, whilst in Malaysia, private consumption may moderate in 2019F, according to our economist, as FY18F was fuelled by forward purchases in the tax holiday of Jun-Aug 18. 2H19F margins may pick up post shelving inefficient stores across the region but overall profits could still be slim.

### North Asia food's cost pressures may persist

In 1H18, the North Asia (NA) food business saw margin slippages (-17.5%), largely on higher rental costs in Hong Kong. This recurred in 3Q18, with DFI stating the NA food business profits were lower vs. 3Q17 due to rental pressures. Up till Oct 18, the Hong Kong Rental Price Index for Private Commercial Retail Units was positive yoy. Furthermore, property consultants are expecting rents to grow by at least 1-3% in 1H19F.

### Yonghui profits forecast to shrink in FY18F

In 3Q18, Yonghui's associate earnings were lower yoy on investments in new formats (i.e. e-commerce business/Super Species/Yonghui Lifestyle stores) and higher costs for its incentive schemes. Consensus currently forecasts Yonghui's net profit to fall 13% yoy in FY18F. This, coupled with the weakened US\$ vs. Rmb rate, could narrow Yonghui's contributions in FY18F.

### NA health & beauty may be impacted, if China visitors slow

The robust demand for HK cosmetics and healthcare products was mostly due to increased mainland China tourist arrivals. However, YTD, the Rmb has depreciated c.5.5% vs. HK\$, while potential trade war uncertainties may weigh on consumer sentiments. Whilst this could be a secondary concern, it poses a potential dampener on DFI's NA health and beauty segment, which has grown healthily so far this year.

### Maintain Hold; near term still weighed by uncertainties

We cut our FY18-20F EPS estimates by 5.6-6.0% mainly on lower food business margins, lower Yonghui associate estimates and higher business support costs. Our TP is now US\$9.77 as we roll forward our earnings base to CY20F. Upside risks are better sales growth and margin expansion in DFI's own and associate businesses. The opposite are downside risks.

**Financial Summary**

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (US\$m)	11,201	11,289	11,761	12,279	12,800
Operating EBITDA (US\$m)	671.6	588.9	668.6	717.1	763.7
Net Profit (US\$m)	469.0	402.7	467.6	516.4	562.3
Core EPS (US\$)	0.34	0.35	0.35	0.38	0.42
Core EPS Growth	7.5%	1.4%	0.2%	10.4%	8.9%
FD Core P/E (x)	26.71	26.34	26.29	23.81	21.86
DPS (US\$)	0.21	0.22	0.23	0.23	0.23
Dividend Yield	2.31%	2.42%	2.53%	2.53%	2.53%
EV/EBITDA (x)	17.19	19.29	16.74	15.39	14.19
P/FCFE (x)	34.87	35.14	32.48	35.00	32.03
Net Gearing	40.6%	34.3%	27.2%	22.8%	17.3%
P/BV (x)	8.17	7.27	6.61	5.95	5.30
ROE	31.9%	29.2%	26.3%	26.3%	25.6%
% Change In Core EPS Estimates			(5.59%)	(6.05%)	(5.79%)
CIMB/consensus EPS (x)			0.97	0.92	0.94

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Healing Pains

### No recovery yet in Southeast Asia (SEA) food ▶

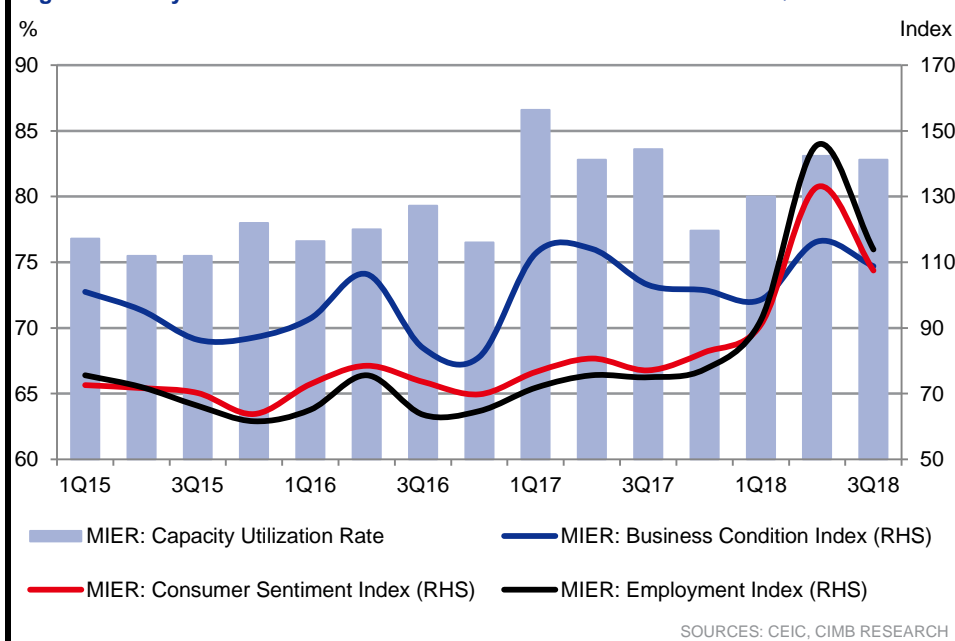
In its 3Q18 interim statement, DFI mentioned that SEA food's sales and profits decreased further in Singapore and Malaysia whilst Indonesia's bottomline improved but remained in the red. Back in 1H18, DFI mentioned that the SEA businesses suffered from the lack of investment in infrastructure, range and competitive pricing; but turning these businesses around will still take time. We note that DFI's store closure pipeline in Singapore could spill to early-1Q19F, according to a Today Online article in Sep. In Malaysia, our economist mentioned that private consumption could moderate in FY19F, with consumer and business confidence declining in 3Q18.

**Figure 1: Southeast Asia food historical financials**

FYE Dec (US\$m)	1H18	1H17	% yoy chg
Revenue	1,728.0	1,710.7	1.0%
EBIT	(22.0)	7.0	-414.3%
EBIT margin	-1.3%	0.4%	-411.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Malaysia's consumer and business confidence declined in 3Q18**



### North Asia food's rental pressures may persist ▶

In 1H18, the North Asia food business reported a yoy rise in sales (+4%) but lower profits (-9% yoy), mainly on higher rental and labour costs in Hong Kong. We believe this recurred in 3Q18, judging from DFI's 3Q18 interim statement that profits for the North Asia food business was lower vs. 3Q17 due to weakening margins and continued cost pressures, especially from rent.

The Hong Kong Rental Price Index for Private Commercial Retail Units Index (HKRLPCRY Index) saw a positive yoy trajectory up till Oct 18 whilst Hong Kong supermarket retail sales saw some yoy slippages in recent months. We believe these are signs that the rental pressures from 9M18 may persist in 4Q18F.

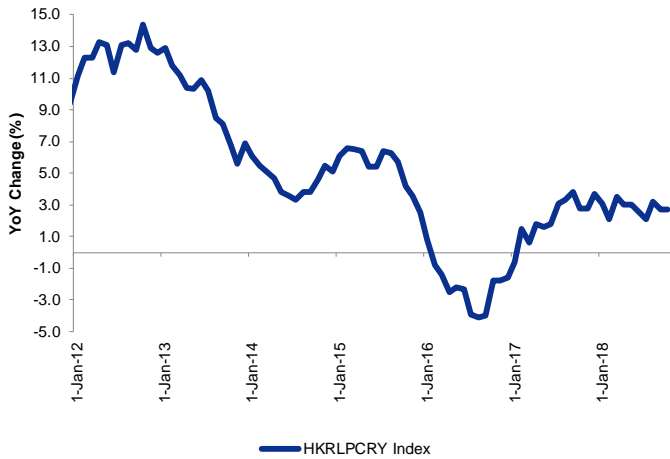
Additionally, Colliers International forecasts that rents on retail high streets in major retail districts could see an annual average growth rate of 3-5% in 2019-2020. Cushman and Wakefield project rental growth of 1% to 3% in core areas in 1H19.

**Figure 3: North Asia food historical business**

FYE Dec (US\$m)	1H18	1H17	% yoy chg
Revenue	1,344.0	1,290.2	4.2%
EBIT	55.0	64.0	-14.1%
EBIT margin	4.1%	5.0%	-17.5%

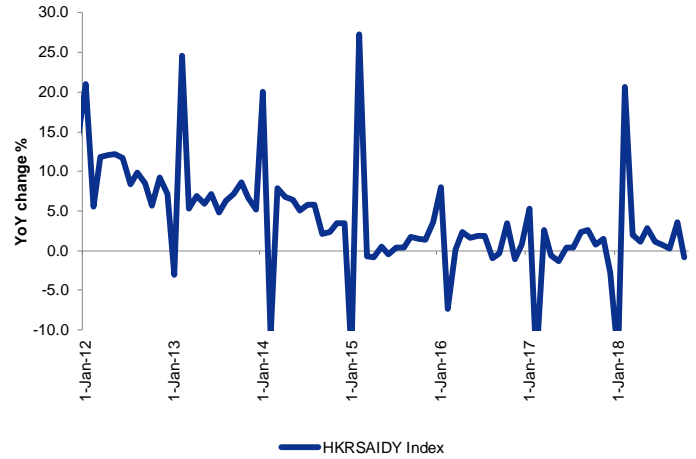
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 4: Hong Kong Rental Price Index for Private Commercial Retail Units saw a positive yoy trajectory since FY17**



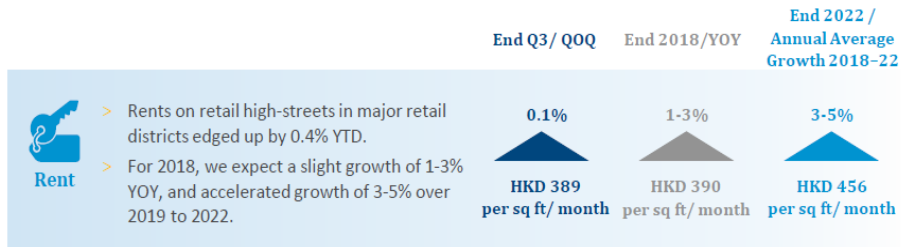
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 5: Hong Kong supermarket retail sales index fell slightly in Oct-18**



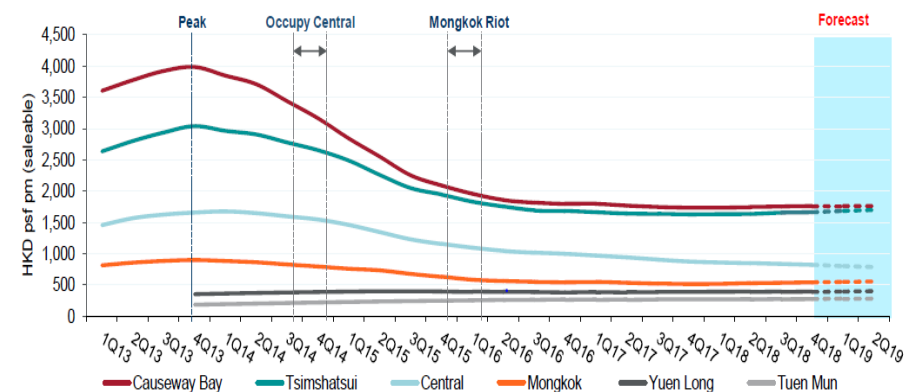
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 6: Collier International forecasts rents on retail high streets to continue to grow in 2018-2022**



SOURCES: CGS-CIMB RESEARCH, COLLIERS INTERNATIONAL 3Q18 RETAIL REPORT

**Figure 7: Cushman & Wakefield forecasts rentals to grow in 1H19F**



SOURCES: CGS-CIMB RESEARCH, Cushman & Wakefield's Hong Kong Property & Investments Markets 2018 Review & 2019 Outlook

### Yonghui growth rate lowered ➤

Associate earnings from Yonghui have been one of the main drivers of Dairy Farm's growth since FY16. However, in 1H18 and 3Q18, Yonghui saw lower profits vs. 3Q17 due to investments in new formats (i.e. e-commerce business/Super Species/Yonghui Lifestyle stores) and higher costs for its employee incentive scheme. Consensus is now forecasting net profit to decrease by 13% in FY18F. Hence, this could have a spillover effect on DFI's FY18F associate earnings growth as well.

**Figure 8: Associates/JVs and PBT**

Associates (US\$m)	1H15	2H15	1H16	2H16	1H17	2H17	1H18
Food - supermarkets/hypermarkets	4.3	2.1	20.0	15.6	30.1	23.9	27.1
Health and beauty	(2.1)	(3.6)	(3.7)	(1.6)	(3.2)	(1.8)	(2.0)
Restaurants	29.5	54.8	30.2	57.7	34.1	61.1	37.3
<b>Total associate income</b>	<b>31.7</b>	<b>53.3</b>	<b>46.5</b>	<b>71.7</b>	<b>61.0</b>	<b>83.2</b>	<b>62.4</b>

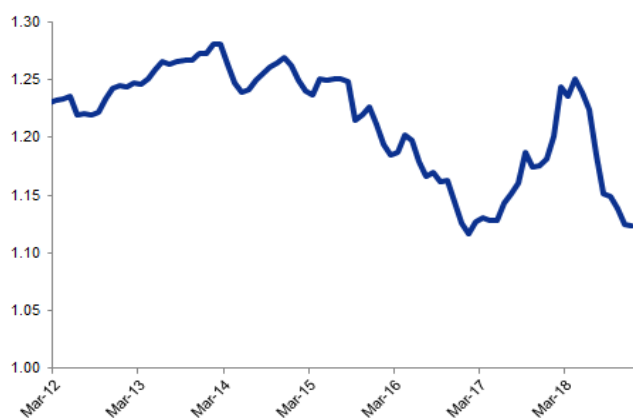
yoy growth (%)	1H15	2H15	1H16	2H16	1H17	2H17	1H18
Food - supermarkets/hypermarkets			365.1%	642.9%	50.5%	53.2%	-10.0%
Health and beauty			76.2%	-55.6%	-13.5%	12.5%	-37.5%
Restaurants			2.4%	5.3%	12.9%	5.9%	9.4%
<b>Total associate income</b>			<b>46.7%</b>	<b>34.5%</b>	<b>31.2%</b>	<b>16.0%</b>	<b>2.3%</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

### Uncertainties in China could affect North Asia's health and beauty ➤

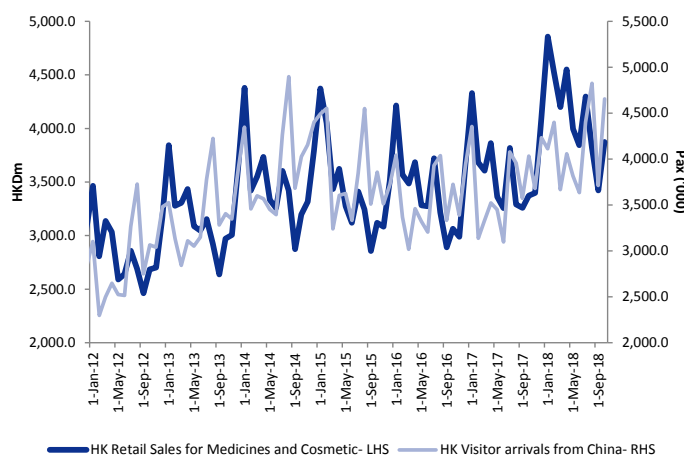
The robust consumer demand for cosmetics and healthcare products in Hong Kong was mainly on the heels of increased mainland China tourist arrivals. However, the Rmb has depreciated against the HK\$ by 5.5% YTD. We note a 74% correlation between the Rmb/HK\$ forex rate and Hong Kong visitors from China and a 94.2% correlation between mainland China visitors to Hong Kong and the Hong Kong retail sales value for medicines and cosmetics. Whilst this could be a secondary concern, any uncertainties in the Chinese economy that affects visitor travel could be a dampener for the North Asia health and beauty segment, which has been growing robustly thus far in FY18.

**Figure 9: The Rmb has fallen significantly versus the Hong Kong dollar**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 10: HK retail sales for medicines and cosmetics and HK visitor arrivals from China are highly correlated (c.0.94)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Valuation and recommendation ►

We cut our FY18F/19F/20F estimates by 5.6%/6.0%/5.8%, with the main cuts due to i) lower margins for the food business, ii) lower Yonghui associate earnings, and iii) higher support centre costs as DFI mentioned in its 3Q18 interim report that higher costs from investments in technology, supply chain infrastructure, stores and people will continue to improve the long-term performance of the business.

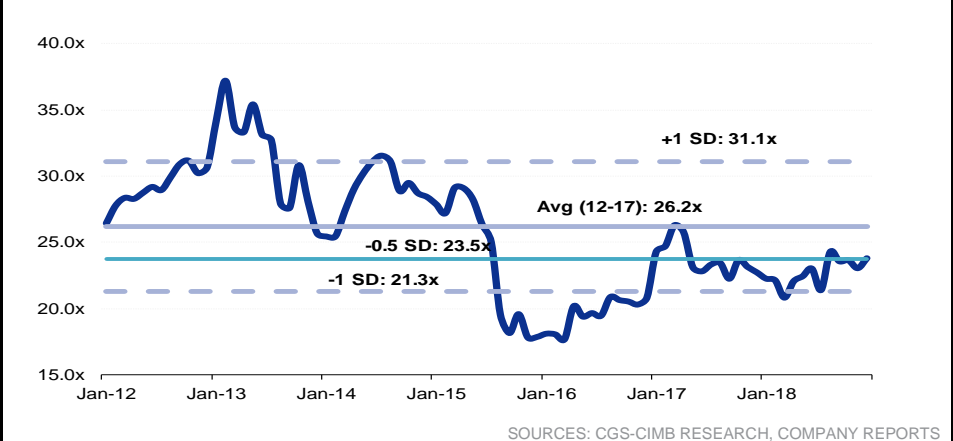
The stock is currently trading at 23.8x FY19F P/E, below its 5-year average of 26.2x. As we roll forward to FY20F EPS, we maintain our target P/E of 23.5x (-0.5 s.d. from average 5-year mean of 26.2x) to account for DFI's near-term uncertainties.

**Figure 11: Forecasts revisions**

US\$m	New			Old			% Change		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Revenue	11,760.9	12,279.0	12,799.9	11,782.2	12,300.7	12,822.1	-0.2%	-0.2%	-0.2%
Gross profit	3,578.9	3,736.5	3,895.1	3,585.4	3,743.2	3,901.8	-0.2%	-0.2%	-0.2%
GPM (%)	30%	30%	30%	30%	30%	30%	0.0%pt	0.0%pt	0.0%pt
EBIT	445.1	483.8	520.5	472.5	521.0	550.0	-5.8%	-7.1%	-5.4%
OPM (%)	3.8%	3.9%	4.1%	4.0%	4.2%	4.3%	-0.2%pt	-0.3%pt	-0.2%pt
JV and Associates	145.4	166.6	186.3	162.1	180.2	209.1	-10.3%	-7.5%	-10.9%
<b>Net profit</b>	<b>467.6</b>	<b>516.4</b>	<b>562.3</b>	<b>495.3</b>	<b>549.6</b>	<b>596.8</b>	<b>-5.6%</b>	<b>-6.0%</b>	<b>-5.8%</b>
<b>EPS</b>	<b>0.35</b>	<b>0.38</b>	<b>0.42</b>	<b>0.37</b>	<b>0.41</b>	<b>0.44</b>	<b>-5.6%</b>	<b>-6.0%</b>	<b>-5.8%</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 12: Dairy Farm's historical forward P/E trading band (x)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

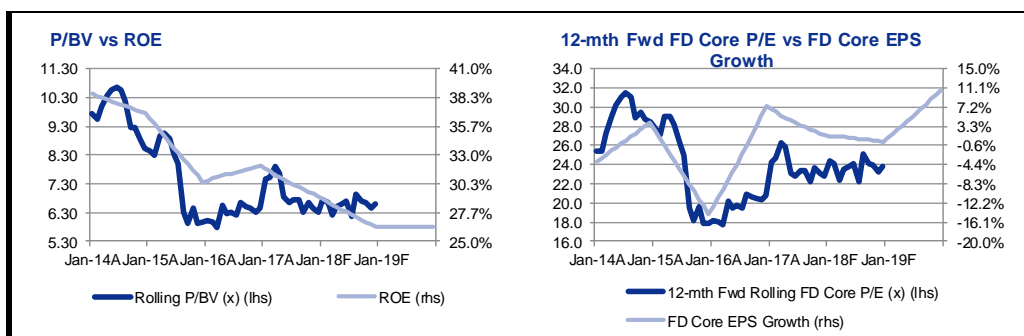
**Figure 13: Global Peers Comparison**

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		2-year EPS CAGR (%)	P/BV (x) CY18F	Recurring ROE (%) CY18F	Dividend Yield (%) CY18F
Dairy Farm Int'l	DFI SP	Hold	9.09	9.77	12,296	26.3	23.8	5.2%	6.61	26.3%	2.5%
Sheng Siong Group	SSG SP	Add	1.08	1.25	1,184	23.3	19.8	9.9%	5.57	25.3%	3.0%
<b>Singapore grocery retail simple average</b>						<b>24.8</b>	<b>21.8</b>	<b>7.5%</b>	<b>6.1</b>	<b>25.8%</b>	<b>2.8%</b>
Sun Art Retail Group	6808 HK	Add	8.65	10.90	10,566	26.7	25.0	0.7%	3.04	12.1%	1.5%
China Resources Beer Holdings	291 HK	NR	28.45	na	11,821	41.7	32.1	47.2%	4.12	10.5%	0.9%
Yonghui Superstores Co Ltd	601933 CH	NR	7.80	na	10,836	46.2	32.9	11.7%	3.69	7.4%	1.5%
<b>Hong Kong/China grocery retail simple average</b>						<b>32.8</b>	<b>26.7</b>	<b>14.9%</b>	<b>4.6</b>	<b>16.3%</b>	<b>1.9%</b>
7-Eleven Malaysia Holdings Berh	SEM MK	Hold	1.30	1.34	351	29.7	26.4	11.6%	34.31	90.8%	2.5%
Aeon Co M Bhd	AEON MK	NR	1.59	na	534	21.8	17.9	9.1%	1.13	5.1%	2.3%
<b>Malaysia grocery retail simple average</b>						<b>25.8</b>	<b>22.1</b>	<b>10.3%</b>	<b>17.72</b>	<b>48.0%</b>	<b>2.4%</b>
Ace Hardware Indonesia	ACES IJ	Add	1,520	1,900	1,798	26.3	21.4	19.1%	6.34	27.2%	1.5%
Ramayana Lestari	RALS IJ	Add	1,355	1,500	663	17.4	16.1	15.8%	2.54	16.1%	2.7%
<b>Indonesia grocery retail average</b>						<b>19.6</b>	<b>17.5</b>	<b>16.6%</b>	<b>3.5</b>	<b>18.9%</b>	<b>2.4%</b>
Puregold Price Club Inc	PGOLD PM	Add	42.70	53.00	2,241	17.9	15.9	11.1%	2.20	13.4%	0.7%
Robinsons Retail Holdings Inc	RRHI PM	Add	76.00	101.0	2,274	18.6	19.9	0.3%	1.87	10.8%	0.9%
<b>Philippines grocery retail average</b>						<b>18.3</b>	<b>17.9</b>	<b>5.7%</b>	<b>2.0</b>	<b>12.1%</b>	<b>0.8%</b>
Taiwan FamilyMart Co Ltd/Taiw:	5903 TT	NR	212.5	na	1,537	29.1	26.9	11.9%	8.53	27.9%	2.7%
<b>Taiwan grocery retail simple average</b>						<b>29.1</b>	<b>26.9</b>	<b>11.9%</b>	<b>8.53</b>	<b>27.9%</b>	<b>2.7%</b>
CP ALL PCL	CPALL TB	NR	70.75	na	19,406	30.7	27.0	10.6%	7.64	26.5%	1.6%
<b>Thai grocery retail simple average</b>						<b>30.7</b>	<b>27.0</b>	<b>9%</b>	<b>7.6</b>	<b>20.1%</b>	<b>1.6%</b>
Seven & i Holdings Co Ltd	3382 JT	NR	4,893	na	38,215	23.9	17.9	20.2%	1.71	8.4%	1.9%
Lawson Inc	2651 JT	NR	7,240	na	6,398	27.0	23.9	3.3%	2.60	10.2%	3.5%
FamilyMart UNY Holdings Co Ltr	8028 JT	NR	16,290	na	18,186	61.3	43.0	22.2%	3.77	7.7%	0.8%
<b>Japanese grocery retail simple average</b>						<b>37.4</b>	<b>28.3</b>	<b>15.2%</b>	<b>2.69</b>	<b>8.8%</b>	<b>2.1%</b>
Walmart Inc	WMT US	NR	92.96	na	270,073	28.3	19.8	18.6%	3.53	14.3%	2.2%
Tesco PLC	TSCO LN	NR	198.6	na	24,573	13.4	12.2	15.2%	1.42	11.1%	2.8%
Woolworths Group Ltd	WOW AU	NR	28.35	na	26,891	21.4	20.8	6.0%	3.44	17.0%	3.4%
Carrefour SA	CA FP	NR	15.23	na	13,653	15.8	13.3	na	1.12	6.5%	2.9%
<b>International grocery retail simple average</b>						<b>19.7</b>	<b>16.5</b>	<b>13.3%</b>	<b>2.38</b>	<b>12.2%</b>	<b>2.8%</b>
<b>Average (All simple)</b>						<b>27.3</b>	<b>22.8</b>	<b>12.9%</b>	<b>5.3</b>	<b>22.1%</b>	<b>2.1%</b>
<b>Average (ASEAN simple)</b>						<b>24.3</b>	<b>21.5</b>	<b>10.0%</b>	<b>5.1</b>	<b>25.5%</b>	<b>1.9%</b>

NOTE: AS OF 14 DEC 2018

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

## BY THE NUMBERS



### Profit & Loss

(US\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>Total Net Revenues</b>	<b>11,201</b>	<b>11,289</b>	<b>11,761</b>	<b>12,279</b>	<b>12,800</b>
<b>Gross Profit</b>	<b>3,386</b>	<b>3,433</b>	<b>3,579</b>	<b>3,737</b>	<b>3,895</b>
<b>Operating EBITDA</b>	<b>672</b>	<b>589</b>	<b>669</b>	<b>717</b>	<b>764</b>
Depreciation And Amortisation	(213)	(221)	(223)	(233)	(243)
<b>Operating EBIT</b>	<b>459</b>	<b>368</b>	<b>445</b>	<b>484</b>	<b>521</b>
Financial Income/(Expense)	(22)	(26)	(26)	(25)	(25)
Pretax Income/(Loss) from Assoc.	118	143	145	167	186
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>555</b>	<b>485</b>	<b>565</b>	<b>625</b>	<b>682</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>555</b>	<b>485</b>	<b>565</b>	<b>625</b>	<b>682</b>
Taxation	(85)	(93)	(107)	(119)	(130)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>470</b>	<b>392</b>	<b>458</b>	<b>506</b>	<b>552</b>
Minority Interests	(1)	11	10	10	10
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>469</b>	<b>403</b>	<b>468</b>	<b>516</b>	<b>562</b>
Recurring Net Profit	460	467	468	516	562
<b>Fully Diluted Recurring Net Profit</b>	<b>460</b>	<b>467</b>	<b>468</b>	<b>516</b>	<b>562</b>

### Cash Flow

(US\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>EBITDA</b>	<b>671.6</b>	<b>588.9</b>	<b>668.6</b>	<b>717.1</b>	<b>763.7</b>
Cash Flow from Inv. & Assoc.	66.0	84.9	65.0	66.0	67.0
Change In Working Capital	(97.1)	92.1	62.9	(2.8)	(7.3)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	8.4	16.1	0.0	0.0	0.0
Other Operating Cashflow					
Net Interest (Paid)/Received	(20.7)	(26.4)	(25.6)	(25.3)	(25.0)
Tax Paid	(85.3)	(84.3)	(107.3)	(118.8)	(129.5)
<b>Cashflow From Operations</b>	<b>542.9</b>	<b>671.3</b>	<b>663.5</b>	<b>636.3</b>	<b>668.8</b>
Capex	(441.6)	(285.1)	(285.0)	(285.0)	(285.0)
Disposals Of FAs/subsidiaries	13.6	4.5	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(428.0)</b>	<b>(280.6)</b>	<b>(285.0)</b>	<b>(285.0)</b>	<b>(285.0)</b>
Debt Raised/(repaid)	237.6	(40.9)	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(273.5)	(284.5)	(297.5)	(311.1)	(311.1)
Preferred Dividends					
Other Financing Cashflow	(6.6)	(62.5)	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(42.5)</b>	<b>(387.9)</b>	<b>(297.5)</b>	<b>(311.1)</b>	<b>(311.1)</b>
Total Cash Generated	72.4	2.8	81.0	40.2	72.8
<b>Free Cashflow To Equity</b>	<b>352.5</b>	<b>349.8</b>	<b>378.5</b>	<b>351.3</b>	<b>383.8</b>
<b>Free Cashflow To Firm</b>	<b>136.9</b>	<b>418.7</b>	<b>406.1</b>	<b>378.8</b>	<b>411.4</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(US\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	324	332	413	454	526
Total Debtors	291	351	258	303	351
Inventories	983	950	1,009	1,077	1,147
Total Other Current Assets	19	38	38	38	38
<b>Total Current Assets</b>	<b>1,617</b>	<b>1,671</b>	<b>1,718</b>	<b>1,871</b>	<b>2,062</b>
Fixed Assets	1,100	1,184	1,211	1,227	1,234
Total Investments	1,468	1,608	1,688	1,789	1,908
Intangible Assets	765	815	850	885	920
Total Other Non-Current Assets	180	189	189	190	191
<b>Total Non-current Assets</b>	<b>3,512</b>	<b>3,796</b>	<b>3,938</b>	<b>4,091</b>	<b>4,253</b>
Short-term Debt	370	413	413	413	413
Current Portion of Long-Term Debt					
Total Creditors	2,328	2,470	2,498	2,608	2,719
Other Current Liabilities	73	124	124	124	124
<b>Total Current Liabilities</b>	<b>2,771</b>	<b>3,006</b>	<b>3,035</b>	<b>3,145</b>	<b>3,256</b>
Total Long-term Debt	595	522	522	522	522
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	43	43	43	43	43
<b>Total Non-current Liabilities</b>	<b>638</b>	<b>565</b>	<b>565</b>	<b>565</b>	<b>565</b>
Total Provisions	141	134	134	134	134
<b>Total Liabilities</b>	<b>3,550</b>	<b>3,705</b>	<b>3,734</b>	<b>3,844</b>	<b>3,955</b>
Shareholders' Equity	1,505	1,690	1,860	2,066	2,319
Minority Interests	74	66	56	46	36
<b>Total Equity</b>	<b>1,579</b>	<b>1,756</b>	<b>1,916</b>	<b>2,112</b>	<b>2,354</b>

### Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	0.57%	0.79%	4.18%	4.40%	4.24%
Operating EBITDA Growth	4.4%	(12.3%)	13.5%	7.3%	6.5%
Operating EBITDA Margin	6.00%	5.22%	5.68%	5.84%	5.97%
Net Cash Per Share (US\$)	(0.47)	(0.45)	(0.39)	(0.36)	(0.30)
BVPS (US\$)	1.11	1.25	1.38	1.53	1.71
Gross Interest Cover	19.69	13.14	16.15	17.56	18.89
Effective Tax Rate	15.3%	19.2%	19.0%	19.0%	19.0%
Net Dividend Payout Ratio	60.5%	73.9%	66.5%	60.2%	55.3%
Accounts Receivables Days	8.57	10.37	9.44	8.33	9.34
Inventory Days	44.96	44.91	43.69	44.55	45.69
Accounts Payables Days	109.6	111.4	110.8	109.1	109.5
ROIC (%)	45.2%	32.6%	39.6%	43.1%	43.8%
ROCE (%)	18.5%	13.6%	15.6%	16.0%	16.0%
Return On Average Assets	9.81%	7.81%	8.61%	9.08%	9.33%

### Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	-1.6%	-3.2%	1.1%	2.7%	2.7%
No. of POS (main prod/serv)	4,830	4,941	5,063	5,191	5,299
SSS grth (% , main prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
No. of POS (2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
SSS grth (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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#### **Corporate Governance Report:**

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

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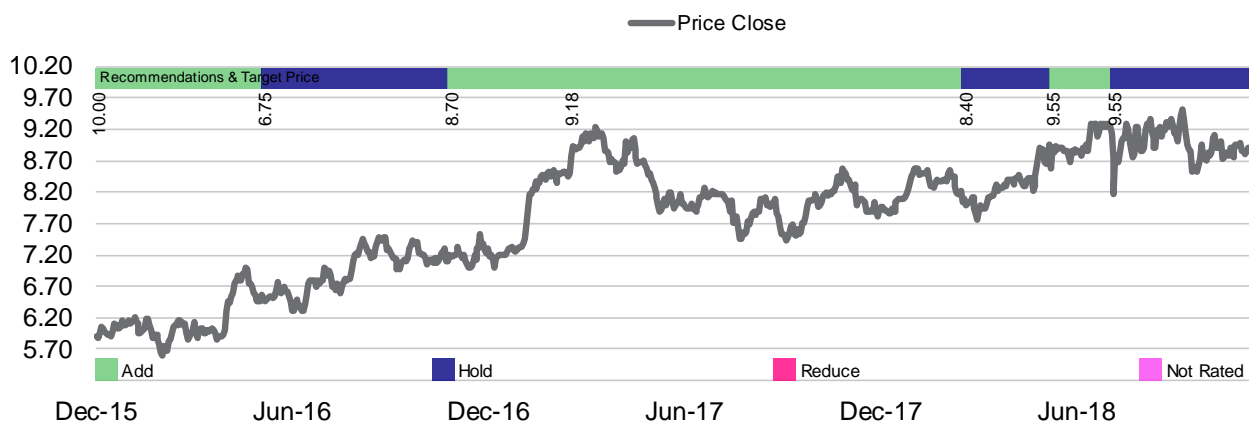
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2018		
759 companies under coverage for quarter ended on 30 September 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.5%	4.2%
Hold	25.8%	2.4%
Reduce	13.7%	0.4%

#### Spitzer Chart for stock being researched ( 2 year data )

#### Dairy Farm Int'l (DFI SP)



### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

\* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

#### Recommendation Framework

##### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

##### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

##### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

**Underweight**

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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