# Financial Review

The Group's robust underlying profit growth in 2024 demonstrates the effectiveness of its strategy, despite a challenging retail backdrop. This solid foundation, built on a deleveraged balance sheet and a focused strategic approach, positions the Group well for sustained growth. The Group is optimistic about increasing shareholder returns in the medium-term.

## Results

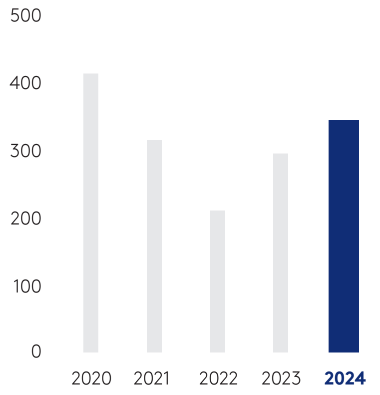
DFI Retail Group (the Group) reported a significantly improved performance in 2024, with underlying profit attributable to shareholders reaching US$201 million, a 30% increase compared to the previous year. This positive performance was largely driven by the improved profitability in the Food and Convenience businesses. The Group's overall results were, however, impacted by the one-off non-trading losses and reported a loss attributable to shareholders of US$245 million in 2024, compared to a profit of US$32 million in 2023. Revenue from subsidiaries, totalled US$8.9 billion, representing a 3% decline year-on-year. Excluding the impact of a significant tobacco tax increase in Hong Kong, and the divestment of the Malaysia Food in 2023 and Hero Supermarket businesses in Indonesia, revenue was broadly in line with last year.

Total revenue, including 100% of associates and joint ventures, was 6% down at US$24.9 billion, largely driven by lower sales at Yonghui.

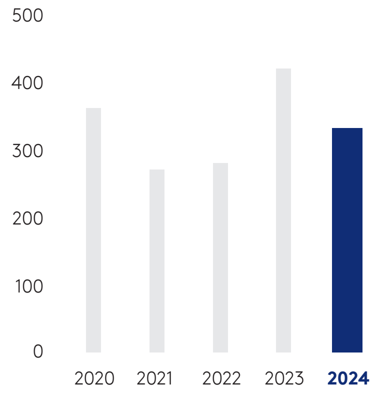
Health and Beauty recorded a slight increase in sales, reaching US$2.5 billion, with overall LFL sales remained broadly stable. Underlying operating profit was US$211 million for the year, slightly below 2023.

Convenience experienced a 3% decline in sales compared to the previous year. Excluding the tobacco sales, sales showed a 5% increase year-on-year. Underlying operating profit was US$102 million, reflecting a 17% growth compared to 2023. Profit growth was supported by a favourable shift in margin mix towards non-cigarette categories and ongoing cost optimisation efforts.

## Underlying Operating Profit (US$m)




## Cash Flows from Operating Activities after Lease Payments (US$m)




Food also delivered increased operating profit, driven by a significant earnings recovery in the business in Singapore.

Home Furnishings reported a reduction in sales, primarily due to the intense competition from digital platforms on the Chinese mainland. The decline in sales negatively impacted profitability, although the impact was partially mitigated by various cost-saving initiatives implemented during the year.

Net financing charges rose by US$7 million year-on-year. This increase was primarily driven by higher interest expenses associated with lease liabilities, partially offset by a reduction in interest expense attributed to the overall lower net debt position.

The Group's share of the underlying profit of associates and joint ventures was US$43 million, down 2% year-on-year.

Contribution from Maxim's underlying results was US$66 million, a 16% decrease as compared to US$79 million in 2023, mainly attributed to reduced mooncake sales and weaker restaurant performance on the Chinese mainland.

The Group's share of Yonghui's underlying loss was US$33 million, compared to US$36 million in the prior year.

The Group's share of underlying profit in Robinsons Retail was US$17 million, compared to US$15 million in 2023. The Group's interest in Robinsons Retail increased from 21.47% to 21.98%, following the share buyback by Robinsons Retail.

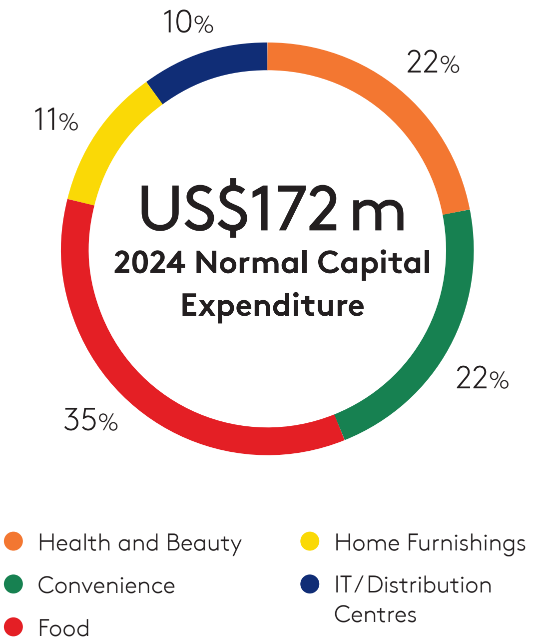
The Group's tax charge for 2024 was US$27 million, reflecting a substantial 35% decrease compared to 2023. This significant reduction was largely driven by the implementation of the new tax rule allowing the deduction of reinstatement costs in Hong Kong, a key market for the Group, which came into effect in late 2024.

Net non-trading items of US$445 million were reported in 2024, principally from the impairment charge on goodwill relating to San Miu business in Macau and interest in Robinsons Retail, the loss relating to the divestment of Yonghui, partly offset by share of one-off gains of Robinsons Retail from the merger between Robinsons Bank Corporation and Bank of the Philippine Islands (BPI), and the respective fair value gain on BPI investment.

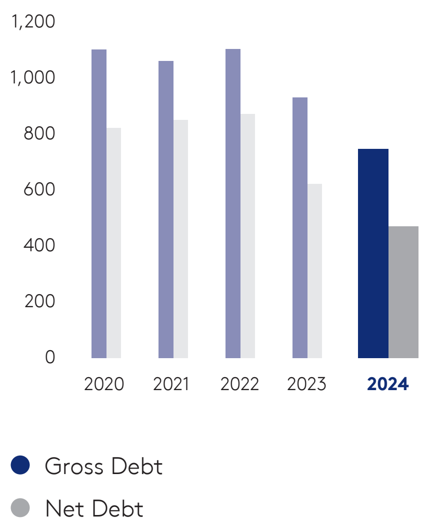
Underlying profit attributable to shareholders was US$201 million, significantly increased from US$155 million in 2023. Underlying earnings per share was also improved by 30%, to US¢14.91.

## Cash flow

| Summarised Cash Flow | **2024 US$m** | 2023 US$m |
|---|---|---|
| Underlying operating profit | **343** | 294 |
| Depreciation and amortisation | **837** | 827 |
| (Increase)/decrease in working capital | **(79)** | 45 |
| Net interest and other financing charges paid | **(149)** | (145) |
| Tax paid | **(51)** | (41) |
| Dividends received from associates | **52** | 46 |
| Other | **20** | 18 |
| Cash flows from operating activities | **973** | 1,044 |
| Principal elements of lease payments | **(642)** | (625) |
| Cash flows from operating activities after lease payments | **331** | 419 |
| Normal capital expenditure | **(172)** | (197) |
| Investments | **(53)** | (17) |
| Disposals | **162** | 119 |
| Cash flows from investing activities | **(63)** | (95) |
| Cash flows before financing but after lease payments | **268** | 324 |




## Gross Debt and Net Debt (US$m)




The Group reported a solid cash flow amounting to US$331 million from operating activities after lease payments, though this was a drop from the US$419 million generated in the previous year. This negative movement was largely attributed to unfavourable movement in working capital year-end timing difference, partly offset by the increase in underlying operating profit.

Normal capital expenditure was lower at US$172 million versus US$197 million in 2023 principally due to disciplined capital allocation.

During the year, the Group realised proceeds from the sale of various assets, including a property holding company in both Singapore and Taiwan, a digital joint venture, the Hero Supermarket business, and four properties in Indonesia, for a total net cash received amounting to US$162 million. These contributed to a lower net debt level at end of 2024.

At 31 December 2024, the Group's businesses, including associates and joint ventures, operated a total of 10,768 stores across all formats in 13 Asian markets, compared with 10,971 stores at the end of 2023 on a continuing basis.

## Balance sheet

Total assets, excluding cash and bank balances, were US$7.0 billion, representing an increase of US$193 million compared to 2023. The increase was primarily attributed to the divestment of the Group's interest in Yonghui. Reported as held for sale, the interest in Yonghui was measured at fair value as of 31 December 2024, resulting in a recognised net fair value gain of US$933 million at year-end. Excluding this one-off net fair value gain and the cash and bank balances, the total assets would have been US$6.1 billion, representing a decrease of US$739 million versus last year. The decline was mainly due to the divestment of several company-owned properties and subsidiaries during the year, as well as lower capital expenditure. In addition, the impairment charge against the Group's investment in Robinsons Retail and goodwill, and adverse movements in foreign exchange rates, specifically the weakening of Asian currencies against the United States dollar, the reporting currency, also contributed to the overall decline. Net operating assets were US$595 million at the end of 2024, a 40% decrease from the previous year.

The Group ended the year with a reduced net debt level at US$468 million, US$150 million lower as compared to US$618 million at 31 December 2023. The improvement reflects the continuous efforts resulting from the ongoing optimisation of capital structure through disciplined capital and resource allocation to drive the improved shareholder value and returns.

## Dividend

The Board is recommending a final dividend of US¢7.00 per share, giving a total dividend of US¢10.50 per share for the year.

## Financing

At 31 December 2024, the Group had a gross debt of US$741 million, a decrease of US$183 million from 2023. The gross debt is funded by total committed and uncommitted lines of US$2.5 billion, with US$986 million committed and US$779 million uncommitted facilities being unused and available. The Group had cash balances of US$274 million. The undrawn committed facilities, combined with the cash pooling arrangement, provide substantial financial flexibility. This, in turn, ensured the Group had sufficient cash and liquidity available to support its operational requirements. Subsequent to the completion of the divestment in Yonghui in February 2025, the Group achieved a net cash position.

The Group typically finances its daily operations through borrowings in local currencies. These borrowings are primarily used for working capital purposes and are managed at the operational subsidiary level. Conversely, borrowings supporting the Group's strategic initiatives are managed centrally. These strategic borrowings are usually obtained in Hong Kong dollars, Singapore dollars and United States dollars. The Group effectively manages foreign exchange and interest rate risks associated with these borrowings through hedging strategies, which are implemented based on the nature of the investment.

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## Financial risk management

A comprehensive discussion of the Group's financial risk management policies is included in note 40 to the financial statements. The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty on costs. It is our policy not to engage in speculative derivative transactions. The investment of the Group's cash resources is managed to minimise risk while seeking to enhance yield.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt (short- and long-term), to maximise flexibility for the future development of the business and to increase the shareholder value and returns.

## Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 214 to 222 of the Annual Report.

## Accounting policies

The accounting policies are consistent with those of the previous year. The Directors continue to review the appropriateness of the accounting policies adopted by the Group, having regard to developments in International Financial Reporting Standards (IFRS Accounting Standards). In 2024, a number of amendments to the IFRS Accounting Standards become effective and the Group has applied these amendments with no material impacts to the financial statements.

**Tom van der Lee**
Group Chief Financial Officer
10 March 2025