



Company report

PADINI HOLDINGS

(PAD MK EQUITY, PDNI.KL)

3 June 2020

Putting online platform into focus

BUY

(Maintained)

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Rationale for report: Company update

Price	RM2.64
Fair Value	RM3.02
52-week High/Low	RM3.87/RM1.78

Key Changes

Fair value	⬇️
EPS	⬇️

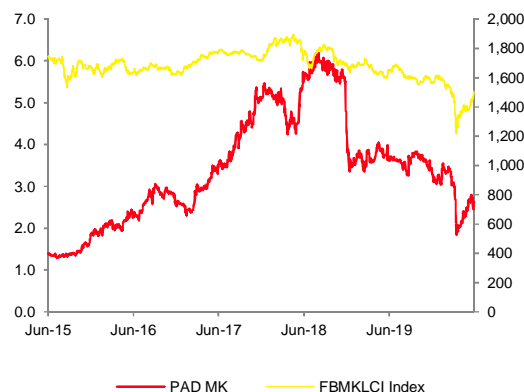
YE to Jun	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	1,783.0	1,388.1	1,596.4	1,708.1
Core net profit (RM mil)	160.2	95.9	128.7	144.0
FD Core EPS (sen)	24.3	14.6	19.6	21.9
FD Core EPS growth (%)	(10.1)	(40.1)	34.1	12.0
Consensus Net Profit (RM mil)	-	109.7	136.3	153.2
DPS (sen)	11.5	7.0	9.4	10.5
PE (x)	10.8	18.1	13.5	12.1
EV/EBITDA (x)	4.9	4.3	3.5	3.0
Div yield (%)	4.2	2.6	3.4	3.8
ROE (%)	21.4	12.5	15.6	16.1
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	657.9
Market Cap (RM mil)	1,736.9
Book Value (RM/share)	1.13
P/BV (x)	2.3
ROE (%)	21.4
Net Gearing (%)	-

Major Shareholders	Yong Pang Chaun (43.7%) KWAP (8.8%) EPF (5.6%)
Free Float	44.1
Avg Daily Value (RM mil)	4.2

Price performance	3mth	6mth	12mth
Absolute (%)	(12.6)	(23.5)	(28.7)
Relative (%)	(14.9)	(20.3)	(22.0)



Investment Highlights

- We maintain our BUY call on Padini Holdings (Padini) with a lower fair value of RM3.02/share (from RM3.15/share). Our fair value for Padini is based on a PE of 13x FY22F EPS (rolled over from CY21F EPS). Our PE multiple is based on Padini's average historical forward PE multiple.
- We cut our earnings forecasts by 11% for FY20F, 13% for FY21F and 16% for FY22F to account for the adverse impact of the Covid-19 pandemic.
- The key takeaways from yesterday's conference call briefing are as follows:
 1. 9MFY20 enjoyed better sales mix from its overseas operations (Cambodia and Thailand) from 2.4% to 3%.
 2. Padini was not able to operate during the initial stages of the movement control order (MCO) as the company is not part of essential services. Hence, we can expect sales to be very weak in 4QFY20F.
 3. Sales during the week of Hari Raya pales in comparison to that in 2019. It is also slower compared to Chinese New Year festive sales in January–February 2020.
 4. Ultimately, this resulted in a 9% YoY drop in same store sales growth (SSSG) for 9MYF20 (dropping more than 20% YoY in 3QFY20).
 5. The group will not be adding new stores in 2020. Instead, Padini will place more focus on its online platform in order to grow sales.
 6. Padini does not expect any major issues from its supply chain. The biggest issue stemming from the Covid-19 pandemic is in generating sales as 99% of Padini's stores are located in shopping malls.
 7. Padini expects to come out from the pandemic stronger, as smaller competitors might not be able to defend their market share.
- Moving into 4QFY20, we believe sales will be very weak given that the company was unable to operate during the initial stages of the MCO. However, we believe sales would have started to pick up when the conditional MCO took effect and further spurred during Hari Raya week. We think that Padini's low price point will be attractive to customers, especially during tough economic conditions.
- Key risks to Padini include a deteriorating consumer sentiment, the weakening of the MYR against the CNY, and heightened competition from other fashion apparel retailers.

EXHIBIT 1: PB BAND CHART

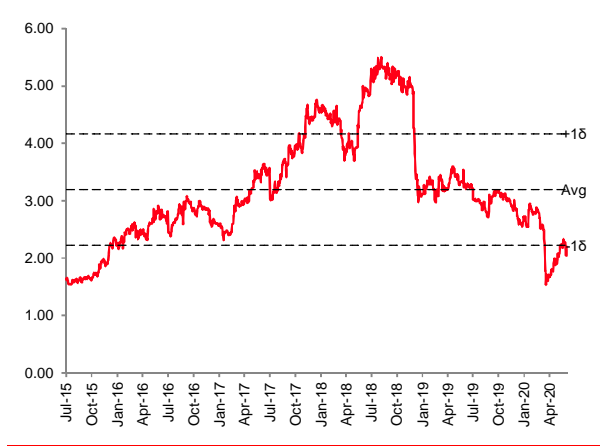


EXHIBIT 2: PE BAND CHART

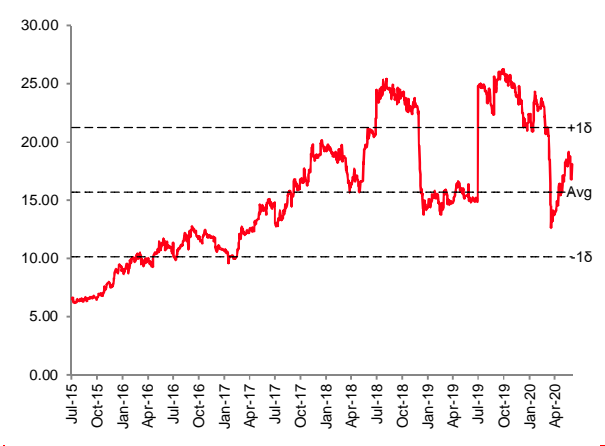


EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	1,678.8	1,783.0	1,388.1	1,596.4	1,708.1
EBITDA	281.8	264.2	269.3	316.2	337.4
Depreciation/Amortisation	(39.4)	(43.0)	(111.7)	(114.0)	(115.0)
Operating income (EBIT)	242.4	221.1	157.6	202.2	222.4
Other income & associates	-	-	-	-	-
Net interest	(2.7)	(1.8)	(26.2)	(25.9)	(25.1)
Exceptional items	-	-	-	-	-
Pretax profit	239.7	219.3	131.4	176.2	197.3
Taxation	(61.5)	(59.1)	(35.5)	(47.6)	(53.3)
Minorities/pref dividends	-	-	-	-	-
Net profit	178.2	160.2	95.9	128.7	144.0
Core net profit	178.2	160.2	95.9	128.7	144.0
Balance Sheet (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Fixed assets	143.7	132.0	50.4	(33.7)	(118.6)
Intangible assets	6.3	5.7	5.7	5.7	5.7
Other long-term assets	8.6	9.2	9.2	9.2	9.2
Total non-current assets	158.6	146.9	65.2	(18.8)	(103.8)
Cash & equivalent	451.4	472.0	595.0	660.3	743.9
Stock	-	-	-	-	-
Trade debtors	55.7	55.6	43.3	49.8	53.3
Other current assets	258.3	278.8	217.5	247.5	264.0
Total current assets	765.4	806.5	855.8	957.7	1,061.2
Trade creditors	217.1	166.7	149.4	170.2	181.6
Short-term borrowings	33.5	21.4	21.4	21.4	21.4
Other current liabilities	10.9	15.9	15.9	15.9	15.9
Total current liabilities	261.4	204.0	186.7	207.5	218.9
Long-term borrowings	3.6	2.5	2.5	2.5	2.5
Other long-term liabilities	5.8	6.6	6.6	6.6	6.6
Total long-term liabilities	9.4	9.0	9.0	9.0	9.0
Shareholders' funds	755.7	740.3	790.2	857.1	932.0
Minority interests	-	-	-	-	-
BV/share (RM)	1.15	1.13	1.20	1.30	1.42
Cash Flow (RMmil, YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	239.7	219.3	131.4	176.2	197.3
Depreciation/Amortisation	39.4	43.0	111.7	114.0	115.0
Net change in working capital	(45.1)	(73.2)	56.3	(15.8)	(8.6)
Others	(80.2)	(55.5)	(59.1)	(71.0)	(75.8)
Cash flow from operations	153.8	133.6	240.3	203.6	227.9
Capital expenditure	(50.8)	(29.0)	(30.0)	(30.0)	(30.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	-	-	-	-	-
Cash flow from investing	(50.8)	(29.0)	(30.0)	(30.0)	(30.0)
Debt raised/(repaid)	(42.2)	-	-	-	-
Equity raised/(repaid)	-	-	-	1.0	2.0
Dividends paid	(75.7)	(75.7)	(75.7)	(46.0)	(61.8)
Others	6.6	9.2	(18.7)	(17.4)	(15.6)
Cash flow from financing	(111.3)	(66.5)	(94.4)	(62.5)	(75.4)
Net cash flow	(8.2)	38.0	115.9	111.1	122.5
Net cash/(debt) b/f	-	-	-	-	-
Net cash/(debt) c/f	(8.2)	38.0	115.9	111.1	122.5
Key Ratios (YE 30 Jun)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	6.9	6.2	(22.1)	15.0	7.0
EBITDA growth (%)	10.5	(6.3)	1.9	17.4	6.7
Pretax margin (%)	14.3	12.3	9.5	11.0	11.6
Net profit margin (%)	10.6	9.0	6.9	8.1	8.4
Interest cover (x)	90.8	120.4	6.0	7.8	8.9
Effective tax rate (%)	25.7	27.0	27.0	27.0	27.0
Dividend payout (%)	42.5	47.2	48.0	48.0	48.0
Debtors turnover (days)	13	11	13	11	11
Stock turnover (days)	5	-	-	-	-
Creditors turnover (days)	48	39	42	37	38

Source: Company, AmInvestment Bank Bhd estimates

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