

COMPANY UPDATE

DFI Retail Group Holdings (DFI SP)

Retail Reinvention Continues With A Farewell To Food

DFI's sale of its Singapore food business, which had only recently returned to profitability in 4Q24, was unsurprising given its various divestments in this segment in China, Indonesia and Malaysia in the past two years. We expect the company to announce a gain from the sale after its completion in 2H25 with capital to be deployed towards higher ROCE businesses and to support its DPS this year. **Maintain BUY. Target price: US\$2.80.**

WHAT'S NEW

- **Jettisoning an underperforming business.** DFI Retail Group Holdings (DFI) announced that it will sell its Singapore food business, which includes Cold Storage, CS Fresh, Jason's Deli and Giant, for S\$125m to Macrovalue, the company that bought DFI's Malaysia food business in 2023. We understand that yesterday's transaction will close in 2H25, subject to regulatory approvals, and will lead to DFI booking a reasonably meaningful transaction gain.
- **Timing of sale was faster than expected, but not a surprise.** While the timing of the sale was a slight surprise – a mere three weeks after it reported its 2024 results – the impetus behind the sale was clear, given that: a) DFI's food business only delivered a 1.8% operating profit margin in 2024 with a forecast expansion to 2.0% in 2025 (vs other segments with margins of 2.3% to 8.5%), and b) it broke even in 2024 and only turned a profit in 4Q24. Importantly, we point to the fact that DFI has been withdrawing from the food business in the past two years given the 2023 sale of its Giant hypermarkets and supermarkets in Malaysia, and the 2024 divestments of its minority stake in Yonghui in China and Hero Supermarket in Indonesia.
- **Positioned for growth in 2025.** Recall that DFI has guided for 2% revenue growth in 2025 and furthermore has projected an underlying profit of US\$230m-270m, implying yoy earnings growth of 14-34%. These targets have not changed as a result of the transaction announced yesterday given that the Singapore food business broke even on a full-year basis in 2024. Furthermore, we note that DFI had stated that its growth in 2025 will be generated from the health & beauty (H&B) and convenience store segments as well as optimising its product mix to improve margins.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2023	2024	2025F	2026F	2027F
Net turnover	9,170	8,869	8,762	8,856	8,952
EBITDA	990	1,037	1,174	1,187	1,200
Operating profit	163	199	342	345	349
Net profit (rep./act.)	32	(245)	233	250	259
Net profit (adj.)	155	201	233	250	259
EPS (US\$ cent)	11.5	14.8	17.2	18.5	19.1
PE (x)	20.4	15.8	13.6	12.7	12.2
P/B (x)	3.2	5.4	4.2	3.8	3.5
EV/EBITDA (x)	3.5	3.3	2.9	2.9	2.9
Dividend yield (%)	3.4	4.5	4.4	4.7	4.9
Net margin (%)	0.4	(2.8)	2.7	2.8	2.9
Net debt/(cash) to equity (%)	63.9	80.4	31.1	0.1	(28.1)
Interest cover (x)	6.9	6.9	8.2	8.7	9.3
ROE (%)	3.3	(31.3)	35.0	31.7	30.0
Consensus net profit	-	-	219	232	241
UOBKH/Consensus (x)	-	-	1.06	1.08	1.07

Source: DFI Retail Group Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	US\$2.34
Target Price	US\$2.80
Upside	+19.7%

COMPANY DESCRIPTION

DFI operates and manages retail stores in over 12 markets and four divisions, namely food, health & beauty, home furnishings and restaurants (associate level).

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	DFI SP
Shares issued (m):	1,353.7
Market cap (US\$m):	3,167.5
Market cap (US\$m):	3,167.5
3-mth avg daily t'over (US\$m):	1.3

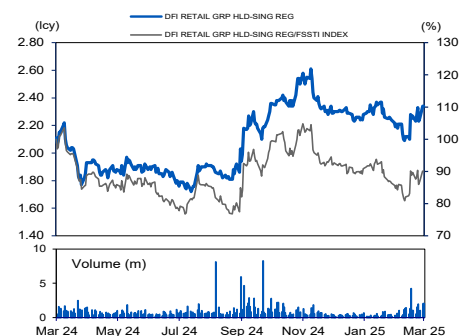
Price Performance (%)

52-week high/low	US\$2.61/US\$1.71			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
4.5	2.6	21.9	9.3	1.3

Major Shareholders

Jardine Matheson	77.5
-	-
FY25 NAV/Share (US\$)	0.55
FY25 Net Debt/Share (US\$)	0.17

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Adrian Loh**  
 +65 6590 6633  
 adrianloh@uobkayhian.com

### STOCK IMPACT

- Utilisation of sale proceeds.** In the 12 months to end-24, DFI had lowered its net debt by 25% to US\$468m, resulting in a net debt/equity of 0.79x. Importantly, the completion of the sale of Yonghui at end-Feb 25 resulted in DFI turning into a net cash company and with the sale proceeds of S\$125m to come in 2H25, we expect DFI to continue paying down its debt as well as potentially delivering higher-than-expected dividends to shareholders. At present, our total DPS of US\$0.103 for 2025 remains unchanged (60% payout ratio estimate). This implies a 4.9% dividend yield based on yesterday's closing price.
- A more north Asia-focused company.** After the sale of its Singapore food business, DFI will derive more revenue and profits from its north Asia business segments. As intimated during its 2024 results presentation, the company's focus on its higher ROCE segments means that it will look to invest more in its H&B and convenience store segments (both of which generate higher operating profit margins – see chart on RHS) and improve its capital efficiency. In potential acquisitions, DFI stated that it will look to acquire businesses that are ROCE-accretive and more importantly stay away from minority positions within companies since such acquisitions essentially put DFI's total shareholder returns in the hands of a third party.

### EARNINGS REVISION/RISK

- We have not changed our earnings estimates** and have not factored in any transaction gains from the sale of its Singapore food business.
- Key risks** to our BUY rating on DFI include rising food costs and inflation that have already affected consumer spending patterns (eg consumer preference to shop in Johor Bahru or Shenzhen). In addition, competitors leveraging advanced technologies and innovative business models may erode DFI's market share.

### VALUATION/RECOMMENDATION

- We maintain our BUY rating with an unchanged PE-based target price of US\$2.80** using a target PE multiple of 16.3x which is 1SD below DFI's average PE multiple over 2019 to present excluding the COVID-19 years of 2021-23. We highlight that DFI's 2025F PE of 12.6x is a 37% discount to its regional peers, yet it offers a higher prospective yield of 4.9% vs its peers' average yield of 3.0%.

### SHARE PRICE CATALYST

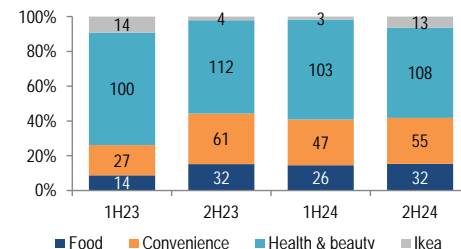
- Maintenance of sales momentum for the convenience store segment and introduction of higher-margin ready-to-eat products.
- Acquisitions that are accretive to ROCE.
- Monetising its DFIQ media platform and data from its yuu platform.

### REGIONAL PEER COMPARISONS – CONSUMER STAPLES

Company	Ticker	Trading curr	Price 24 Mar	Mkt cap US\$m	PE (x)			P/B (x)			ROE % 2025E	Yield % 2025E
					2024A	2025E	2026E	2024A	2025E	2026E		
Coles Group	COL AU	AUD	19.06	16,076	22.7	23.3	20.2	7.0	6.7	6.2	29.5	3.6
Woolworths	WOW AU	AUD	29.43	22,624	330.7	25.3	21.4	6.6	6.6	6.0	26.1	3.0
Seven & I	3382 JP	JPY	2,247	39,118	33.6	23.0	20.6	1.6	1.5	1.5	6.5	1.9
Berli Jucker	BJC TB	THB	21.60	2,556	21.6	16.8	15.4	0.7	0.7	0.7	4.2	4.0
Shanghai Bailian	600827 CH	CNY	9.28	2,166	11.9	29.0	25.4	0.9	0.9	0.9	3.0	2.0
Chengdu Hongqi	002697 CH	CNY	5.65	1,059	13.5	12.8	12.0	1.7	1.5	1.4	11.9	2.5
E-Mart Inc	139480 KS	KRW	82,600	1,570	n.a.	13.8	8.9	0.2	0.2	0.2	1.4	2.9
Sheng Siong	SSG SP	SGD	1.64	1,843	17.9	16.6	16.1	4.6	4.2	3.9	26.2	4.1
<b>Average</b>					<b>64.6</b>	<b>20.1</b>	<b>17.5</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>	<b>13.6</b>	<b>3.0</b>
DFI Retail	DFI SP	USD	2.34	3,168	n.a.	12.6	11.3	5.4	3.9	3.4	33.0	4.9

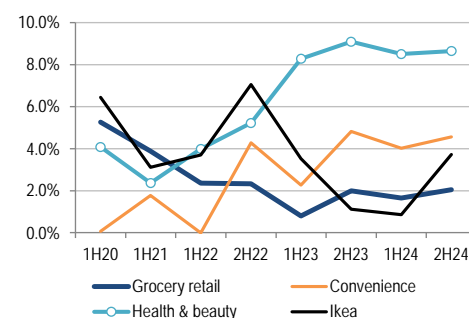
Source: Bloomberg, UOB Kay Hian

### SHARE OF OPERATING PROFIT BY BUSINESS SEGMENT



Source: Bloomberg

### OPERATING PROFIT MARGIN



Source: DFI

### PROFIT & LOSS

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Net turnover	8,869	8,762	8,856	8,952
EBITDA	1,037	1,174	1,187	1,200
Deprec. & amort.	837	832	841	850
EBIT	199	342	345	349
Associate contributions	0	0	0	0
Net interest income/(expense)	(261)	100	110	110
Pre-tax profit	(151)	(144)	(137)	(129)
Tax	(213)	298	319	330
Minorities	(27)	(60)	(64)	(66)
<b>Net profit</b>	<b>(5)</b>	<b>(5)</b>	<b>(5)</b>	<b>(5)</b>
Net profit (adj.)	(245)	233	250	259

### CASH FLOW

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Operating	973	1,191	1,268	1,272
Pre-tax profit	199	342	345	349
Tax	(51)	0	0	0
Deprec. & amort.	837	832	841	850
Associates	0	0	0	0
Working capital changes	(79)	(67)	9	9
Non-cash items	0	0	0	0
Other operating cashflows	66	85	73	63
Investing	(64)	(205)	(207)	(208)
Capex (growth)	(153)	(212)	(216)	(221)
Proceeds from sale of assets	21	0	0	0
Others	69	7	10	13
Financing	(930)	(693)	(829)	(809)
Dividend payments	(114)	(164)	(176)	(182)
Proceeds from borrowings	1,490	0	0	0
Loan repayment	(1,617)	59	0	0
Others/interest paid	(689)	(588)	(653)	(627)
<b>Net cash inflow (outflow)</b>	<b>(21)</b>	<b>293</b>	<b>232</b>	<b>255</b>
Beginning cash & cash equivalent	298	274	567	799
Changes due to forex impact	(3)	0	0	0
Ending cash & cash equivalent	274	567	799	1,054

### BALANCE SHEET

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Fixed assets	618	649	682	716
Other LT assets	3,784	3,846	3,911	3,980
Cash/ST investment	274	567	799	1,054
Other current assets	2,596	1,478	1,488	1,499
<b>Total assets</b>	<b>7,272</b>	<b>6,540</b>	<b>6,880</b>	<b>7,248</b>
ST debt	505	500	500	500
Other current liabilities	3,586	2,401	2,420	2,439
LT debt	237	300	300	300
Other LT liabilities	2,350	2,570	2,812	3,079
Shareholders' equity	581	751	825	902
Minority interest	13	18	24	29
<b>Total liabilities &amp; equity</b>	<b>7,272</b>	<b>6,540</b>	<b>6,880</b>	<b>7,248</b>

### KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	11.7	13.4	13.4	13.4
Pre-tax margin	(2.4)	3.4	3.6	3.7
Net margin	(2.8)	2.7	2.8	2.9
ROA	(3.4)	3.4	3.7	3.7
ROE	(31.3)	35.0	31.7	30.0
<b>Growth</b>				
Turnover	(3.3)	(1.2)	1.1	1.1
EBITDA	4.7	13.3	1.1	1.1
Pre-tax profit	n.a.	n.a.	7.1	3.5
Net profit	n.a.	n.a.	7.2	3.6
Net profit (adj.)	29.4	16.2	7.2	3.6
EPS	29.4	16.2	7.2	3.6
<b>Leverage</b>				
Debt to total capital	55.5	51.0	48.5	46.2
Debt to equity	127.5	106.6	97.0	88.7
Net debt/(cash) to equity	80.4	31.1	0.1	(28.1)
Interest cover (x)	6.9	8.2	8.7	9.3

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Analyst Certification/Regulation AC**

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; 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, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2025, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W