



Superdrug is one of the largest beauty and health retailers in the UK, operating over 780 stores across the UK and Ireland.

Retail



Rossmann operates over 4,700 stores in Germany, Poland, Hungary, the Czech Republic, Türkiye, Albania, Kosovo and Spain.



Watsons Malaysia opens its 700th store.

The Perfume Shop is the largest fragrance retailer in the UK and Ireland.



Watsons Thailand operates over 700 stores, offering a seamless O+O (Offline plus Online) customer experience.

Operations Review – Retail

The Retail division consists of the AS Watson (“ASW”) group of companies, the world’s largest international Health and Beauty (“H&B”) retailer with a 159 million loyalty member base.

Group Performance

ASW operated 12 retail brands with 16,491 stores in 28 markets worldwide as of 31 December 2023, providing high quality personal care, health and beauty products; food and fine wines; as well as consumer electronics and electrical appliances. ASW also manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

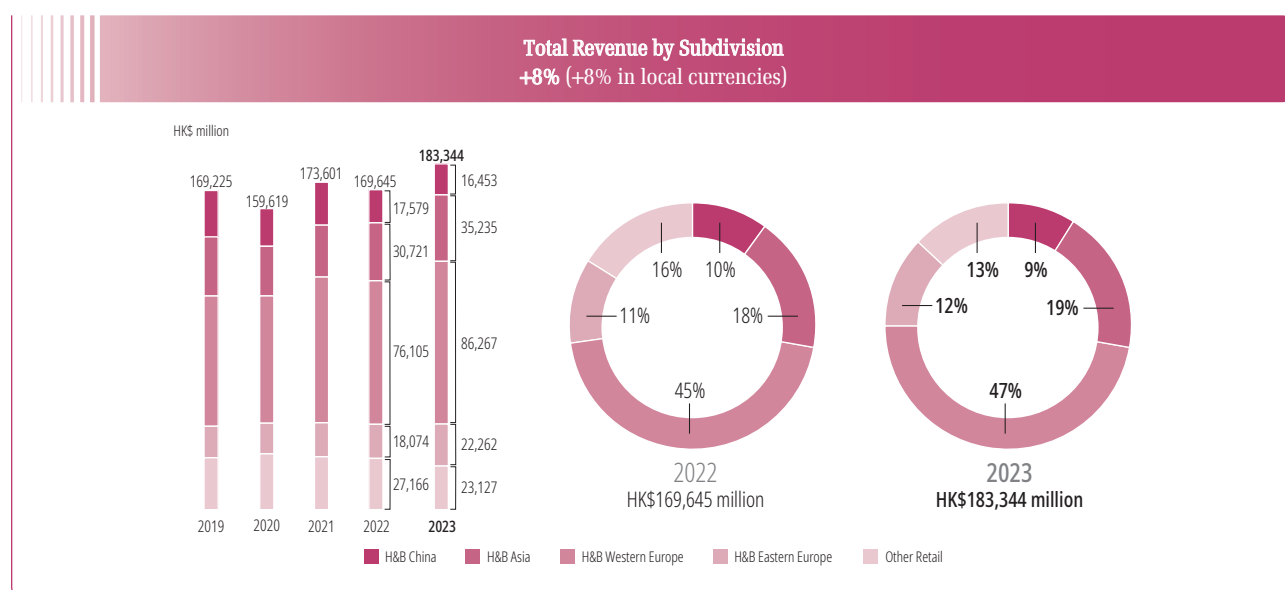
	2023 HK\$ million	2022 HK\$ million	Change	Local currencies change
Total Revenue	183,344	169,645	+8%	+8%
EBITDA ⁽¹⁾	16,226	14,309	+13%	+11%
EBIT ⁽¹⁾	12,888	11,048	+17%	+14%
Store Numbers	16,491	16,142	+2%	

Note 1: Under Post-IFRS 16 basis, EBITDA was HK\$25,507 million (2022: HK\$23,359 million); EBIT was HK\$13,849 million (2022: HK\$11,831 million).

Total reported revenue increased by 8% against last year in both reported and local currencies. The higher revenue was primarily due to better overall performance in H&B operations in Asia and Europe from increase in store traffic, partly offset by adverse results from Other Retail due to stagnant store traffic in Hong Kong.

H&B loyalty members’ participation & exclusives sales contribution	2023	2022
Total loyalty members in H&B segment (million)	157	140
Loyalty members’ sales participation in H&B segment (%)	63%	62%
Exclusives sales contribution to total H&B sales (%)	37%	36%

The H&B segment, which represented 87% of the Retail division’s revenue in 2023, has 157 million loyalty members. Customer insights from these loyalty members have enabled the businesses to drive assortment, store and marketing strategies.



Total Revenue	2023 HK\$ million	2022 HK\$ million	Change	Local currencies change
H&B China	16,453	17,579	-6%	-1%
H&B Asia	35,235	30,721	+15%	+20%
H&B China & Asia Subtotal	51,688	48,300	+7%	+12%
H&B Western Europe	86,267	76,105	+13%	+10%
H&B Eastern Europe	22,262	18,074	+23%	+16%
H&B Europe Subtotal	108,529	94,179	+15%	+12%
H&B Subtotal	160,217	142,479	+12%	+12%
Other Retail ⁽²⁾	23,127	27,166	-15%	-15%
Total Retail	183,344	169,645	+8%	+8%

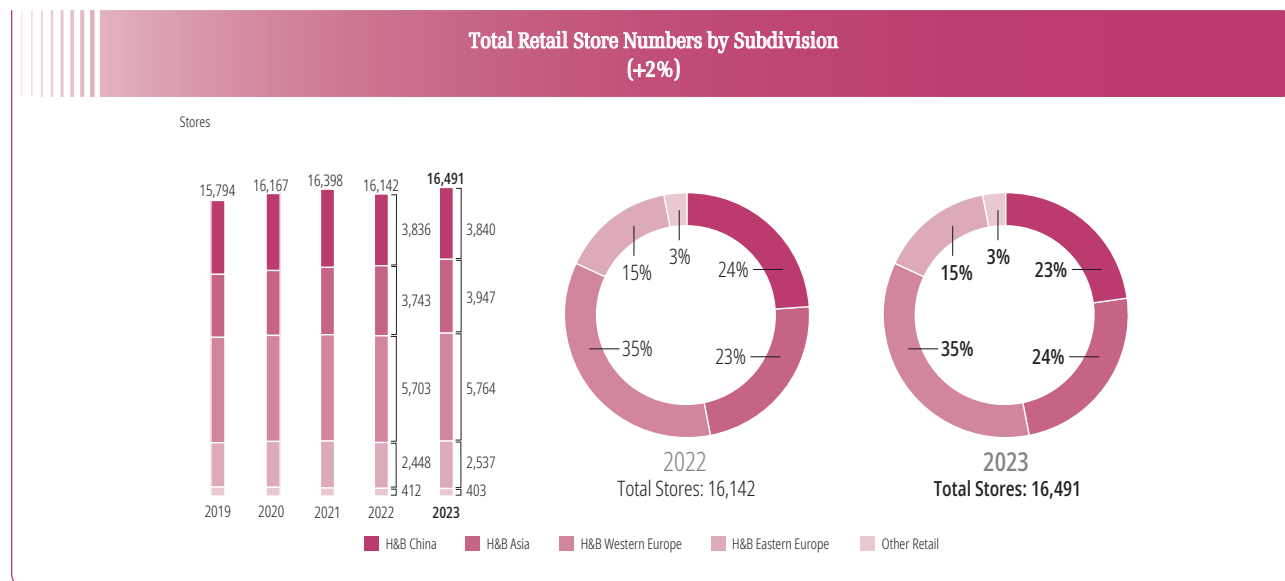
Comparable Stores Sales Growth (%) ⁽³⁾	2023	2022
H&B China	+1.8%	-18.3%
H&B Asia	+16.3%	+21.3%
H&B China & Asia Subtotal	+11.2%	+3.9%
H&B Western Europe	+9.2%	+9.5%
H&B Eastern Europe	+12.9%	+14.2%
H&B Europe Subtotal	+9.9%	+10.3%
H&B Subtotal	+10.3%	+8.2%
Other Retail ⁽²⁾	-13.8%	+2.7%
Total Retail	+6.9%	+7.4%

Note 2: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and the manufacturing operations.

Note 3: Comparable stores sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

Operations Review – Retail

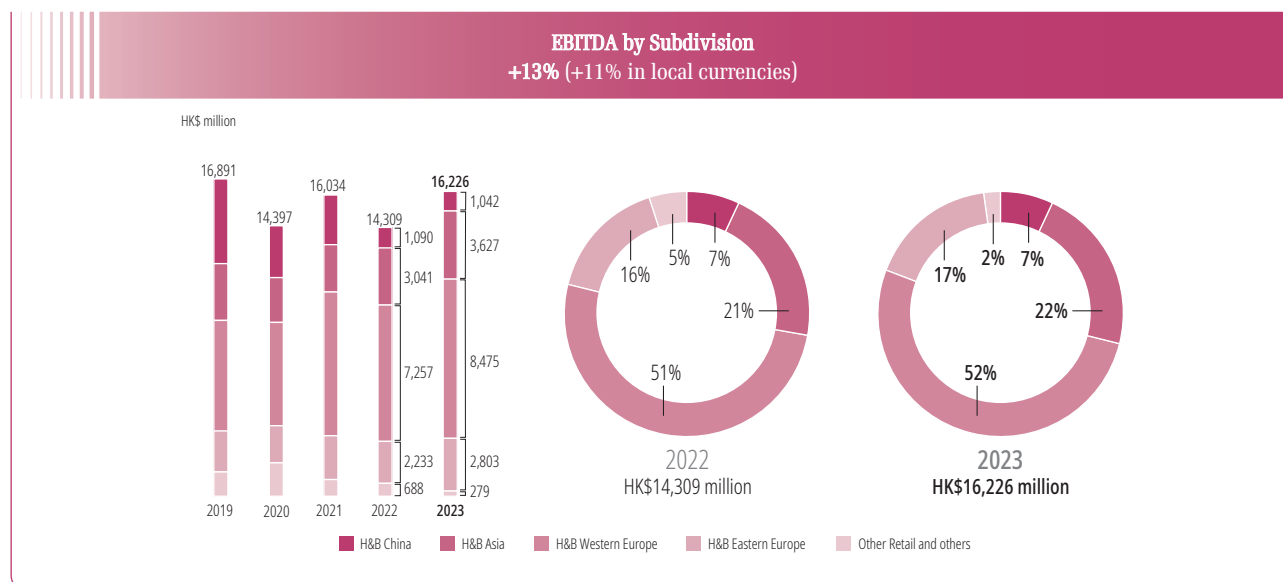
Group Performance (continued)



Store Numbers	2023	2022	Change
H&B China	3,840	3,836	–
H&B Asia	3,947	3,743	+5%
H&B China & Asia Subtotal	7,787	7,579	+3%
H&B Western Europe	5,764	5,703	+1%
H&B Eastern Europe	2,537	2,448	+4%
H&B Europe Subtotal	8,301	8,151	+2%
H&B Subtotal	16,088	15,730	+2%
Other Retail ⁽⁴⁾	403	412	-2%
Total Retail	16,491	16,142	+2%

Note 4: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and the manufacturing operations.

The Retail division's EBITDA and EBIT increased by 13% and 17% in reported currency respectively and by 11% and 14% in local currencies respectively against 2022, primarily due to favourable results in Europe and Asia. The favourable results were partly offset by adverse performance in Other Retail as comparable stores sales decreased by 14%, which was mainly affected by weak store footfall of PARKnSHOP Hong Kong. The H&B segment reported EBITDA and EBIT growth of 15% and 18% in local currencies against 2022 respectively, which was attributable to better performances from improved sales momentum across most businesses in Asia, the UK and the Rossmann joint ventures in Poland and Germany. In local currencies, H&B Europe improved its EBITDA and EBIT by 14% year-on-year, while EBITDA and EBIT of H&B Asia grew by 23% and 27% respectively against last year. Following the re-opening of economy, H&B China also reported positive growth in both EBITDA and EBIT in local currencies against 2022.



EBITDA	2023 HK\$ million	2022 HK\$ million	Change	Local currencies change
H&B China	1,042	1,090	-4%	+2%
H&B Asia	3,627	3,041	+19%	+23%
H&B China & Asia Subtotal	4,669	4,131	+13%	+18%
H&B Western Europe	8,475	7,257	+17%	+13%
H&B Eastern Europe	2,803	2,233	+26%	+17%
H&B Europe Subtotal	11,278	9,490	+19%	+14%
H&B Subtotal	15,947	13,621	+17%	+15%
Other Retail ⁽⁵⁾	279	688	-59%	-60%
Total Retail	16,226	14,309	+13%	+11%

Note 5: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and the manufacturing operations.

Operations Review – Retail

Segment Performance

Health and Beauty China

	2023 HK\$ million	2022 HK\$ million	Change	Local currency change
Total Revenue	16,453	17,579	-6%	-1%
EBITDA	1,042	1,090	-4%	+2%
<i>EBITDA Margin %</i>	<i>6%</i>	<i>6%</i>		
EBIT	348	262	+33%	+47%
<i>EBIT Margin %</i>	<i>2%</i>	<i>1%</i>		
Store Numbers	3,840	3,836	–	
Comparable Stores Sales Growth (%)	+1.8%	-18.3%		

H&B China's performance was impacted by soft consumer sentiment as well as intense market competition amid full re-opening of the economy in 2023 with EBITDA increased by a mild 2% against last year mainly driven by margin and productivity improvements. EBIT however improved by 47% in local currency compared to 2022 primarily due to optimisation of capital expenditure spending.

As part of H&B China's optimisation of store opening strategies, total store number remained at similar level as last year with around 3,800 stores in over 500 cities in the Mainland as of 31 December 2023.

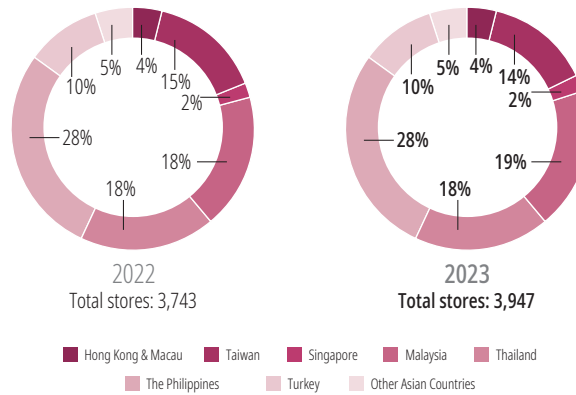
Health and Beauty Asia

	2023 HK\$ million	2022 HK\$ million	Change	Local currencies change
Total Revenue	35,235	30,721	+15%	+20%
EBITDA	3,627	3,041	+19%	+23%
<i>EBITDA Margin %</i>	<i>10%</i>	<i>10%</i>		
EBIT	3,053	2,487	+23%	+27%
<i>EBIT Margin %</i>	<i>9%</i>	<i>8%</i>		
Store Numbers	3,947	3,743	+5%	
Comparable Stores Sales Growth (%)	+16.3%	+21.3%		

Watsons is the leading health and beauty retail chain in Asia with strong brand name recognition and extensive geographical coverage. H&B Asia maintained its strong trading momentum seen in the first half of 2023, with robust comparable store sales growth of 16.3%, resulting in EBITDA and EBIT growth of 23% and 27% respectively in local currencies for the full year of 2023. The growth in EBITDA and EBIT were primarily attributable to operations in Thailand, Malaysia and the Philippines from increase in store footfall as well as incremental margin from continued store network expansion. In addition, improved performance was delivered by the H&B operation in Turkey from successful margin management under the high inflationary environment.

H&B Asia added net 204 stores during the year and had over 3,900 stores in 13 markets as of 31 December 2023, including the division's franchise business which expanded from three stores to 18 stores in UAE, Qatar and Saudi Arabia since market entry into the Middle East in 2020.

H&B Asia - Number of Retail Stores by Market (+5%)



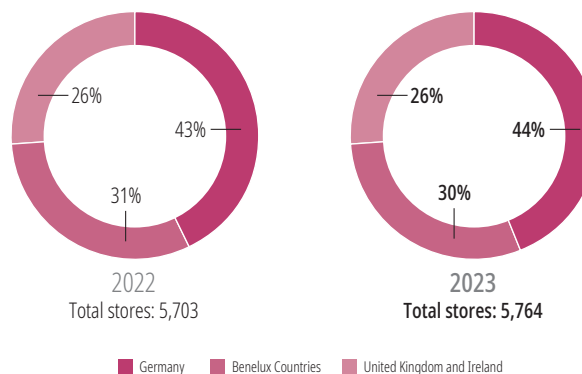
Health and Beauty Western Europe

	2023 HK\$ million	2022 HK\$ million	Change	Local currencies change
Total Revenue	86,267	76,105	+13%	+10%
EBITDA	8,475	7,257	+17%	+13%
<i>EBITDA Margin %</i>	10%	10%		
EBIT	7,151	6,070	+18%	+14%
<i>EBIT Margin %</i>	8%	8%		
Store Numbers	5,764	5,703	+1%	
Comparable Stores Sales Growth (%)	+9.2%	+9.5%		

H&B Western Europe reported EBITDA and EBIT growth of 13% and 14% in local currencies respectively against 2022, primarily from the UK and the Rossmann joint venture in Germany with solid comparable stores sales growth from increase in store traffic, which more than offset the cost inflationary pressure. The Benelux countries also reported favourable performance in 2023 with 7% increase in EBITDA and EBIT year-on-year in local currencies.

H&B Western Europe added net 61 stores during the year and had more than 5,700 stores as of 31 December 2023.

H&B Western Europe - Number of Retail Stores by Market (+1%)



Operations Review – Retail

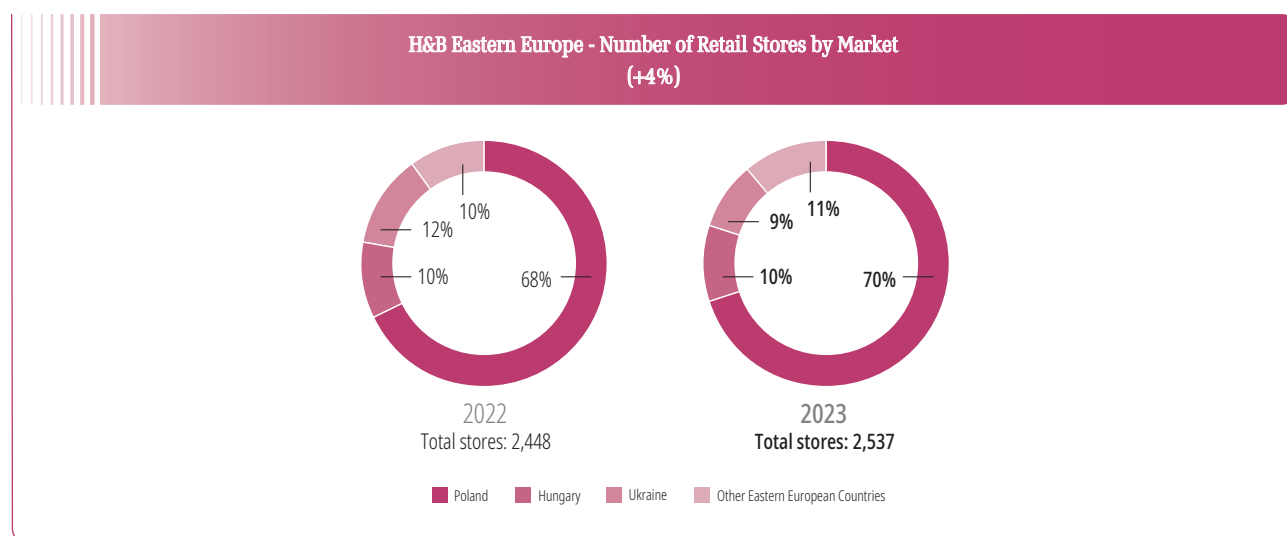
Segment Performance *(continued)*

Health and Beauty Eastern Europe

	2023 HK\$ million	2022 HK\$ million	Change	Local currencies change
Total Revenue	22,262	18,074	+23%	+16%
EBITDA	2,803	2,233	+26%	+17%
<i>EBITDA Margin %</i>	<i>13%</i>	<i>12%</i>		
EBIT	2,432	1,917	+27%	+17%
<i>EBIT Margin %</i>	<i>11%</i>	<i>11%</i>		
Store Numbers	2,537	2,448	+4%	
Comparable Stores Sales Growth (%)	+12.9%	+14.2%		

H&B Eastern Europe reported a EBITDA and EBIT growth of 17% in local currencies against 2022, mainly attributable to the Rossmann joint venture in Poland as a result of improved sales and the strong momentum in store openings during the year, together with robust comparable stores sales growth of 12.9% from higher demand.

H&B Eastern Europe had more than 2,500 stores as of 31 December 2023, an increase of 4% primarily due to new store additions in Poland, partly offset by fewer stores in Ukraine.



Other Retail

	2023 HK\$ million	2022 HK\$ million	Change	Local currencies change
Total Revenue	23,127	27,166	-15%	-15%
EBITDA	279	688	-59%	-60%
<i>EBITDA Margin %</i>	1%	3%		
(LBIT)/EBIT	(94)	312	-130%	-131%
<i>EBIT Margin %</i>	N/A	1%		
Store Numbers	403	412	-2%	
Comparable Stores Sales Growth (%)	-13.8%	+2.7%		

The Other Retail segment reported a reduction in EBITDA of 60% and turnaround to LBIT in local currencies in 2023, mainly arising from adverse performance in PARKnSHOP due to subdued consumer spending and cross-border shopping in the Mainland. Other operations' performance in this segment remained stable.

Other Retail had 403 retail stores in three markets as of 31 December 2023, as well as manufacturing and distributing bottled water and other beverages in Hong Kong and the Mainland.

