TICKRS FINANCIAL SINGAPORE PTE LTD
UEN No. 202112304K
137 Market Street #12-01
Singapore 048943
E-mail: enquiry@tickrs.com.sg Tel: +65 6011 1700

DUTY FREE INTERNATIONAL LIMITED (SGX: 5SO)

Initiation of Coverage | 18 November 2025		**Rating:**	**HOLD**
Analyst : Jaimes Chao		**Last Close:**	**S$0.094**
+65 6011 1700 | research@tickrs.com.sg		**Target Price:**	**S$0.095**

Transitional Value: Awaiting the UIH Catalyst

Duty Free International Limited (DFI) operates Malaysia's leading duty-free retail network while pursuing strategic diversification through the pending acquisition of United Industries Holdings (UIH), an automotive parts manufacturer. However, FY26 H1 results (6 months to 31 Aug 2025) show that the UIH deal has not yet closed, and the core retail business is tracking below earlier expectations due to the Bukit Kayu Hitam outlet closure and a softer-than-expected travel recovery. We initiate coverage with a **HOLD** rating and a 12-month target price of **S$0.095**, reflecting fair value pending UIH completion. The stock offers a "wait-and-see" risk-reward profile: upside would materialise *if* the UIH deal closes in FY27, but downside risk exists if integration delays persist.

Executive Summary

DFI operates Malaysia's most extensive duty-free retail network under *The Zon* brand, with over 40 locations spanning airports, land borders, seaports, and tourist destinations. The company's FY2025 results were boosted by a one-off RM69.6 m land compensation gain; normalised EBITDA was ~RM45 m, reflecting gradual travel recovery but persistent margin pressure.

The UIH Reality Check: The acquisition was approved by shareholders at the 28 October 2025 EGM and is now moving toward completion, pending final regulatory and administrative steps. Given this timeline, UIH is expected to contribute little to FY26 results, with meaningful earnings impact only from FY27 onward when full-year consolidation begins and the dual-engine earnings profile can be properly reflected.

Retail Headwinds: Key challenges have emerged in the core duty-free business, evidenced by H1 FY26 performance:

- **Bukit Kayu Hitam closure** (Nov 2024) removed a major revenue contributor.
- **Slower travel recovery** – Chinese *spending* patterns and outbound travel globally remain ~30–40% below 2019 levels, though Malaysia's inbound recovery has been stronger.
- **Competitive pressure** from e-commerce and regional duty-free giants is constraining pricing power and margins.

Valuation & Rating: At S$0.094, DFI trades at ~0.99× P/B and ~30× FY26F P/E (based on a realistic RM8–12 m normalised profit, excluding UIH) – near fair value for a retail-only business with modest growth. We assign a **HOLD** rating with a TP of S$0.095, based on scenario-weighted outcomes:

- **Base case (60% probability):** UIH closes in Q1 FY27; FY26F EBITDA ~RM42.5 m (retail-only) → TP **S$0.095**.
- **Bear case (25%):** UIH deal fails; FY26F EBITDA ~RM30 m (retail-only) → TP **S$0.070**.
- **Bull case (15%):** UIH closes by Q4 FY26; FY26F EBITDA ~RM55–62.5 m (partial UIH contribution) → TP **S$0.120**.

Catalysts: Key potential catalysts include a successful UIH deal completion, a stronger H2 FY26 retail recovery, and dividend stability (1-2% yield support).
Key Risks: Major risks encompass UIH deal collapse, prolonged travel weakness, margin compression from competition, and structural governance (75.5% parent ownership by Atlan).

Key Metrics

Trading & Capitalisation (as at 17 November 2025):

Metric	Value	Source / Comments
Share Price	S$0.094	Market close, 17 Nov 2025
Market Capitalisation	S$112.6 m	~1,198.2 m shares outstanding
52-Week Range	S$0.058 – S$0.096	Bloomberg data
Shares Outstanding	1,198,200,293	AR2025, excluding treasury shares
Free Float	24.16%	Public shareholding as at 13 May 2025
Avg Daily Volume (3M)	145,675 shares	Very low liquidity

Valuation Multiples:

Metric	Value	Calculation / Source
P/E (FY2025A – Reported)	6.9×	FY2025 EPS 4.47 sen (RM); includes RM69.6 m land windfall
P/E (FY2025A – Normalised)	~31.0×	Normalised EPS ~1.0 sen (RM); excludes exceptional gains
P/E (FY2026F – Base Case)	30.3×	FY2026F EPS ~1.0 sen (RM) – ≈RM12 m profit (retail-only)

Metric	Value	Calculation / Source
P/B (FY2025A)	0.99×	BVPS ~S$0.095 (RM0.3126) as at 28 Feb 2025
EV/EBITDA (FY2025A – Pre-ex)	~5.4×	*Pre-*exceptional FY25 EBITDA ~RM45.0 m; EV adjusted for net cash[1]
EV/EBITDA (FY2026F – Base)	~5.5×	Forecast FY26F EBITDA ~RM42.5 m (retail-only)
Dividend Yield (FY2025A)	~6.9%	DPS S$0.0065 (included special dividend from land windfall)
Dividend Yield (FY2026F)	~1.3%	Forecast DPS ~S$0.0012 assuming 40% payout ratio

FX rate used throughout: S$1.00 = RM3.29 (market rate as of Nov 2025).

Profitability Metrics:

Metric	FY2025A (Reported)	FY2025A (Normalised)	FY2026F (Base Case)
Revenue	RM155.1 m	RM155.1 m	RM152.0 m
EBITDA	RM75.8 m	RM45.0 m	RM42.5 m
EBITDA Margin	48.9%	29.0%	28.0%
Net Profit (PATMI)	RM53.6 m	RM12.0 m	RM12.0 m
Net Margin	34.6%	7.7%	7.9%
ROE	14.8%	3.7%	3.6%
ROA	10.9%	2.7%	2.7%
EPS (RM sen)	4.47 sen	1.00 sen	1.00 sen
EPS (Singapore ¢)	1.36¢	0.30¢	0.30¢

Financial Highlights & H1 FY26 Performance

FY2025A: Windfall, Not Momentum – The FY2025 headline profit included a large one-off gain, masking a weaker underlying performance:

- **Revenue:** RM155.1 m (–1.4% YoY) – essentially flat vs FY2024.
- **Reported PATMI:** RM53.6 m – boosted by a RM44.8 m net exceptional gain from land compensation.

- **Normalised PATMI:** ~RM12 m – reflecting the underlying operational result after stripping out exceptions.
- **Normalised EBITDA:** ~RM45 m, with EBITDA margin ~29% (improved from 23.6% in FY2024).
- **Dividend:** S$0.0065 per share (6.9% yield at S$0.094) – included a special payout from the land sale windfall.

Key Takeaway: Excluding the one-off land gain, FY2025 was a modest recovery year (normalised EBITDA ~RM45 m) — still below pre-pandemic levels.

H1 FY26: The Bearish Reality – First-half FY26 results highlight ongoing challenges, with little improvement YoY:

Metric	**H1 FY26 Actual**	**H1 FY25 Actual**	**YoY Change**	**Implied FY26 (Annualised)**
Revenue	RM74.8 m	RM75.5 m	–0.9%	**RM149.6 m**
EBITDA	RM15.3 m	RM15.5 m	0%	**RM30.6 m**
PATMI	RM4.1 m	(RM1.9 m)	>100%	**RM8.2 m**
Net Margin	5.5%	(2.5%)	800 bps	**5.5%**

Critical Observations:

- **Revenue flat:** The revenue decline (–0.9% YoY) was minimal – weakness from the Bukit Kayu Hitam closure was largely offset by other locations.
- **EBITDA** was broadly flat YoY at ~RM15m, reflecting the absence of topline momentum and continued cost pressure
- **PATMI turnaround:** Net profit improved sharply, swinging from a –RM1.9m loss in H1 FY25 to +RM4.1m in H1 FY26.
- **UIH absent:** As expected, UIH contributed nothing in H1; the acquisition was still pending as of 31 Aug 2025 (no consolidation yet).

Investment Thesis

1. Travel Recovery: Slower Than Expected

Positive Factors:

- For full-year 2024: Malaysia recorded **25.02 million arrivals**, missing the target of 27.3m. For January–August 2025: Malaysia recorded **28.24 million arrivals**, up 14.5% YoY. Malaysia tourism authorities expect a healthy growth trajectory.

- China has resumed visa-free entry for Malaysians and restarted group tours, improving inbound travel prospects.
- KLIA (Kuala Lumpur Int'l Airport) passenger throughput was +18% YoY for Jan–Sep 2025, indicating ongoing recovery in air travel.

Offsetting Headwinds:

- Chinese spending patterns and outbound travel **globally** remain ~30–40% below 2019 levels, even though Malaysia's inbound recovery has been stronger.
- Average spend per tourist is flat, indicating limited pricing power or upselling ability.
- E-commerce alternatives (Alibaba, JD.com, etc.) are eroding the appeal of traditional duty-free shopping.
- The **Bukit Kayu Hitam** land border store closure (Nov 2024) permanently removed ~RM10–15 m in annual revenue.

Verdict: Travel is recovering, but at a **glacial pace**. DFI's retail EBITDA is likely to plateau around RM40–45 m near-term (versus RM60 m+ pre-COVID), absent a stronger resurgence in tourism.

2. UIH Acquisition: Transformational, But Execution Matters

With shareholder approval secured at the 28 October 2025 EGM, the UIH acquisition has cleared its largest uncertainty hurdle and is now progressing toward completion, pending final regulatory and administrative steps. While the strategic rationale remains compelling, the timing of consolidation means that FY26 will see little to no contribution from UIH, with meaningful impact only from FY27 onward.

If UIH completes smoothly (Base Case – 60% probability):

- FY27F consolidated EBITDA could reach ~RM85–90 m, driven by
  • ~RM45 m from DFI's retail operations, and
  • ~RM40–45 m from UIH's automotive manufacturing business.
- The acquisition diversifies DFI beyond cyclical duty-free retail and adds a steady, industrial cash-flow engine.
- With a clearer multi-segment earnings base, DFI could re-rate toward 10–12× P/E, versus ~30× currently on retail-only FY26F earnings, reflecting improved visibility and scale.

If completion is delayed or post-acquisition integration stumbles (40% probability):

- Retail earnings remain the main engine, with sustainable EBITDA stuck near RM40–45 m, leaving the growth narrative dependent on tourism recovery alone.
- Under this scenario, the stock would likely settle into a lower valuation range (~0.7–0.8× P/B), implying S$0.07–0.08/share, or 25–30% downside, especially if expectations reset after delays.

Key Catalyst

With shareholder approval already obtained, the next pivotal catalysts are transaction completion and initial post-acquisition operational updates. Clear evidence of consolidation, synergy capture, and UIH's earnings visibility will determine whether the stock transitions toward the dual-engine growth profile anticipated for FY27.

3. Valuation: Fair, Not Cheap

- At **S$0.094** (≈0.99× P/B), DFI trades roughly at book value – which is fair for a mature, low-ROE retail business.
- The stock's **P/E is ~30×** (FY26F, retail-only basis), well above regional retail peer averages of ~15–20×. In other words, DFI is no longer trading at a discount – investors are already pricing it more like a growth stock than a deep value play.
- DFI's **EV/EBITDA ~5.5×** (FY26F) is below larger duty-free peers (~10–15×). This discount is justified by DFI's smaller scale and lower growth profile, but it also suggests limited upside unless earnings expand.
- The forecast dividend yield of approximately 1.3% (S$0.0012 per share) for Duty Free International Limited is uncompetitive and reflects a normalization of payouts following last year's exceptional windfall — not enough to provide valuation support for the stock.
- **Re-rating requires UIH:** A significant valuation re-rating is unlikely unless the UIH acquisition is completed and contributes meaningfully (RM40–50 m EBITDA) to the bottom line. That is fundamentally a **FY27** story, not FY26 – until then, DFI's valuation is likely to remain in check.

4. Balance Sheet: Fortress, But Idle

- **Net cash ~RM230 m (S$70 m):** DFI's balance sheet is very strong, with no bank debt and a large cash pile (~RM0.19 per share in net cash). This provides substantial downside protection and flexibility for strategic use (e.g., funding acquisitions, dividends, or buybacks).
- **M&A optionality:** Aside from UIH, management's bandwidth for further M&A is limited. With the focus on closing the UIH transaction, it's unlikely DFI will pursue other acquisitions in the interim. The hefty cash position may therefore remain under-utilized, earning low yields.
- **Dividend sustainability:** The forecast FY26 dividend payout ratio is ~40%. This implies a DPS of around S$0.0012 (1.3% yield) – a level that is **sustainable** given the cash flow, but also unexciting. Even with a high cash balance, management appears prudent, prioritising cash preservation for the UIH deal over more aggressive shareholder returns.

Valuation Scenarios & Target Price

To derive our target price, we consider three scenarios (Base, Bear, Bull) weighted by probability, reflecting different outcomes for the UIH deal and core earnings trajectory:

Scenario (FY26F)	Probability	UIH Outcome	FY26F EBITDA	FY26F PATMI	12M Target Price (Upside)
Base (Most likely)	60%	UIH closes Q1 FY27 (no impact in FY26)	~RM42.5 m (retail only)	~RM12 m	**S$0.095** *(+1%)*
Bear	25%	UIH deal fails (DFI stays retail-only)	~RM30 m	~RM8 m	**S$0.070** *(–26%)*
Bull	15%	UIH closes by Q4 FY26 (3–4 months of UIH in FY26)	~RM55–62.5 m	~RM18 m	**S$0.120** *(+28%)*

Current trajectory implies FY26 PATMI near RM8.2m, which matches our bear case scenario, highlighting ongoing challenges in the core retail business. Our base case assumes a stronger second half or operational improvements driving PATMI towards RM12m**. Weighted Target Price:** S$0.092 (rounded to S$0.095). We assign our 12-month **Target Price of S$0.095** based on the probability-weighted scenario outcome, which also aligns with the Base case fair value. This suggests only ~+1% upside from the last close – supporting our **HOLD** rating.

Peer Comparison:

DFI's valuation multiples are in line with – or richer than – global duty-free peers, despite its smaller size and single-country focus.

Company	P/E (FY+1)	EV/ EBITDA	P/B	Div. Yield	Comment
DFI (Retail-only)	30.3×	5.5×	0.99×	1.3%	Based on FY26F ~RM12m profit
China Duty Free	26×	12×	2.5×	1.1%	Large-scale, China exposure
Dufry (Avolta)	18×	6×	3.1×	2.3%	Global, post-restructure
Hotel Shilla	27×	19×	0.9×	0.5%	Korea, struggling recovery
Lotte Duty Free (Hotel Lotte)	N/A	N/A	N/A	N/A	*Private; no direct listing*
Peer Average (Listed)	~24×	~12×	~2.2×	~1.3%	–

Key Observations:

- DFI's P/E (~30×) is **above** the peer average (~24×). The stock is no longer "cheap" relative to regional retail/duty-free players.
- DFI's EV/EBITDA (~5.5×) is **below** peers', but this reflects its smaller scale and lower growth expectations. Larger peers command 10–15× EV/EBITDA due to stronger growth and market dominance.
- DFI's P/B (~0.99×) is essentially at book value, which is reasonable given its low ROE (~3–4%). Peers like China Duty Free trade at higher P/B due to superior growth/ROE, whereas Shilla trades below book on weak profitability.
- DFI's dividend yield (~1.3%) is on par with peers average (who mostly yield ~0.5–2%), as DFI's payouts will normalize without one-offs.

Verdict: DFI's valuation is in line with fair value for a standalone retail business and is **no longer deeply discounted** vs peers. A meaningful upside re-rating likely hinges on a successful UIH acquisition to alter its growth profile.

Catalysts & Risks

Catalysts (6–12 Months)

• **UIH Deal Completion – Primary Catalyst:** The UIH acquisition has received shareholder approval from the 28 Oct 2025 EGM. After completion (target: Q4 FY26–Q1 FY27), the transaction would meaningfully expand DFI's earnings base and could trigger a valuation re-rating toward our bull-case target range (S$0.110–0.120), assuming early signs of earnings accretion.

• **H2 FY26 Retail Recovery:** The second half of FY26 covers the peak travel period (Nov–Feb) and Chinese New Year 2026. A stronger H2—e.g., EBITDA above RM20m versus RM15.3m in H1—would signal stabilisation of the core retail business and likely improve investor sentiment.

• **Dividend Stability:** DFI typically declares interim dividends in July and January/February. A consistent FY26 payout, even at a normalised yield (~1–2%) without one-off boosts, would reinforce confidence in cash-flow visibility and provide a modest valuation floor.

• **Strategic Actions:** Value-unlocking corporate actions remain a potential catalyst. A share buyback at ~0.99× P/B would be NAV-accretive, while a privatisation attempt by controlling shareholder Atlan (75.5%) could crystallise value for minorities, although such outcomes are inherently speculative.

Key Risks: (ordered by severity)

1. **UIH Deal Failure (HIGH IMPACT):** The most significant risk is that the UIH acquisition is voted down by shareholders or stymied by regulatory/financing issues. **Impact:** Without UIH, DFI remains a slow-growth retail play – we estimate the stock could re-price to ~S$0.07–0.08 (25–30% downside) to reflect lower growth and the wasted M&A effort.

2. **Retail Margin Compression (MEDIUM):** Profit margins could erode further due to competitive pressures (e.g. intensified e-commerce rivalry) or higher operating costs (e.g. increased airport concession fees or rental expenses). **Impact:** If EBITDA slips toward ~RM35 m, our valuation would drop to ~S$0.08 (≈15% downside).

3. **Travel Disruption (MEDIUM):** Any new shock to regional travel – for instance, a pandemic resurgence or geopolitical tensions affecting tourism (e.g. Malaysia–China relations) – could derail the fragile recovery. **Impact:** In a severe scenario, EBITDA might fall to ~RM25–30 m, driving our estimated fair value down to ~S$0.07 (≈25% downside).

4. **Governance / Delisting (LOW–MEDIUM):** With Atlan owning 75.5%, minority shareholders have limited influence. There's a risk of adverse governance events – e.g. a lowball privatisation attempt by Atlan to take DFI private on the cheap, or related-party transactions that don't favor minorities. **Impact:** Such actions could result in minorities being squeezed out at valuations below fundamental fair value, or erode investor confidence and depress the stock's liquidity and valuation.

Dividend & Balance Sheet

Historical Dividends: DFI has a track record of paying dividends, though payouts have fluctuated with earnings and one-off gains:

- **FY2024:** DPS S$0.00255 (yield ~2.7% at the time) – modest payout as the business was in early recovery post-pandemic.
- **FY2025:** DPS S$0.0065 (yield ~6.9%) – a substantially higher dividend, bolstered by a special payout from the land compensation windfall.
- **FY2026F:** DPS ~S$0.0012 (projected yield ~1.3%) – this assumes a normalised 40% payout ratio on core earnings, with no repeat of exceptional gains.

Dividend Coverage: Forecast FY26 free cash flow (~RM15 m) comfortably covers the expected total dividend outlay (~RM4.4 m, or S$1.44 m). Coverage of ~3.4× indicates the dividend should be easily covered by internal cash generation, and the payout is sustainable given the company's cash reserves.

Balance Sheet Optionality:

- DFI's **net cash** position of ~RM230 m (as at 31 Aug 2025) provides a significant buffer and optionality. This war chest (equivalent to ~S$0.058 per share, or 60%+ of the share price) could be deployed for value-accretive moves or serves as rainy-day funds in a downturn.
- Aside from UIH, management is **unlikely to pursue new M&A** in the near term, given the focus on executing this transaction. In the absence of alternative uses, the large cash balance may continue to earn low yields. However, it also means DFI has ample scope to maintain dividends or enact buybacks to support the stock if needed.

ESG Considerations

- **Environmental:** DFI's operations (retail stores) have a moderate environmental footprint primarily from electricity usage and logistics. The planned UIH acquisition would add an automotive manufacturing component with its own emissions and energy profile, but overall the combined entity's environmental impact should remain manageable. There are no known significant environmental controversies involving the company.
- **Social:** A noteworthy social factor is that ~20% of DFI's revenue comes from tobacco products, which poses regulatory and public health considerations (increasing excise duties, smoking reduction campaigns, etc.). Otherwise, DFI has a decent record on labor practices and community engagement (no major labor disputes or negative press on social issues).
- **Governance:** Corporate governance is a moderate concern. The majority shareholder, Atlan Holdings, owns 75.5% of DFI, which means minority shareholders have limited influence on corporate decisions. The board includes only three independent directors, which is on the low side for minority representation. Investors will be watching related-party dealings and capital allocation (e.g., the UIH deal is a related-party transaction with controlling shareholder Atlan, which heightens scrutiny on pricing and terms).
- **Overall ESG Rating:** We consider DFI **ESG-neutral**. The company does not face grave ESG risks or scandals, but it also isn't a leader in sustainability. Its core business (duty-free retail) and potential new business (auto parts manufacturing) are relatively traditional industries with moderate ESG profiles. Governance structure is a slight drag due to the controlling shareholder factor. ESG factors are unlikely to be a major swing factor for the stock's valuation at this time.

Conclusion

Recommendation: HOLD
12M Target Price: S$0.095 (approx. +1% upside)
Expected Total Return: ~2.4% (incl. ~1.3% dividend yield)

Duty Free International Limited is fairly valued at current levels, with meaningful upside contingent on successful completion of the UIH acquisition (not expected before FY27). The strong balance sheet and modest dividend cushion downside, but earnings momentum remains weak and valuation is already full (~30× P/E, 0.99× P/B). We would upgrade to BUY if UIH closes with clear accretion, retail EBITDA recovers strongly, or major shareholder rewards are announced. A SELL would be warranted if the UIH deal fails or earnings materially deteriorate.

Profile:
Best suited for patient, yield-oriented investors with event-driven risk tolerance.

Rating: HOLD | 12M Target: S$0.095 | Upside: ~2%

Analyst Certification and Disclaimer

Analyst Certification: *I, Jaimes Chao, hereby certify that the views expressed in this report accurately reflect my personal opinions about* ***Duty Free International Limited*** *and its securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.*

Disclaimer:
This report has been prepared by Tickrs Financial Singapore Pte Ltd ("TFS"), a licensed capital markets services holder and an exempt financial advisor in Singapore. It is provided for informational purposes only and does not constitute an offer, invitation, or solicitation to buy or sell any securities, investments, or financial instruments.

The information, opinions, and estimates contained herein are based on publicly available sources (including company filings, SGX announcements, financial statements, and reputable news providers) believed to be reliable, but TFS makes no representation or warranty as to the accuracy, completeness, or timeliness of such information. Any forward-looking statements are based on certain assumptions and are subject to risks and uncertainties that could cause actual results to differ materially. There is no assurance that any forward-looking statements will materialize. Past performance is not indicative of future results.

TFS and its affiliates, and each of their respective directors, officers, employees, connected parties, associates and agents ("Representatives"), shall not be liable for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance upon this report. The views expressed reflect the personal opinions of the analyst(s) and do not necessarily represent those of TFS or its Representatives.

This report does not take into account the specific investment objectives, financial situation, risk profile, or needs of any person who may receive or read it. Readers should independently evaluate the information herein and seek advice from a licensed investment adviser regarding the appropriateness of any securities, instruments, or strategies mentioned.

Conflict of Interest Disclosure:

The analyst(s) responsible for this report certify that they have not received and will not receive direct compensation in exchange for any specific recommendation. As of the date of this publication, TFS, its directors, officers, and research staff do not have any proprietary financial interest in ***Duty Free International Limited*** *or its securities. TFS has not received any investment banking fees from* ***Duty Free International Limited*** *in the past 12 months, and no part of TFS's compensation is tied to the specific recommendations in this report.*

Risk Disclosure:

Investing in equities, especially small- and mid-cap stocks, involves risk, including the risk of loss of principal. Investors should consider their own objectives and risk tolerance before making any investment decisions.

Website: *https://www.tickrs.com.sg/*