## Analysts

Jovan Lee
Lead Analyst, Equity Research jovan.lee@u.nus.edu

## Bryan Danker

Analyst, Equity Research
bryan.danker@u.nus.edu

## Basic Information

| Last Closed Price | US\$2.43 |
| :--- | :--- |
| 12M Target Price | US\$3.15 |
| +/- Potential | +29.5\% |
| Bloomberg Ticker | DFI:SP |
| GICS Sector | Consumer Staples |
| GICS Sub-Industry | Food Retail |

## 1Y Price vs Relative Index



## Company Description

Dairy Farm International Holdings Ltd. is a holding company that operates retail businesses across 12 Asian territories through direct ownerships and joint ventures. DFI operates via four main business segments food retail, health \& beauty, home furnishing and restaurants. Widely known brand names under the DFI umbrella include Cold Storage, 7Eleven, Robinsons and IKEA.

## Key Financials

| Market Cap | US\$3.29bn |
| :--- | ---: |
| Basic Shares 0/S | $1,353 \mathrm{~m}$ |
| Free Float | $22.2 \%$ |
| 52-Wk High-Low | US $\$ 2.42-$ US $\$ 4.76$ |
| Fiscal Year End | $31-$ Dec-2021 |


| (US\$ M) | FY20A | FY21A | FY22E | FY23E |
| :--- | :---: | :---: | :---: | :---: |
| Revenue | 10,269 | 9,015 | 9,884 | 10,400 |
| Gr Rate (\%) | (8.3) | $(12.2)$ | 9.6 | 5.2 |
| EBIT | 388 | 311 | 317 | 354 |
| Margin (\%) | 3.8 | 3.4 | 3.2 | 3.4 |
| ROE (\%) | 19.2 | 7.2 | 16.4 | 18.0 |
| ROA (\%) | 3.2 | 1.2 | 2.8 | 3.0 |

We are initiating coverage of Dairy Farm International Holdings Ltd.,
("Dairy Farm", "DFI" or "Company") with a BUY rating and a US\$3.15 12M price target.

## FY21 Earnings Highlights

- Revenues declined 12.2\% y-o-y to US\$9.02 billion while net income fell by $62.03 \%$ to $\$ 102.9$ million
- Net income decreased $33.0 \%$ y-o-y to US $\$ 19.6$ million
- Dividends per share fell $42.4 \%$ to US\$9.50


## Investment Thesis

- Development of in-house labels to fuel margin expansion and long-term consumer demand: Dairy Farm's successful development of low-cost in-house brands will boost customer demand and margins. These brands are also already consumers' favourites compared to other supermarket brands due to their superior value proposition.
- Development of superior e-commerce platforms is underappreciated by the market: Dairy Farm's retail transformation is centred around digitalisation. With a superior network of brands and development of a loyalty network, Dairy Farm's e-commerce platforms will likely see strong success and customer retention compared to its peers in the long run.
- 7-Eleven's unique positioning in China's Greater Bay Area will drive revenue growth through store expansion: Dairy Farm operates 7-eleven franchises in the Greater Bay Area which still has a vastly underpenetrated convenience store industry. 7 -eleven will be able to capture growth in this region through its superior structural efficiency and unique customer facing value proposition.


## Catalysts

- Evidence of margin expansion from either scaling of e-commerce or in-house label will improve investors' confidence that Dairy Farm's restructuring is moving in a positive direction.
- Strong recovery of Yonghui's revenue and income from 2021 will show that the subsidiaries' pivot towards omni-channel supermarkets is working and positively resonates with customers.
- Relaxation of COVID zero measures in China will help to stabilise revenue from physical stores in the mainland.


## Valuations

Our 12M price target at the date of coverage is US\$3.15, based on a discounted cash flow analysis with a 10-year forecast period. A relative valuation was used as a sanity check for our DCF valuation, comparing Dairy Farm to its industry peers based on +1 FY P/E and +1 FY EV/EBITDA ratios.

## Investment Risks

- Worsening wave of Covid-19 infections in Hongkong, leading to delayed recovery: Resurgence of COVID 19 could hamper recovery in consumer footfall and demand
- Inflationary environment can lead to cost pressures within Dairy Farm's supply chain: Inflation could increase cost of production and transportation, reducing profitability.
- Yonghui's transformation and implementation of new business model may compress margins: The initial investment and customer incentives required to reposition Yonghui would result in margin pressures in the near term.

Figure 1: Dairy Farm's Business Segments and Brands


Source: Dairy Farm Annual Report 2021
Figure 2: North Asia (China, HK, Macau, Taiwan) Is A Key Market Making Up 74.8\% of Revenue


Source: Dairy Farm Annual Report 2021
Figure 3: Grocery Retail Contributed More Than Half Of Revenue


Source: Dairy Farm Annual Report 2021
Figure 4: Dairy Farm's Supermarkets Are Top 3 In All SEA Markets

| Region | Market <br> Share | Market <br> Position |
| :---: | :---: | :---: |
| Singapore | $30 \%$ | $\mathbf{2}$ |
| Indonesia | $16 \%$ | $\mathbf{3}$ |
| Malaysia | $20 \%$ | $\mathbf{2}$ |
| Cambodia | $25 \%$ | $\mathbf{1}$ |
| Philipines | $19 \%$ | $\mathbf{2}$ |

Source: Statista, Actervify, NUS Investment Society Estimates

## Company Overview

Founded in 1886, Dairy Farm International Holdings Ltd. ("Dairy Farm", "Group") is a leading pan-Asian retailer that operates a number of wellknown brands through five segments: Grocery Retail, Convenience Stores, Health and Beauty Stores, Home Furnishing Stores, and Restaurants, through its subsidiaries, joint ventures, and associates (Figure 1). The group operates across 12 geographies: 1) North Asia: China, Hong Kong, Macau, Taiwan and 2) Southeast Asia: Singapore, Cambodia, the Philippines, Thailand, Malaysia, Indonesia, Vietnam, Brunei. As of 30th June 2021, company operated over 10,000 outlets and employed some 230,000 employees.

## Business Segments

Grocery Retail: Dairy Farm operates numerous leading full-service supermarket chains across Asia with $\mathbf{1 , 9 5 6}$ stores and over 70 years of operations. Brands under this segment and their region of operations are: Wellcome (Hong Kong), Yonghui Superstores (China), CS Fresh, MarketPlace, Jasons, Giant (Singapore \& Malaysia), Hero Supermarket (3 $3^{\text {rd }}$ in Indonesia), Mercato, Oliver's, 3hreesixty, San Miu (Macau), and Lucky Supermarkets (Cambodia).

Convenience Stores: Dairy Farm is the operator of 7-Eleven franchise in Hong Kong, Macau, mainland China and Singapore with 3,550 stores and over 30 years of operations.

Health \& Beauty: Dairy Farm operates several well-established and trusted brands across Asia, serving customers with a wide range of health, beauty, personal care, and baby products with 2,380 stores. Brands under this segment and their respective regions are: Mannings (Hong Kong \& China), and Guardian (Singapore, Malaysia, Vietnam, Cambodia \& Indonesia)

Home Furnishing: Dairy Farm operates the world's largest furniture retailer - IKEA, in Hong Kong, Macau, Indonesia, and Taiwan with 19 stores and over 40 years of operations.

Restaurants: Dairy Farm owns the Maxim's brand, a leading food and beverage company in Asia with 1,801 stores across the region. Maxim's are the licensee of renowned brands such as Starbucks, Genki Sushi, Shake Shack, and Ippudo Ramen.

## Revenue Breakdown

The bulk of Dairy Farm's revenue comes from the North Asia region (Figure 2) which is primarily made up of mainland China and Hong Kong. In Southeast Asia, Singapore is the company's largest geographical market based on the number of stores operated.

In terms of business segments, grocery retail is the largest revenue driver followed by convenience stores (Figure 3).

Figure 5: 7-Eleven Is The Leading Convenience Store In HK, SG and Macau


Source: Statista, NUS Investment Society Estimates

Figure 6: China's Convenience Store Industry Is Dominated By Local Brands


## Source: Statista

Figure 7: Guardian \& Manning Act As A Duopoly With Watsons In Key Markets (No. Of Stores)

| Region | Guardian/ <br> Mannings | Watsons |
| :---: | :---: | :---: |
| Singapore | 116 | 99 |
| Indonesia | 440 | 550 |
| Malaysia | 255 | 106 |
| Vietnam | 49 | 8 |
| HK \& Macau | 367 | 230 |
| China | 228 | 3200 |

Source: Statista, Guardian, Mannings, Watsons, CK Hutchison, NUS Investment Society Estimates

## Market Positioning

- Grocery Retail

Dairy Farm's supermarket chains in China \& Hong Kong have a commanding market position. Wellcome operates as a duopoly with ParknShop in Hong Kong, with a combined 70\% market share. In China, Yonghui is the largest supermarket chain by revenue, and one of the only two supermarkets to exceed CNY100 billion in annual revenue.

Moving southwards, Dairy Farm's supermarket chains also have a strong and stable market share between $16-30 \%$, and they are consistently among the top 3 chains in each SEA country (Figure 4).

## - Convenience Stores

In Hong Kong, Macau and Singapore, the convenience store industry is relatively concentrated and dominated by 7-Eleven, Cheers, CircleK and Royal. 7-Eleven is the outright market leader in each three of these regions (Figure 5).

On the other hand, the Chinese convenience store industry is extremely fragmented, and 7-Eleven is still a relatively small chain with $>3,500$ stores (Figure 6). This industry is largely dominated by local Chinese brands such as EasyJoy and uSmile. However, among overseas players, 7-Eleven has a similar market presence with the other top 2 foreign chains, Lawson and Family Mart. As China's convenience store industry has yet to reach maturity, this provides 7-Eleven with a potential runway for market share expansion.

## Competitive Positioning | Health \& Beauty

In the health \& beauty industry, Guardian and its Chinese sub-brand Mannings operate in a duopoly with Watsons in all key markets. Guardian is mostly ahead or on-par with Watsons in most regions, except for China where it is much smaller due to later expansion (Figure 7).

## FY21 Earnings Review

- Revenues declined $12.2 \%$ y-o-y to US $\$ 9.02$ billion while net income fell by $62.03 \%$ to US $\$ 102.9$ million as restructuring and repositioning of company operated supermarkets continued
- Gross margins rose 70 bps to $31.8 \%$, reflecting that Dairy Farm's strategies are successful in lowering cost of goods sold
- Operating margins increased 90bp to $2.9 \%$ but is still slightly lower than pre-pandemic due to restructuring costs involved and the temporary closure of a number of physical stores either due to lockdowns or renovations
- There was a net increase of 289 stores in FY21 compared to a net decrease of 536 in FY20, suggesting that Dairy Farm's long term store expansion plans are back on track following a pandemic stricken 2020 in which less profitable stores were shuttered

Figure 8: APAC Retail Market Set To Grow At A Stable 5\% CAGR Through 2024 (US\$ tn)


Source: Forrester, Statista
Figure 9: APAC Online Grocery Market Size Will Almost Double By 2025 (US\$ billion)


Source: Technavio, SPEEDA
Figure 10: Singapore, Hong Kong \& China Have The Highest APAC E-Commerce Penetration Rate


Source: Statista, Media One, Osome, Internatonal Trade Association

## Industry Outlook

As a conglomerate, Dairy Farm operates in a variety of industries mainly grocery retail, convenience stores, restaurants, and health \& beauty in East and Southeast Asia (SEA). All of these broadly fall under the wider retail industry in APAC, which is forecasted to grow at a CAGR of 5\% through 2024 (Figure 8). According to Euromonitor, the key factors driving this growth are an increasing adoption of mobile commerce and consumers' growing desire for products and services that brings ease to their life, either by providing greater convenience or value-for-money. Diving deeper into individual markets, the following are notable trends that Dairy Farm can tap on.

Increasingly price-sensitive consumers desiring value-for-money purchases: As the COVID-19 pandemic reduced disposable income for millions around the world, Asian consumers became increasingly cost conscious in their shopping habits. According to Bain, 57\% of Asian consumers prioritised value-for-money in their purchases after the pandemic, and the greatest increase in cost savings was observed amongst SEA consumers. Since APAC countries have one of the highest Marginal Propensity to Save, consumers will likely remain cost conscious beyond the pandemic. Even as APAC is forecasted to account for $90 \%$ of new middle-class consumers by 2030, the World Economic Forum expects that value-for-money products and services will remain among the top two considerations by consumers. Therefore, retailers who are able to provide both low-priced and high-quality products will be able to thrive in this changing consumer market.

Online grocery shopping will become the norm, led by Singapore, Hong Kong \& China: In a similar vein, COVID-19 fundamentally accelerated e-commerce adoption in Asia, as lockdowns and movement controls forced consumers to purchase essentials such as grocery online. As normalcy returns, online grocery is expected to see the strongest post-pandemic stickiness among other retail categories, with a forecasted CAGR of $14 \%$ through 2024 (Figure 9). This growth will be spearheaded by Singapore, Hong Kong and China as these markets have the highest e-commerce penetration rates in Asia (Figure 10).

Growing affluence driving the expansion of the convenience store market in China: In Dairy Farm's largest market, Chinese consumers are expected to see a huge increase in income levels over the next decade, with the upper-middle class forecasted to double by 2030. Coupled with an increasingly busy lifestyle, the rising affluence of Chinese consumers has resulted in stronger discretionary spending in categories such as convenience stores. Consequently, China's convenience store market is expected to grow at a CAGR of 15\% through 2025 (Figure 11), reaching a market size of CNY8.7 trillion. According to Wharton, this growth is underpinned by a growing consumer desire for convenience and quality as wealth increases, as well as a budding youthoriented consumer culture which is embodied by convenience stores.

Figure 11: China's Convenience Store Market Will Experience Strong Growth (CNY tn)


Source: Global Data

Figure 12: Porter's Five Forces Analysis For Dairy Farm


Source: NUS Investment Society Estimates
Figure 13: Products Of Dairy Farm's In House Brands


Source: Dairy Farm

## Porter's Five Forces

## Competition within industry - Moderate

While the retail industry is highly fragmented in nature, Dairy Farm commands a strong market position in majority of its key industries and geographical markets, being among the top three players in most markets. Additionally, as Dairy Farm operates businesses across a wide spectrum of retail services, this provides the company with scale and network advantages that better reduces its susceptibility to competition.

## Threat of new entrants - Low

As Dairy Farm operates an asset-heavy business, the threat of new entrants into their major grocery retail, convenience store and health and beauty industries are low. These markets are already filled with well-known brands, and huge capital outlay for storefronts and promotions would be required to knock off incumbents who have a strong brand awareness.

## Threat of substitutes - Low

Dairy Farm's retail businesses are essential to consumers. Groceries, quick convenience products and healthcare are important everyday items that cannot be easily substituted. While retail e-commerce has threatened to upheaval and replace the physical retail market, Dairy Farm has already been quick to adapt to an omni-channel shopping experience and leverage on its wide network of stores to stay on top of potential substitutes.

## Bargaining power of customers - Moderate

Given that retail products are easily accessible and widespread, consumers have a considerable amount of bargaining power over Dairy Farm's businesses. Most of Dairy Farm's industry segments are also highly fragmented, for instance, the Convenience Store as well as Health and Beauty segments. However, Dairy Farm still commands the leading market position in the majority of its segment, hence it retains a sizable bargaining power over its customers.

## Bargaining power of suppliers - Low

Dairy Farm stocks their stores with thousands of different brands, putting them at slight risk to their suppliers' demands. However, Dairy Farm's product lines are well diversified, and they have the benefit of scale since they are the top retail players in almost all of their markets. Along with their expansion into In-House products, this limits the bargaining power of their suppliers.

## Investment Thesis

1. Dairy Farm's Ongoing Momentum and Success of its In-House Label Development will Continue to Drive Long-Term Consumer Demand and Fuel Rapid Margin Expansion

Expansion of In-House labels will significantly increase Dairy Farm's value proposition and solidify its dominance in the market:

Figure 14: Dairy Farm Has The Most In-House Products Along With FairPrice


Source: Dairy Farm, FairPrice, ParknShop, Sheng Siong

Figure 15: Dairy Farm's In-House Brands Provide The Largest Cost Savings

| $\%$ <br> Difference | Ref. | Dairy <br> Farm | Sheng Siong | Fair Price | Parkn Shop |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Premium <br> Thai Rice <br> (Per 5 <br> Kilogram) | 100\% | -28\% | 3\% | -17\% | -16\% |
| Ordinary <br> White <br> Bread (Per <br> 400 Gram) |  | -34\% | -9\% | -20\% | 16\% |
| Instant <br> Noodle (5 pack) |  | -28\% | -25\% | -28\% |  |
| Wholemeal Bread (Per 400 Gram ) |  | -24\% | -14\% | -17\% | 5\% |
| Fresh Milk (Per Litre) |  | -54\% |  | -48\% | 0\% |
| $\begin{array}{ll} \hline \text { Cheese } & \\ \text { (Per } & 12 \\ \text { Slices) } & \\ \hline \end{array}$ |  | -9\% |  | -10\% | 18\% |
| Hen Eggs <br> (Per 10) |  | 8\% | 4\% | 6\% |  |
| White <br> Sugar (Per <br> 2 <br> Kilogram) |  | -6\% | -4\% | -4\% | 33\% |
| Average <br> Price <br> Difference |  | -22\% | -7\% | -17\% | +9\% |

Sources: Singstat, Dairy Farm, Sheng Siong, FairPrice, ParknShop

Dairy Farm has doubled down on developing its In-House Brands as part of its ongoing transformation with the segment recently achieving double-digits penetration in FY21. Within Grocery Retail alone, there are over 2,000 In-House SKUs, with over 1,300 SKUs being launched in the past year. The company aims to consolidate all its existing products into three main brands: Giant, Meadows, and Yu Pin King, with the latter two being the core focus (Figure 13). Freshly relaunched in 2021, the Yu Pin King brand will carry groceries for the Chinese market while Meadows, established in 2019, will consolidate packaged products from other parts of the world. Despite its In-House Labels launched later than other longer-established competitors, Dairy Farm has already assembled the largest in-house product catalogue amongst all Hong Kong and Singapore competitors (Figure 14), the two regions in which Yu Pin King and Meadows have been launched at full-scale.

On top of the having the widest variety, Dairy Farm's In-House brands have also greatly strengthened its value proposition to consumers in terms of both quality and price - both of which have been greatly underappreciated by the market. As a testament to its quality, Dairy Farm's In-House brands were awarded over 80 international food quality awards in 2021. Additionally, the company's In-House brands remained the most price-competitive amongst its peers. Using the basket of goods that constitutes Singapore's Consumer Price Index as comparison (Figure 15), we deduce that Dairy Farm's In-House brands are indeed superior in terms of cost effectiveness with an average price difference of about $22 \%$. Thus, Dairy Farm's is well-positioned to capture share from the ever-growing price-conscious consumer base in Asia amid rising consumer concerns of inflation.

Yu Pin King \& Meadows brands have achieved remarkable success and customer satisfaction, advancing the continued expansion of its catalogue: Despite being newly launched brands, Dairy Farm's inhouse brands have been met with remarkable customer receptiveness and satisfaction. In-House products continue to hold number one positions across multiple categories within the Group in relation to third-party suppliers, including several high-volume segments such as condiments, water, snacks, and frozen food. Meadows is also the number one brand for nuts in Hong Kong, and the number one snacks brand across Singapore. Apart from being cheap, Meadows and Yu Pin King products are also packaged in modern designs of high-quality materials in relation to its competitors, thereby instilling a value-for-money perception amongst consumers.
As a result, the elevated consumer perception of Dairy Farm's In-House Labels will greatly advance and aid in the smooth expansion of their InHouse catalogue. The Group's management has highlighted plans to launch an additional 1,200 SKUs in 2022 (Figure 16), with a focus for the In-House label development within the Health and Beauty segment. Coupled with an extensive physical store network and budding ecommerce platforms, Dairy Farm will be able to leverage on these robust channels to swiftly introduce their In-House products to all their markets and increase consumer demand for their brands.

Rollout of In-House labels will unlock game-changing economics through long-term margin expansion and economies of scale: The market has failed to realize that the continued development of In-House labels will entail economics that are favorable to Dairy Farm, thereby

Figure 16: Dairy Farm's In-House Catalogue Is Expected To Continue Growing At A Rapid Pace


Source: Dairy Farm
Figure 17: In-house labels provide more than double the profit margins compared to name brands

| Product | Margins |
| :--- | :---: |
| Name Brands | $1-5 \%$ |
| In-House Brands | $\mathbf{1 5 - 3 0 \%}$ |

Source: Oliver Wyman
Figure 18: yuu's User Base Has Grown Rapidly Since Launch (mn)


Source: Dairy Farm
Figure 19: yuu Has A Growing Number Of Brands Under Its App


[^0]leading to an increase in profitability in the years to come. For In-House label products, retailers like Dairy Farm can generate a very attractive margin relative to manufacturer brands. According to industry primers from Oliver Wyman and CB Insights, a retailer's margins on manufacturer brands' products can be as low as $1 \%$ to $5 \%$ of its sales price (after all expenses), while in stark contrast, margins on In-House label products are between $15 \%$ to $30 \%$ (Figure 17). Dairy Farm can effectively translate these cost-savings to consumers in the form of lower-cost products. Through providing these high-quality products at a lower cost, Dairy Farm will continue to build up customer trust and loyalty, thereby strengthening their dominance in the market. Beyond the benefits of higher margins, In-House labels will also become increasingly profitable across all price points through economies of scale as volume increases. Given that Dairy Farm has the largest scale amongst its peers, the Group will be able to reap these benefits to keep production costs low, thereby continuing to remain the cheapest option.

## 2. Dairy Farm's Establishment Of A Superior E-Commerce Network And Its Large Runway For Growth Has Been Underappreciated By The Market

Dairy Farm's Chinese mobile grocery apps see increasing exclusivity with lifestyle and rewards programs: Dairy Farm operates through the yuu app in Hong Kong. Despite being launched only in July 2020 ago, it has shown remarkable growth by amassing 4 million members (Figure 18) and partnering 81 brands (Figure 19) within two years. yuu's strong unique selling proposition (USP) stems from its partnership-driven platform that integrates all Dairy Farm's Hong Kong brands together with partner brands such as Pizza Hut, providing the largest retail e-commerce and rewards app in Hong Kong. Therefore, rather than creating a simple mobile grocery app, yuu has successfully positioned itself as an e-commerce cum lifestyle app, that caters to a wide range of needs and functions of consumers.

Furthermore, on top of the $0.5 \%$ reward rate (1,000 points for HK5 voucher) in yuu, Dairy Farm has also partnered with Hang Seng Bank to multiply yuu points with card transactions, and has allowed transfer of points across users, a unique feature of this rewards club programs. Through point stacking and sharing, consumers able to hit rewards in an even shorter period. Another strong feature of the app is that consumers also get to enjoy personalised "just for yuu" offers based on previous purchases and rewards, making decision making more tailored and efficient. By establishing a highly popular integrated retail and rewards app, Dairy Farm is able to tap onto its large physical networks to induce customer stickiness. As the number of customers and merchants continue to increase, yuu will benefit from a network effect that will increase consumer spending at Dairy Farm brands in the long run.

In mainland China, Dairy Farm's online grocery platform is delivered through the Yonghui Life app, which is the second largest grocery app by user count (Figure 20). While Yonghui's product offerings are more limited as they are a pure grocer, Yonghui Life traditionally has more efficient supply chains. To better make use of this, they partnered with ParknShop and Tencent in 2018, to create a retail cloud system that leveraged on the WeChat ecosystem. This provides Yonghui with strong

Figure 20: yuu and Yonghui Life Stands Out Among Other E-Commerce Platforms

|  | you |  | mex | $8$ | © | Sams |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Product Offerings | High | Med | Med | High | Med | High |
| Groceries | Y | Y | Y | Y | Y | Y |
| Food | Y | N | Y | N | N | N |
| Health \& Beauty | Y | N | N | Y | N | Y |
| MAUs (m) | NA | 19 | 14 | 30 | 8 | NA |
| Total User <br> Base (m) | 4 | 49 | 25 | 70 | 24 | 4 |
| Price Point | Low | Low | High | Low | High | Vary |
| Delivery <br> Time | Within a day |  |  |  |  |  |

Sources: GLG Insights, Daxue Consulting, Company Presentations, SCMP, KrAsia, Credit Suisse, Oliver Wyman, Statista etc.

Figure 21: Dairy Farm's brands allows it to provide an all in one e-commerce platform in Singapore


Largest H\&B Chain In SG

Source: Dairy Farm
Figure 22: Cart's Intuitive UX/UI Design


Source: Cart
digital management capabilities, allowing them to better predict customer trends, purchasing habits and stock their stores, distribution centers and supply chains according to demand.

Dairy Farm's strong e-commerce value proposition through the Cart app will allow it to expand market share in Singapore: In mid 2021, Dairy Farm upgraded its e-commerce offerings in Singapore by combining its existing standalone apps into Cart, an online retail app where consumers can purchase products from all of Dairy Farm owned brands in Singapore. They include CS Fresh, Cold Storage, Giant and Guardian. Similar to yuu in Hong Kong, Cart is a one-stop mobile shopping app that gives consumers access to a wide range of products from budget items to higher end grocery to health and beauty. This provides Dairy Farm with a strong competitive advantage over other grocers in Singapore, as Dairy Farm has a much wider scale than its competitors (Figure 21). For example, Cold Storage and Giant combined are the second largest supermarket chain, whereas Guardian is the top health \& beauty store in the country. On top of a catalogue advantage, Cart also has more user-friendly interface (Figure 22) than its competitors which will encourage take up rate. This is reinforced by Cart's superior app store rating among top Singapore grocers (Figure 23).

Therefore, despite being a new e-commerce entrant, Dairy Farm has already seen resounding success with Cart by adopting a similar model to yuu. Within a short span of time, Dairy Farm has been able to elevate consumer perception to its e-commerce offerings. For example, both Cold Storage and Giant only had 2-star app ratings before, whereas Cart now commands a 4.7 rating and overwhelmingly positive reviews. Coupled by the introduction of in-house labels, this will help to drive strong consumer demand for Dairy Farm products in the long term as they are convenient, easy-to-use and comes with an unbeatable variety at a quality price.

## 3. 7-Eleven's Unique Positioning In China's Greater Bay Area Will Drive Revenue Growth Through Store Expansion

Underpenetrated Greater Bay region provides a large avenue for convenience store expansion

Dairy Farm operates 7-Eleven stores in Guangdong, Hong Kong, Macau, and Singapore through a licensing agreement with Seven and i Holdings, parent company of the 7-Eleven brand. As discussed in the Competitive Positioning segment, the Chinese convenience store market is dominated by local Chinese brands, while 7-Eleven, Lawson and Family Mart are top foreign brands. However, these three companies mainly operate in different provinces, with Lawson and Family Mart stores limited to the larger cities, whereas 7-Eleven is spreaded across the Greater Bay regions of Guangdong and Hong Kong. Dairy Farmoperated 7 -Eleven stores in Guangdong accounting for 2,428 stores, around $66 \%$ of the brand's total presence in China.

Amidst the growing desire for convenience and quality among consumers, the convenience store market in China is ripe for growth. In terms of convenience store concentration per million residents, both China \& the Greater Bay area pose a figure below 200, whereas other

Figure 23：Cart Has The Best App Store Rating Amongst Singapore Competitors


CART：Grocery Delivery
Online Grocery in Singapore $\star \star \star \star \star 2.1 \mathrm{~K}$


FairPrice：Fast，Reliable
SG＇s Most Trusted Supermarket ＊大＊大 ※ 7.8 K


SS Connect
Business
大 大めふら56

Source：App Store
Figure 24：China \＆Guangdong Convenience Store Markets Are Less Concentrated （Stores／Million）Than Similar Markets


Source：China Daily，Statista，Daxue Consulting， Worldometer，NUS Investment Society Estimates

Figure 25：DFI－Operated 7－Eleven Stores In Guangdong，Hong Kong \＆Macau Has Seen A Steady Increase In Store Count


[^1]developed territories in Asia and the US have an average of 530 stores per million inhabitants（Figure 24）．This suggests that China＇s convenience store industry still has a huge runway for growth before reaching saturation．Additionally，7－Eleven remains underpenetrated in its main market of Guangdong，as it only has stores in 94 out of 143 districts within the province．With a $7.6 \%$ store count CAGR over the past five years（Figure 25），reinforced by both Seven and i Holdings and Dairy Farm prioritising store expansion in China，we expect store expansions within Guangdong to continue at a similar pace moving forward．

This growth in China＇s convenience store market is expected to be dominated by Japanese－based companies（7－Eleven，Lawson \＆Family Mart）in the upcoming years due to the increasing popularity of Japanese culture amongst Chinese consumers，as well as an increasing focus towards the quality of food．In fact，mainland China and Hong were the top two largest importer of Japanese food in 2021，reinforcing the growing demand for Japanese food．This benefits Japanese convenience stores as over half of their product line are food－items．

## 7－Eleven＇s structural efficiency and scale will facilitate sustainable store expansion

7－Eleven will be the greatest benefactor of this growth due to its superior structural efficiency and consumer facing proposition when compared to both local and fellow Japanese convenience stores．

In terms of business structure，local Chinese convenience stores adopt a different expansion model from their Japanese counterparts．With the Chinese model，rapid expansion is prioritized，and franchises are＂self－ operated＂．This means that new stores are only similar in brand name and owners have to self－source and procure the majority of goods since only $10 \%$ of product offerings are supplied by headquarters（＂HQs＂）on average．This will result in increased costs，supply－chain inefficiencies， and greater complexities establishing a cohesive brand image and offering．

On the other hand，Japanese franchises work extremely closely with their HQs and are all well－equipped and interconnected within the same supply chain and inventory management systems．Consequently， products sold within a similar geographical region are aligned as they are sourced from the same suppliers and distribution centers．With this model，7－Eleven can establish joint procurement for its overseas stores and lower costs through the benefits of scale，as well as share the infrastructure to produce differentiated products such as the increasingly popular ready－to－eat meals．Furthermore，amongst all the Japanese convenience store chains，7－Eleven has the largest scale in both territories around mainland China and East Asia，ensuring it is best－ positioned to benefit from the supply chain and cost efficiencies．

## High product quality and trendy brand image creates a strong value proposition towards customers，ensuring elevated and sustained demand for 7－Eleven stores

7－Eleven has an equally strong consumer－facing proposition and consequently strong brand favorability．Unlike Chinese convenience stores，7－Eleven does not compete on price，rather it focuses on

Figure 26：7－Eleven Has The Greatest Number Of Private Label SKUs Amongst Japanese Convenience Stores


Source：Seven and i，Family Mart，Lawson

Figure 27：Top Unique Keywords Associated With 7－Eleven Are Youthful \＆Trendy


Source：Baidu，Baijiahao，Zhihu，NUS Investment Society Estimates

Figure 28：7－Eleven Is A Consumer Favourite In China

| Pos． | Brand | Votes |
| :---: | :---: | :---: |
| 1 | 7－Eleven | 12805 |
| 2 | Meiyijia | 11152 |
| 3 | Family Mart | 10640 |
| 4 | Kuaike | 9173 |
| 5 | Lawson | 5464 |

Source：CNPP
providing high quality of goods which is facilitated through its aforementioned centralized structure as 7－Eleven is able to self－ manufacture its own products and ensure that quality and safety remain high．This helps 7 －Eleven standout in a market that is prone to food－ safety issues．To date，7－Eleven has over 1700 SKUs of In－House products，greater than both Family Mart and Lawson（Figure 26）．7－ Eleven＇s In－House foods includes popular Japanese delicacies like bento and onigiri to tap onto the growing demand for Japanese food，as well as localised food like Chinese noodles and fried rice to suit the domestic market．

Apart from quality，7－Eleven has also been quick to pivot towards a younger consumer demographic．Greater Bay 7－Eleven stores are centered around creating a trendy，youthful，modern and innovative （＂潮流，年轻，时尚，创新＂）experience for consumers．This is achieved by quickly reacting to trendy items and stocking up stores with them and creating regular，seasonal themes for the stores．Past store themes and products carried includes partnerships with Mandopop star Jay Chou，hipster Japanese brand Nikoand，and popular Chinese figurine Dream Yoyo．Young consumers have been extremely receptive to this strategy，reflected in the overwhelming positive reviews of 7－Eleven． Based on web－scraping consumer reviews on Baijiahao and Zhihu，the main keywords associated with 7－Eleven were＂youthful＂and＂trendy＂， reflecting the success of 7－Eleven＇s brand positioning（Figure 27）．

As a result of both structural efficiencies and superior brand offerings， 7－Eleven is ranked first on CNPP＇s top 10 convenience brand，as voted by over 60，000 consumers（Figure 28）．Furthermore，the advantages 7－ Eleven possess are long lasting，as both restructuring an organisation and creating a unique brand image takes time．While themed stores and events can be copied by competitors， 7 －Eleven benefits from its global scale，meaning that it can easily get better partnerships with more popular and overseas brand due to its wide network of stores． Therefore，we expect that 7－Eleven＇s Greater Bay expansion will be sustainable and revenue accretive as it is facilitated by the current company structure，while consumer demand and desirability for 7－ Eleven remains elevated．

## Catalysts

－Evidence of margin expansion via growth of Convenience Stores and yuu e－commerce

Dairy Farm is poised to reap the benefits of the development of its In－ House labels，e－commerce strategy，and greater economies of scale in the form of improved margins．This will become materially evident in yuu＇s membership growth，and the number of new merchants that onboard with yuu，given its current small user base．The greater array of merchants would encourage greater spend per purchase as well as frequency of purchases，thereby more easily overcoming the high operational fixed costs of the IT platform．Additionally，positive numbers from Dairy Farm＇s Convenience Store expansion within China＇s Greater Bay Area will also attest to the segment＇s unique positioning in the region and further validate the attractiveness of the market．

Figure 29: 7-Eleven's Store Expansion


Source: NUS Investment Society Estimates
Figure 30: Dairy Farm's current $P / E$ ratio


Source: Capital IQ
Figure 31: Blended Target Price

| Blended Target Price |  |  |
| :---: | :---: | :---: |
| Valuation Method <br> Dividend Cash Flow (Gordon <br> Growth) | $\mathbf{5 0 t h}$ Percentile Percentage |  |
| Discounted Cash Flow (Exit <br> Multiple) | $\$ 3.16$ | $40.0 \%$ |
| Dividend Discount Model | $\$ 3.18$ | $20.0 \%$ |
| RV: SOTP NTM EV/Revenue | $\$ 3.46$ | $10.0 \%$ |
| Final Target Price | $\$ 3.15$ | $30.0 \%$ |

Source: NUS Investment Society Estimates
Figure 32: Comparable Companies

| Comparable Companies |  |
| :---: | :---: |
| Companies | $\frac{\text { NTM EV/EBITDA }}{}$ |
| Dairy Farm | 6.70 x |
| Yonghui Superstores Co., Ltd. | 20.55 x |
| Sun Art Retail Group | 1.73 x |
|  | $40.0 \%$ |
| Jiajiayue Group Co., Ltd. | 5.08 x |
| President Chain Store | $20.0 \%$ |
| Corporation | 6.43 x |
| Robinsons Retail Holdings | 4.14 x |
| Dashang Co., Ltd | 4.60 x |
| Sheng Siong Group Ltd | 12.00 x |
| Median | 6.43 x |

Source: NUS Investment Society Estimates

- Yonghui's recovery from its trough in 2021

Yonghui has shown signs of a recovery from its trough from 2022 onwards, with the launch of new formats such as warehouse stores, ongoing digitisation of its store operations, and impressive growth of its e-commerce offerings a testament to improving business fundamentals. There has also been fruition from their new digitalisation efforts of the Yonghui Life app, which now services over 72 million members, having 22 million added over 2021, with an average repeat purchase rate of $47 \%$. If Yonghui is able to continue leveraging on this aspect and integrate its online offerings with its offline stores, and play on its strength in logistics within the fresh foods area, Yonghui would be able to rediscover its economic moat in the Chinese supermarket space.

## - Relaxation of China's Zero-COVID policy

As much of Dairy Farm's businesses operate in mainland China, continued lockdown measures every time new cases appear could be a long term drag on Dairy Farm's revenue growth since stores would have to open and shutter unpredictably. This could also hinder expansion of 7-eleven stores should COVID cases appear in the Greater Bay Area. Hence, a relaxation of a strictly zero-COVID policy (e.g. relying more on mass testing over lockdowns) could boost Dairy Farm's stock through ensuring more stable revenue streams in China.

## Financial Analysis

| (US\$mn) | 2021A | 2022E | 2023E | 2024E |
| :---: | :---: | :---: | :---: | :---: |
| Revenue | 9,015 | 9,884 | 10,400 | 11,159 |
| Operating Income | 311 | 317 | 354 | 414 |
| OI Gr Rate (\%) | (19.8\%) | 1.9\% | 11.7\% | 16.9\% |
| Operating Profit Margin (\%) | 3.4\% | 3.2\% | 3.4\% | 3.7\% |
| ROA (\%) | 1.2\% | 2.8\% | 3.0\% | 3.2\% |
| ROE (\%) | 7.2\% | 16.4\% | 18.0\% | 20.7\% |
| ROIC (\%) | 7.1\% | 10.7\% | 10.2\% | 10.3\% |
| D/E | 0.83 | 1.13 | 1.42 | 1.70 |

## Competitive positioning and expansion strategy

Forecasting revenues over a 10-year period, we estimate revenue to return to pre-pandemic levels by FY24. Despite the ongoing challenges posed by the pandemic and the absence of panic buying that occurred at the start of the pandemic in 2020, total sales only marginally decreased by $2 \%$. This suggests that Dairy Farm has stood resilient during the crisis and is seeing strong signs of recovery. While net profit for the Group's subsidiaries fell by $27 \%$ in FY21, this was mainly contributed by a reduction in COVID related government subsidies. In fact, excluding the impact of subsidies in both years, net profit actually increased by $35 \%$. We see the depressed levels of profitability as short-lived, and expect revenues to rise substantially in the future.

Our revenue forecast is driven by 2 main components: number of stores and the average revenue per store. 7-Eleven's superior market positioning in China is expected to be a significant driver of its growth.

Figure 33: DCF Valuation


Source: NUS Investment Society Estimates
Figure 34: DDM Valuation

| DDM Valuation |  |
| :--- | ---: |
| Total PV of Projected Distributions | $\$ 1.46$ |
| Perpetual Growth Rate | $1.9 \%$ |
| Cost of Equity | $9.5 \%$ |
| Final Year Dividend | $\$ 0.35$ |
| Terminal Value | $\$ 4.62$ |
| PV of Terminal Value | $\$ 1.90$ |
| Impleiestack Price | $\$ 3.36$ |
| Implied Upside | $\mathbf{3 8 \%}$ |

## Source: NUS Investment Society Estimates

Figure 35: Summary comparable companies based on Dairy Farm's business segments (Detailed list in Appendix)

| Comparable Peers |  |
| :---: | :---: |
| $\stackrel{\text { Food }}{(\text { Grocery }+ \text { Convenience Stores) })}$ | NTM EV/Revenue |
| 7-Eleven Malaysia Holdings Berhad | 0.90x |
| Beijing Hualian Hypermarket Co | 0.30x |
| Jiajiayue Group Co., Ltd | 0.73x |
| Median | 0.52x |
| Health \& Beauty |  |
| Blue Moon Group holdings | 1.50x |
| Hengan International Group Company | 1.60x |
| NTPM Holdings Berhad | 1.45x |
| Median | 1.50x |
| Home Furnishings |  |
| HHC Changzhou Corp | 1.77x |
| Index Living Mall Public Company | 1.73x |
| Suofeiya Home Collection Co., Ltd | 1.84x |
| Median | 1.75x |
| Dairy Farm | 0.81x |

Source: Capital IQ, NUS Investment Society Estimates

Figure 36: Relative Value Calculations

|  | SOTP Analysis |  |
| :---: | :---: | :---: |
| $\underline{\text { Segments }}$ | $\frac{\text { Median }}{\text { ETM }}$ <br> EV/Revenue | Implied EV |
| Food (Grocery + <br> Convenience Stores) | $0.52 x$ | 3,567 |

We assumed a store count growth with a CAGR of 7.7\% through FY31
(Figure 29), which is aligned to the industry's growth rate.

## Reversion to pre-pandemic consumption habits

The reopening of the economy will likely lead to an increase in revenues for Dairy Farm. We opine that the fears surrounding the Omicron variant is overblown and the market is overly-pessimistic on the prospects of economic recovery. Despite being highly transmissible, evidence has shown that the variant is in fact less virulent. With high vaccination rates globally, operational uncertainties are less pronounced and a reopening of the economy could act as a potential catalyst for the stock. Furthermore, Dairy Farm current trades below the historical 25th percentile price-to-earnings multiple, suggesting possible undervaluation as a result of pandemic-induced fears (Figure 30).

## Valuation

Valuation Price Target: US\$3.15
We iterate our BUY recommendation on Dairy Farm with a 12 -month target price of US\$3.15, representing an upside potential of $+29.5 \%$ (Figure 30). This was derived from a blend of intrinsic and relative valuation methodologies, including a Free Cash Flow to Firm Discounted Cash Flow Model ( $60 \%$ weightage), Relative Valuation based on a Sum-of-the-Parts analysis (30\% weightage), and a Dividend Discount Model ( $10 \%$ weightage) (Figure 31). The successful development of its InHouse label brands, superior e-commerce offerings and sustainable store expansion strategy in China will significantly bolster its forward prospects. Moving forward, we expect higher revenues driven by both an increase in store count and higher revenues per store, as well as decreased operational cost to substantially strengthen its earnings potential.

DCF Valuation (60\%): The primary driver for our target price with a $60 \%$ weightage is our discounted cash flow model. We used two methods to derive terminal value; the Gordon Growth Method (40\% weightage) as well as the Exit Multiple Method (20\% weightage). A higher weightage was allocated to the Gordon Growth Method to mitigate the uncertainty of estimating pandemic-influenced exit multiples into the future. For the Gordon Growth Method, the terminal growth rate was conservatively taken to be the risk-free rate of $1.85 \%$ to allow for a sufficient margin of safety in our projections. For the Exit Multiple Method, the median EV/EBITDA multiple of comparable peers was applied to derive terminal value (Figure 32). We derived an implied share price of $\$ 3.17$ as seen in Figure 33.

Dividend Discount Model (10\%): A dividend discount model was also used to sense check the target price obtained from the discounted cash flow model. This is expected to be a stable determinant of its valuation in the future given Dairy Farm's strong track record of dividend payouts. While DPS dipped to S $\$ 0.10$ in FY21, we estimate that strong growth drivers in its expansion and e-commerce positioning, in addition to improving margins from its In-House label products will enable them to issue a higher dividend payout in the future. Hence, we believe that it is realistic for management to maintain a $86 \%$ payout ratio, in line with

| Health \& Beauty | 1.50 x | 3,088 |
| :---: | :---: | :---: |
| Home Furnishing | 1.75 x | 1,255 |
| Others | - | - |
| Total Implied EV | 7,910 |  |
| Less: Net Debt | 3,804 |  |
| Total Implied Equity <br> Value | 4,106 |  |
| Fully Diluted Shares <br> Outstanding (MM) | 1,353 |  |

Implied Price per Share
\$3.03

Source: NUS Investment Society Estimates
Figure 37: Weighted Average Cost of Capital

|  | WACC Variables |  |
| :---: | :---: | :---: |
| Input | Rate <br> $(\%)$ | Source |
| Cost of Equity | 9.47 | CAPM |
| Cost of Debt <br> (Post-tax) | 2.66 | Damodaran, Synthetic AAA Rating |
| Proportion of <br> Debt | 59.0 | Average of forecast period |
| Proportion of | 41.0 | Average of forecast period |
| Equity |  |  |
| WACC | 5.48 | Average of calculated WACC in each <br> forecasted year |

Source: NUS Investment Society Estimates
Figure 38: Cost of Equity Table

|  | Cost of Equity Variables |  |
| :---: | :---: | :---: |
| Input | $\begin{array}{c}\text { Rate } \\ \text { (\%) }\end{array}$ | Source |
| Risk Free Rate | 1.85 | $\begin{array}{c}\text { Singapore 10 Year Government Bond } \\ \text { Yield }\end{array}$ |
| $\begin{array}{c}\text { Equity Risk } \\ \text { Premium }\end{array}$ | 8.02 | $\begin{array}{c}\text { 10-Year benchmark returns in the }\end{array}$ |
| iShares MSCI All Country Asia ex Japan |  |  |
| Index |  |  |$]$| Beta |
| :---: |
| Country Risk |
| Premium |
| Tax rate |
| 0.84 |

Source: Capital IQ, MAS, iShares
Figure 39: Cost of Debt Table

| Cost of Debt Variables |  |  |
| :---: | :---: | :---: |
| Input | Rate <br> (\%) | Source |
| Risk Free Rate | 1.85 | Singapore 10 |

the 10 -Year average dividend payout ratio. The terminal DPS was estimated to grow at around $10 \%$ annually, which is an adjustment upwards from the constant dividend payout prior to the pandemic, to reflect a stronger earnings ability for Dairy Farm. We derived an implied share price of $\$ 3.36$ as seen in Figure 34.

Comparable Firms (30\%): We performed a Sum-of-the-Parts analysis and used the NTM EV/Revenue multiple to value Dairy Farm's individual business segments relative to peers that operate in a similar segment (Figure 35). NTM ratios were selected to factor out the effect of abnormal pandemic-influenced growth in the near term and as earnings normalize. Applying the $50^{\text {th }}$ percentile NTM EV/Revenue ratios, the implied price per share obtained is US\$3.03, representing a $+24.9 \%$ upside (Figure 36). This suggests that Dairy Farm trades at a significant discount to its peers, and that there is a high likelihood of undervaluation.

## Weighted Average Cost of Capital (WACC)

Our DCF and DDM model discounted the firm on a weighted average cost of capital and cost of equity basis respectively. The weighted average cost of capital obtained was $5.45 \%$ (Figure 37).

Cost of Equity: Using CAPM, the cost of equity obtained was $9.47 \%$. The risk-free rate was taken to be the Singapore 10-Year Government Bond Yield at $1.85 \%$. The equity risk premium was estimated to be $8.02 \%$. Beta was the re-levered beta of median unlevered beta of peers. We also accounted for country-risk premium by taking the revenue-weighted average based on Dairy Farm's geographical operations (Figure 38).

Cost of Debt: The post-tax cost of debt obtained was $2.66 \%$. Using the synthetic rating from Damodaran and based on Dairy Farm's expected interest coverage ratio of 2.59 x , the company default spread is estimated to be $2.00 \%$. The assumed corporate tax rate was taken to be 30.97\%, at Dairy Farm's 5-year historical average (Figure 39).

## Sensitivity Analysis

Sensitivity analysis was performed on key variables that the model is particularly sensitive to, namely the FCFF terminal growth rate, EV/EBITDA exit multiple and the weighted average cost of capital. On the DCF model, holding the weighted average cost of capital constant, the FCFF terminal growth rate would have to decrease significantly for a downside to be generated. Similarly, the EV/EBITDA multiple and the weighted average cost of capital applied will have to decrease and increase by a significant amount respectively in order to generate a downside (Figure 40).

## Investment Risks

## R1: Worsening wave of Covid-19 infections in Hong Kong, leading to delayed recovery

With Hong Kong being one of Dairy Farm's key geographical regions, a prolonged COVID-19 outbreak in the city would adversely impact the human football for Dairy Farm's retail stores in the country such as Mannings and Wellcome. However, Dairy Farm's subsidiaries and

| Company <br> nofarlt <br> Tax rate | 2.00 | Damodaran，Synthetic AAA Rating |
| :---: | :---: | :---: |

Cost of Debt 2.66

Source：Capital IQ，MAS，Damodaran
Figure 40：Sensitivity Analysis for Terminal Value


Source：NUS Investment Society Estimates
Figure 41：Valuation Football Field


Source：NUS Investment Society Estimates
Figure 42：Risk Matrix for Dairy Farm


Source：NUS Investment Society Estimates
associates continue to display solid underlying improvements in business performance．Wellcome Hong Kong has reported sustained sales growth and an increase in FY22 profit in relation to FY19（pre－ pandemic），as well as significantly outperforming the decline of the broader market according to official Hong Kong retail sales statistics． Mannings Hong Kong has also increased its market share since the launch of its price reinvestment campaign in July 2020.

## R2：Inflationary environment can lead to cost pressures within Dairy Farm＇s supply chain

With inflationary pressures here to stay in the near to medium term，it can give rise to unnecessary cost pressures in key areas of Dairy Farm＇s supply chain．Management has also outlined that Dairy Farm has experienced flat to low single digit inflation in FY21 and acknowledged the risk of cost pressures．However，given Dairy Farm＇s longstanding history of being the leading retailer in Asia，Dairy Farm possesses the core competency of a durable supply chain with extremely high bargaining power over its suppliers．

## R3：Yonghui＇s transformation and implementation of new business model may compress margins

Yonghui is currently in the process of building out its e－commerce platform－Yonghui Life，as well as its＂new retail＂supermarket format （Super Species 超级物种）that combines a high－end supermarket，fresh food，and an 020 model into a single domain．These initiatives will take time and investment，which may compress margins within the Grocery Retail segment in the near term．However，we firmly believe that the greater margin expansion from the expansion of In－House label products will be more than sufficient to negate margin pressures from Yonghui．Furthermore，Yonghui＇s e－commerce offerings have delivered strong growth and adoption numbers indicating that its digitisation efforts are well on track．

## Disclaimer

This research material has been prepared by NUS Invest. NUS Invest specifically prohibits the redistribution of this material in whole or in part without the written permission of NUS Invest. The research officer(s) primarily responsible for the content of this research material, in whole or in part, certifies that their views are accurately expressed and they will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this research material. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. This report is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. The research material should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this research material are subject to change without notice.

## Appendix:

## Pro-Forma Financial Statements

| Statement of Cash Flows |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Operating Activities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating profit | 458.8 | 368.9 | 78.9 | 425.6 | 388.1 | 310.8 | 316.9 | 353.5 | 414.1 | 502.2 | 566.5 | 642.2 | 699.0 | 746.7 | 783.9 | 830.6 |
| Depreciation and amortization | 212.8 | 221.0 | 229.1 | 1,002.2 | 983.4 | 885.7 | 628.1 | 631.8 | 633.0 | 631.4 | 624.7 | 596.5 | 574.5 | 547.1 | 514.6 | 451.7 |
| Decrease/(Increase) in working capital | (97.1) | 92.1 | (19.1) | (76.7) | (102.1) | (10.4) | (121.0) | 39.6 | 61.4 | 86.6 | 86.4 | 79.7 | 70.6 | 59.0 | 45.2 | 36.0 |
| Change in other assets/liabilities | 8.4 | 15.1 | 386.7 | 33.2 | (16.6) | (63.7) | (205.4) | (0.6) | 10.3 | 21.6 | 21.8 | 23.1 | 34.2 | 47.1 | 61.7 | 78.9 |
| Interest received | 1.3 | 1.6 | 3.9 | 7.1 | 3.5 | 0.8 | 2.3 | 2.9 | 3.0 | 3.2 | 3.5 | 3.8 | 4.1 | 4.4 | 4.6 | 4.8 |
| Interest and other financing charges paid | (22.0) | (28.0) | (34.3) | (166.7) | (146.3) | (117.2) | (118.6) | (125.8) | (135.9) | (146.1) | (154.9) | (165.2) | (177.1) | (187.5) | (199.3) | (212.9) |
| Tax paid | (85.3) | (84.3) | (96.0) | (25.1) | (110.4) | (110.1) | (95.2) | (105.7) | (123.2) | (150.0) | (169.8) | (192.6) | (208.8) | (222.4) | (232.0) | (243.8) |
| Dividends from associates and joint ventures | 66.0 | 84.9 | 94.2 | 88.5 | 67.6 | 46.4 | 106.9 | 110.7 | 116.7 | 125.1 | 133.3 | 141.0 | 148.1 | 154.5 | 159.8 | 164.7 |
| Cash flow from operating activities | 542.9 | 671.3 | 643.4 | 1,288.1 | 1,067.2 | 942.3 | 514.0 | 906.4 | 979.4 | 1,074.1 | 1,111.5 | 1,128.7 | 1,144.8 | 1,149.0 | 1,138.5 | 1,109.9 |
| Investing Activities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Purchase of intangible assets | (32.1) | (60.9) | (33.2) | (53.2) | (20.7) | (26.9) | - | - | - | - | - | - | - | - | - | - |
| Purchase of tangible assets | (212.5) | (218.4) | (222.9) | (233.3) | (227.2) | (185.1) | (198.9) | (209.3) | (224.5) | (245.5) | (266.0) | (285.2) | (302.7) | (317.8) | (330.1) | (340.0) |
| Additions to right-of-use assets | - | - | - | (18.4) | - | - | 402.5 | 37.1 | 31.6 | 25.0 | 24.4 | 22.1 | 9.5 | (5.4) | (22.4) | (41.4) |
| Other investing activities | (183.4) | (1.3) | (244.8) | 21.9 | 161.5 | 87.3 | (298.1) | (329.5) | (355.5) | (380.4) | (403.5) | (424.2) | (441.9) | (455.7) | (465.0) | (469.3) |
| Cash flows from investing activities | (428.0) | (280.6) | (500.9) | (283.0) | (86.4) | (124.7) | (94.5) | (501.7) | (548.5) | (600.9) | (645.1) | (687.4) | (735.1) | (778.9) | (817.5) | (850.8) |
| Financing Activities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Change in interest in subsidiaries | (2.2) | (60.1) | (3.5) | (6.7) | (1.9) | - | - | - | - | - | - | - | - | - | - | - |
| Capital repayment to non-controlling interests | (4.4) | (2.4) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Drawdown of borrowings | 1,769.7 | 851.0 | 998.2 | 1,778.4 | 1,115.9 | 1,248.3 | 1,000.0 | 600.0 | 450.0 | 500.0 | 500.0 | 600.0 | 700.0 | 700.0 | 800.0 | 900.0 |
| Repayment of borrowings | $(1,660.6)$ | $(1,014.2)$ | (963.6) | $(1,662.6)$ | (918.5) | $(1,308.2)$ | (743.5) | (310.8) | (50.0) | (77.5) | (96.1) | (116.3) | (135.5) | (158.7) | (185.8) | (211.5) |
| Net increase/(decrease) in other short-term borrowings | 128.5 | 122.3 | 67.1 | (42.4) | (268.1) | 88.7 | - | - | - | - | - | - | - | - | - | - |
| Principal elements of lease payments | - | - | - | (790.3) | (706.5) | (672.0) | (555.9) | (544.0) | (528.5) | (508.6) | (482.0) | (448.7) | (408.8) | (362.7) | (311.1) | (254.9) |
| Dividends paid by the Company | (270.4) | (284.0) | (284.0) | (284.0) | (263.8) | (196.2) | (217.2) | (247.0) | (284.9) | (333.3) | (384.6) | (437.6) | (491.3) | (543.9) | (594.1) | (642.1) |
| Dividends paid to non-controlling interests | (3.1) | -0.5 | (0.2) | - | - | (1.9) | - | - | - | - | - | - | - | - | - | - |
| Cash flow from financing activities | (42.5) | (387.9) | (186.0) | $(1,007.6)$ | $(1,042.9)$ | (841.3) | (516.6) | (501.8) | (413.4) | (419.4) | (462.7) | (402.7) | (335.6) | (365.4) | (291.0) | (208.5) |
| Net change in cash and cash equivalents | 72.4 | 2.8 | (43.5) | (2.5) | (62.1) | (23.7) | (97.2) | (97.2) | 17.5 | 53.8 | 3.7 | 38.6 | 74.1 | 4.7 | 30.1 | 50.7 |
| Beginning cash balance | 256.7 | 322.6 | 334.5 | 284.5 | 288.3 | 234.2 | 210.0 | 112.8 | 15.6 | 33.1 | 86.9 | 90.6 | 129.2 | 203.3 | 208.0 | 238.1 |
| Effect of exchange rate changes | (6.5) | 9.1 | (6.5) | 6.3 | 8.0 | (0.5) | - | - | - | - | - |  |  |  |  |  |
| Ending cash balance | 322.6 | 334.5 | 284.5 | 288.3 | 234.2 | 210.0 | 112.8 | 15.6 | 33.1 | 86.9 | 90.6 | 129.2 | 203.3 | 208.0 | 238.1 | 288.8 |
| Bank Overdraft | 1.2 | 1.1 | 11.7 | 13.1 | 43.4 | 0.4 | 147.6 | 258.9 | 261.4 | 235.1 | 258.2 | 244.8 | 193.6 | 208.8 | 194.8 | 157.2 |
| Cash and bank balance included in assets held for sale | - | (3.2) | - | - | - | - | - | - | - | - | - |  |  |  |  |  |
| Cash and bank balance | 323.8 | 332.4 | 296.2 | 301.4 | 277.6 | 210.4 | 260.5 | 274.5 | 294.5 | 322.0 | 348.8 | 374.1 | 397.0 | 416.8 | 432.9 | 446.0 |


| US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Sales | 11,201 | 11,289 | 11,749 | 11,192 | 10,269 | 9,015 | 9,884 | 10,400 | 11,159 | 12,202 | 13,217 | 14,173 | 15,042 | 15,794 | 16,403 | 16,898 |
| Cost of Sales | $(7,815)$ | $(7,856)$ | $(8,101)$ | $(7,659)$ | $(7,078)$ | $(6,146)$ | $(6,781)$ | $(7,081)$ | $(7,540)$ | $(8,182)$ | $(8,819)$ | $(9,410)$ | $(9,936)$ | $(10,380)$ | $(10,725)$ | $(11,002)$ |
| Gross margin | 3,386 | 3,433 | 3,649 | 3,534 | 3,191 | 2,870 | 3,103 | 3,319 | 3,619 | 4,020 | 4,398 | 4,764 | 5,106 | 5,414 | 5,677 | 5,896 |
| Other Operating Income | 178 | 184 | 376 | 209 | 431 | 236 | 258 | 265 | 276 | 294 | 309 | 322 | 332 | 337 | 339 | 338 |
| Selling and Distribution costs | $(2,422)$ | $(2,493)$ | $(2,648)$ | $(1,699)$ | $(1,592)$ | $(1,424)$ | $(1,801)$ | $(1,951)$ | $(2,154)$ | $(2,421)$ | $(2,694)$ | $(2,965)$ | $(3,228)$ | $(3,475)$ | $(3,697)$ | $(3,900)$ |
| Administrative and other operating expenses | (470) | (534) | $(1,069)$ | (617) | (658) | (484) | (615) | (647) | (694) | (759) | (822) | (882) | (936) | (983) | $(1,021)$ | $(1,051)$ |
| Depreciation \& Amort. | (213) | (221) | (229) | $(1,002)$ | (983) | (886) | (628) | (632) | (633) | (631) | (625) | (597) | (575) | (547) | (515) | (452) |
| Operating Profit | 459 | 369 | 79 | 426 | 388 | 311 | 317 | 354 | 414 | 502 | 566 | 642 | 699 | 747 | 784 | 831 |
| Financing Charges | (23) | (28) | (38) | (165) | (145) | (120) | (119) | (126) | (136) | (146) | (155) | (165) | (177) | (187) | (199) | (213) |
| Financing Income | 2 | 2 | 5 | 7 | 2 | 1 | 2 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 5 |
| Net financing charges | (22) | (26) | (33) | (158) | (143) | (119) | (116) | (123) | (133) | (143) | (151) | (161) | (173) | (183) | (195) | (208) |
| Share of results of associates and joint venture | 118 | 142 | 133 | 126 | 85 | (42) | 107 | 111 | 117 | 125 | 133 | 141 | 148 | 154 | 160 | 165 |
| Profit before tax | 555 | 485 | 179 | 394 | 330 | 150 | 308 | 341 | 398 | 484 | 548 | 622 | 674 | 718 | 749 | 787 |
| Tax | (85) | (93) | (101) | (69) | (74) | (59) | (95) | (106) | (123) | (150) | (170) | (193) | (209) | (222) | (232) | (244) |
| Net Income | 470 | 392 | 78 | 325 | 257 | 91 | 212 | 236 | 275 | 334 | 379 | 429 | 465 | 496 | 517 | 543 |
| Other Comprehensive Income, net of tax | (68) | 129 | (57) | 39 | 102 | 17 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Total Comprehensive Income | 402 | 521 | 20 | 364 | 358 | 108 | 241 | 265 | 304 | 364 | 408 | 458 | 495 | 525 | 546 | 573 |


| Statement of Financial Position |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and Bank Balance | 324 | 332 | 296 | 301 | 278 | 210 | 261 | 274 | 294 | 322 | 349 | 374 | 397 | 417 | 433 | 446 |
| Current Debtors | 291 | 351 | 372 | 281 | 304 | 232 | 283 | 298 | 319 | 349 | 378 | 406 | 431 | 452 | 470 | 484 |
| Current Tax Assets | 17 | 27 | 35 | 26 | 28 | 16 | 24 | 25 | 27 | 30 | 32 | 35 | 37 | 38 | 40 | 41 |
| Non-Current Assets held for Sale | 3 | 11 | - | - | 55 | 85 | - | - | - | - | - | - | - | - | - | - |
| Stocks | 983 | 950 | 913 | 896 | 779 | 782 | 863 | 901 | 959 | 1,041 | 1,122 | 1,197 | 1,264 | 1,321 | 1,365 | 1,400 |
| Total Current Assets | 1,617 | 1,671 | 1,617 | 1,505 | 1,443 | 1,325 | 1,431 | 1,499 | 1,600 | 1,742 | 1,881 | 2,012 | 2,129 | 2,228 | 2,307 | 2,371 |
| Non-Current Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Intangible Assets | 765 | 815 | 667 | 589 | 421 | 412 | 403 | 395 | 386 | 377 | 368 | 360 | 351 | 342 | 334 | 325 |
| Tangible Assets | 1,100 | 1,184 | 848 | 820 | 772 | 803 | 939 | 1,069 | 1,198 | 1,329 | 1,461 | 1,607 | 1,753 | 1,895 | 2,030 | 2,182 |
| Right-of-use assets | - | - | - | 3,186 | 2,872 | 2,748 | 2,096 | 2,051 | 1,993 | 1,917 | 1,817 | 1,692 | 1,541 | 1,367 | 1,173 | 961 |
| Associates and joint ventures | 1,462 | 1,601 | 2,067 | 2,102 | 2,257 | 2,164 | 2,467 | 2,797 | 3,152 | 3,533 | 3,936 | 4,360 | 4,802 | 5,258 | 5,723 | 6,192 |
| Other Investments | 6 | 7 | 7 | 7 | 6 | 12 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Non-current debtors | 151 | 163 | 160 | 142 | 115 | 113 | 128 | 134 | 144 | 157 | 171 | 183 | 194 | 204 | 212 | 218 |
| Deferred tax assets | 29 | 26 | 24 | 18 | 16 | 15 | 18 | 19 | 20 | 22 | 24 | 26 | 27 | 29 | 30 | 31 |
| Pension assets | - | - | - | - | - | 13 | - | - | - | - | - | - | - | - | - | - |
| Total Non-Current Assets | 3,512 | 3,796 | 3,773 | 6,865 | 6,457 | 6,280 | 6,057 | 6,471 | 6,899 | 7,343 | 7,784 | 8,234 | 8,676 | 9,102 | 9,508 | 9,916 |
| Total Assets | 5,129 | 5,467 | 5,390 | 8,370 | 7,901 | 7,605 | 7,488 | 7,969 | 8,500 | 9,085 | 9,666 | 10,246 | 10,804 | 11,330 | 11,815 | 12,286 |
| Liabilities and Equity |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current Creditors | 2,328 | 2,470 | 2,399 | 2,315 | 2,061 | 2,081 | 2,092.2 | 2,185 | 2,326 | 2,524 | 2,721 | 2,903 | 3,065 | 3,202 | 3,309 | 3,394 |
| Current Borrowings | 370 | 413 | 1,026 | 938 | 852 | 744 | 458.4 | 309 | 339 | 331 | 375 | 380 | 352 | 395 | 406 | 398 |
| Current Lease Liabilities | - | - | - | 728 | 684 | 640 | 507.4 | 498 | 485 | 468 | 446 | 419 | 386 | 347 | 305 | 258 |
| Current Tax Liabilities | 59 | 72 | 84 | 127 | 85 | 27 | 72.5 | 75 | 80 | 88 | 95 | 102 | 108 | 114 | 118 | 122 |
| Current Provisions | 15 | 53 | 104 | 56 | 44 | 49 | 55.8 | 59 | 63 | 69 | 75 | 80 | 85 | 89 | 93 | 95 |
| Liabilities associated with assets classified as held for sale | - | 6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Current Liabilities | 2,771 | 3,013 | 3,613 | 4,164 | 3,725 | 3,541 | 3,186 | 3,125 | 3,293 | 3,481 | 3,711 | 3,884 | 3,997 | 4,147 | 4,231 | 4,267 |
| Non-Current Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Long-term Borrowings | 595 | 522 | 15 | 184 | 242 | 311 | 1,000 | 1,550 | 1,923 | 2,326 | 2,710 | 3,175 | 3,716 | 4,230 | 4,819 | 5,478 |
| Non-current Lease Liabilities | - | - | - | 2,578 | 2,386 | 2,320 | 1,801 | 1,766 | 1,720 | 1,662 | 1,584 | 1,486 | 1,368 | 1,233 | 1,081 | 916 |
| Deferred tax liabilities | 57 | 63 | 59 | 35 | 44 | 44 | 45 | 48 | 51 | 56 | 60 | 65 | 69 | 72 | 75 | 77 |
| Pension liabilities | 52 | 34 | 48 | 31 | 13 | 8 | 24 | 25 | 27 | 29 | 32 | 34 | 36 | 38 | 39 | 41 |
| Non-current creditors | 43 | 43 | 40 | 13 | 43 | 11 | 27 | 29 | 31 | 34 | 37 | 39 | 42 | 44 | 45 | 47 |
| Non-current provisions | 32 | 37 | 126 | 125 | 110 | 103 | 113 | 119 | 127 | 139 | 151 | 162 | 172 | 180 | 187 | 193 |
| Total Non-Current Liabilities | 779 | 699 | 286 | 2,966 | 2,840 | 2,797 | 3,010 | 3,536 | 3,879 | 4,246 | 4,573 | 4,960 | 5,403 | 5,797 | 6,247 | 6,751 |
| Total Liabilities | 3,550 | 3,712 | 3,899 | 7,130 | 6,565 | 6,338 | 6,197 | 6,661 | 7,172 | 7,727 | 8,285 | 8,844 | 9,399 | 9,944 | 10,477 | 11,018 |
| Shareholder's Equity |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Share Capital | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 |
| Share Premium and capital reserves | 59 | 58 | 58 | 59 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Revenue and other reserves | 1,371 | 1,557 | 1,314 | 1,075 | 1,188 | 1,132 | 1,156 | 1,174 | 1,192 | 1,223 | 1,246 | 1,267 | 1,270 | 1,251 | 1,203 | 1,133 |
| Non-controlling interests | 74 | 66 | 44 | 30 | 14 | - |  | - | - | - | - | - | - | - | - | - |
| Total Equity | 1,579 | 1,756 | 1,491 | 1,240 | 1,336 | 1,267 | 1,291 | 1,308 | 1,327 | 1,357 | 1,380 | 1,401 | 1,404 | 1,385 | 1,337 | 1,268 |
| Total Liabilities and Equity | 5,129 | 5,467 | 5,390 | 8,370 | 7,901 | 7,605 | 7,488 | 7,969 | 8,499 | 9,084 | 9,665 | 10,246 | 10,804 | 11,330 | 11,814 | 12,286 |

## Revenue and Expense Estimates

| Revenue Estimates |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | FY16A | FY17A | FY18A | FY19A | FY20A | FY21E | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Revenue Build (incl associates \& jv) Number of stores |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Grocery Retail | 1,608 | 1,916 | 2,501 | 2,289 | 2,294 | 2,199 | 2,148 | 2,136 | 2,162 | 2,226 | 2,289 | 2,351 | 2,409 | 2,466 | 2,519 | 2,569 |
| $\mathrm{y}-\mathrm{o}-\mathrm{y}$ growth | 6.4\% | 19.2\% | 30.5\% | -8.5\% | 0.2\% | -4.1\% | -2.3\% | -0.6\% | 1.2\% | 3.0\% | 2.8\% | 2.7\% | 2.5\% | 2.3\% | 2.2\% | 2.0\% |
| Convenience Stores | 2,231 | 2,300 | 2,973 | 3,214 | 3,332 | 3,682 | 4,156 | 4,642 | 5,128 | 5,602 | 6,053 | 6,467 | 6,831 | 7,133 | 7,362 | 7,509 |
| y-o-y growth | 2.1\% | 3.1\% | 29.3\% | 8.1\% | 3.7\% | 10.5\% | 12.9\% | 11.7\% | 10.5\% | 9.3\% | 8.0\% | 6.8\% | 5.6\% | 4.4\% | 3.2\% | 2.0\% |
| Health and Beauty | 1,715 | 1,744 | 2,322 | 2,110 | 2,029 | 2,129 | 2,243 | 2,354 | 2,460 | 2,561 | 2,655 | 2,742 | 2,820 | 2,888 | 2,946 | 3,005 |
| $y-0-y$ growth | -5.5\% | 1.7\% | 33.1\% | -9.1\% | -3.8\% | 4.9\% | 5.4\% | 4.9\% | 4.5\% | 4.1\% | 3.7\% | 3.3\% | 2.8\% | 2.4\% | 2.0\% | 2.0\% |
| Home Furnishings | 9 | 10 | 10 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 21 | 22 | 22 |
| y-o-y growth | 0.0\% | 11.1\% | 0.0\% | 20.0\% | 8.3\% | 7.9\% | 7.9\% | 7.2\% | 6.4\% | 5.7\% | 4.9\% | 4.2\% | 3.5\% | 2.7\% | 2.0\% | 2.0\% |
| Restaurants | 985 | 1,210 | 1,316 | 1,753 | 1,741 | 1,828 | 1,914 | 1,998 | 2,080 | 2,159 | 2,235 | 2,306 | 2,373 | 2,435 | 2,491 | 2,541 |
| y-o-y growth | 7.8\% | 22.8\% | 8.8\% | 33.2\% | -0.7\% | 5.0\% | 4.7\% | 4.4\% | 4.1\% | 3.8\% | 3.5\% | 3.2\% | 2.9\% | 2.6\% | 2.3\% | 2.0\% |
| Other Retailing | - | - | 625 | 634 | 588 | 571 | 554 | 542 | 532 | 527 | 524 | 525 | 529 | 537 | 547 | 558 |
| y-o-y growth |  |  |  | 1.4\% | -7.3\% | -2.9\% | -2.9\% | -2.3\% | -1.7\% | -1.1\% | -0.5\% | 0.2\% | 0.8\% | 1.4\% | 2.0\% | 2.0\% |
| Revenue Per Store |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Grocery Retail | 8.2 | 7.4 | 5.3 | 7.7 | 8.7 | 9.1 | 9.5 | 9.9 | 10.2 | 10.5 | 10.8 | 11.0 | 11.2 | 11.4 | 11.5 | 11.6 |
| y -o-y growth |  | -10.3\% | -27.8\% | 44.4\% | 12.8\% | 4.8\% | 4.4\% | 3.9\% | 3.5\% | 3.1\% | 2.7\% | 2.3\% | 1.8\% | 1.4\% | 1.0\% | 1.0\% |
| Convenience Stores | 0.9 | 0.9 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| y-o-y growth |  | 0.5\% | -19.4\% | 1.3\% | -7.7\% | -3.8\% | -5.8\% | -2.2\% | 1.4\% | 5.0\% | 4.3\% | 3.7\% | 3.0\% | 2.3\% | 1.7\% | 1.0\% |
| Health and Beauty | 1.5 | 1.6 | 1.4 | 1.6 | 1.2 | 1.1 | 1.1 | 1.0 | 1.0 | 1.1 | 1.2 | 1.2 | 1.2 | 1.3 | 1.3 | 1.3 |
| y-o-y growth |  | 4.1\% | -13.1\% | 16.0\% | -26.6\% | -6.3\% | -5.2\% | -1.8\% | 1.6\% | 5.0\% | 4.3\% | 3.7\% | 3.0\% | 2.3\% | 1.7\% | 1.0\% |
| Home Furnishings | 66.3 | 65.3 | 72.1 | 63.8 | 64.0 | 63.6 | 63.8 | 64.6 | 65.9 | 67.9 | 69.7 | 71.3 | 72.8 | 74.0 | 74.9 | 75.7 |
| y-o-y growth |  | -1.5\% | 10.5\% | -11.5\% | 0.3\% | -0.6\% | 0.3\% | 1.2\% | 2.1\% | 3.0\% | 2.7\% | 2.3\% | 2.0\% | 1.7\% | 1.3\% | 1.0\% |
| Restaurants | 2.0 | 1.8 | 2.0 | 1.5 | 1.2 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| y-o-y growth |  | -9.8\% | 6.2\% | -21.6\% | -23.1\% | -12.0\% | -8.3\% | -4.5\% | -0.8\% | 3.0\% | 2.7\% | 2.3\% | 2.0\% | 1.7\% | 1.3\% | 1.0\% |
| Other Retailing | - | - | - | 1.4 | 1.3 | 1.2 | 1.1 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| y-o-y growth |  |  |  |  | -8.4\% | -8.4\% | -7.3\% | -6.3\% | -5.2\% | -4.2\% | -3.2\% | -2.1\% | -1.1\% | 0.0\% | 1.0\% | 1.0\% |

## Revenue by Segment (incl. associates \& jv)

 US\$mm| Food | 15,175 | 16,149 | 15,425 | 19,907 | 22,106 | 21,391 | 22,861 | 23,772 | 25,104 | 26,917 | 28,670 | 30,326 | 31,849 | 33,200 | 34,347 | 35,384 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Grocery Retail | 13,224 | 14,129 | 13,321 | 17,603 | 19,901 | 19,047 | 20,370 | 21,052 | 22,057 | 23,422 | 24,730 | 25,962 | 27,101 | 28,127 | 29,023 | 29,900 |
| Convenience Stores | 1,951 | 2,020 | 2,104 | 2,304 | 2,206 | 2,344 | 2,491 | 2,720 | 3,047 | 3,495 | 3,940 | 4,364 | 4,748 | 5,073 | 5,324 | 5,484 |
| Health and Beauty | 2,633 | 2,787 | 3,226 | 3,401 | 2,401 | 2,361 | 2,359 | 2,432 | 2,583 | 2,823 | 3,054 | 3,269 | 3,463 | 3,629 | 3,763 | 3,877 |
| Home Furnishings | 597 | 653 | 721 | 766 | 832 | 816 | 965 | 1,047 | 1,137 | 1,238 | 1,334 | 1,422 | 1,501 | 1,568 | 1,621 | 1,670 |
| Restaurants | 2,019 | 2,238 | 2,586 | 2,701 | 2,064 | 2,455 | 1,831 | 1,825 | 1,885 | 2,015 | 2,142 | 2,262 | 2,374 | 2,476 | 2,567 | 2,644 |
| Other Retailing | - | - | - | 890 | 756 | 661 | 605 | 554 | 516 | 489 | 472 | 462 | 461 | 467 | 481 | 496 |
| Total | 20,424 | 21,827 | 21,957 | 27,665 | 28,159 | 27,684 | 28,622 | 29,629 | 31,225 | 33,483 | 35,671 | 37,742 | 39,647 | 41,340 | 42,779 | 44,071 |


| Revenue by Segment |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Food | 8,168 | 8,038 | 7,992 | 7,376 | 7,447 | 6,394 | 6,860 | 7,231 | 7,767 | 8,501 | 9,218 | 9,898 | 10,519 | 11,059 | 11,498 | 11,845 |
| y-o-y growth |  | -1.6\% | -0.6\% | -7.7\% | 1.0\% | -14.1\% | 7.3\% | 5.4\% | 7.4\% | 9.4\% | 8.4\% | 7.4\% | 6.3\% | 5.1\% | 4.0\% | 3.0\% |
| Grocery Retail | 6,217 | 6,018 | 5,888 | 5,190 | 5,348 | 4,151 | 4,440 | 4,588 | 4,807 | 5,105 | 5,390 | 5,659 | 5,907 | 6,130 | 6,326 | 6,517 |
| \% of sales incl. associates \& jv | 47.0\% | 42.6\% | 44.2\% | 29.5\% | 26.9\% | 21.8\% | 22\% | 22\% | 22\% | 22\% | 22\% | 22\% | 22\% | 22\% | 22\% | 22\% |
| y-o-y growth |  | -3.2\% | -2.2\% | -11.9\% | 3.0\% | -22.4\% | 7\% | 3\% | 5\% | 6\% | 6\% | 5\% | 4\% | 4\% | 3\% | 3\% |
| Convenience Stores | 1,951 | 2,020 | 2,104 | 2,185 | 2,100 | 2,243 | 2,420 | 2,643 | 2,960 | 3,396 | 3,828 | 4,240 | 4,613 | 4,929 | 5,172 | 5,328 |
| \% of sales incl. associates \& jv | 100\% | 100\% | 100\% | 95\% | 95\% | 96\% | 97\% | 97\% | 97\% | 97\% | 97\% | 97\% | 97\% | 97\% | 97\% | 97\% |
| $\mathrm{y}-\mathrm{o}-\mathrm{y}$ growth | - | 3.6\% | 4.2\% | 3.9\% | -3.9\% | 6.8\% | 7.9\% | 9.2\% | 12.0\% | 14.7\% | 12.7\% | 10.8\% | 8.8\% | 6.9\% | 4.9\% | 3.0\% |
| Health and Beauty | 2,436 | 2,597 | 3,036 | 3,051 | 1,990 | 1,805 | 2,059 | 2,122 | 2,254 | 2,464 | 2,665 | 2,853 | 3,022 | 3,167 | 3,284 | 3,384 |
| \% of sales incl. associates \& jv | 93\% | 93\% | 94\% | 90\% | 83\% | 76\% | 87\% | 87\% | 87\% | 87\% | 87\% | 87\% | 87\% | 87\% | 87\% | 87\% |
| y-o-y growth |  | 6.6\% | 16.9\% | 0.5\% | -34.8\% | -9.3\% | 14.1\% | 3.1\% | 6.2\% | 9.3\% | 8.2\% | 7.0\% | 5.9\% | 4.8\% | 3.7\% | 3.0\% |
| Home Furnishings | 597 | 653 | 721 | 766 | 832 | 816 | 965 | 1,047 | 1,137 | 1,238 | 1,334 | 1,422 | 1,501 | 1,568 | 1,621 | 1,670 |
| \% of sales incl. associates \& jv | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% | 100\% |
| y-o-y growth |  | 9.4\% | 10.5\% | 6.2\% | 8.6\% | -1.9\% | 18.3\% | 8.4\% | 8.7\% | 8.9\% | 7.7\% | 6.6\% | 5.5\% | 4.4\% | 3.4\% | 3.0\% |

Restaurants
Other Retailing

| Total | 11,201 | 11,289 | 11,749 | 11,192 | 10,269 | 9,015 | 9,884 | 10,400 | 11,159 | 12,202 | 13,217 | 14,173 | 15,042 | 15,794 | 16,403 | 16,898 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Margin Assumptions |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Gross Margin |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Grocery Retail | 29\% | 29\% | 31\% | 29\% | 32\% | 32\% | 30.7\% | 31.4\% | 32.1\% | 32.8\% | 33.2\% | 33.5\% | 33.9\% | 34.3\% | 34.6\% | 35.0\% |
| Convenience Stores | 30\% | 31\% | 35\% | 32\% | 30\% | 31\% | 31.6\% | 32.3\% | 32.9\% | 33.5\% | 33.8\% | 34.1\% | 34.5\% | 34.9\% | 35.2\% | 35.0\% |
| Health and Beauty | 33\% | 35\% | 41\% | 37\% | 31\% | 32\% | 31.5\% | 31.7\% | 31.8\% | 32.0\% | 32.5\% | 32.9\% | 33.2\% | 33.6\% | 34.0\% | 35.0\% |
| Home Furnishings | 38\% | 38\% | 40\% | 33\% | 36\% | 34\% | 33.9\% | 33.9\% | 33.9\% | 33.9\% | 33.9\% | 33.9\% | 33.9\% | 33.9\% | 33.9\% | 33.9\% |

Gross profit
Grocery Retail
Convenience Stores
Health and Beauty Home Furnishings
$\begin{array}{llllllllllllllllllllll}1,818.25 & 1,768.48 & 1,811.36 & 1,504.48 & 1,726.98 & 1,321.52 & 1,360.87 & 1,439.26 & 1,542.40 & 1,674.38 & 1,787.67 & 1,897.52 & 2,002.37 & 2,100.65 & 2,190.82 & 2,280.87\end{array}$ $\begin{array}{lrrrrrrrrrrrr} \\ 583.19 & 633.07 & 727.18 & 688.93 & 629.91 & 690.66 & 765.87 & 852.64 & 973.27 & 1,137.56 & 1,291.93 & 1,446.43 & 1,590.60 \\ 1,717.71 & 1,821.35 & 1,864.81\end{array}$
 $\begin{array}{llllllllllllllllllll}226.55 & 245.20 & 287.58 & 255.34 & 297.46 & 276.52 & 327.20 & 354.83 & 385.54 & 419.66 & 452.15 & 482.18 & 508.90 & 531.53 & 549.39 & 565.98\end{array}$

| Total | 3439.5 | 3561.6 | 4078.7 | 3591.5 | 3263.1 | 2857.5 | 3102.7 | 3318.9 | 3618.8 | 4020.0 | 4397.9 | 4763.8 | 5106.1 | 5414.1 | 5677.2 | 5895.9 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Gross Margin | 30.7\% | 31.5\% | 34.7\% | 32.1\% | 31.8\% | 31.7\% | 31.4\% | 31.9\% | 32.4\% | 32.9\% | 33.3\% | 33.6\% | 33.9\% | 34.3\% | 34.6\% | 34.9\% |


| Income Statement Assumptions |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Sales | 11,201 | 11,289 | 11,749 | 11,192 | 10,269 | 9,015 | 9,884 | 10,400 | 11,159 | 12,202 | 13,217 | 14,173 | 15,042 | 15,794 | 16,403 | 16,898 |
| y-o-y growth |  | 1\% | 4\% | -5\% | -8\% | -12\% | 10\% | 5\% | 7\% | 9\% | 8\% | 7\% | 6\% | 5\% | 4\% | 3\% |
| Cost of Sales | $(7,815)$ | $(7,856)$ | $(8,101)$ | $(7,659)$ | $(7,078)$ | $(6,146)$ | $(6,781)$ | $(7,081)$ | $(7,540)$ | $(8,182)$ | $(8,819)$ | $(9,410)$ | $(9,936)$ | $(10,380)$ | $(10,725)$ | $(11,002)$ |
| \% of Revenue | 70\% | 70\% | 69\% | 68\% | 69\% | 68\% | 68.6\% | 68.1\% | 67.6\% | 67.1\% | 66.7\% | 66.4\% | 66.1\% | 65.7\% | 65.4\% | 65.1\% |
| Gross margin | 3,386 | 3,433 | 3,649 | 3,534 | 3,191 | 2,870 | 3,103 | 3,319 | 3,619 | 4,020 | 4,398 | 4,764 | 5,106 | 5,414 | 5,677 | 5,896 |
| Other Operating Income | 178 | 184 | 376 | 209 | 431 | 236 | 258 | 265 | 276 | 294 | 309 | 322 | 332 | 337 | 339 | 338 |
| \% of Revenue | 1.6\% | 1.6\% | 3.2\% | 1.9\% | 4.2\% | 2.6\% | 2.6\% | 2.5\% | 2.5\% | 2.4\% | 2.3\% | 2.3\% | 2.2\% | 2.1\% | 2.1\% | 2.0\% |
| Cost Build |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Selling and Distribution costs | $(2,422)$ | $(2,493)$ | $(2,648)$ | $(1,699)$ | $(1,592)$ | $(1,424)$ | $(1,801)$ | $(1,951)$ | $(2,154)$ | $(2,421)$ | $(2,694)$ | $(2,965)$ | $(3,228)$ | $(3,475)$ | $(3,697)$ | $(3,900)$ |
| \% of Revenue | 21.6\% | 22.1\% | 22.5\% | 15.2\% | 15.5\% | 15.8\% | 18.2\% | 18.2\% | 18.2\% | 18.2\% | 18.2\% | 18.2\% | 18.2\% | 18.2\% | 18.2\% | 18.2\% |
| Administrative and other operating expenses | (470) | (534) | $(1,069)$ | (617) | (658) | (484) | (615) | (647) | (694) | (759) | (822) | (882) | (936) | (983) | $(1,021)$ | $(1,051)$ |
| \% of Revenue | 4.2\% | 4.7\% | 9.1\% | 5.5\% | 6.4\% | 5.4\% | 6.2\% | 6.2\% | 6.2\% | 6.2\% | 6.2\% | 6.2\% | 6.2\% | 6.2\% | 6.2\% | 6.2\% |
| Depreciation \& Amort. | (213) | (221) | (229) | $(1,002)$ | (983) | (886) | (628) | (632) | (633) | (631) | (625) | (597) | (575) | (547) | (515) | (452) |
| \% of Revenue | 1.9\% | 2.0\% | 1.9\% | 9.0\% | 9.6\% | 9.8\% | 6.4\% | 6.1\% | 5.7\% | 5.2\% | 4.7\% | 4.2\% | 3.8\% | 3.5\% | 3.1\% | 2.7\% |
| Operating Expenses | $(3,105)$ | $(3,248)$ | $(3,946)$ | $(3,317)$ | $(3,233)$ | $(2,794)$ | $(3,044)$ | $(3,230)$ | $(3,481)$ | $(3,812)$ | $(4,141)$ | $(4,444)$ | $(4,739)$ | $(5,005)$ | $(5,232)$ | $(5,403)$ |
| \% of Revenue | 28\% | 29\% | 34\% | 30\% | 31\% | 31\% | 31\% | 31\% | 31\% | 31\% | 31\% | 31\% | 32\% | 32\% | 32\% | 32\% |
| Dividend Payout | (270) | (284) | (284) | (284) | (264) | (198) | (217) | (247) | (285) | (333) | (385) | (438) | (491) | (544) | (594) | (642) |
| \% of Revenue | 2\% | 3\% | 2\% | 3\% | 3\% | 2\% | 2.2\% | 2.4\% | 2.6\% | 2.7\% | 2.9\% | 3.1\% | 3.3\% | 3.4\% | 3.6\% | 3.8\% |
| Financing Charges | (23) | (28) | (38) | (165) | (145) | (120) | (119) | (126) | (136) | (146) | (155) | (165) | (177) | (187) | (199) | (213) |
| Financing Income | ) | 2 | 5 | 7 | 2 | 1 | ) | ) | 3 | ) | ) | ) | , | , | 5 | 5 |
| Net financing charges | (22) | (26) | (33) | (158) | (143) | (119) | (116) | (123) | (133) | (143) | (151) | (161) | (173) | (183) | (195) | (208) |
| Share of results of associates and joint ventures | 118 | 142 | 133 | 126 | 85 | (42) | 107 | 111 | 117 | 125 | 133 | 141 | 148 | 154 | 160 | 165 |
| \% of revenue from associates and jv | 0.6\% | 0.7\% | 0.6\% | 0.5\% | 0.3\% | -0.1\% | 0.4\% | 0.4\% | 0.4\% | 0.4\% | 0.4\% | 0.4\% | 0.4\% | 0.4\% | 0.4\% | 0.4\% |
| Profit before tax | 555 | 485 | 179 | 394 | 330 | 150 | 308 | 341 | 398 | 484 | 548 | 622 | 674 | 718 | 749 | 787 |
| Tax | (85) | (93) | (101) | (69) | (74) | (59) | (95) | (106) | (123) | (150) | (170) | (193) | (209) | (222) | (232) | (244) |
| Tax Rate | 15.3\% | 19.2\% | 56.6\% | 17.4\% | 22.3\% | 39.2\% | 31\% | 31.0\% | 31.0\% | 31.0\% | 31.0\% | 31.0\% | 31.0\% | 31.0\% | 31.0\% | 31.0\% |
| Net Income | 470 | 392 | 78 | 325 | 257 | 91 | 212 | 236 | 275 | 334 | 379 | 429 | 465 | 496 | 517 | 543 |
| Other Comprehensive Income, net of tax | (68) | 129 | (57) | 39 | 102 | 17 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Total Comprehensive Income | 402 | 521 | 20 | 364 | 358 | 108 | 241 | 265 | 304 | 364 | 408 | 458 | 495 | 525 | 546 | 573 |


| Balance Sheet Assumptions |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and Bank Balance | 324 | 332 | 296 | 301 | 278 | 210 | 261 | 274 | 294 | 322 | 349 | 374 | 397 | 417 | 433 | 446 |
| Current Debtors | 291 | 351 | 372 | 281 | 304 | 232 | 283 | 298 | 319 | 349 | 378 | 406 | 431 | 452 | 470 | 484 |
| Days Sales Outstanding | 9 | 11 | 12 | 9 | 11 | 9 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Current Tax Assets | 17 | 27 | 35 | 26 | 28 | 16 | 24 | 25 | 27 | 30 | 32 | 35 | 37 | 38 | 40 | 41 |
| \% of Revenue | 0.1\% | 0.2\% | 0.3\% | 0.2\% | 0.3\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% |
| Non-Current Assets held for Sale | 3 | 11 | - | - | 55 | 85 | - | - | - | - | - | - | -- | - | - | -- |
| Stocks | 983 | 950 | 913 | 896 | 779 | 782 | 863 | 901 | 959 | 1,041 | 1,122 | 1,197 | 1,264 | 1,321 | 1,365 | 1,400 |
| Days Sales in Inventory | 46 | 44 | 41 | 43 | 40 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 |
| Total Current Assets | 1,617 | 1,671 | 1,617 | 1,505 | 1,443 | 1,325 | 1,431 | 1,499 | 1,600 | 1,742 | 1,881 | 2,012 | 2,129 | 2,228 | 2,307 | 2,371 |
| Non-Current Assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Intangible Assets | 765 | 815 | 667 | 589 | 421 | 412 | 403 | 395 | 386 | 377 | 368 | 360 | 351 | 342 | 334 | 325 |
| Amortization | (17) | (22) | (24) | (27) | (34) | (9) | (9) | (9) | (9) | (9) | (9) | (9) | (9) | (9) | (9) | (9) |
| Tangible Assets | 1,100 | 1,184 | 848 | 820 | 772 | 803 | 939 | 1,069 | 1,198 | 1,329 | 1,461 | 1,607 | 1,753 | 1,895 | 2,030 | 2,182 |
| Right-of-use assets | - | - | - | 3,186 | 2,872 | 2,748 | 2,096 | 2,051 | 1,993 | 1,917 | 1,817 | 1,692 | 1,541 | 1,367 | 1,173 | 961 |
| Number of stores | 6,548 | 7,180 | 9,747 | 10,012 | 9,997 | 10,423 | 11,031 | 11,687 | 12,379 | 13,094 | 13,776 | 14,411 | 14,983 | 15,479 | 15,886 | 16,204 |
| Average right-of-use per store |  |  |  | 0.32 | 0.29 | 0.26 | 0.19 | 0.18 | 0.16 | 0.15 | 0.13 | 0.12 | 0.10 | 0.09 | 0.07 | 0.06 |
| Right-of-use depreciation |  |  |  | (815) | (789) | (729) | (556) | (544) | (529) | (509) | (482) | (449) | (409) | (363) | (311) | (255) |
| As a \% of right-of-use assets |  |  |  | 25.6\% | 27.5\% | 26.5\% | 26.5\% | 26.5\% | 26.5\% | 26.5\% | 26.5\% | 26.5\% | 26.5\% | 26.5\% | 26.5\% | 26.5\% |
| Addition to right-of-use assets |  |  |  |  | 196 | - | (402) | (37) | (32) | (25) | (24) | (22) | (9) | 5 | 22 | 41 |
| Other movements |  |  |  |  | 279 | 604 | 307 | 536 | 502 | 458 | 406 | 345 | 268 | 184 | 94 | 2 |
| Associates and joint ventures | 1,462 | 1,601 | 2,067 | 2,102 | 2,257 | 2,164 | 2,467 | 2,797 | 3,152 | 3,533 | 3,936 | 4,360 | 4,802 | 5,258 | 5,723 | 6,192 |
| y-o-y growth |  | 10\% | 29\% | 2\% | 7\% | -4\% | 14\% | 13\% | 13\% | 12\% | 11\% | 11\% | 10\% | 9\% | 9\% | 8\% |
| Other Investments | 6 | 7 | 7 | 7 | 6 | 12 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Non-current debtors | 151 | 163 | 160 | 142 | 115 | 113 | 128 | 134 | 144 | 157 | 171 | 183 | 194 | 204 | 212 | 218 |
| \% of Revenue | 1.3\% | 1.4\% | 1.4\% | 1.3\% | 1.1\% | 1.3\% | 1.3\% | 1.3\% | 1.3\% | 1.3\% | 1.3\% | 1.3\% | 1.3\% | 1.3\% | 1.3\% | 1.3\% |
| Deferred tax assets | 29 | 26 | 24 | 18 | 16 | 15 | 18 | 19 | 20 | 22 | 24 | 26 | 27 | 29 | 30 | 31 |
| \% of Revenue | 0.3\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% |
| Total Non-Current Assets | 10,043 | 10,954 | 13,497 | 16,036 | 16,107 | 16,557 | 16,428 | 18,105 | 19,212 | 20,353 | 21,452 | 22,511 | 23,500 | 24,399 | 25,191 | 25,900 |
| Total Assets | 11,660 | 12,626 | 15,113 | 17,541 | 17,550 | 17,882 | 17,859 | 19,603 | 20,812 | 22,095 | 23,333 | 24,523 | 25,628 | 26,627 | 27,498 | 28,270 |
| Liabilities and Equity |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current Creditors | 2,328 | 2,470 | 2,399 | 2,315 | 2,061 | 2,081 | 2,092 | 2,185 | 2,326 | 2,524 | 2,721 | 2,903 | 3,065 | 3,202 | 3,309 | 3,394 |
| Days Sales Payable | 109 | 115 | 108 | 110 | 106 | 124 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 | 113 |
| Current Borrowings | 370 | 413 | 1,026 | 938 | 852 | 744 | 458 | 309 | 339 | 331 | 375 | 380 | 352 | 395 | 406 | 398 |
| Current Lease Liabilities | - | - | 1,026 | 728 | 684 | 640 | 507 | 498 | 485 | 468 | 446 | 419 | 386 | 347 | 305 | 258 |
| Current Tax Liabilities | 59 | 72 | 84 | 127 | 85 | 27 | 71 | 75 | 80 | 88 | 95 | 102 | 108 | 114 | 118 | 122 |
| \% of Revenue | 0.5\% | 0.6\% | 0.7\% | 1.1\% | 0.8\% | 0.3\% | 0.7\% | 0.7\% | 0.7\% | 0.7\% | 0.7\% | 0.7\% | 0.7\% | 0.7\% | 0.7\% | 0.7\% |
| Current Provisions | 15 | 53 | 104 | 56 | 44 | 49 | 56 | 59 | 63 | 69 | 75 | 80 | 85 | 89 | 93 | 95 |
| \% of Revenue | 0.1\% | 0.5\% | 0.9\% | 0.5\% | 0.4\% | 0.5\% | 0.6\% | 0.6\% | 0.6\% | 0.6\% | 0.6\% | 0.6\% | 0.6\% | 0.6\% | 0.6\% | 0.6\% |
| Liabilities associated with assets classified as held for sal | - | 6 | - | - | - | - | - | - | - | - | - | - | - | - | - | -- |
| Total Current Liabilities | 2,880 | 3,127 | 3,721 | 4,275 | 3,831 | 3,665 | 3,298 | 3,237 | 3,406 | 3,593 | 3,824 | 3,997 | 4,109 | 4,260 | 4,343 | 4,380 |
| Non-Current Liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Long-term Borrowings | 595 | 522 | 15 | 184 | 242 | 311 | 1,000 | 1,550 | 1,923 | 2,326 | 2,710 | 3,175 | 3,716 | 4,230 | 4,819 | 5,478 |
| Non-current Lease Liabilities | - | - | - | 2,578 | 2,386 | 2,320 | 1,801 | 1,766 | 1,720 | 1,662 | 1,584 | 1,486 | 1,368 | 1,233 | 1,081 | 916 |
| Deferred tax liabilities | 57 | 63 | 59 | 35 | 44 | 44 | 45 | 48 | 51 | 56 | 60 | 65 | 69 | 72 | 75 | 77 |
| \% of Revenue | 0.5\% | 0.6\% | 0.5\% | 0.3\% | 0.4\% | 0.5\% | 0.5\% | 0.5\% | 0.5\% | 0.5\% | 0.5\% | 0.5\% | 0.5\% | 0.5\% | 0.5\% | 0.5\% |
| Pension liabilities | 52 | 34 | 48 | 31 | 13 | 8 | 24 | 25 | 27 | 29 | 32 | 34 | 36 | 38 | 39 | 41 |
| \% of Revenue | 0.5\% | 0.3\% | 0.4\% | 0.3\% | 0.1\% | 0.1\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% | 0.2\% |
| Non-current creditors | 43 | 43 | 40 | 13 | 43 | 11 | 27 | 29 | 31 | 34 | 37 | 39 | 42 | 44 | 45 | 47 |
| \% of Revenue | 0.4\% | 0.4\% | 0.3\% | 0.1\% | 0.4\% | 0.1\% | 0.3\% | 0.3\% | 0.3\% | 0.3\% | 0.3\% | 0.3\% | 0.3\% | 0.3\% | 0.3\% | 0.3\% |
| Non-current provisions | 32 | 37 | 126 | 125 | 110 | 103 | 113 | 119 | 127 | 139 | 151 | 162 | 172 | 180 | 187 | 193 |
| \% of Revenue | 0.3\% | 0.3\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% |
| Total Non-Current Liabilities | 779 | 699 | 286 | 2,966 | 2,840 | 2,797 | 3,010 | 3,536 | 3,879 | 4,246 | 4,573 | 4,960 | 5,403 | 5,797 | 6,247 | 6,751 |
| Total Liabilities | 3,658 | 3,826 | 4,007 | 7,241 | 6,671 | 6,461 | 6,308 | 6,773 | 7,285 | 7,840 | 8,397 | 8,957 | 9,512 | 10,057 | 10,590 | 11,131 |
| Shareholder's Equity |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Share Capital | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 |
| Share Premium and capital reserves | 59 | 58 | 58 | 59 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Revenue and other reserves | 1,371 | 1,557 | 1,314 | 1,075 | 1,188 | 1,132 | 1,212 | 1,229 | 1,248 | 1,278 | 1,302 | 1,322 | 1,326 | 1,306 | 1,259 | 1,189 |
| Non-controlling interests | 74 | 66 | 44 | 30 | 14 | - | - | - | - | - | - | - | - | - | - | - |
| Total Equity | 1,579 | 1,756 | 1,491 | 1,240 | 1,336 | 1,267 | 1,346 | 1,364 | 1,383 | 1,413 | 1,436 | 1,457 | 1,460 | 1,441 | 1,393 | 1,324 |
| Total Liabilities and Equity | 5,238 | 5,582 | 5,498 | 8,480 | 8,007 | 7,728 | 7,654 | 8,138 | 8,668 | 9,253 | 9,834 | 10,414 | 10,972 | 11,498 | 11,983 | 12,455 |

## Depreciation Schedule

|  |  |  |  |  | PPE (Tangible Assets) Bu |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Average Useful Life | Conservative | Average | Optimistic | Weight |  |  |  |
| Furniture, equipment and motor vehicles | 3.00 | 5.00 | 7.00 | 7.32\% |  |  |  |
| Plant and machinery | 3.00 | 9.00 | 15.00 | 21.62\% |  |  |  |
| Freehold buildings | 25.00 | 32.50 | 40.00 | 7.40\% |  |  |  |
| Buildings on leasehold land | 25.00 | 32.50 | 40.00 | 30.76\% |  |  |  |
| Leasehold Improvements | 25.00 | 32.50 | 40.00 | 32.91\% |  |  |  |
| PPE |  |  |  |  |  |  |  |
| At carrying amount | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A |  |
| Furniture, equipment and motor vehicles | 139 | 122 | 77 | 76 | 57 | 59 |  |
| Plant and machinery | 198 | 235 | 195 | 199 | 167 | 174 |  |
| Freehold buildings | 111 | 135 | 107 | 107 | 57 | 59 |  |
| Buildings on leasehold land | 412 | 424 | 251 | 184 | 237 | 247 |  |
| Leasehold Improvements | 240 | 269 | 219 | 255 | 254 | 264 |  |
| Total PPE and Deposits | 1,100 | 1,184 | 848 | 820 | 772 | 803 |  |
| Additions |  |  |  |  |  |  |  |
| At carrying cost | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A |  |
| Furniture, equipment and motor vehicles | 31 | 25 | 27 | 22 | 23 | 22 |  |
| Plant and machinery | 63 | 95 | 79 | 73 | 47 | 45 |  |
| Freehold buildings | 2 | 13 | - | 26 | - | 0 |  |
| Buildings on leasehold land | 29 | 17 | 8 | - | 66 | 57 |  |
| Leasehold Improvements | 64 | 105 | 74 | 116 | 71 | 61 |  |
| Total Additions | 188 | 255 | 189 | 238 | 208 | 185 |  |
| \% of Revenue | 1.68\% | 2.26\% | 1.61\% | 2.12\% | 2.02\% | 2.05\% |  |
| Additions \% Revenue |  |  |  |  |  |  |  |
| At carrying cost | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | Average |
| Furniture, equipment and motor vehicles | 0.28\% | 0.23\% | 0.23\% | 0.20\% | 0.23\% | 0.24\% | 0.225\% |
| Plant and machinery | 0.56\% | 0.84\% | 0.68\% | 0.65\% | 0.46\% | 0.50\% | 0.625\% |
| Freehold buildings | 0.02\% | 0.12\% | 0.00\% | 0.23\% | 0.00\% | 0.00\% | 0.071\% |
| Buildings on leasehold land | 0.26\% | 0.15\% | 0.07\% | 0.00\% | 0.64\% | 0.63\% | 0.299\% |
| Leasehold Improvements | 0.57\% | 0.93\% | 0.63\% | 1.04\% | 0.69\% | 0.68\% | 0.793\% |


| Furniture, equipment and motor vehicles US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Beginning PPE |  |  |  |  |  |  | 59 | 65 | 67 | 66 | 63 | 55 | 59 | 64 | 67 | 71 |
| Additions to PPE |  |  |  | \% | - | - | 22 | 23 | 25 | 27 | 30 | 32 | 34 | 36 | 37 | 38 |
| Expected Depreciation |  |  |  |  |  |  | (16) | (21) | (26) | (31) | (37) | (27) | (30) | (32) | (34) | (35) |
| Ending Net PPE |  |  |  |  |  |  | 65 | 67 | 66 | 63 | 55 | 59 | 64 | 67 | 71 | 73 |


| US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A |  | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Historical Depreciation |  |  |  |  |  | \% |  | 11.8 | 11.8 | 11.8 | 11.8 | 11.8 | - | - | - | - |  |
| FY22E |  |  |  |  |  |  |  | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | - | - | - | - |  |
| FY23E | ․ㅐํํํ | . | -o.nnํ | \%..... | -2\%. | , | - | - | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 | - | - | - | - |
| FY24E |  | . | - | . |  |  | - | - | - | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | - | - |  |
| FY25E |  | ( |  | - | - |  | . | - | - | - | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | - | - |
| FY26E |  | . |  | :....2. |  |  |  | - | - | - | - | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | - |
| FY27E |  |  |  |  |  |  |  | - | - | - | - | - | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 |
| FY28E |  |  |  |  |  |  |  | - | - | - | - | - | - | 6.8 | 6.8 | 6.8 | 6.8 |
| FY29E |  |  |  | .n...... |  |  | . | - | - | - | - | - | - | - | 7.1 | 7.1 | 7.1 |
| FY30E |  | . | \% | \%.... |  |  |  | - | - | - | - | - | - | - | - | 7.4 | 7.4 |
| FY31E |  |  |  |  |  |  |  | - | - | - | - | - | - | - | - | - | 7.6 |
| Total Depreciation |  |  |  |  |  |  |  | 16.2 | 20.9 | 25.9 | 31.4 | 37.3 | 27.5 | 29.6 | 31.7 | 33.5 | 35.2 |
| Plant and machinery US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A |  | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Beginning PPE | , | \% | \% |  | \% | non | , | 174 | 209 | 241 | 270 | 296 | 320 | 340 | 355 | 364 | 365 |
| Additions to PPE |  |  |  |  |  |  |  | 62 | 65 | 70 | 76 | 83 | 89 | 94 | 99 | 103 | 106 |
| Expected Depreciation | (-3. | (\%)N.0. | \% | (ix. | \% |  | [-I. | (26) | (33) | (41) | (50) | (59) | (69) | (79) | (90) | (101) | (87) |
| Ending Net PPE |  |  |  |  |  |  |  | 209 | 241 | 270 | 296 | 320 | 340 | 355 | 364 | 365 | 383 |


| US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A |  | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Historical Depreciation |  |  |  |  |  |  |  | 19.3 | 19.3 | 19.3 | 19.3 | 19.3 | 19.3 | 19.3 | 19.3 | 19.3 | - |
| FY22E | , | n. | .ani. | , .n. | nominion | , ... | . | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | - |
| FY23E |  |  |  |  |  |  |  | - | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 |
| FY24E |  |  |  |  |  |  |  | - | - | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 |
| FY25E | \%. | \% | \%..... | R-3.... | \%-1. | \% | $\ldots$ | - | - | - | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 |
| FY26E |  |  |  |  |  |  |  | - | - | - | - | 9.2 | 9.2 | 9.2 | 9.2 | 9.2 | 9.2 |
| FY27E | - | No: | Woz |  |  | .2. | - | - | - | - | - | - | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 |
| FY28E |  |  |  | - |  |  |  | - | - | - | - | - | - | 10.4 | 10.4 | 10.4 | 10.4 |
| FY29E | \%-... | \%r. |  |  |  | \%-5 | \% | - | - | - | - | - | - | - | 11.0 | 11.0 | 11.0 |
| FY30E |  |  |  |  |  |  |  | - | - | - | - | - | - | - | - | 11.4 | 11.4 |
| FY31E | ... | . | .0. | ...n...... | ......... |  | - | - | - | - | - | - | - | - | - | - | 11.7 |
| Total Depreciation |  |  |  |  |  |  |  | 26.2 | 33.4 | 41.1 | 49.6 | 58.8 | 68.6 | 79.1 | 90.0 | 101.4 | 87.0 |


| US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Beginning PPE |  |  |  |  |  |  | 59 | 64 | 69 | 75 | 81 | 87 | 94 | 101 | 108 | 115 |
| Additions to PPE | , | . | - | - . | - |  | 7 | 7 | 8 | 9 | 9 | 10 | 11 | 11 | 12 | 12 |
| Expected Depreciation |  |  |  |  | \% |  | (2) | (2) | (3) | (3) | (3) | (3) | (4) | (4) | (4) | (5) |
| Ending Net PPE |  |  |  |  |  |  | 64 | 69 | 75 | 81 | 87 | 94 | 101 | 08 | 15 |  |


| US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A |  | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Historical Depreciation |  |  |  |  |  |  |  | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| FY22E | , | . |  | \% |  | \% | , | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| FY23E |  |  |  |  |  |  |  | - | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| FY24E | , | \%... | -i.n... | .…… | .n.n.... | - | , | - | - | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| FY25E |  |  |  | (\%). |  | \% |  | - | - | - | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| FY26E | , | (\%ano | no..no.. | (\%nion. | -arnor | \% | \% | - | - | - | - | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| FY27E |  |  | \% | \% | \% \%r | \% | 2 | - | - | - | - | - | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| FY28E | …ni. | \% | . | (.). | ......... | \% | \% | - | - | - | - | - | - | 0.3 | 0.3 | 0.3 | 0.3 |
| FY29E |  |  | $\cdots$ | \%.an | . | - | , | - | - | - | - | - | - | - | 0.3 | 0.3 | 0.3 |
| FY30E | \% |  | (inini.ni | \% | \%.inion | . | N..nin | - | - | - | - | - | - | - | - | 0.4 | 0.4 |
| FY31E | , |  | , | , | , | , | - | - | - | - | - | - | - | - | - | - | 0.4 |
| Total Depreciation |  |  |  |  |  |  |  | 2.0 | 2.3 | 2.5 | 2.8 | 3.1 | 3.4 | 3.7 | 4.0 | 4.4 | 4.8 |


| Buildings on leasehold land US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Beginning PPE |  |  |  |  |  |  | 247 | 268 | 290 | 312 | 337 | 364 | 392 | 422 | 452 | 482 |
| Additions to PPE |  |  |  |  | . |  | 30 | 31 | 33 | 36 | 39 | 42 | 45 | 47 | 49 | 50 |
| Expected Depreciation |  |  |  |  |  |  | (9) | (9) | (10) | (12) | (13) | (14) | (16) | (17) | (18) | (20) |
| Ending Net PPE |  |  |  |  |  |  | 268 | 290 | 312 | 337 | 364 | 392 | 422 | 452 | 482 | 51 |


| US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A |  | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Historical Depreciation |  |  |  |  |  | Nox |  | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 |
| FY22E |  |  |  |  |  |  |  | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| FY23E | " | \% | \% \% | . | - . | .2. | \% | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| FY24E |  |  |  | [. |  | . | - | - | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| FY25E |  |  | - | . |  | . | . | - | - | - | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| FY26E |  |  | . | . | \% | , | : | - | - | - | - | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| FY27E | . | [.n.n․ | . | . | . | , | . | - | - | - | - | - | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| FY28E |  |  | *-2. | \% |  | , | - | - | - | - | - | - | - | 1.4 | 1.4 | 1.4 | 1.4 |
| FY29E |  |  |  | . | - | , | . | - | - | - | - | - | - | - | 1.5 | 1.5 | 1.5 |
| FY30E |  |  | \%2.... | 2. | : | rex | , | - | - | - | - | - | - | - | - | 1.5 | 1.5 |
| FY31E |  |  |  |  |  |  |  | - | - | - | - | - | - | - | - | - | 1.6 |
| Total Depreciation |  |  |  |  |  |  |  | 8.5 | 9.5 | 10.5 | 11.6 | 12.8 | 14.1 | 15.5 | 17.0 | 18.5 | 20.0 |


| US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Beginning PPE | minn | Win | \% | Whinnin | . |  | 264 | 332 | 402 | 474 | 552 | 635 | 722 | 812 | 905 | 998 |
| Additions to PPE |  |  |  |  |  |  | 78 | 82 | 89 | 97 | 105 | 112 | 119 | 125 | 130 | 134 |
| Expected Depreciation | m | + | N.. | +1. | +1. | - | (11) | (13) | (16) | (19) | (22) | (25) | (29) | (33) | (37) | (41) |
| Ending Net PPE |  |  |  |  |  |  | 332 | 402 | 474 | 552 | 635 | 722 | 812 | 905 | 998 | 1,091 |


| US\$mm | FY16A | FY17A |  | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Historical Depreciation |  |  |  |  |  |  |  | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 |
| FY22E |  |  | , | (inuni | (in | 패네․ | - | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| FY23E |  |  |  |  |  | , |  | - | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| FY24E |  |  |  |  |  |  |  | - | - | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| FY25E |  | - .1... | and | \% | \%....... |  | \% | - | - | - | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| FY26E |  |  |  |  |  |  |  | - | - | - | - | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| FY27E |  |  |  |  | - |  |  | - | - | - | - | - | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| FY28E |  |  |  | . | . | - |  | - | - | - | - | - | - | 3.7 | 3.7 | 3.7 | 3.7 |
| FY29E | …… | ........ | (... | \%...…… | - | ....... | \%.:. | - | - | - | - | - | - | - | 3.9 | 3.9 | 3.9 |
| FY30E |  |  |  |  |  | . |  | - | - | - | - | - | - | - | - | 4.0 | 4.0 |
| FY31E | - | ..... | * | ........ | ........ | ...... | ...... | - | - | - | - | - | - | - | - | - | 4.1 |
| Total Depreciation |  |  |  |  |  |  |  | 10.5 | 13.1 | 15.8 | 18.8 | 22.0 | 25.5 | 29.1 | 33.0 | 37.0 | 41.1 |

[^2]Assume also that historical assets depreciate in the same manner and they have no salvage value

| Consolidated PPE Build US\$mm | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Beginning balance |  |  |  |  |  |  | 803 | 939 | 1,069 | 1,198 | 1,329 | 1,461 | 1,607 | 1,753 | 1,895 | 2,030 |
| CAPEX |  |  |  |  |  | - | 199 | 209 | 225 | 246 | 266 | 285 | 303 | 318 | 330 | 340 |
| Depreciation |  |  | $\because$ | \% | $\square$ | ~2.. | (63) | (79) | (96) | (114) | (134) | (139) | (157) | (176) | (195) | (188) |
| Ending Balance |  |  |  |  |  |  | 939 | 1,069 | 1,198 | 1,329 | 1,461 | 1,607 | 1,753 | 1,895 | 2,030 | 2,182 |


| Debt, Leases and Interest |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Cash Holdings | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Cash at year end | 324 | 332 | 296 | 301 | 278 | 210 |  |  |  |  |  |  |  |  |  |  |
| Cash at -1FY year end |  |  |  |  |  |  | 210 | 261 | 274 | 294 | 322 | 349 | 374 | 397 | 417 | 433 |
| Mean Cash Balance |  | 328 | 314 | 299 | 290 | 244 |  |  |  |  |  |  |  |  |  |  |
| Interest Income | 1.5 | 1.7 | 5.1 | 6.7 | 2.4 | 1 | 2.3 | 2.9 | 3.0 | 3.2 | 3.5 | 3.8 | 4.1 | 4.4 | 4.6 | 4.8 |
| \% Interest on Cash Holdings |  | 0.5\% | 1.6\% | 2.2\% | 0.8\% | 0.3\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% | 1.1\% |
| Finance Payments | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Current Bank Borrowings | 370 | 413 | 1,026 | 938 | 852 | 744 | 311 | 50 | 78 | 96 | 116 | 136 | 159 | 186 | 212 | 241 |
| Repayment |  |  |  |  |  |  | (744) | (311) | (50) | (78) | (96) | (116) | (136) | (159) | (186) | (212) |
| Addition |  |  |  |  |  |  | - | - | - | - | - | - | - | - | - | - |
| Transfer from non-current |  |  |  |  |  |  | 311 | 50 | 78 | 96 | 116 | 136 | 159 | 186 | 212 | 241 |
| Revolver proceeds |  |  |  |  |  |  | 148 | 259 | 261 | 235 | 258 | 245 | 194 | 209 | 195 | 157 |
| Non-current bank borrowings Transfer to current | 595 | 522 | 15 | 184 | 242 | 311 | $\begin{gathered} 1,000 \\ (311) \end{gathered}$ | $\begin{array}{r} 1,550 \\ (50) \end{array}$ | $\begin{array}{r} 1,923 \\ (78) \end{array}$ | $\begin{array}{r} 2,326 \\ (96) \end{array}$ | $\begin{gathered} 2,710 \\ (116) \end{gathered}$ | $\begin{gathered} 3,175 \\ (136) \end{gathered}$ | $\begin{gathered} 3,716 \\ (159) \end{gathered}$ | $\begin{gathered} 4,230 \\ (186) \end{gathered}$ | $\begin{gathered} 4,819 \\ (212) \end{gathered}$ | $\begin{gathered} 5,478 \\ (241) \end{gathered}$ |
| Addition |  |  |  |  |  |  | 1,000 | 600 | 450 | 500 | 500 | 600 | 700 | 700 | 800 | 900 |
| Interest on bank borrowings | (23) | (28) | (38) | (42) | (29) | (22) | (40) | (48) | (60) | (73) | (85) | (100) | (117) | (133) | (152) | (173) |
| Effective interest rate | 2.4\% | 3.0\% | 3.6\% | 3.7\% | 2.7\% | 2.1\% | 3.0\% | 3.0\% | 3.0\% | 3.0\% | 3.0\% | 3.0\% | 3.0\% | 3.0\% | 3.0\% | 3.0\% |
| Bank balances and cash | 324 | 332 | 296 | 301 | 278 | 210 |  |  |  |  |  |  |  |  |  |  |
| As a\% of revenue | 2.9\% | 2.9\% | 2.5\% | 2.7\% | 2.7\% | 2.3\% |  |  |  |  |  |  |  |  |  |  |
| Cash at year end before revolver |  |  |  |  |  |  | 113 | 16 | 33 | 87 | 91 | 129 | 203 | 208 | 238 | 289 |
| Minimum Target Cash Balance |  |  |  |  |  |  | 261 | 274 | 294 | 322 | 349 | 374 | 397 | 417 | 433 | 446 |
| As $a \%$ of revenue |  |  |  |  |  |  | 2.6\% | 2.6\% | 2.6\% | 2.6\% | 2.6\% | 2.6\% | 2.6\% | 2.6\% | 2.6\% | 2.6\% |
| Bank borrowings addition |  |  |  |  |  |  | 148 | 259 | 261 | 235 | 258 | 245 | 194 | 209 | 195 | 157 |
| Lease Liabilities | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E |
| Total Lease Liabilities Interest on lease liabilities | - | - | - | $\begin{gathered} 3,306 \\ (119) \end{gathered}$ | $\begin{gathered} 3,070 \\ (111) \end{gathered}$ | 2,960 | 2,309 | $2,264$ | $\begin{array}{r} 2,205 \\ \quad(76) \\ \hline \end{array}$ | 2,130 | 2,030 (70) | 1,904 (65) | $1,754$ (60) | $\begin{array}{r} 1,580 \\ \quad(54) \end{array}$ | $\begin{array}{r} 1,385 \\ \quad(47) \\ \hline \end{array}$ | $1,174$ |
| Effective interest rate |  |  |  | 3.6\% | 3.6\% | 3.1\% | 3.4\% | 3.4\% | 3.4\% | 3.4\%1 | 3.4\% | 3.4\%1 | 3.4\% | 3.4\% | 3.4\% | 3.4\% |
| Addition to lease liabilities |  |  |  |  |  |  | (96) | 499 | 470 | 433 | 382 | 323 | 258 | 189 | 116 | 43 |
| Lease liabilities repaid |  |  |  |  |  |  | (556) | (544) | (529) | (509) | (482) | (449) | (409) | (363) | (311) | (255) |
| Current lease liabilities | - | - | - | 728 | 684 | 640 | 507 | 498 | 485 | 468 | 446 | 419 | 386 | 347 | 305 | 258 |
| As a\% of total lease liabilities |  |  |  | 22.0\% | 22.3\% | 21.6\% | 22.0\% | 22.0\% | 22.0\% | 22.0\% | 22.0\% | 22.0\% | 22.0\% | 22.0\% | 22.0\% | 22.0\% |
| Non-current lease liabilities | - | - | - | 2,578 | 2,386 | 2,320 | 1,801 | 1,766 | 1,720 | 1,662 | 1,584 | 1,486 | 1,368 | 1,233 | 1,081 | 916 |
| As a\% of total lease liabilities |  |  |  | 78.0\% | 77.7\% | 78.4\% | 78.0\% | 78.0\% | 78.0\% | 78.0\% | 78.0\% | 78.0\% | 78.0\% | 78.0\% | 78.0\% | 78.0\% |

## WACC Build

## WACC Variables

| Risk Free Rate (040322): Singapore 10 Year Government Bond Yield | 1.85\% |
| :---: | :---: |
| Total Equity Risk Premium: iShares MSCI All Country Asia ex Japan ETF | 8.02\% |
| Levered Beta: Relevered beta of peer median beta | 0.8441 |
| Tax rate | 31\% |
| Cost of Equity | 9.47\% |
| Cost of Debt (post tax) | 2.66\% |
| WACC | 5.44\% |


| Dairy Farm International Holdings Limited |  | NTM EV/Revenue 0.81 x | $\begin{gathered} \hline \text { NTM EV/EBITDA } \\ 6.7 \mathrm{x} \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { NTM P/E } \\ 20.7 \mathrm{x} \\ \hline \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| Food (Grocery + Convenience Store) |  |  |  |  |
| Peers | Ticker | NTM EV/Revenue | NTM EV/EBITDA | NTM P/E |
| 7 -Eleven Malaysia Holdings Berhad | KLSE:SEM | 0.90x | 9.7x | 54.4x |
| Allday Marts, Inc. | PSE:ALLDY | NM | NM | NM |
| Beijijng Hualian Hypermarket Co | SHSE:600361 | 0.30x | 24.3x | 44.5x |
| Best Mart 360 Holdings Limited | SEHK:2360 | NM | NM | NM |
| Costco Capital, Inc. | PSE:COSCO | 0.47x | 3.4 x | 4.8x |
| CP All Public Company Limited | SET:CPALL | 0.50x | 15.2x | 32.3x |
| Good Life China Corporation | OTCPK:GLCC | NM | NM | NM |
| Jiajiayue Group Co., Ltd | SHSE:603708 | 0.73x | 13.8x | 30.4 x |
| Lawson, Inc. | TSE:2651 | 0.70x | 3.7 x | 28.8x |
| Lianhua Supermarket Holdings Co. | SEHK:980 | 0.16x | NM | NM |
| MerryMart Consumer Corp | PSE:MM | NM | NM | NM |
| Puregold Price Club, Inc. | PSE:PGOLD | 0.50x | $6.1 x$ | 11.3x |
| Robinsons Retail Holdings | PSE:RRHI | 0.52x | 8.3x | 22.6 x |
| Seven \& I Holdings Co., Ltd | TSE:3382 | 0.64x | 7.2 x | 17.7x |
| Sheng Siong Group Ltd | SGX:OV8 | 1.61x | 13.7x | 21.4 x |
| Average |  | 0.64x | 10.5x | 26.8x |
| Median |  | 0.52x | 9.0x | 25.7x |
| Min |  | 0.16 | 3.4 | 4.8 |
| Max |  | 1.61 | 24.3 | 54.4 |
| Health \& Beauty |  |  |  |  |
| Peers | Ticker | NTM EV/Revenue | NTM EV/EBITDA | NTM P/E |
| Asian Phytoceuticals Public Company | SET:APCO | NM | NM | NM |
| BaWang International (Group) Holding | SEHK:1338 | NM | NM | NM |
| Bioalpha Holdings Berhad | KLLE:BIOHLDG | NM | NM | NM |
| Blue moon Group Holdings | SEHK:6993 | 1.50x | 16.2x | 29.7x |
| DOD Biotech Public Company Limited | SET:DOD | 1.50x | 8.8 x | 11.8x |
| Hengan International Group Company | SEHK:1044 | 1.60x | 7.5x | 10.9x |
| Inter Pharma Public Company Limited | SET:IP | 4.52x | 25.5x | 43.0x |
| McPherson's Limited | ASX:MCP | 0.59x | 7.1x | 12.6x |
| NTPM Holdings Berhad | KLSE:NTPM | 1.45x | 8.2x | 15.7x |
| Pigeon Corporation | TSE:7956 | 1.20x | 11.5x | 23.2x |
| Vinda International Holdings Limited | SEHK:3331 | 1.50x | 8.7 x | 15.0x |
| Blackmores Limited | ASX:BKL | 1.50x | 13.9x | 34.3x |
| Kao Corporation | TSE:4452 | 1.70x | 9.7x | 20.2x |
| Average |  | 1.71x | 11.7x | 21.6x |
| Median |  | 1.50x | 9.2x | 18.0x |
| Min |  | 0.59x | 7.11 | 10.9 |
| Max |  | 4.52 | 25.5 | 43 |
| Home Furnishings |  |  |  |  |
| Peers | Ticker | NTM EV/Revenue | NTM EV/EBITDA | NTM P/E |
| Ecomate Holdings Berhad | KLSE:ECOMATE | 2.20x | 15.0x | 21.9x |
| Guangzhou Shangpin Home Collection | SZSE:300616 | 1.30x | 11.7x | 26.8x |
| Guangzhou Holike Creative Home Co., Ltd | SHSE:603898 | 1.10x | 5.4x | 9.5 x |
| GoldenHome living Co., Ltd | SHSE:603180 | 1.30x | 7.6x | 12.8x |
| HHC Changzhou Corp | SZSE:301061 | 1.77x | 7.9x | 17.9x |
| Index Living Mall Public Company | SET:ILM | 1.73x | 8.7 x | 17.0x |
| Jason Furniture (Hangzhou) Co, Ltd | SHSE:603816 | 2.18x | 15.0x | 20.8x |
| Suofeiya Home Collection CO., Ltd | SZSE:002572 | 1.84x | 9.2x | 14.8x |
| Average |  | 1.68x | 10.1x | 17.7x |
| Median |  | 1.75x | 9.0x | 17.5x |
| Min |  | 1.1 | 5.4 | 9.45 |
| Max |  | 2.2 | 15.0 | 26.8 |



## Valuation

| Discounted Cash Flow |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Terminal growth rate | 1.9\% | FY17A | FY18A | FY19A | FY20A | FY21A | Calculation Date |  |  | 6/3/22 |  |  |  |  |  |  |
| WACC | 5.4\% |  |  |  |  |  | $\begin{aligned} & 0.819 \\ & \text { FY22E } \end{aligned}$ |  | $\begin{aligned} & 2.819 \\ & \text { F224E } \end{aligned}$ |  |  |  |  |  |  |  |
|  | FY16A |  |  |  |  |  |  | $\begin{aligned} & 1.819 \\ & \text { Fr23E } \\ & \hline \end{aligned}$ |  | $\begin{aligned} & 3.819 \\ & \text { FY25E } \\ & \hline \end{aligned}$ | $\begin{aligned} & 4.819 \\ & \text { FY26E } \\ & \hline \end{aligned}$ | $\begin{aligned} & 5.819 \\ & \text { FY27E } \end{aligned}$ | $\begin{aligned} & 6.819 \\ & \text { FY28E } \end{aligned}$ | $\begin{aligned} & 7.819 \\ & \text { FY29E } \end{aligned}$ | $\begin{aligned} & 8.819 \\ & \text { FY30E } \end{aligned}$ | $\begin{aligned} & 9.819 \\ & \text { FY31E } \\ & \hline \end{aligned}$ |
| EBIT | . |  |  |  |  | \%. | 316.88 | 353.54 | 414.09 | 502.19 | 566.46 | ${ }^{642.24}$ | 699.03 | 746.75 | 783.93 | 830.65 |
| Operating Tax Rate | , |  | - |  |  | - | $31 \%$ | $31 \%$ | $31 \%$ | $31 \%$ | $31 \%$ | $31 \%$ | $31 \%$ | $31 \%$ | $31 \%$ | 31\% |
| NOPAT | , |  | \%.. |  |  | : | 218.75 | 244.06 | 285.86 | 346.67 | 391.04 | 443.36 | 482.55 | 515.50 | 541.16 | 573.42 |
| Depreciation and Amortization |  |  | . |  |  | . | 628.08 | 631.76 | 633.05 | 631.45 | 624.73 | 59.51 | 574.52 | 547.13 | 514.63 | 451.69 |
| Change in net working capital |  |  |  |  |  |  | (326.41) | 38.98 | 71.69 | 108.21 | 108.16 | 102.81 | 104.80 | 106.10 | 106.86 | 114.82 |
| Total CAPEX |  |  |  |  |  |  | (94.51) | (501.75) | (548.46) | (600.90) | (645.09) | (687.35) | (735.07) | (778.91) | (817.48) | (850.76) |
| FCFF |  |  |  |  |  | - | 426 | 413 | 442 | 485 | 479 | 455 | 427 | 390 | 345 | 289 |
| Terminal value |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 8,193 |
| Discount factor (WACC) |  |  |  |  |  |  | 5.4\% | 5.4\% | 5.4\% | 5.4\% | 5.4\% | 5.4\% | 5.4\% | 5.4\% | 5.4\% | 5.4\% |
| Present value of UFCF |  |  | \%:\%\%.․․ |  |  | ...... | 408 | 375 | 381 | 396 | 371 | 334 | 297 | 258 | 216 | 172 |
| Present value of TV | **** |  | - ... |  |  | : $\times$ \% |  |  |  |  |  |  |  |  |  | 4,868 |


|  | DCF perpetuity-based valuation (USS millions) |
| :--- | :---: |
| Total PV of Free Cash Flow to Firm | $\mathbf{3 , 2 0 8}$ |
| PV of Terminal Value | 4,868 |
| Enterprise Value | $\mathbf{8 , 0 7 6}$ |
| Less: Debt | 4,015 |
| Add Cash | 210 |
| Equity Value | $\mathbf{4 , 2 7 2}$ |
| Number of Shares Outstanding | 1,353 |
| Implied Price per Share | $\mathbf{3 . 1 6}$ |


|  | DCF EV/EBITDA exit multiple valuation (US $\$$ millions) |
| :--- | :---: |
| FY31E EBITDA | $\mathbf{1 , 2 8 2}$ |
| NTM EV/EBITDA | 6.43 x |
| Terminal Value | $\mathbf{8 , 2 5 2}$ |
| PV of Terminal Value | 4,903 |
| Total P P of Free Cash Flow to Firm | $\mathbf{3 , 2 0 8}$ |
| Implied Enterprise Value | $\mathbf{8 , 1 1 1}$ |
| Less: Debt | 4,015 |
| Add: Cash | 210 |
| Implied Equity Value | $\mathbf{4 , 3 0 7}$ |
| Number of Shares Outstanding | 1,353 |
| Implied Price per Share | $\mathbf{3 . 1 8}$ |


| Dividend Discount Model |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Terminal growth rate | 1.9\% |  | FY18A | FY19A | FY20A | FY21A | Calculation Date |  |  | 6/3/22 | $\begin{array}{r} 4.819 \\ \text { FY26E } \\ \hline \end{array}$ | $\begin{array}{r} 5.819 \\ \text { FY27E } \\ \hline \end{array}$ | $\begin{array}{r} 6.819 \\ \text { FY28E } \end{array}$ | $\begin{array}{r} 7.819 \\ \text { FY29E } \\ \hline \end{array}$ | $\begin{array}{r} 8.819 \\ \text { FY30E } \\ \hline \end{array}$ | $\begin{array}{r} 9.819 \\ \text { FY31E } \\ \hline \end{array}$ |
| Cost of Equity | 9.5\% | FY17A |  |  |  |  |  |  |  | $\begin{array}{r} 3.819 \\ \text { FY25E } \\ \hline \end{array}$ |  |  |  |  |  |  |
| US\$ millions | FY16A |  |  |  |  |  | $\begin{array}{r} 0.819 \\ \text { FY22E } \\ \hline \end{array}$ | $\begin{array}{r} 1.819 \\ \text { FY23E } \end{array}$ | $\begin{array}{r} 2.819 \\ \text { FY24E } \\ \hline \end{array}$ |  |  |  |  |  |  |  |
| Diluted Earnings per share | \$0.35 | \$0.29 | \$0.06 | \$0.24 | \$0.19 | \$0.07 | \$0.16 | \$0.17 | \$0.20 | \$0.25 | \$0.28 | \$0.32 | \$0.34 | \$0.37 | \$0.38 | \$0.40 |
| Dividends per share | \$0.21 | \$0.21 | \$0.21 | \$0.21 | \$0.17 | \$0.10 | \$0.13 | \$0.15 | \$0.17 | \$0.21 | \$0.24 | \$0.27 | \$0.30 | \$0.32 | \$0.33 | \$0.35 |
| Dividend Payout Ratio | 60.5\% | 72.5\% | 366.2\% | 87.4\% | 89.7\% | 148.2\% | 86.0\% | 86.0\% | 86.0\% | 86.0\% | 86.0\% | 86.0\% | 86.0\% | 86.0\% | 86.0\% | 86.0\% |
| PV of DPS |  |  |  |  |  |  | \$0.13 | \$0.13 | \$0.14 | \$0.15 | \$0.16 | \$0.16 | \$0.16 | \$0.16 | \$0.15 | \$0.14 |
| Constant Growth Model |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total PV of Projected Distributions |  |  |  |  |  | \$1.46 |  |  |  |  |  |  |  |  |  |  |
| Perpetual Growth Rate |  |  |  |  |  | 1.9\% |  |  |  |  |  |  |  |  |  |  |
| Cost of Equity |  |  |  |  |  | 9.5\% |  |  |  |  |  |  |  |  |  |  |
| Final Year Dividend |  |  |  |  |  | \$0.35 |  |  |  |  |  |  |  |  |  |  |
| Terminal Value |  |  |  |  |  | \$4.62 |  |  |  |  |  |  |  |  |  |  |
| PV of Terminal Value |  |  |  |  |  | \$1.90 |  |  |  |  |  |  |  |  |  |  |
| Implied Stock Price |  |  |  |  |  | \$3.36 |  |  |  |  |  |  |  |  |  |  |
| Implied Upside |  |  |  |  |  | 38\% |  |  |  |  |  |  |  |  |  |  |

Sensitivity Analysis (DCF)

|  |  | WACC |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 3.16 | 5.15\% | 5.25\% | 5.35\% | 5.45\% | 5.55\% | 5.65\% | 5.75\% |
|  | 1.35\% | 3.08 | 2.95 | 2.82 | 2.71 | 2.59 | 2.48 | 2.38 |
|  | 1.45\% | 3.18 | 3.04 | 2.91 | 2.79 | 2.67 | 2.56 | 2.45 |
|  | 1.55\% | 3.28 | 3.14 | 3.00 | 2.87 | 2.75 | 2.63 | 2.52 |
|  | 1.65\% | 3.39 | 3.24 | 3.10 | 2.96 | 2.84 | 2.71 | 2.60 |
|  | 1.75\% | 3.51 | 3.35 | 3.20 | 3.06 | 2.93 | 2.80 | 2.68 |
| Terminal Growth Rate | 1.85\% | 3.63 | 3.47 | 3.31 | 3.16 | 3.02 | 2.89 | 2.76 |
|  | 1.95\% | 3.76 | 3.59 | 3.42 | 3.27 | 3.12 | 2.98 | 2.85 |
|  | 2.05\% | 3.90 | 3.72 | 3.54 | 3.38 | 3.23 | 3.08 | 2.94 |
|  | 2.15\% | 4.05 | 3.85 | 3.67 | 3.50 | 3.34 | 3.18 | 3.04 |
|  | 2.25\% | 4.21 | 4.00 | 3.81 | 3.63 | 3.46 | 3.30 | 3.14 |
|  | 2.35\% | 4.38 | 4.16 | 3.95 | 3.76 | 3.58 | 3.41 | 3.25 |


|  |  | WACC |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 3.18 |  | 5.15\% |  | 5.25\% |  | 5.35\% |  | 5.45\% |  | 5.55\% |  | 5.65\% |  | 5.75\% |
| NTM EV/EBITDA | 5.93x | \$ | 3.03 | \$ | 2.99 | \$ | 2.94 | \$ | 2.90 | \$ | 2.86 | \$ | 2.82 | \$ | 2.78 |
|  | 6.03x | \$ | 3.09 | \$ | 3.04 | \$ | 3.00 | \$ | 2.96 | \$ | 2.92 | \$ | 2.87 | \$ | 2.83 |
|  | 6.13 x | \$ | 3.14 | \$ | 3.10 | \$ | 3.06 | \$ | 3.01 | \$ | 2.97 | \$ | 2.93 | \$ | 2.89 |
|  | 6.23x | \$ | 3.20 | \$ | 3.16 | \$ | 3.11 | \$ | 3.07 | \$ | 3.03 | \$ | 2.98 | \$ | 2.94 |
|  | 6.33x | \$ | 3.26 | \$ | 3.21 | \$ | 3.17 | \$ | 3.13 | \$ | 3.08 | \$ | 3.04 | \$ | 3.00 |
|  | 6.43x | \$ | 3.32 | \$ | 3.27 | \$ | 3.23 | \$ | 3.18 | \$ | 3.14 | \$ | 3.10 | \$ | 3.05 |
|  | 6.53x | \$ | 3.38 | \$ | 3.33 | \$ | 3.28 | \$ | 3.24 | \$ | 3.19 | \$ | 3.15 | \$ | 3.11 |
|  | 6.63x | \$ | 3.43 | \$ | 3.39 | \$ | 3.34 | \$ | 3.30 | \$ | 3.25 | \$ | 3.21 | \$ | 3.16 |
|  | 6.73x | \$ | 3.49 | \$ | 3.44 | \$ | 3.40 | \$ | 3.35 | \$ | 3.31 | \$ | 3.26 | \$ | 3.22 |
|  | 6.83x | \$ | 3.55 | \$ | 3.50 | \$ | 3.45 | \$ | 3.41 | \$ | 3.36 | \$ | 3.32 | \$ | 3.27 |
|  | 6.93x | \$ | 3.61 | \$ | 3.56 | \$ | 3.51 | \$ | 3.46 | \$ | 3.42 | \$ | 3.37 | \$ | 3.33 |


[^0]:    Source: yuu rewards

[^1]:    Source：Seven and i

[^2]:    Assume that new CAPEX will be allocated in the same proportion as the gross PPE amounts at carrying cost as of FY19A

