

COMPANY RESULTS

DFI Retail Group Holdings (DFI SP)

2024: Strong Return To Growth With More To Come This Year

DFI reported stronger-than-expected results with underlying net profit up 30% yoy to US\$201m although the bottom line was impacted by impairments and losses related to the sale of Yonghui in China. The company's convenience and H&B segments continue to do well. The company guided a 14-34% earnings growth in 2025 with perhaps the monetisation of its yuu and media platforms potentially providing juice to its profits over the next 12 months. Maintain BUY. Target price raised to US\$2.80.

2024 RESULTS

Year to 31 Dec (US\$m)	1H24	2H24	HoH %	2023	2024	YoY %
Sales	4,306	4,563	6.0%	9,170	8,869	-3.3%
Gross profit	1,473	1,756	19.2%	3,213	3,229	0.5%
Operating profit	162	37 ¹	-77.2%	163	199	22.1%
Assoc./JVs	29	56	93.1%	53	85	60.4%
Underlying NPAT	95	(340) ²	N.M.	155	(245) ²	N.M.
Gross margin	34.2%	38.5%	+4.3ppt	35.0%	36.4%	+1.4ppt
Operating margin	3.8%	0.8%	-+3.0ppt	1.8%	2.2%	+0.5ppt
Net margin	2.2%	-7.5%	-9.7ppt	1.7%	-2.8%	-4.5ppt

Note: ¹ includes US\$144m in non-trading items; ² includes loss of US\$114m from the divestment of Yonghui, US\$231m impairment for Robinsons Retail US\$133m goodwill impairment of Macau and Cambodia grocery businesses.

Source: DFI Retail Group Holdings, UOB Kay Hian

RESULTS

- **Solid execution.** DFI Retail Group Holdings (DFI) reported better-than-expected 2024 underlying profit growth in 2024 of US\$201m (+30% yoy). The strong performance was driven by the convenience, health & beauty (H&B) and food divisions as well as a reduction of losses from Yonghui. The company declared a final dividend of US\$0.07/share (1H24: US\$0.035) which was higher than our expectation of US\$0.05/share. Total DPS of US\$0.105 (+31% yoy) implies a yield of 5.0% based on yesterday's closing share price.
- **Positioned for growth in 2025.** DFI 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%. The company expects to generate this growth from the H&B and convenience segments as well as optimising its product mix to improve margins. Furthermore, the company disclosed that it will look to monetise the data from its yuu platform as well as advertising opportunities within its supermarkets, amongst other initiatives.

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)	18.3	14.2	12.2	11.4	11.0
P/B (x)	2.9	4.9	3.8	3.4	3.2
EV/EBITDA (x)	3.1	3.0	2.6	2.6	2.6
Dividend yield (%)	3.8	5.0	4.9	5.3	5.5
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	-	-	240	270	n.m.
UOBKH/Consensus (x)	-	-	0.97	0.92	n.m.

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

BUY

(Maintained)

Share Price	US\$2.10
Target Price	US\$2.80
Upside	+33.3%
(Previous TP)	US\$2.57

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).

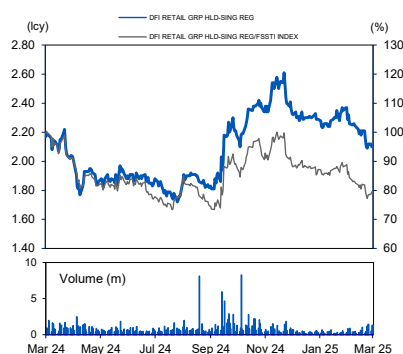
STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	DFI SP
Shares issued (m):	1,353.7
Market cap (US\$m):	2,842.7
Market cap (US\$m):	2,842.7
3-mth avg daily t'over (US\$m):	1.0

Price Performance (%)

52-week high/low	US\$2.61/US\$1.71			
1mth	3mth	6mth	1yr	YTD
(10.6)	(11.8)	15.4	(1.9)	(9.1)
Major Shareholders				%
Jardine Matheson				77.5
-				-
FY25 NAV/Share (US\$)				0.63
FY25 Net Debt/Share (US\$)				0.43

PRICE CHART



Source: Bloomberg

ANALYST(S)

Adrian Loh
 +65 6590 6633
 adrianloh@uobkayhian.com

STOCK IMPACT

- Hit by impairments and non-cash items.** At the bottom line however, DFI reported a loss of US\$245m that was negatively impacted by impairment on its interest in Robinsons Retail, impairment of goodwill in its Macau and Cambodia food businesses, and losses related to the divestment of Yonghui.
- A stronger balance sheet after sale of Yonghui.** In the past 12 months, DFI has lowered its net debt by 25% to US\$468m as at end-24, resulting in a net debt/equity of 0.79x. During its results call, management highlighted that with the completion of the sale of Yonghui at end-Feb 25, it is now in a net cash position. Importantly, free cash flow in 2024 remained strong at US\$909m (-4% yoy).
- Strong performance from convenience and H&B businesses.** The convenience segment was a standout performer reporting a 17% yoy increase in operating profit to US\$102m, driven by a favourable product mix shift towards higher-margin categories such as ready-to-eat offerings. The H&B segment also delivered stable performance despite a challenging retail environment.
- Headwinds for home furnishings and restaurants.** The home furnishings segment disappointed with IKEA reporting an operating profit of US\$16m (-13% yoy) due to weak property market conditions and increased competition in Hong Kong and Indonesia as customers put renovations on the backburner, while Chinese platforms have started to present a greater competitive threat. The restaurants division, represented by Maxim's, saw a 16% decline in underlying profit to US\$66m, impacted by weaker mooncake sales and restaurant performance in mainland China.

EARNINGS REVISION/RISK

- We have upgraded our 2025-26 net profit estimates** by 2-6% to take into account the company's better earnings visibility and momentum in its H&B and convenience segments. We note that our 2025 profit estimate of US\$233m is at the bottom end of the company's net profit guidance of US\$230m-270m and would hope to upgrade numbers as the year progresses.

VALUATION/RECOMMENDATION

- We maintain our BUY rating with a slightly higher PE-based target price of US\$2.80** (previously US\$2.57) 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. With Yonghui's losses removed and apparent stabilisation of consumer behaviour in its food divisions in Hong Kong and Singapore, we look forward to witnessing DFI delivering on its earnings growth in 2025. We highlight that DFI's 2025F PE of 12.2x is a 39% discount to its regional peers but still delivers a higher prospective yield of 4.9% vs its peers' average yield of 3.0%.

SHARE PRICE CATALYST

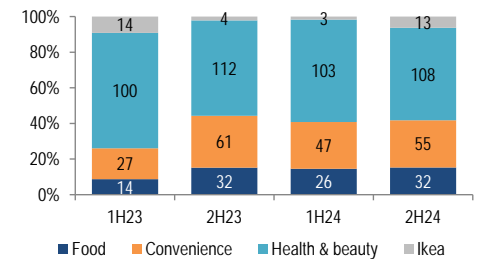
- Continued profit improvement from the food segment; maintenance of sales momentum for the convenience segment; acquisitions that are accretive to ROCE; monetising its DFIQ media platform and data from its yuu platform

REGIONAL PEER COMPARISONS – CONSUMER STAPLES

Company	Ticker	Trading curr	Price 11 Mar 25	Mkt cap US\$m	PE (x)			P/B (x)			ROE % 2025E	Yield % 2025E
					2024E	2025E	2026E	2024E	2025E	2026E		
Coles Group	COL AU	AUD	19.01	16,036	22.7	23.3	20.1	7.0	6.7	6.1	29.5	3.6
Woolworths	WOW AU	AUD	28.60	21,990	321.3	24.5	20.7	6.5	6.4	5.8	26.1	3.1
Seven & I	3382 JP	JPY	2,143.5	37,914	31.6	22.0	19.6	1.5	1.4	1.4	6.4	2.0
Berli Jucker	BJC TB	THB	21.20	2,515	21.2	16.5	15.1	0.7	0.7	0.7	4.2	4.1
Shanghai Bailian	600827 CH	CNY	9.42	2,203	10.6	30.6	26.7	0.9	0.9	0.9	3.0	2.0
Chengdu Hongqi	002697 CH	CNY	5.95	1,119	14.3	13.4	12.6	1.8	1.6	1.4	11.9	2.4
E-Mart Inc	139480 KS	KRW	83,600	1,605	n.a.	13.8	8.9	n.a.	0.2	0.2	1.4	2.9
Sheng Siong	SSG SP	SGD	1.64	1,853	17.9	16.6	16.1	4.6	4.2	3.9	26.2	4.2
Average					62.8	20.1	17.5	3.3	2.8	2.6	13.6	3.0
DFI Retail	DFI SP	USD	2.10	2,843	14.2	12.2	11.4	4.9	3.8	3.4	8.2	4.9

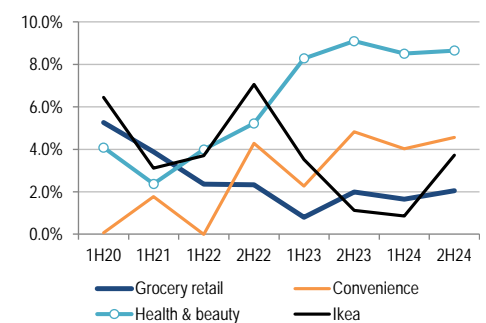
Source: Bloomberg, UOB Kay Hian

SHARE OF OPERATING PROFIT BY BUSINESS SEGMENT



Source: Bloomberg

OPERATING PROFIT MARGIN



Source: DFI

CHANGES TO EARNINGS ESTIMATES

US\$m	2025E	2026E
NPAT – was	230	237
NPAT – is	233	250
Change	1.5%	5.5%

Source: UOB Kay Hian

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)
Net profit	(5)	(5)	(5)	(5)
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)
Net cash inflow (outflow)	(21)	293	232	255
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
Total assets	7,272	6,540	6,880	7,248
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
Total liabilities & equity	7,272	6,540	6,880	7,248

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
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
Growth				
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
Leverage				
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

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