



2018 Full Year Results Presentation

1st March 2019

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- 1. 2018 Highlights**
2. Financial Results & Business Review
3. Reshaping Dairy Farm
4. Summary

Dairy Farm Transformation Underway



- Consolidated sales up 4% at US\$11.7bn
- Underlying operating profit up 16% at US\$426m
- Non-trading adjustment of US\$332m after tax
- Essential business correction required in Southeast Asia Food
- Positive performance within H&B, 7-Eleven, IKEA and Maxim's
- New partnership with Robinsons in the Philippines
- New leadership driving multi-year transformation plan
- Unchanged final and total dividend of US¢14.50 and US¢21.00 per share

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Underlying Business Remains Positive

(US\$' m)	2018	2017	%Δ	CCY%Δ
Sales	11,749	11,289	+4	+4
Underlying EBITDA	655	589	+11	+11
Underlying Operating Profit	426	367	+16	+17
Share of Results of Associates and JVs*	133	142	-7	-7
Underlying Net Profit	424	403	+5	+6
Non-Trading Adjustments (Post-Tax)	(332)	(1)		
Reported Net Profit	92	402	-77	-72
Underlying EPS (US¢)	31.37	29.77	+5	+6
Final Dividend Per Share (US¢)	14.50	14.50		

Sales by Format

Sales (US\$' m)	2018	2017	%Δ	CCY%Δ
Food	7,992	8,038	-1	-1
Supers & Hypers	5,888	6,018	-2	-2
7-Eleven	2,104	2,020	+4	+4
Health and Beauty	3,036	2,597	+17	+17
IKEA	721	653	+10	+11
<u>Key Associates*</u>				
Maxim's	2,586	2,238	+16	+16
Yonghui**	7,429	6,042	+23	+21

* Includes 100% of Maxim's Sales and Yonghui's Total Revenue.

** 9 months to 30 September 2018 vs 9 months to 30 September 2017.

H&B and 7-Eleven Lift Operating Profit

(US\$' m)	Underlying Op. Profit				Margin*	
	2018	2017	\$Δ	%Δ	%	Δpp
Food	126	220	-94	-43	1.6	-1.2
Supers & Hypers	34	135	-101	-75	0.6	-1.7
7-Eleven	92	85	+7	+8	4.4	+0.2
Health and Beauty	334	210	+124	+59	11.0	+2.9
IKEA	68	68	-	+1	9.5	-0.9
SG&A	(97)	(58)	-39	-68		
Business Change Costs	(5)	(73)	+68	+93		
Underlying Operating Profit	426	367	+59	+16		

* Margin represents adjusted operating profit to subsidiaries' sales

Significant Non-Trading Adjustments

Non-Trading Adjustments (US\$'m)

Impairment of Assets

Onerous Lease Provisions

Goodwill Impairment

Business Correction Costs

Business and Asset Sales

Total Non-Trading Adjustments (Pre-Tax)

2018

(186)

(83)

(102)

(96)

120

(347)

Solid Free Cash Flow and Stable Dividend

(US\$m)

Underlying EBITDA

ΔWorking Capital

Normal Capex

Free Cash Flow

Investments

Dividends Paid

Dividends Received

Δ Borrowings

Other Items

Net Cash Flow

Net Debt

2018

2017

655

589

(19)

92

(256)

(279)

380

402

(281)

(66)

(284)

(285)

94

85

102

(41)

(55)

(92)

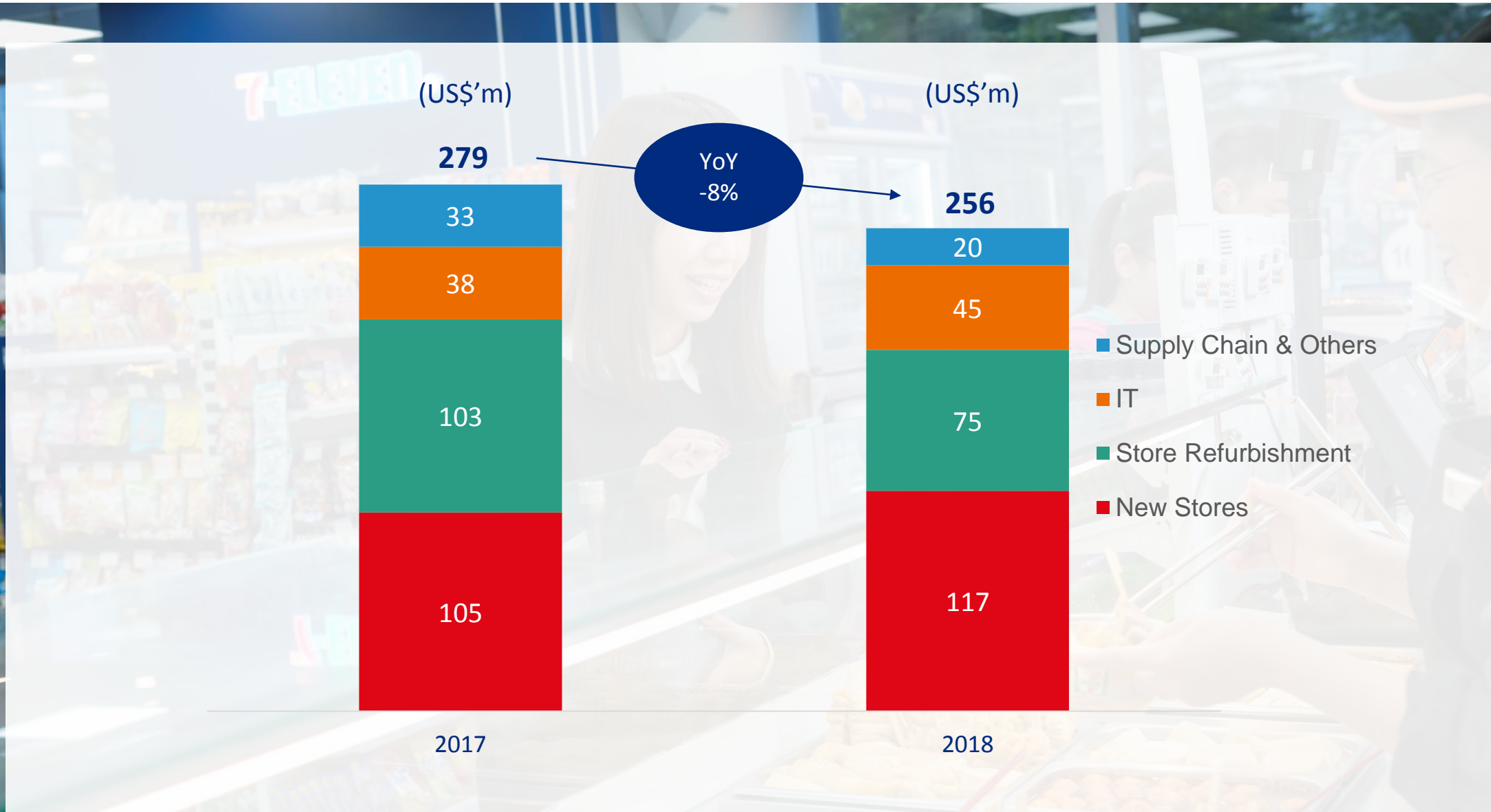
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3

744

599

Capital Expenditure in 2018



Health & Beauty

Positive sales and profit growth in all key markets

- Hong Kong: Strong sales growth in each customer segment
- SE Asia: Significant sales increase; now over 1,000 stores
- Increased penetration of Beauty and Own Brand

IKEA

Solid sales growth achieved in all markets

- Profits maintained and store opening costs absorbed
- Strong e-commerce growth in all markets (online now the 11th store)
- Expansion continues: new stores announced in Indonesia, Taiwan & Macau

7-Eleven

Improved performance as customers favour convenience

- Positive like-for-like sales driving strong profit growth
- Over 1,000 stores in China (c.2,500 stores overall)

Supers & Hypers

Underlying performance a concern

- Further pressure in SE Asia; essential business correction needed
- Costs rising ahead of sales in Hong Kong and Macau

Maxim's

Another year of record performances

- International brand expansion and new franchises
- Mooncake sales surpass last year's record

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Reshaping Dairy Farm – 3 Phase Multi-Year Plan

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

Reshaping Dairy Farm – Initial Progress

Building a Strong Base

1. **Build a strong leadership team**
2. **Define store brand customer proposition by sector and country**
3. **End-to-end supply chain review**
4. **Implement scale leverage**
5. **Improve IT infrastructure & digital capability**
6. **Align resource to business challenges**
7. **Establish cultural values**

Initial Progress

- 80% change in leadership
- 40 of “Top 70” new in 2018
- Priorities defined; pilots underway
- Portfolio correction decisions taken
- Chief Supply Chain Officer Appointed
- Stock management and Fresh supply chain focus
- Centralised buying structure implemented
- Cost of goods review underway
- New CDO & CIO reviewing digital strategy
- Accelerated SAP integration now planned
- Centralised trading hubs established
- Efficiency improvement programmes introduced
- People-focused values introduced
- “Cascade” method applied to change management

Performance ↑

Strategic Priorities and Improvement Programmes

Strategic Priorities



Improvement Programmes

Fresh Supply Chain Efficiency	Labour Productivity
Assortment Optimisation	Procurement Centralisation


- Strengthened leadership team in place
- Functional specialists bringing expertise to drive change
- Enhanced in-store operating standards developed
- Focus on improving today and transforming tomorrow
- Building an integrated business culture
- Focus on removing business silos

- Significant investment in digital taking place
- Chief Digital Officer and Chief Information Officer appointed
- Strategic digital capability review underway
- Assessing digital priorities within each business and region
- Developing partnerships with key technology players
- Legacy systems remaining a challenge

Grow Presence in China

- Untapped growth potential evident
- More effective definition of range, space, store size and location
- Integration potential of shared expertise
- Technology enhancing customer experience
- Closer relationship developing with Yonghui
 - Top 4 food retailer in China

Maintain Hong Kong Strength

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- The background of the slide is a photograph of a supermarket aisle. The aisle is filled with shelves of various products, including what appears to be a large section of dairy products in the foreground. The lighting is bright, and the perspective is from the end of the aisle looking down its length.
- Strong brands, strong customer base
 - Strong Mannings performance
 - Momentum maintained in 7-Eleven and IKEA
 - Wellcome space strategy review to drive higher returns
 - Supply Chain changes driving better Fresh quality
 - Enhanced customer insight informing better decisions

External

- Shifting shopping habits
- Underestimation of competition
 - Traditional formats remain strong
 - Local competition more aggressive
- Varied market demographics
- Government intervention
- Landlord market power

Internal

- Leadership instability
- Sub-optimal strategic planning
- Ingrained short-term focus
- Disparate property plan
- Fragmented brand strategies
- Underinvestment in technology
- Dilution of customer trust

Multi-year transformation needed: No short-term fix

IKEA

- Capitalise on customer engagement
- Accelerate development opportunities
 - New stores
 - New formats
 - Hypermarket conversions
 - E-commerce

The Philippines

- Strategic change landed

Health and Beauty

- Strategic inconsistency addressed
- Network expansion defined
- Stronger growth already being achieved
 - Clearer category management
 - Better operating standards
 - Better market competitiveness
 - Better customer service
 - Better country-to-country consistency

Food

- Key priority: Arresting Food performance decline will take time
- Market by market, location by location review undertaken
- Supply Chain and Network optimisation essential
- Early improvement in premium store performance encouraging
- Transformation of Giant customer proposition crucial
- Execution of efficiency improvement required to lower costs and fund investment
- Significant change to quality, service and value required to regain trust
- New format pilot stores landing

Agenda



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4 of 5 Divisions Well-Positioned

- Health and Beauty business has scope for significant growth
- Strong expansion plans in Home Furnishings
- Good growth opportunities for Convenience, especially in China
- Restaurants division expected to continue to perform strongly
- Supermarkets and Hypermarkets face strong headwinds
 - Premium Food stores more encouraging

Building a better, more profitable and sustainable business

Thank you!



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