

28 February 2021

Padini Holdings Berhad

All Dressed Up for 2HCY21

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1HFY21 was abysmal with earnings accounting for 26%/28% of our/market full-year estimates. However, we raised our TP to RM3.50 as we roll over our valuation base to FY22E. We reiterate our view that the group remain poised for further recovery (albeit gradually) moving ahead with the vaccine rollout. Further, given its solid cash position, we maintain **OUTPERFORM**.

Below expectations. 1HFY21 net profit (NP) of RM31m came in below expectations at 26%/28% of our/market estimates as 2QFY21 earnings failed to take off on imposition of new lockdowns. Note that historically, 2Q is its strongest quarter. No dividend declared, thus below our expectation.

Results Highlights. YoY, 1HFY21 revenue of RM557m came in lower by 33% no thanks to weaker sales attributable to lower retail footfall due to the imposition of further movement control orders. NP contraction (-58%) outpaced Gross Profit (-37%) primarily due to higher ETR (+3ppt).

QoQ, while generally a strong quarter, 2QFY21 net profit swung by a 49% contraction to RM11m given the imposition of further lockdown on the back of RM246m revenue which fell 21%. The wide NP variance is due to higher ETR by 7ppt. On a more positive note, GP margin remained resilient (at 38%) with more prudent opex (-12%).

On track to recovery. The resurgence of Covid-19 cases and prevailing movement control order looks to spell further uncertainties for the group's recovery path, given that retail footfall will take longer to return to pre-Covid-19 level. That said, we believe the group should still be poised for a recovery (albeit gradual) moving forward, especially with its upcoming 4QFY being a seasonally stronger quarter boosted by festive demand as movement control order gradually eases given the vaccine rollout. This is further supported by the group's strong brand equity locally, which could allow it to capture a greater market share of down-traders amid the current economic uncertainties, mainly through its focus on the value-for-money segment (via Brands Outlet and Padini).

Post results, we slashed our FY21E/FY22E earnings by 35%/21% to RM77m/RM110m imputing more conservative assumptions.

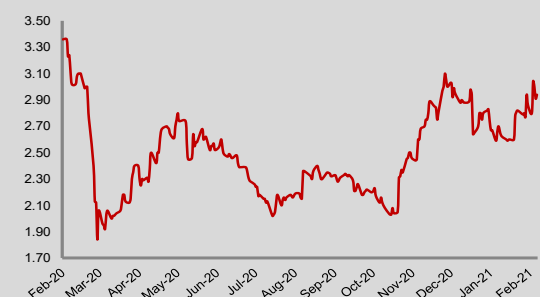
Reiterate OUTPERFORM with higher TP of RM3.50 (from RM2.90) based on a PER of 21x (0.5SD above mean) from 16x previously as we roll over our valuation to FY22E. We believe the stock deserves to trade at a higher PER premium, premised on: (i) anticipation for a robust recovery in FY22E with the full-blown vaccination rollout by then, (ii) solid net cash position of c.RM521m as of this quarter, which would allow the group to weather through these challenging times, and (iii) potential higher dividend payout given its strong cash position.

Risks to our call: (i) further imposition of lockdown throughout 2021 and (ii) higher-than-expected operating expenses.

OUTPERFORM ↔

Price: RM2.94
Target Price: RM3.50 ↑

Share Price Performance



KLCI	1,577.75
YTD KLCI chg	-3.0%
YTD stock price chg	2.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PAD MK Equity
Market Cap (RM m)	1,934.3
Shares Outstanding	657.9
52-week range (H)	3.29
52-week range (L)	1.78
3-mth avg daily vol:	1,090,355
Free Float	28%
Beta	1.0

Major Shareholders

Yong Pang Chaun Holdings	43.7%
Employees Provident Fund	8.2%
KWAP	5.7%

Summary Earnings Table

FY Jun (RM m)	2020A	2021E	2022E
Turnover	1,354.7	1,311.3	1,481.2
EBIT	133.5	126.2	169.3
PBT	107.3	103.3	146.3
Net Profit (NP)	75.2	77.4	109.8
Core Net Profit	75.2	77.4	109.8
Consensus (NP)		112.4	135.4
Earnings Revision		-35%	-21%
EPS (sen)	11.4	11.8	16.7
EPS growth (%)	-51.97	3.02	41.73
NDPS (sen)	7.50	7.50	13.00
BV/Share (RM)	1.16	1.21	1.24
PER (x)	25.73	24.98	17.62
P/BV (x)	2.53	2.44	2.36
Gearing (x)	Net	Net	Net
	Cash	Cash	Cash
Net. Dvd Yield (%)	2.6	2.6	4.4

28 February 2021

Results Highlights

FY Jun (RM m)	2Q FY21	1Q FY21	QoQ Chg	2Q FY20	YoY Chg	6M FY21	6M FY20	YoY Chg
Turnover	246.0	310.7	-20.8%	347.3	-29.2%	556.7	833.2	-33.2%
Gross Profit	93.9	117.7	-20.2%	148.3	-36.7%	211.6	335.2	-36.9%
Profit Before Tax	15.9	28.2	-43.6%	75.2	-78.8%	44.1	102.0	-56.8%
Tax	(5.3)	(7.5)	-29.7%	(19.4)	-72.9%	(12.7)	(26.6)	-52.2%
Net Profit	10.7	20.7	-48.6%	55.8	-80.9%	31.4	75.4	-58.4%
EPS (sen)	1.6	3.2	-48.6%	8.5	-80.9%	4.8	11.5	-58.4%
GP margin	38.2%	37.9%		42.7%		38.0%	40.2%	
PBT margin	6.5%	9.1%		21.6%		7.9%	12.2%	
NP margin	4.3%	6.7%		16.1%		5.6%	9.0%	
Effective tax rate	33.0%	26.5%		25.8%		28.9%	26.1%	

Source: Company, Kenanga Research

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28 February 2021

Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%) 1-Yr. Fwd.	Target Price (RM)	Rating	
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.					
F&B AND RETAIL																			
7-ELEVEN MALAYSIA HOLDINGS BHD	1.30	1,468.0	N	12/2021	29.5%	5.2%	-15.1%	16.4%	21.5	25.3	21.8	9.2	11.7	40.8%	3.8%	1.55	OP		
AEON CO. (M) BHD	1.16	1,628.6	Y	12/2021	3.7%	4.8%	88.6%	15.0%	39.3	20.9	18.1	1.0	0.9	4.6%	1.3%	1.30	OP		
AMWAY (MALAYSIA) HOLDINGS BHD	5.68	933.7	Y	12/2021	0.7%	0.7%	16.4%	7.9%	19.9	17.1	15.9	4.2	4.0	23.8%	4.8%	5.45	MP		
DUTCH LADY MILK INDUSTRIES BHD	34.96	2,237.4	Y	12/2021	5.0%	1.0%	8.9%	0.4%	30.5	28.0	27.9	13.4	11.8	45.0%	2.6%	34.55	MP		
FRASER & NEAVE HOLDINGS BHD	31.26	11,465.5	Y	09/2021	5.0%	2.1%	3.9%	1.5%	28.4	27.3	26.9	4.3	4.0	15.0%	2.0%	32.55	MP		
MYNEWS HOLDINGS BHD	0.650	443.4	N	10/2021	10.2%	24.5%	97.8%	15.9%	N.A.	24.4	21.0	1.5	1.5	6.1%	1.5%	0.480	UP		
NESTLE (MALAYSIA) BHD	137.90	32,337.6	Y	12/2021	1.1%	2.2%	14.4%	2.4%	58.5	51.2	50.0	58.0	56.9	112.4%	1.9%	138.60	MP		
PADINI HOLDINGS BHD	2.94	1,934.3	Y	06/2021	-3.2%	13.0%	2.9%	41.9%	25.7	25.0	17.6	2.5	2.4	10.0%	2.6%	3.50	OP		
POWER ROOT BHD	1.75	739.6	Y	03/2021	-18.8%	13.5%	-26.1%	14.9%	13.3	18.1	15.7	2.8	2.6	15.3%	5.7%	1.80	MP		
QL RESOURCES BHD	6.15	14,967.0	Y	03/2021	13.2%	7.4%	13.6%	9.1%	62.5	55.1	50.5	7.2	6.7	12.6%	0.9%	6.60	MP		
Simple Average					4.6%	7.4%	20.5%	12.5%	33.3	29.2	26.5	10.4	10.3	28.5%	2.7%				
SIN																			
BRITISH AMERICAN TOBACCO (M) BHD	12.82	3,660.5	N	12/2021	-8.0%	-2.4%	-3.5%	4.9%	14.0	14.5	13.9	8.4	8.3	57.4%	6.7%	11.45	UP		
CARLSBERG BREWERY MALAYSIA BHD	23.96	7,325.7	N	12/2021	19.9%	5.3%	52.8%	9.1%	41.7	27.3	25.0	37.5	27.5	120.1%	2.7%	25.65	OP		
HEINEKEN MALAYSIA BHD	25.60	7,733.7	N	12/2021	16.1%	6.1%	54.1%	14.0%	44.1	28.6	25.1	19.6	19.7	68.7%	3.5%	22.35	MP		
Simple Average					9.4%	3.0%	34.5%	9.3%	33.3	23.5	21.3	21.9	18.5	82.1%	4.3%				

Source: Bloomberg, Kenanga Research

28 February 2021

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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