

# Dairy Farm International

Biting the bullet for better profitability



StocksBnB.com

## SINGAPORE | CONSUMER | FY17 RESULTS

9 March 2018

- FY17 Revenue was in line with our expectation; FY17 Adjusted PATMI missed our estimation by 6.6% on higher than expected operating expenses and tax rate
- Strong trading performances from Convenience Stores, Health and Beauty, IKEA, Maxim's and Yonghui
- PATMI weighed by poor operating results from Southeast Asia Food and US\$64.5mn of business change costs; excluding the business change costs, PATMI +1.5%
- Declared final dividend of US14.50 cents (Full year dividend of US21.00 cents, unchanged from last year)
- Maintained BUY and slightly lower SOTP-derived TP at US\$9.83 (previously US\$9.89)

### Results at a glance

(USD mn)	FY17	FY16	YoY (%)	Comments
Food - Supermarkets & Hypermarkets	6,018	6,217	-3.2%	Challenging environment with increased competition in Southeast Asia markets
Food - Convenience Stores	2,020	1,951	3.6%	Better performance across most markets
Health and Beauty	2,597	2,436	6.6%	Better performance across most markets
Home Furnishings	653	597	9.4%	New 4th store in Hong Kong and higher sales in Taiwan and Indonesia
Revenue	11,289	11,201	0.8%	As above
Gross profit	3,433	3,386	1.4%	Gross margin +0.2pp to 30.4% in FY17
Core EBITDA	588	665	-11.6%	Higher operating expenses in Supermarkets & Hypermarket and US\$9mn start-up costs from new IKEA store in HK
Core EBIT	367	453	-18.8%	-2.7% if ex. US\$72.8mn of business change costs
Share of Results of Assoc. & JVs	143	115	25.2%	Maxim's: Sales +11%; Profit +8% Yonghui: Sales +17%; Profit +45%
PATMI	403	460	-12.5%	+1.5% if ex. US\$64.5mn of business change costs
DPS (cents)	21.0	21.0		

Source: Company, PSR

### The Positive

- Positive performances in most of the segments.** Notably, operating profit from Convenience Stores and Health and Beauty divisions grew 15.5% and 19.6% YoY, respectively. Both divisions saw margin improvement of 0.4 and 0.9 percentage points, respectively, reflecting its successful store rationalization and beauty care range enhancements initiatives.
- Strong results from its key associates.** Its Associates and JVs contributed 28.2% of FY17 EBIT, compared to last year's 20.5%. Maxim's saw strong performances from its branded products, particularly mooncakes, and its restaurant businesses in China; while Yonghui Superstores were underpinned by net addition of 292 stores in 2017 and margin gains.

### The Negative

- Persistent weakness in the Supermarket and Hypermarket businesses, mainly in SE Asia (Southeast Asia).** Notwithstanding the soft consumer sentiment in Singapore, Malaysia and Indonesia, competition in these markets intensified in terms of pricing and store format (e-commerce in Singapore and smaller format stores in Indonesia).
- Higher operating costs, gestation costs and business change costs hurt its core operating profit.** FY17 recorded two huge one-offs in FY17: US\$9mn pre-opening expenses from the new 4th store in Hong Kong (opened in Oct-17); and US\$72.8mn of business change costs arising from the closure of underperforming stores, stock clearance and restructuring costs in the Food division in SE Asia.

## BUY (Maintained)

LAST CLOSE PRICE	USD 8.03
FORECAST DIV	USD 0.25
TARGET PRICE	USD 9.83
TOTAL RETURN	25.5%

### COMPANY DATA

BLOOMBERG CODE	DFISP
O/S SHARES (MN)	1353
MARKET CAP (USD mn / SGD mn)	10861 / 4308
52 - WK HI/LO (USD)	9.25 / 7.35
3M Average Daily T/O (mn)	0.57

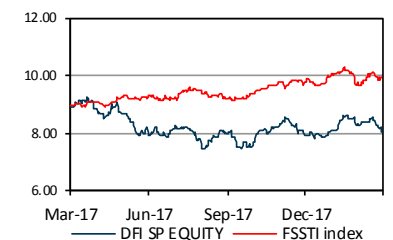
### MAJOR SHAREHOLDERS (%)

JARDINE MATHESON HOLDINGS	77.60%
FIRST STATE INVESTMENTS	3.91%
FIRST STATE INVESTMENTS HK	2.04%
MATTHEWS INTL CAPITAL MGMT	1.82%

### PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(1)	4.1	(5.4)
STIRETURN	192	196	14.20

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec	FY16	FY17	FY18e	FY19e
Revenue (USD bn)	11.2	11.3	11.6	11.8
Core EBITDA (USD bn)	0.67	0.59	0.67	0.74
Core EBIT (USD bn)	0.45	0.37	0.45	0.51
PATMI, adj. (USD bn)	0.46	0.40	0.49	0.55
EPS, adj. (USD)	0.34	0.30	0.36	0.40
PER, adj. (x)	22.2	27.0	22.1	19.9
P/BV, (x)	6.5	6.2	5.5	5.0
DPS (USD)	0.21	0.21	0.25	0.25
Div Yield (%)	2.6%	2.6%	3.1%	3.1%
ROE (%)	30.6%	23.8%	25.8%	25.7%

Source: Company Data, PSR est.

### Valuation Method

Sum-of-parts

Soh Lin Sin (+65 6212 1847)

Investment Analyst

sohls@phillip.com.sg

## Outlook

**Positive outlook on brighter economic prospect.** We expect recovery in SE Asia consumer sentiment as well as higher Chinese tourist arrivals to Hong Kong and Macau to gain momentum in 2018.

**A new Group Chief Executive, Ian McLeod, joined the Group in 18 Sep-17.** The former Coles Group's Chief Executive, who brings with him, over 30 years of international retailing experience, and an impressive track record of resuscitating the ailing retail giant in Australia. He has initiated a strategic review since he took helm.

### Maintained BUY with slightly lower TP of US\$9.83 (previously US\$9.89)

We trimmed our FY18e Core EBITDA by 10.6% on higher operating costs, leading to a 12.2% lower FY18e EPS of US\$36.4 cent. However, due to the increased market value from Yonghui, our SOTP-derived TP is broadly unchanged from US\$9.89 to US\$9.83.

### We continue to like Dairy Farm on its:

- **Well-established regional presence with long track record.** The Group, including associates and joint ventures, added a net 633 stores in 2017. At 31 Dec-17, the Group had 7,181 stores in operation in 11 countries and territories, including its interest in 779 Yonghui stores in China and 1,210 Maxim's stores.
- **Strong cash generation and solid balance sheet to support its expansion plan.** It generated higher net cash flow from operating activities of US\$671mn in FY17, +23.7% YoY. Net gearing ratio also improved to 0.34x as at end-FY17 from 0.41x a year ago.

### Successful execution and materialization from its continuous growth initiatives could be re-rating catalysts

- **Increases accessibility via online and offline**
  - (a) **Ramping up its e-commerce.** For its Food division, the Group is partnering Meituan (China), Happy Fresh (Malaysia) and Go-Jek (Indonesia) to enhance last-mile delivery capabilities. On the other hand, its IKEA business now has nationwide delivery capability in all its franchise markets, and is developing new online platforms and tap onto selective marketplace sites.
  - (b) **Expanding store network.** In particular, two new stores in Taiwan (scheduled to open one store each in 2019 and 2021), and a 2<sup>nd</sup> IKEA store in Indonesia (secured site and pending licensing approval).
  - (c) **Moving towards smaller store format.** Smaller store typically has shorter breakeven period and higher profitability per retail area.
- **Improve profitability via better sales mix and efficiency gains**
  - (a) **New distribution centres to drive economies of scale and provide capacity for wider range of product offerings.** A new dry distribution centre in Macau (opened in 2017); a new purpose-built fresh distribution centre in Malaysia (slated to open in the 1H18); and a new purpose-built fresh distribution centre (opened in 2017) and a new dry distribution centre (target to open in 2019) in the Philippines.
  - (b) **Push for higher margin products.** These include Fresh, Own Brand (i.e. private label), Upscale brand, and Ready-to-Eat food. The better results from Convenience Stores and Health and Beauty divisions are testament to the strategy and execution. The Group has also acquired the remaining 34% of minority investment in Rustan (in 3Q17), which now it is a wholly-owned subsidiary of the Group.

## Financials

### Income Statement

Y/E Dec, USD mn	FY15	FY16	FY17	FY18e	FY19e
<b>Revenue</b>	<b>11,137</b>	<b>11,201</b>	<b>11,289</b>	<b>11,565</b>	<b>11,842</b>
Gross profit	3,285	3,386	3,433	3,527	3,636
<b>Core EBITDA</b>	<b>647</b>	<b>665</b>	<b>588</b>	<b>670</b>	<b>735</b>
Depreciation & Amortisation	212	213	221	220	225
<b>Core EBIT</b>	<b>435</b>	<b>453</b>	<b>367</b>	<b>450</b>	<b>510</b>
Associates & JVs	85	115	143	164	170
Other items	(4)	10	1	0	0
Net Finance Inc/(Exp)	(14)	(22)	(26)	(21)	(22)
<b>Profit Before Tax</b>	<b>502</b>	<b>555</b>	<b>486</b>	<b>593</b>	<b>658</b>
Taxation	(84)	(85)	(93)	(101)	(112)
<b>Profit After Tax</b>	<b>418</b>	<b>470</b>	<b>393</b>	<b>492</b>	<b>546</b>
- Non-controlling interest	(6)	0	(11)	0	0
<b>PATMI, reported</b>	<b>424</b>	<b>469</b>	<b>404</b>	<b>492</b>	<b>546</b>
<b>PATMI, adj.</b>	<b>428</b>	<b>460</b>	<b>403</b>	<b>492</b>	<b>546</b>

### Per share data (USD)

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	0.31	0.35	0.30	0.36	0.40
EPS, adj.	0.32	0.34	0.30	0.36	0.40
DPS	0.20	0.21	0.21	0.25	0.25
BVPS	1.08	1.17	1.30	1.46	1.62

### Cash Flow

Y/E Dec, USD mn	FY15	FY16	FY17	FY18e	FY19e
<b>Operating Profit</b>	<b>431</b>	<b>459</b>	<b>368</b>	<b>450</b>	<b>510</b>
Adjustments	237	221	237	220	225
WC changes	73	(97)	92	(24)	(12)
Net finance expense	(13)	(21)	(26)	(21)	(22)
Tax paid	(90)	(85)	(84)	(101)	(112)
Dividends from Assoc/JV	62	66	85	98	101
Others	0	0	0	0	0
<b>Cashflow from ops</b>	<b>700</b>	<b>543</b>	<b>671</b>	<b>622</b>	<b>691</b>
CFI					
CAPEX, net	(449)	(243)	(278)	(382)	(284)
Others	(917)	(185)	(3)	0	0
<b>Cashflow from investments</b>	<b>(1,365)</b>	<b>(428)</b>	<b>(281)</b>	<b>(382)</b>	<b>(284)</b>
CFF					
Loans, net of repayments	573	238	(41)	116	118
Dividends	(311)	(270)	(284)	(284)	(338)
Others	16	(10)	(63)	0	0
<b>Cashflow from financing</b>	<b>278</b>	<b>(42)</b>	<b>(388)</b>	<b>(168)</b>	<b>(220)</b>
<b>Net change in cash</b>	<b>(388)</b>	<b>72</b>	<b>3</b>	<b>72</b>	<b>187</b>
Effects of exchange rates	(12)	(7)	9	9	9
<b>CCE, end</b>	<b>257</b>	<b>323</b>	<b>335</b>	<b>416</b>	<b>612</b>

### Balance Sheet

Y/E Dec, USD mn	FY15	FY16	FY17	FY18e	FY19e
<b>ASSETS</b>					
PPE	1,141	1,100	1,184	1,242	1,254
Intangibles	744	765	815	919	966
Investments in Assoc/JV	1,292	1,462	1,601	1,667	1,736
Others	203	186	196	196	196
<b>Total non-current assets</b>	<b>3,381</b>	<b>3,512</b>	<b>3,796</b>	<b>4,023</b>	<b>4,151</b>
Accounts receivables	234	291	351	285	292
Cash	259	324	332	414	610
Inventories	(937)	(983)	(950)	(1,013)	(1,034)
Others	1,885	1,986	1,938	2,064	2,107
<b>Total current assets</b>	<b>1,440</b>	<b>1,617</b>	<b>1,671</b>	<b>1,750</b>	<b>1,974</b>
<b>Total Assets</b>	<b>4,821</b>	<b>5,129</b>	<b>5,467</b>	<b>5,773</b>	<b>6,126</b>
<b>LIABILITIES</b>					
Accounts payables	2,355	2,328	2,470	2,443	2,460
Short term loans	730	370	413	483	584
Others	67	73	130	130	130
<b>Total current liabilities</b>	<b>3,151</b>	<b>2,771</b>	<b>3,013</b>	<b>3,057</b>	<b>3,174</b>
Long term loans	11	595	522	567	584
Others	204	184	177	177	177
<b>Total non-current liabilities</b>	<b>215</b>	<b>779</b>	<b>699</b>	<b>744</b>	<b>761</b>
<b>Total Liabilities</b>	<b>3,366</b>	<b>3,550</b>	<b>3,712</b>	<b>3,801</b>	<b>3,936</b>
<b>EQUITY</b>					
Non-controlling interests	79	74	66	66	66
<b>Shareholder Equity</b>	<b>1,376</b>	<b>1,505</b>	<b>1,690</b>	<b>1,907</b>	<b>2,124</b>

### Valuation Ratios

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	19.2	22.2	27.7	22.1	0.0
P/B (X)	5.7	6.5	6.4	5.5	0.0
EV/EBITDA (X), adj.	13.6	16.4	20.1	17.3	0.8
Dividend Yield (%)	2.4%	2.5%	2.5%	3.0%	3.1%

### Growth & Margins (%)

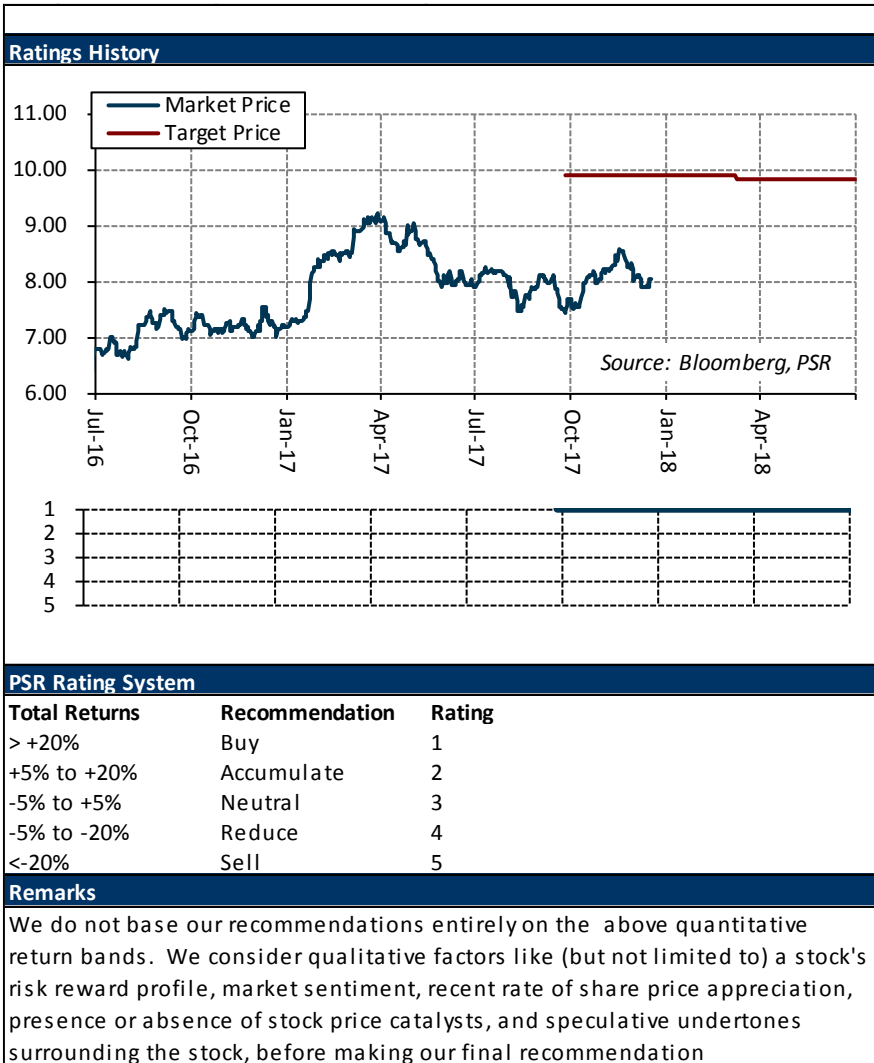
	FY15	FY16	FY17	FY18e	FY19e
<b>Growth</b>					
Revenue	1.2%	0.6%	0.8%	2.4%	0.0%
EBITDA	-11.0%	2.8%	-11.6%	13.9%	0.0%
EBIT	-17.0%	4.0%	-18.8%	22.6%	0.0%
Net profit, adj.	-14.4%	7.5%	-12.5%	22.2%	0.0%
<b>Margins</b>					
Gross margin	29.5%	30.2%	30.4%	30.5%	30.7%
EBITDA margin	5.8%	5.9%	5.2%	5.8%	6.2%
EBIT margin	3.9%	4.0%	3.3%	3.9%	4.3%
Net profit margin	3.8%	4.1%	3.6%	4.3%	4.6%

### Key Ratios

	FY15	FY16	FY17	FY18e	FY19e
ROE (%)	31.1%	30.6%	23.8%	25.8%	25.7%
ROA (%)	8.9%	9.0%	7.4%	8.5%	8.9%
Net Debt/(Cash)	482	641	602	637	559
Net Gearing (X)	33.1%	40.6%	34.3%	32.3%	25.5%

Source: Company, Phillip Securities Research (Singapore) Estimates

\*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.



<b>Head of Research</b> Paul Chew - <a href="mailto:paulchewkl@phillip.com.sg">paulchewkl@phillip.com.sg</a>	<b>Contact Information (Singapore Research Team)</b> <b>Research Associate</b> Alvin Chia - <a href="mailto:alvinchiawy@phillip.com.sg">alvinchiawy@phillip.com.sg</a>	<b>Research Operations Officer</b> Mohamed Amiruddin - <a href="mailto:amiruddin@phillip.com.sg">amiruddin@phillip.com.sg</a>
<b>Consumer   Healthcare</b> Soh Lin Sin - <a href="mailto:sohls@phillip.com.sg">sohls@phillip.com.sg</a>	<b>Oil &amp; Gas   Energy</b> Chen Guangzhi - <a href="mailto:chengz@phillip.com.sg">chengz@phillip.com.sg</a>	<b>Macro</b> Pei Sai Teng - <a href="mailto:peist@phillip.com.sg">peist@phillip.com.sg</a>
<b>Transport   REITs (Industrial)</b> Richard Leow - <a href="mailto:richardleowwt@phillip.com.sg">richardleowwt@phillip.com.sg</a>	<b>REITs (Commercial, Retail, Healthcare)   Property</b> Dehong Tan - <a href="mailto:tandh@phillip.com.sg">tandh@phillip.com.sg</a>	<b>Technical Analysis</b> Jeremy Ng - <a href="mailto:jeremyngch@phillip.com.sg">jeremyngch@phillip.com.sg</a>
<b>REITs (Commercial, Retail, Healthcare)   Property</b> Tara Wong - <a href="mailto:tarawongsj@phillip.com.sg">tarawongsj@phillip.com.sg</a>	<b>US Equity</b> Ho Kang Wei - <a href="mailto:hokw@phillip.com.sg">hokw@phillip.com.sg</a>	

**Contact Information (Regional Member Companies)****SINGAPORE**

**Phillip Securities Pte Ltd**  
Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel +65 6533 6001  
Fax +65 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

**JAPAN**

**Phillip Securities Japan, Ltd.**  
4-2 Nihonbashi Kabuto-cho Chuo-ku,  
Tokyo 103-0026  
Tel +81-3 3666 2101  
Fax +81-3 3666 6090  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

**THAILAND**

**Phillip Securities (Thailand) Public Co. Ltd**  
15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangkok,  
Bangkok 10500 Thailand  
Tel +66-2 6351700 / 22680999  
Fax +66-2 22680921  
Website [www.phillip.co.th](http://www.phillip.co.th)

**UNITED STATES**

**Phillip Capital Inc**  
141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1-312 356 9000  
Fax +1-312 356 9005  
Website: [www.phillipusa.com](http://www.phillipusa.com)

**INDIA**

**PhillipCapital (India) Private Limited**  
No.1, 18th Floor, Urmi Estate  
95, Ganpatrao Kadam Marg  
Lower Parel West, Mumbai 400-013  
Maharashtra, India  
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969  
Website: [www.phillipcapital.in](http://www.phillipcapital.in)

**CAMBODIA**

**Phillip Bank Plc**  
Ground Floor of B-Office Centre, #61-64,  
Norodom Blvd Corner Street 306, Sangkat  
Boeung Keng Kang 1, Khan Chamkamorn,  
Phnom Penh, Cambodia  
Tel: 855 (0) 7796 6151/855 (0) 1620 0769  
Website: [www.phillipbank.com.kh](http://www.phillipbank.com.kh)

**MALAYSIA**

**Phillip Capital Management Sdn Bhd**  
B-3-6 Block B Level 3 Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450  
Kuala Lumpur  
Tel +603 2162 8841  
Fax +603 2166 5099  
Website: [www.poems.com.my](http://www.poems.com.my)

**INDONESIA**

**PT Phillip Securities Indonesia**  
ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel +62-21 5790 0800  
Fax +62-21 5790 0809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

**FRANCE**

**King & Shaxson Capital Limited**  
3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel +33-1 45633100  
Fax +33-1 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**

**Phillip Capital Limited**  
Level 10, 330 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel +61-03 9629 8288  
Fax +61-03 9629 8882  
Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**TURKEY**

**PhillipCapital Menkul Degerler**  
Dr. Cemil Bengü Cad. Hak Is Merkezi  
No. 2 Kat. 6A Caglayan  
34403 Istanbul, Turkey  
Tel: 0212 296 84 84  
Fax: 0212 233 69 29  
Website: [www.phillipcapital.com.tr](http://www.phillipcapital.com.tr)

**HONG KONG**

**Phillip Securities (HK) Ltd**  
11/F United Centre 95 Queensway  
Hong Kong  
Tel +852 2277 6600  
Fax +852 2868 5307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

**CHINA**

**Phillip Financial Advisory (Shanghai) Co Ltd**  
No 550 Yan An East Road,  
Ocean Tower Unit 2318,  
Postal code 200001  
Tel +86-21 5169 9200  
Fax +86-21 6351 2940  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

**UNITED KINGDOM**

**King & Shaxson Capital Limited**  
6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel +44-20 7426 5950  
Fax +44-20 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**SRI LANKA**

**Asha Phillip Securities Limited**  
2<sup>nd</sup> Floor, Lakshmans Building,  
No. 321, Galle Road,  
Colombo 03, Sri Lanka  
Tel: (94) 11 2429 100  
Fax: (94) 11 2429 199  
Website: [www.ashaphillip.net](http://www.ashaphillip.net)

**DUBAI**

**Phillip Futures DMCC**  
Member of the Dubai Gold and  
Commodities Exchange (DGEX)  
Unit No 601, Plot No 58, White Crown Bldg,  
Sheikh Zayed Road, P.O.Box 212291  
Dubai-UAE  
Tel: +971-4-3325052 / Fax: + 971-4-3328895

**Important Information**

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

**IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES**

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.