

Singapore

HOLD (no change)

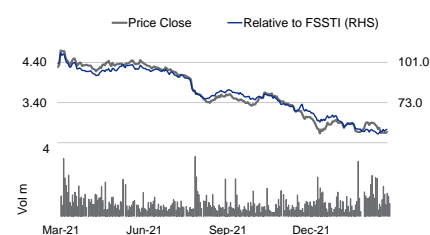
Consensus ratings*: Buy 3 Hold 5 Sell 1

Current price:	US\$2.67
Target price:	US\$2.90
Previous target:	US\$3.50
Up/downside:	8.6%
CGS-CIMB / Consensus:	-15.0%
Reuters:	DAIR.SI
Bloomberg:	DFI SP
Market cap:	US\$3,613m
Average daily turnover:	US\$2.68m
Current shares o/s:	1,353m
Free float:	22.2%

*Source: Bloomberg

Key changes in this note

➤ FY22-23F core EPS cut by 24.2-27.5%.

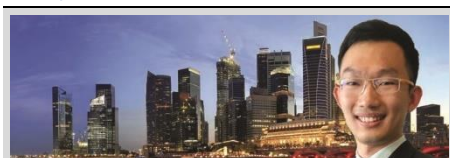


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.1	-12.5	-38.8
Relative (%)	0.8	-17.4	-47.2

Major shareholders

	% held
Jardine Matheson Holdings	77.6
Aberdeen Asset Managers	3.4
First Sentier Investors (Hong Kong)	1.8

Analyst(s)

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Dairy Farm Int'l

Bumpy road to recovery

- FY21 core NP of US\$105m (-62% yoy) was in line with our expectations but below consensus. Core operating profit improved yoy, but Yonghui dragged.
- Worsening wave of Covid-19 infections in HK delayed recovery expectations, with reopening of the HK-Mainland China border pushed back further.
- Price investment campaigns, e-commerce initiatives could also slow margin improvements. Maintain Hold with a lower TP of US\$2.90.

2H21: Core operations improved, Yonghui remains a big drag

Dairy Farm (DFI) reported a 2H21 core net profit of US\$72.5m (+120% hoh, -55% yoy), bringing FY21 core net profit to US\$104.6m (-62% yoy), in line with our expectations but some 14% below Bloomberg consensus. Key drag for the year was the higher losses from associate Yonghui. DFI's subsidiaries showed sequential improvements in operating profit (excl. govt grants) in 2H21 to US\$135m (1H21: US\$125m; 2H20: US\$58.2m).

HK's Covid-19 woes delay recovery

The worsening fifth wave of Covid-19 infections which led to tightened alerts in Hong Kong since Jan 2022 have delayed recovery expectations for DFI – we were hoping for the HK-Mainland China border to open progressively from 1H22F and the return of Chinese tourists to help aid earnings recovery for DFI's Health and Beauty (H&B) segment (biggest earnings contributor for DFI pre-Covid). While the latest round of tightened restrictions has helped to boost footfall for DFI's HK supermarkets and pharmacies, it has negatively impacted its convenience stores and restaurants. Operational challenges have also increased significantly, given a stretched supply chain, manpower shortages and elevated Covid-19-related costs.

Reinvesting business transformation gains for longer-term growth

DFI remains committed to reinvesting efficiency gains from its business transformation initiatives into price investment campaigns to boost brand competitiveness. The goal is to improve value proposition for customers, in turn driving volumes, which would eventually translate into profit growth. This, along with additional investments into DFI's e-commerce pilots across key markets (*yuu-to-me* in Hong Kong, *Cart* in Singapore), could mean a slower pace of margin recovery ahead, even as the situation in HK improves.

Maintain Hold with a lower TP of US\$2.90

Maintain Hold. We cut our core EPS forecasts for FY22-23F by 24.2-27.5% on the back of the slower pace of sales recovery for Health & Beauty segment, lower margin assumptions and higher Yonghui losses. Our TP is lowered to US\$2.90 as we roll over our valuation base year, and lower our target multiple to 16.0x CY23F P/E (2 s.d. below DFI's 5-year historical mean) from 18.5x in view of the challenging operating environment. Upside risks include more clarity on HK-China border reopening plans, or stronger sales recovery driven by store productivity gains. Downside risks include higher than expected losses on e-commerce venture.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (US\$m)	10,269	9,015	9,190	9,731	10,170
Operating EBITDA (US\$m)	582.4	471.8	496.9	519.3	542.2
Net Profit (US\$m)	271.0	102.9	184.1	249.2	274.6
Core EPS (US\$)	0.20	0.08	0.14	0.18	0.20
Core EPS Growth	(14.1%)	(62.1%)	76.1%	35.3%	10.2%
FD Core P/E (x)	13.10	34.53	19.62	14.50	13.15
DPS (US\$)	0.17	0.10	0.12	0.17	0.18
Dividend Yield	6.18%	3.56%	4.59%	6.21%	6.84%
EV/EBITDA (x)	3.75	4.86	4.98	4.67	4.39
P/FCFE (x)	3.97	4.27	5.58	3.90	3.82
Net Gearing	61.1%	66.6%	81.6%	78.7%	76.3%
P/BV (x)	2.73	2.85	2.81	2.76	2.70
ROE	21.8%	8.1%	14.4%	19.2%	20.7%
% Change In Core EPS Estimates			(27.5%)	(24.2%)	
CGS-CIMB/Consensus EPS (x)			0.73	0.82	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Bumpy road to recovery

Results review ►

Figure 1: Results comparison

FYE Dec (US\$ m)	2H21	2H20	yoy chg (%)	1H21	hoh chg (%)	FY21	FY20	yoy chg (%)	Prev FY21F
Revenue	4,478.6	5,028.6	-10.9	4,536.8	-1.3	9,015.4	10,268.5	-12.2	9,064.0
Cost of sales	(3,021.8)	(3,436.8)	-12.1	(3,123.9)	-3.3	(6,145.7)	(7,077.7)	-13.2	(6,158.8)
Gross profit	1,456.8	1,591.8	-8.5	1,412.9	3.1	2,869.7	3,190.8	-10.1	2,905.2
GPM (%)	32.5%	31.7%		31.1%		31.8%	31.1%		32.1%
Operating costs	(1,266.0)	(1,413.5)	-10.4	(1,292.9)	-2.1	(2,558.9)	(2,802.7)	-8.7	(2,655.2)
Operating profit	190.8	178.3	7.0	120.0	59.0	310.8	388.1	-19.9	250.0
Operating margin (%)	4.3%	3.5%		2.6%		3.4%	3.8%		2.8%
Interest expenses	(59.0)	(68.9)	-14.4	(60.5)	-2.5	(119.5)	(145.1)	-17.6	(125.0)
Interest & invt inc	0.2	0.6	-66.7	0.5	-60.0	0.7	2.4	-70.8	2.0
Associates contribution	(13.7)	69.2	-119.8	(28.1)	-51.2	(41.8)	84.9	-149.2	(0.4)
Profit before tax	118.3	179.2	-34.0	31.9	270.8	150.2	330.3	-54.5	126.7
Income tax expense	(40.1)	(36.4)	10.2	(18.8)	113.3	(58.9)	(73.8)	-20.2	(34.9)
Effective tax rate (%)	33.9%	20.3%		58.9%		39.2%	22.3%		27.6%
Minority interests	(8.0)	(12.9)	-38.0	(3.6)	122.2	(11.6)	(14.5)	-20.0	0.0
Reported net profit	86.2	155.7	-44.6	16.7	416.2	102.9	271.0	-62.0	91.7
Exceptionals	(13.7)	14.9	-191.9	15.4	-189.0	1.7	4.7	-63.8	15.4
Core net profit	72.5	170.6	-57.5	32.1	125.9	104.6	275.7	-62.1	107.1
Basic EPS (US cts)	5.23	11.50	-54.5	2.38	119.7	7.6	20.0	-62.0	6.8

Subsidiaries (US\$m)	2H21	2H20	yoy chg (%)	1H21	hoh chg (%)	FY21	FY20	yoy chg (%)	Prev FY21F
Revenue:									
Grocery retail	1,960.8	2,538.3	-22.8	2,190.6	-10.5	4,151.4	5,347.5	-22.4	4,223.7
Convenience stores	1,168.7	1,096.8	6.6	1,074.3	8.8	2,243.0	2,099.7	6.8	2,222.2
Health and beauty	918.2	951.3	-3.5	887.1	3.5	1,805.3	1,989.7	-9.3	1,812.5
Home furnishing	430.9	442.2	-2.6	384.8	12.0	815.7	831.6	-1.9	805.5
Total revenue	4,478.6	5,028.6	-10.9	4,536.8	-1.3	9,015.4	10,268.5	-12.2	9,064.0
EBIT:									
Grocery retail	60.5	119.5	-49.4	82.7	-26.8	143.2	267.4	-46.4	153.7
Convenience stores	35.4	56.1	-36.9	18.6	90.3	54.0	56.8	-4.9	47.3
Health and beauty	35.8	23.3	53.6	20.6	73.8	56.4	65.7	-14.2	46.0
Home furnishing	33.5	45.4	-26.2	11.5	191.3	45.0	70.5	-36.2	21.8
Support office costs	(39.2)	(72.4)	-45.9	(29.0)	35.2	(68.2)	(119.8)	-43.1	(84.3)
IFRS 16 adjustment	33.2	28.7	15.7	50.2	-33.9	83.4	71.0	17.5	100.0
Underlying operating profit	159.2	200.6	-20.6	154.6	3.0	313.8	411.6	-23.8	284.6
Non-trading items	31.6	(22.3)	-241.7	(34.6)	-191.3	(3.0)	(23.5)	-87.2	(34.6)
Total operating profit	190.8	178.3	7.0	120.0	59.0	310.8	388.1	-19.9	250.0
Underlying OP excl govt grants	135.4	58.2	132.6	124.8	8.5	257.2	180.9	42.2	255.3
EBIT margins (%):									
Grocery retail	3.1%	4.7%		3.8%		3.4%	5.0%		
Convenience stores	3.0%	5.1%		1.7%		2.4%	2.7%		
Health and beauty	3.9%	2.4%		2.3%		3.1%	3.3%		
Home furnishing	7.8%	10.3%		3.0%		5.5%	8.5%		

Associates (US\$m)	2H21	2H20	yoy chg (%)	1H21	hoh chg (%)	FY21	FY20	yoy chg (%)	Prev FY21F
Grocery retail	(77.1)	8.2	-1040.2	(13.1)	488.5	(90.2)	47.5	-289.9	(44.1)
Convenience stores	(0.6)	(0.4)	50.0	(1.1)	-45.5	(1.7)	(0.8)	112.5	0.0
Health and beauty	0.3	1.2	-75.0	0.6	-50.0	0.9	1.3	-30.8	0.0
Restaurants	64.9	61.4	5.7	(13.2)	-591.7	51.7	36.4	42.0	43.7
Others	(1.2)	(1.2)	0.0	(1.3)	-7.7	(2.5)	0.5	-600.0	0.0
DFI's profit share (reported)	(13.7)	69.2	-119.8	(28.1)	-51.2	(41.8)	84.9	-149.2	(0.4)
Non-trading items (associates and JV)	(16.9)	(2.4)	604.2	15.5	-209.0	(1.4)	8.9	-115.7	0.0
Underlying associate performance	3.2	71.6	-95.5	(43.6)	-107.3	(40.4)	76.0	-153.2	(0.4)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Dairy Farm reported a 2H21 core net profit of US\$72.5m (+120% hoh, -55% yoy), bringing full year core net profit to US\$104.6m (-62% yoy), in line with our expectations but some 14% below consensus.

Subsidiary sales fell to US\$4.48bn in 2H21 (-1.3% hoh, -10.9% yoy), mainly due continued normalisation of customer buying behaviours for grocery retail. Except for the convenience store segment, which saw revenue growth on a yoy basis, other key segments saw declines. Subsidiary's underlying operating profit declined to US\$159m in 2H21 (+3% hoh, -20.6% yoy) due to 1) weaker sales, 2) reduction of government grants, 3) Covid-19 impact, and 4) supply chain constraints, hurting IKEA in particular. Underlying share of results from associates and joint ventures also went into losses of US\$13.7m in 2H21, hurt by Yonghui's losses. Dairy Farm's full year DPS was US\$0.095 (-42% yoy), implying a dividend payout ratio of 125%.

Grocery retail. 2H21 segment sales declined to US\$1.96bn (-10.5% hoh, -22.8% yoy), with divestment of the Wellcome Taiwan business (end-2020) and exit of Giant Indonesia (July 2021) accounting for over half of the sales reduction. The remaining decline in revenue was attributable to normalisation of customer buying behaviours and government-imposed restrictions on movement and trading (particularly in Southeast Asia). Segment OPM contracted to 3.1% in 2H21 (1H21: 3.8%; 2H20: 4.7%) due to normalisation of customer buying behaviour and reduction of government grants but remains higher compared to 2019 levels given improvements in sales productivity and good progress with business improvement programs implementation (enhance product range, operating efficiency, customer service standards and shopping experience).

Convenience stores. Segment sales grew to US\$1.17bn (+8.8% hoh, +6.6% yoy) in 2H21 helped by like-for-like sales recovery in Hong Kong and the Chinese mainland, and strong network expansion. Operating profit for 2H21 was US\$35.4m (+90.3% hoh, -36.9% yoy). For FY21, the slightly lower profitability was attributable to Chinese mainland and Singapore, where ongoing continuation of the pandemic impacted customer traffic. Profitability in HK grew yoy as customer traffic normalised with the reduction in transmission of local Covid-19 cases.

Health and beauty. 2H21 segment sales were US\$918.2m (+3.5% hoh, -3.5% yoy). Sales momentum improved in 2H21 as external began to improve but remained low relative to historical levels due to ongoing lack of custom from tourists. FY21 sales were lower yoy due to integration of Rose Pharmacy into Robinsons retail in 2H20. Excluding the divestment, sales was only lowered by 2% yoy for FY21. North Asia (Mannings) saw yoy growth in revenue especially in 2H21; Mannings focused on driving local customer sales in HK with price investment programmes aiding market share gains. Southeast Asia (Guardian) was weaker yoy due to impact from the ongoing pandemic which hurt footfall in malls, though momentum did improve in 2H21 as movement restrictions eased. Segment OP recovered strongly in 2H21 to US\$35.8m (+73.8% hoh, +53.6% yoy) driven by improved sales performance and ongoing disciplined cost control, with strong profit growth in Hong Kong.

Home furnishing. 2H21 segment revenue was US\$430.9m (+12.0% hoh, -2.6% yoy). While global supply chain disruptions led to continued challenges on stock availability, IKEA continued to see double-digit percentage growth on e-commerce, and expanded its store network. In FY21, IKEA more than doubled its store space in Indonesia following the opening of both the Bandung and Jakarta Garden City stores. In May, IKEA also opened a replacement store in Neihu, Taipei (double in size). Segment OPM improved sequentially to 7.8% in 2H21 (1H21: 3.0%; 2H20: 10.3%), though remaining lower yoy due to 1) higher

pre-opening expenses from new spaces, 2) Covid-19 disruptions, and 3) supply chain constraints.

Associates. Maxim's performance improved, especially in HK. In Southeast Asia, sales were impacted by higher Covid-19 cases which curtailed patronage but easing of Covid-19-related measures supported the improvements in 4Q21. Overall, underlying profitability improved given the better sales performance. Meanwhile, Yonghui's reported losses, hurt by a combination of sales normalisation and reduced margins resulting from rising competition, as well as investments in digital. Robinsons Retail's (RRHI) profit grew 4% yoy, with improvements especially in 3Q21, indicative of the recovery of the Philippines economy.

Outlook >

Grocery retail: We forecast grocery retail segment to see a 0.8% yoy decline in sales for FY22F. 1H22F sales performance is likely to be boosted by the latest wave of Covid-19 infections in HK, but we accounted for the impact of the exit of Giant banner in Indonesia. A positive is that DFI's own brand development has been gaining momentum, with over 2,000 SKUs launched within the grocery retail segment since 2019 and has reached double-digit penetration in terms of volume. We expect this trend to continue into FY22F. We forecast segment OPM to improve by 0.4% pts yoy to 3.8% in FY22F.

Convenience stores: We forecast convenience stores segment to see flattish growth of 0.1% yoy in FY22F. The segment is likely to be adversely impacted in 1H22F by the latest wave of Covid infections in Hong Kong, offset by sales growth from higher outlet count in South China and likely sales recovery in Southeast Asia as the economy reopens.

Healthy & Beauty: We now forecast H&B segment to record 6.7% yoy sales growth in FY22F. In North Asia, we expect improved sales performance in 1H22F for Mannings HK, given the latest wave of Covid infections. That being said, expectations of sales recovery are being further delayed with visibility of the HK-Mainland China border reopening unlikely in the near term. In Southeast Asia, we expect Guardian to benefit from higher footfall as the economy reopens. DFI looks to introduce more own-brand SKUs to H&B segment and continue with its price investment strategy to improve brand perception. We forecast segment OPM to improve by 0.7% pts to 3.8% with higher footfall, though operating margin level remains significantly lower than the pre-Covid-19 (2019) level of 9.7%.

Home improvement: IKEA's total network space has more than doubled in FY21, following the opening of the Bandung and Jakarta Garden City stores. The first Giant conversion was also opened in Nov; we expect the new stores to drive further segment sales growth to 10.3% yoy in FY22F. We cautiously factor in a 0.1% improvement in sector OPM given continued 1) supply chain pressure, and 2) pre-opening expenses from new spaces.

Associates: We expect a weaker hoh performance by Maxim's in 1H22F due to the latest wave of Covid-19 infections in Hong Kong which is likely to materially impact footfall given the strict measures imposed. For Yonghui, our Chinese consumer analyst has noted that its 3QCY21 results were below expectations as Yonghui increased investment in adjusting product structure to attract more traffic flow, which affected its margins. Although community group platforms reduced discounts in 3Q21, we do not think the competitive environment for Yonghui has improved significantly, and think Yonghui is still in the transitional period of improving its new warehouse store model. In the near term, we expect

Yonghui's margins to continue to be under pressure, as it is planning a large investment in store structure reformation and expenses to attract customer flow to the new stores. We expect the company to take 2–3 years to complete the reforms, and a return to profitability is only likely to happen in FY23F.

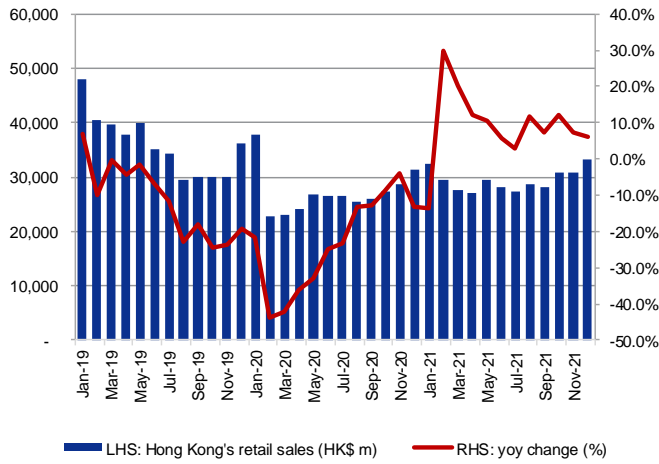
Figure 2: Earnings revision

FYE Dec (US\$m)	New		Old		% change	
	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Grocery retail	4,120.1	4,175.1	3,898.0	3,950.0	5.7%	5.7%
Convenience stores	2,244.4	2,379.9	2,383.2	2,527.2	-5.8%	-5.8%
Health and beauty	1,925.8	2,094.1	2,050.6	2,229.9	-6.1%	-6.1%
Home and furnishings	899.9	1,081.4	924.9	1,111.4	-2.7%	-2.7%
Total revenue	9,190.3	9,730.6	9,256.7	9,818.4	-0.7%	-0.9%
Grocery retail	156.6	158.7	124.7	128.4	25.5%	23.6%
Convenience stores	58.4	65.4	77.5	88.5	-24.7%	-26.0%
Health and beauty	73.2	90.0	123.0	144.9	-40.5%	-37.9%
Home furnishings	50.4	62.7	18.5	55.6	172.4%	12.9%
Support costs	(105.7)	(126.5)	(87.9)	(108.0)	20.2%	17.1%
Others	100.0	100.0	100.0	100.0	0.0%	0.0%
Underlying EBIT	332.8	350.4	355.8	409.3	-6.5%	-14.4%
EBIT margin (%)	3.6%	3.6%	3.8%	4.2%		
JV and associates	18.4	70.7	81.7	117.6	-77.5%	-39.9%
Reported net profit	174.1	239.2	254.1	328.8	-31.5%	-27.3%
Core net profit	184.1	249.2	254.1	328.8	-27.5%	-24.2%
Core EPS (US\$)	13.6	18.4	18.8	24.3	-27.5%	-24.2%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

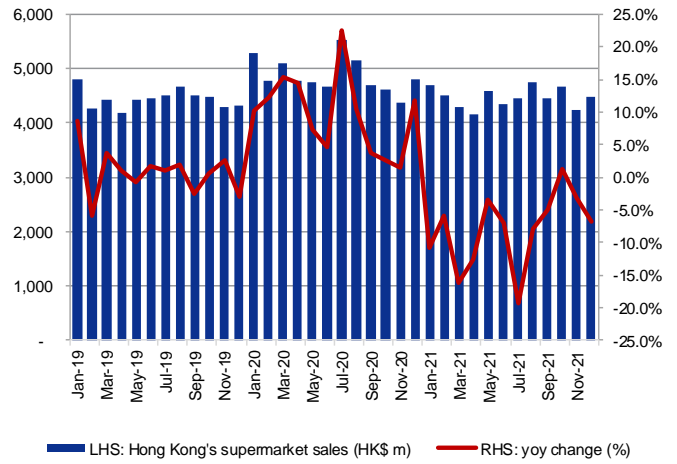
Focus charts ▶

Figure 3: Hong Kong's retail sales



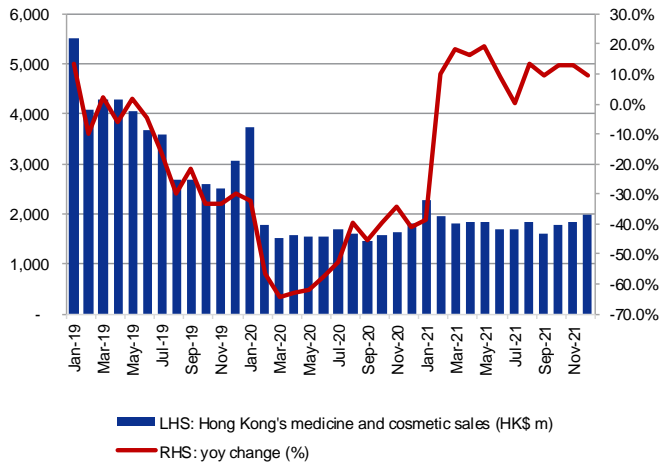
SOURCES: CGS-CIMB RESEARCH, HK CENSUS AND STATISTICS DEPARTMENT

Figure 4: Hong Kong's supermarket sales



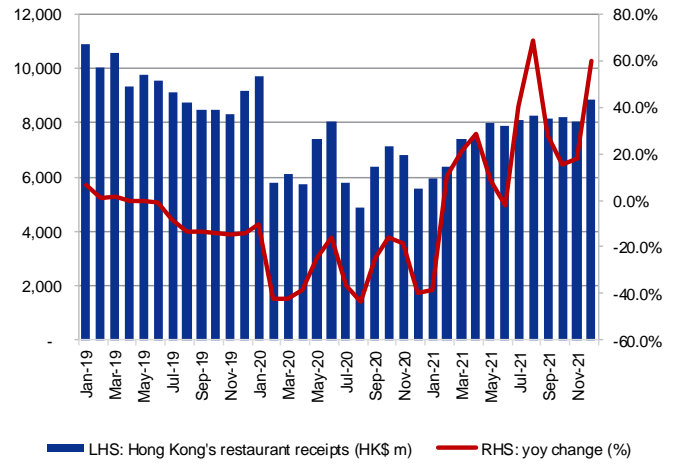
SOURCES: CGS-CIMB RESEARCH, HK CENSUS AND STATISTICS DEPARTMENT

Figure 5: Hong Kong's medicine and cosmetic sales



SOURCES: CGS-CIMB RESEARCH, HK CENSUS AND STATISTICS DEPARTMENT

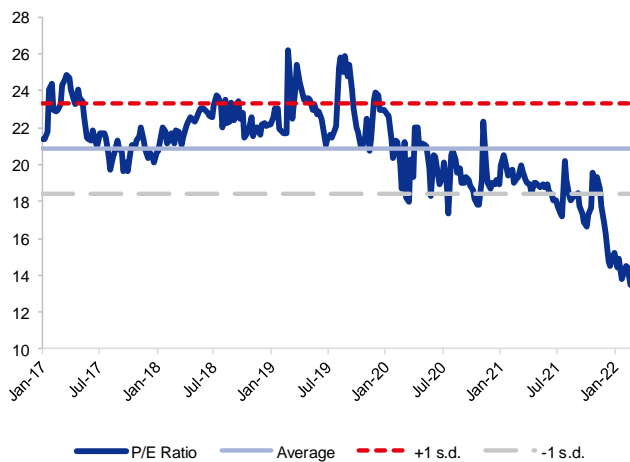
Figure 6: Hong Kong's restaurant receipts



SOURCES: CGS-CIMB RESEARCH, HK CENSUS AND STATISTICS DEPARTMENT

Valuation ➔

Figure 7: Dairy Farm's historical P/E trend



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 8: Dairy Farm's historical P/BV trend



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG


Figure 9: Peer comps

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY21F	P/E (x) CY22F	2-year EPS CAGR (%)	P/BV (x) CY21F	Recurring ROE (%) CY21F	Dividend Yield (%) CY21F
Dairy Farm Int'l	DFI SP	HOLD	2.67	2.90	3,613	34.5	19.6	-18.3%	2.85	8.1%	3.6%
Sheng Siong Group	SSG SP	Hold	1.49	1.60	1,650	16.9	20.3	-9.7%	5.42	34.0%	4.2%
Singapore grocery retail simple average						25.7	19.9	-14.0%	4.1	21.0%	3.9%
Sun Art Retail Group	6808 HK	Hold	2.82	4.00	3,443	19.7	22.4	-52.1%	0.82	4.1%	2.2%
Yonghui Superstores	601933 CH	Hold	3.66	4.00	5,256	na	na	na	2.18	-12.5%	0.0%
Jiajiayue Group Co Ltd	603708 CH	NR	13.08	na	1,266	27.0	22.6	-9.1%	2.73	9.1%	3.8%
Hong Kong/China grocery retail simple average						23.3	22.5	-30.6%	1.9	0.3%	2.0%
7-Eleven Malaysia Holdings	SEM MK	Add	1.46	1.78	393	29.4	26.7	2.6%	19.67	77.8%	2.1%
Aeon Co M Bhd	AEON MK	NR	1.48	na	483	24.4	19.0	62.6%	1.16	5.0%	2.1%
Malaysia retail simple average						26.9	22.9	32.6%	10.4	41.4%	2.1%
Ace Hardware Indonesia	ACES IJ	Add	1,060	1,650	1,263	35.9	26.0	-1.6%	3.51	9.8%	3.0%
Ramayana Lestari	RALS IJ	Add	630.0	900.0	311	35.3	11.2	na	1.10	3.2%	0.0%
Mitra Adi Perkasa	MAPI IJ	Add	805.0	1,000.0	928	62.9	17.0	na	2.39	3.9%	0.0%
Industri Jamu dan Farmasi Sidc	SIDO IJ	Add	965.0	1,050	2,027	22.8	19.5	26.5%	8.29	37.6%	3.5%
Indonesia retail simple average						39.2	18.4	12.4%	3.8	13.6%	1.6%
Puregold Price Club Inc	PGOLD PM	Add	35.15	44.64	1,967	11.6	10.7	5.2%	1.31	12.1%	1.3%
Robinsons Retail Holdings Inc	RRHI PM	Add	60.00	86.00	1,746	19.5	17.8	11.8%	1.33	6.2%	0.9%
Philippines grocery retail average						15.6	14.2	8.5%	1.3	9.2%	1.1%
CP All	CPALL TB	Add	68.75	79.00	18,951	70.9	33.9	4.2%	5.93	9.0%	0.9%
Siam Makro	MAKRO TB	Hold	42.75	44.00	13,879	34.3	35.0	-7.9%	1.57	4.8%	1.7%
Berli Jucker	BJC TB	Hold	36.25	33.50	4,458	42.2	24.8	10.0%	1.26	3.2%	1.2%
Home Product Center	HMPRO TB	Add	16.30	16.30	6,578	37.4	32.3	8.7%	9.36	26.8%	2.0%
Thai grocery retail simple average						46.2	31.5	3.7%	4.5	10.9%	1.4%
Average (simple)						29.5	21.6	2.1%	4.4	16.1%	2.0%
Average (simple) - Excluding DFI						28.0	21.6	2.8%	4.6	18.2%	2.1%

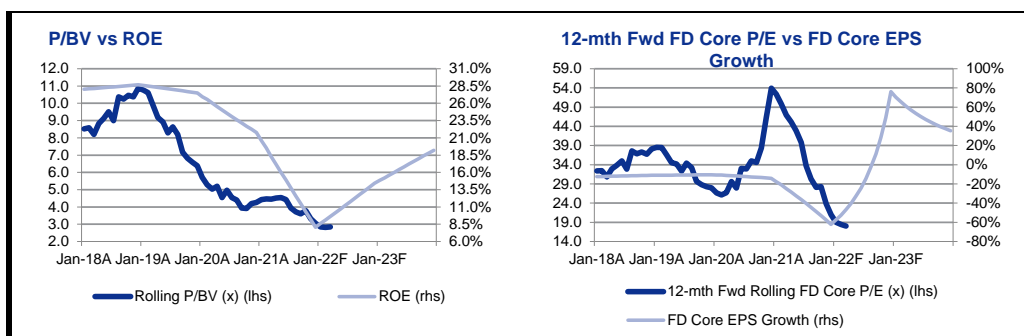
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Note: Estimates for Not rated companies are based on Bloomberg consensus estimates

DATA AS AT 03 MAR 2022

ESG in a nutshell		Refinitiv ESG Scores							
				D+ ESG Score	A+ ESG Controversies Score	D+ ESG Combined Score	D ESG Environment Pillar Score	C- ESG Social Pillar Score	D- ESG Government Pillar Score
		<p>We see room for Dairy Farm to improve on its ESG initiatives. Since 2016, the group has maintained a D/D+ score for Refinitiv's ESG rating, lagging behind its SGX-listed peer Sheng Siong, which achieved an ESG score of C for 2020. Dairy Farm is undergoing a significant multi-year transformation to address a series of business challenges – it wants to help both its customers and team members (People); improve its supply chain by reducing food waste, lowering plastic usage and sourcing ethically (Products); improve its energy efficiency, and recognise the growing concerns over climate change (Planet). However, it has not set any firm ESG targets. We have not applied any premium/discount for ESG in our fundamental valuations thus far and will continue to track Dairy Farm's progress in executing its transformation plan.</p>							
<p>Keep your eye on</p> <p>Dairy Farm is undergoing a significant multi-year transformation to address a series of business challenges – it wants to help both its customers and team members (People); improve its supply chain by reducing food waste, lowering plastic usage and sourcing ethically (Products); improve its energy efficiency, and recognise the growing concerns over climate change (Planet).</p>	<p>Implications</p> <p>While we are positive on Dairy Farm's transformation plan, the company does not reveal much on the specifics or the targets it aims to achieve on any ESG-related matters. We view this negatively as we will not be able to track the progress made by the company on these matters.</p>								
<p>ESG highlights</p> <p>While the company shares certain details on its ESG, it does not reveal key specifics or the targets it aims to achieve on any ESG-related matters.</p>	<p>Implications</p> <p>We see room for Dairy Farm to improve its ESG practices. As the group continues implementing its five-year sustainability development plan, we hope that more emphasis will be placed on strengthening the disclosure of its initiatives. Such a move could improve investors' perception on the group, in our view.</p>								
<p>Trends</p> <p>While Dairy Farm has quantified some of the progress it has made in environmental protection and community support, we are unable to put the numbers into perspective given the scant details provided. Some progress included "reduction of energy consumption in Hong Kong, Singapore and Malaysia by 16 million kWh, equal to reducing CO2 emissions by over 8 million kg", as stated in its 2020 annual report.</p>	<p>Implications</p> <p>While we believe some positive progress has been made, the disclosures provided are insufficient for us put the numbers into perspective. We have not applied any premium/discount for ESG in our fundamental valuations thus far and will continue to track Dairy Farm's progress in executing its five-year sustainability transformation plan.</p>								

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

Profit & Loss

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	10,699	9,251	9,390	9,931	10,370
Gross Profit	3,621	3,105	3,191	3,357	3,491
Operating EBITDA	582	472	497	519	542
Depreciation And Amortisation	(194)	(161)	(164)	(169)	(173)
Operating EBIT	388	311	333	350	369
Financial Income/(Expense)	(143)	(119)	(118)	(118)	(118)
Pretax Income/(Loss) from Assoc.	85	(42)	18	71	82
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	330	150	233	303	334
Exceptional Items					
Pre-tax Profit	330	150	233	303	334
Taxation	(74)	(59)	(59)	(64)	(69)
Exceptional Income - post-tax					
Profit After Tax	257	91	174	239	265
Minority Interests	15	12	10	10	10
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	271	103	184	249	275
Recurring Net Profit	276	105	184	249	275
Fully Diluted Recurring Net Profit	276	105	184	249	275

Cash Flow

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	582	472	497	519	542
Cash Flow from Inv. & Assoc.	68	46	15	57	66
Change In Working Capital	(102)	(10)	(166)	55	45
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	773	661	678	678	678
Other Operating Cashflow					
Net Interest (Paid)/Received	(143)	(116)	(118)	(118)	(118)
Tax Paid	(110)	(110)	(59)	(64)	(69)
Cashflow From Operations	1,067	942	847	1,127	1,144
Capex	(266)	(219)	(200)	(200)	(200)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(21)	0	0	0	0
Other Investing Cashflow	201	94	0	0	0
Cash Flow From Investing	(86)	(125)	(200)	(200)	(200)
Debt Raised/(repaid)	(71)	29	0	0	0
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(264)	(196)	(166)	(224)	(247)
Preferred Dividends					
Other Financing Cashflow	(708)	(674)	(678)	(678)	(678)
Cash Flow From Financing	(1,043)	(841)	(844)	(903)	(926)
Total Cash Generated	(62)	(24)	(197)	25	19
Free Cashflow To Equity	910	846	647	927	944
Free Cashflow To Firm	1,127	935	767	1,047	1,064

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	278	210	14	38	57
Total Debtors	304	232	263	278	290
Inventories	779	782	713	756	791
Total Other Current Assets	83	101	101	101	101
Total Current Assets	1,443	1,325	1,090	1,173	1,239
Fixed Assets	772	803	839	870	897
Total Investments	2,263	2,189	2,193	2,207	2,223
Intangible Assets	421	412	412	412	412
Total Other Non-Current Assets	3,002	2,876	2,876	2,876	2,876
Total Non-current Assets	6,457	6,280	6,319	6,365	6,408
Short-term Debt	852	744	744	744	744
Current Portion of Long-Term Debt					
Total Creditors	2,061	2,081	1,877	1,991	2,083
Other Current Liabilities	813	716	716	716	716
Total Current Liabilities	3,725	3,541	3,337	3,450	3,542
Total Long-term Debt	242	311	311	311	311
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,597	2,486	2,486	2,486	2,486
Total Non-current Liabilities	2,840	2,797	2,797	2,797	2,797
Total Provisions	0	0	0	0	0
Total Liabilities	6,565	6,338	6,133	6,247	6,339
Shareholders' Equity	1,322	1,267	1,286	1,311	1,338
Minority Interests	14	0	(10)	(20)	(30)
Total Equity	1,336	1,267	1,276	1,291	1,308

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(8.3%)	(12.2%)	1.9%	5.9%	4.5%
Operating EBITDA Growth	(5.0%)	(19.0%)	5.3%	4.5%	4.4%
Operating EBITDA Margin	5.67%	5.23%	5.41%	5.34%	5.33%
Net Cash Per Share (US\$)	(0.60)	(0.62)	(0.77)	(0.75)	(0.74)
BVPS (US\$)	0.98	0.94	0.95	0.97	0.99
Gross Interest Cover	2.67	2.60	2.77	2.92	3.08
Effective Tax Rate	22.3%	39.2%	25.3%	21.1%	20.7%
Net Dividend Payout Ratio	82%	191%	90%	90%	90%
Accounts Receivables Days	10.42	10.84	9.82	10.14	10.23
Inventory Days	43.30	46.34	44.00	40.78	41.16
Accounts Payables Days	113.1	123.0	116.5	107.4	108.4
ROIC (%)	11.0%	7.6%	10.3%	10.6%	11.3%
ROCE (%)	16.3%	13.1%	14.4%	15.1%	15.8%
Return On Average Assets	4.52%	2.11%	3.49%	4.45%	4.72%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Sales growth	(0.1)	(0.1)	0.0	0.1	0.0
Number of own stores	5,032.0	5,037.0	5,176.0	5,313.0	5,433.0
EBIT growth (%)	-8.8%	-19.9%	7.1%	5.3%	5.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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

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

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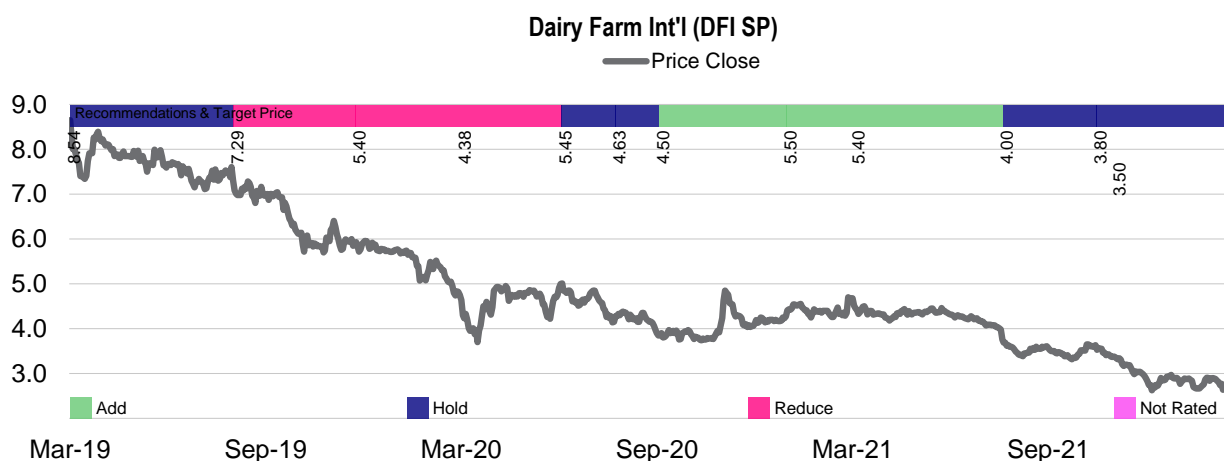
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

