

29 November 2021

Padini Holdings Berhad

Minor Alteration

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PADINI saw losses in 1QFY22 on account of the FMCO and the very gradual reopening early on under the NRP. Moving forward with the reopening of the economy, we expect surging improvement due to year-end demand and incoming festivities ahead. No change in our FY22E earnings and TP of RM3.20. Call is upgraded to OP following the stock's price decline since our last report.

Broadly within expectation. Padini registered LATAMI of RM17m for 1QFY22 against our/consensus full-year estimates of RM95m/RM99m as earnings lost ground from the prolonged FMCO. We, however, deemed this as within our/consensus expectation on the premise of earnings regaining traction in the subsequent quarters following the usual end-of-year sales and festivities ahead and beyond that, normalisation of the economy. On a positive note, PADINI has reverted to its usual declaration of an interim dividend for the quarter at a DPS of 2.5 sen/share (in line).

YoY, 1QFY22 revenue fell sharply by 74% to RM81m due to the prolonged FMCO which ended on 18th August followed by the gradual reopening under the National Recovery Phases. Note that 50% of its outlets are in the Klang Valley (~65 outlets). Gross margins fell 5ppt to 33% due to higher freight charges as China contributed c.60% of the supply chain. EBITDA margin saw a 7ppt erosion on account of the fixed operating expenses i.e. rental.

QoQ, sales fell 61% (rough estimate – 62 business days of closure vs 4Q21; 31 days). Margins erosion saw a similar disposition (6-7ppt erosion) QoQ, indicating prudent management since the pandemic started.

Resurgent demand ahead. Since the economy has gradually reopened amid high vaccination rate, we expect strong sales ahead in the coming quarters due to: (i) usual end-of-the year demand and two major festivities ahead; Chinese New Year and Hari Raya. Margins would still be a challenge due to supply chain issue but we expect margins to improve moving into 2HFY22.

Post results, our FY22E/FY23E earnings of RM95m/RM140m remained unchanged with impact of the Prosperity Tax likely to be minimal given the presence of several business units in its corporate structure.

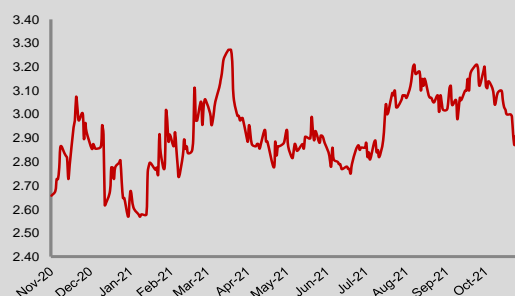
OUTPERFORM. Our TP is maintained at RM3.20 pegged to a 5-Year mean PER of FY22E. We feel this is justified given: (i) the reopening of the economy, and (ii) solid net cash of RM518m (or RM0.80/share) – implying another potential bumper dividend payout (FY14/FY15 at 83%/82%). Upgrade to **OUTPERFORM** following a sharp 13% decline in share price from its October peak.

Risks to our call: (i) another wave of the pandemic and (ii) higher-than-expected operating expenses.

OUTPERFORM ↑

Price: RM2.80
Target Price: RM3.20 ↔

Share Price Performance



KLCI	1,512.22
YTD KLCI chg	-7.1%
YTD stock price chg	-2.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PAD MK Equity
Market Cap (RM m)	1,842.1
Shares Outstanding	657.9
52-week range (H)	3.37
52-week range (L)	2.50
3-mth avg daily vol:	304,551
Free Float	29%
Beta	1.0

Major Shareholders

Yong Pang Chaun Holdings	43.7%
Kumpulan Wang Persaraan Diperbadankan	7.7%
Employees Provident Fund Board	5.5%

Summary Earnings Table

FY Jun (RM m)	2021A	2022E	2023E
Turnover	1,029	1,269	1,678
EBIT	95	147	217
PBT	74	130	193
Net Profit (NP)	54	95	140
Core Net Profit	54	95	140
Consensus (NP)	61	99	130
Earnings Revision		0%	0%
EPS (sen)	8.2	14.4	21.3
EPS growth (%)	-28.10	75.22	48.30
NDPS (sen)	2.50	9.00	14.00
BV/Share (RM)	1.22	1.27	1.35
PER (x)	34.08	19.45	13.12
P/BV (x)	2.30	2.20	2.08
Gearing (x)	Net	Net	Net
	Cash	Cash	Cash
Net. Dvd Yield (%)	0.9	3.2	5.0



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Results Highlights								
Y/E : June (RM m)	1Q22	4Q21	QoQ Chg	1Q21	YoY Chg	3M22	3M21	YoY Chg
Turnover	81.4	209.8	-61.2%	310.7	-73.8%	81.4	310.7	-73.8%
Gross Profit	26.8	81.2	-67.0%	117.7	-77.2%	26.8	117.7	-77.2%
Operating Expenses	(28.3)	(50.8)	-44.3%	(54.5)	-48.1%	(28.3)	(54.5)	-48.1%
EBITDA	11.6	48.4	-76.0%	68.4	-101.1%	11.6	68.4	-83.0%
EBIT	(16.3)	18.3	-188.7%	34.0	-105.5%	(16.3)	34.0	-147.8%
PBT/(LBT)	(20.8)	13.2	-257.2%	28.2	-173.8%	(20.8)	28.2	-173.8%
Taxation	4.0	(2.8)	-243.4%	(7.5)	-152.9%	4.0	(7.5)	-152.9%
Net Profit	(16.9)	10.5	-260.8%	20.7	-181.4%	(16.9)	20.7	-181.4%
Core Net Profit	(16.9)	10.5	-260.8%	20.7	-181.4%	(16.9)	20.7	-181.4%
Core EPS (sen)	(2.6)	1.6	-260.8%	3.1	-181.4%	(2.6)	3.1	-181.4%
DPS (sen)	2.5	0.0	Na.	0.0	Na.	2.5	0.0	Na.
Gross Margin	32.9%	38.7%		37.9%		32.9%	37.9%	
Opex Margin	34.7%	24.2%		17.5%		34.7%	17.5%	
EBITDA margin	14.3%	23.1%		22.0%		14.3%	22.0%	
PBT Margin	-25.6%	6.3%		9.1%		-25.6%	9.1%	
PATAMI Margin	-20.7%	5.0%		6.7%		-20.7%	6.7%	
ETR	19.0%	20.8%		26.5%		19.0%	26.5%	

Source: Company, Kenanga Research

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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	1.51	1,700.7	N	12/2021	7.2%	34.2%	-43.8%	98.5%	25.0	44.5	22.4	10.7	14.1	27.3%	3.3%	1.60	MP		
AEON CO. (M) BHD	1.41	1,979.6	Y	12/2021	-5.2%	13.7%	17.9%	109.4%	47.8	40.6	19.4	1.2	1.2	2.9%	2.0%	1.60	OP		
AMWAY (MALAYSIA) HOLDINGS BHD	5.53	909.1	Y	12/2021	28.1%	-10.0%	19.0%	0.9%	19.4	16.3	16.1	4.1	4.1	25.0%	6.3%	6.05	OP		
DUTCH LADY MILK INDUSTRIES BHD	33.48	2,142.7	Y	12/2021	5.0%	1.0%	9.0%	0.5%	29.2	26.8	26.7	12.9	10.3	42.7%	1.8%	40.20	OP		
FRASER & NEAVE HOLDINGS BHD	24.22	8,883.4	Y	09/2022	4.8%	6.4%	0.3%	16.9%	22.5	22.4	19.2	3.2	3.0	13.7%	2.6%	32.45	OP		
MR D.I.Y.	3.52	22,103.8	Y	12/2021	27.4%	37.6%	33.9%	56.6%	65.5	48.9	31.3	25.2	18.9	44.2%	0.8%	4.10	OP		
MYNEWS HOLDINGS BHD	0.875	596.9	N	10/2021	-15.7%	54.7%	-10.2%	-283.0%	N.A.	N.A.	37.1	2.0	2.1	-3.1%	0.0%	0.900	MP		
NESTLE (MALAYSIA) BHD	134.00	31,423.0	Y	12/2021	1.9%	2.2%	18.2%	-10.0%	56.9	48.1	53.4	56.4	48.5	108.5%	1.8%	138.90	MP		
PADINI HOLDINGS BHD	2.80	1,842.1	Y	06/2022	23.3%	32.2%	75.4%	48.3%	34.1	19.5	13.1	2.3	2.2	11.6%	3.2%	3.20	OP		
POWER ROOT BHD	1.38	581.1	Y	03/2022	8.9%	7.4%	-36.2%	74.0%	20.8	32.5	18.7	2.2	2.0	6.4%	2.8%	1.35	MP		
QL RESOURCES BHD	4.53	11,024.5	Y	03/2022	12.3%	16.9%	-8.0%	21.5%	35.4	38.5	31.7	4.3	4.1	11.4%	0.8%	6.00	MP		
Simple Average					8.9%	17.8%	6.9%	12.1%	35.7	33.8	26.3	11.3	10.0	26.4%	2.3%				
SIN																			
BRITISH AMERICAN TOBACCO (M) BHD	13.82	3,946.0	N	12/2021	5.4%	1.6%	6.4%	2.2%	15.1	14.2	13.9	9.1	8.7	62.5%	6.6%	16.70	OP		
CARLSBERG BREWERY MALAYSIA BHD	20.08	6,139.4	N	12/2021	-1.6%	19.9%	18.4%	32.9%	35.0	29.5	22.2	31.5	24.4	96.1%	2.5%	23.10	MP		
HEINEKEN MALAYSIA BHD	21.42	6,470.9	N	12/2021	3.0%	17.2%	32.8%	15.9%	36.9	27.8	24.0	16.4	16.2	58.6%	3.5%	23.60	MP		
Simple Average					2.3%	12.9%	19.2%	17.0%	29.0	23.8	20.0	19.0	16.4	72.4%	4.2%				

Source: Bloomberg, Kenanga Research

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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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