

Wednesday, August 19, 2015

Padini Holdings Berhad

“Goal!”

Results Review

- Actual vs. expectations.** Padini Holdings Berhad (Padini) posted revenue of RM222 million in 4Q15 that fell 22% q-o-q but grew 13% y-o-y. Cumulatively, Padini’s revenue touched RM978 million in FY15 compared to RM866 million in FY14 (+13% y-o-y). Improving FY15 revenue was driven by 5 new Brand Outlet Stores (BOS) and 5 new Padini Concept Stores (PCS) that were opened after the end of the previous year’s corresponding quarter. Additional, steady performance was pushed by positive impact of sales and marketing during the Hari Raya festive.
- Bottomline.** The group recorded PAT of RM18 million in 4Q15 (-32% q-o-q; +33% y-o-y), bringing FY15’ PAT to RM80 million compared to RM91 million in FY14 (-12% y-o-y). Aggressive promotional and discounting activities in 4Q15 has pressurised PAT margin to reach 8% in FY15 compared 10% in FY14. Nevertheless, FY15’s PAT of RM80 million attributed 91% of ours and 99% consensus full year estimates respectively.
- Dividend.** Declared a 4th interim dividend of 2.5cent/share, bringing total dividend of 10.0cents/share in FY115 translating into 82% payout ratio, slightly lower from the previous year of 83%.
- Outlook.** We are positive that Padini will expand their business in retail industries thanks to aggressive opening PCS and BO outlets even though the group may face with challenging operation environment in FY16. We foresee the store openings will give a positive impact to support the group earnings in near and long term. Additionally aggressive marketing and promotional

HOLD (TP: RM1.45)

Current Price (RM)	RM1.35
New Fair Value (RM)	RM1.45
Previous Fair Value (RM)	RM1.80
Previous Recommend.	BUY
Upside To Fair Value	7.4%
Dividend Yield (FY16F)	8.4%

Stock Code

Bloomberg	PAD MK
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Stock & Market Data

Listing	MAIN MARKET	
Sector	Consumer	
Shariah Compliance	Yes	
Issued Shares (mn)	657.9	
Market Cap (RM mn)	888.2	
YTD Chg In Share Price	-7.53%	
Beta (x)	0.64	
52-week Hi/Low (RM)	RM2.01	RM1.28
3M Average Volume (shrs)	441mil	
Estimated Free Float	50%	

Major Shareholders

Yong Pang Chaun Holdings	43.74%
Capital Dynamic Asset Management	2.89%
Thian MinYang	2.63%

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effort by the group will give advantage to the group to maintain their lead in the retail industry.

- **Change to forecast.** We have done some housekeeping exercise and came out with new FY16 earnings forecast and at the same time we introduce our FY17 forecast. In that, we have cut our earnings assumption by 10% in FY16. Given this, FY16 and FY17 earnings are expected to grow by 2% y-o-y respectively driven by 1) sales and promotion activities and 2) expansion of PCS and BO to sustain their business in long term.
- **Valuation and Recommendation.** We value Padini at RM1.45 based on 5-years average PER of 11x and EPS FY16 of 12 cent and the stock is a HOLD. We justify our valuation based on its 1) continuous aggressive sales and marketing activities and 2) large number of stores and retail channel.

Table 1: Peers comparison (Calenderised)

Company	YE	Price (RM)	EPS (sen)		P/E (X)		P/BV (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY14	FY15	FY15	FY16				
Parkson*	Jun	1.26	17	19	17	16	1	1	5	NA	2.00	Hold
Amway	Dec	10.20	69	73	17	16	9	8	55	3.4	10.50	Hold
Nestle	Dec	72.00	254	277	27	24	18	18	58	3.5	59.30	Sell
MSM	Dec	4.97	34	38	14	13	2	2	13	5.1	5.30	Hold
Dutch Lady	Dec	45.80	216	229	22	20	14	16	58	2.4	40.00	Sell
Padini*	Jun	1.35	15	18	13	11	3	3	24	5.0	1.45	Hold
Scientex	July	6.98	68	80	10	8	2	2	20	4.0	7.30	Hold
Zhulian	Nov	1.45	11	33	10	6	2	2	10	5.1	1.80	Buy
Aeon Co	Dec	2.71	18	19	23	21	3	3	14	1.4	NA	NA
QL Resources	Mac	3.78	16	18	19	17	3	3	15	1.0	NA	NA
Average					18	15	5	5				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: June (RM million)	FY13	FY14	FY15	FY16F	FY17F
Turnover	789.8	817.0	977.9	989	1,009
Pretax profit	117.6	119.2	111.8	121.8	115.4
Net Profit	85.4	87.6	80.2	81.6	83.2
EPS (sen)	13.0	13.3	12.2	12.4	12.6
DPS (sen)	8.0	11.5	10	10.1	10.3
PBT Margin (%)	15%	15%	11%	11%	11%
PAT Margin (%)	10.8%	10.7%	8.2%	8.2%	8.2%
Dividend yield (%)	8.8%	9.4%	8.3%	8.4%	8.6%
Dividend payout(%)	62%	83%	82%	82%	82%

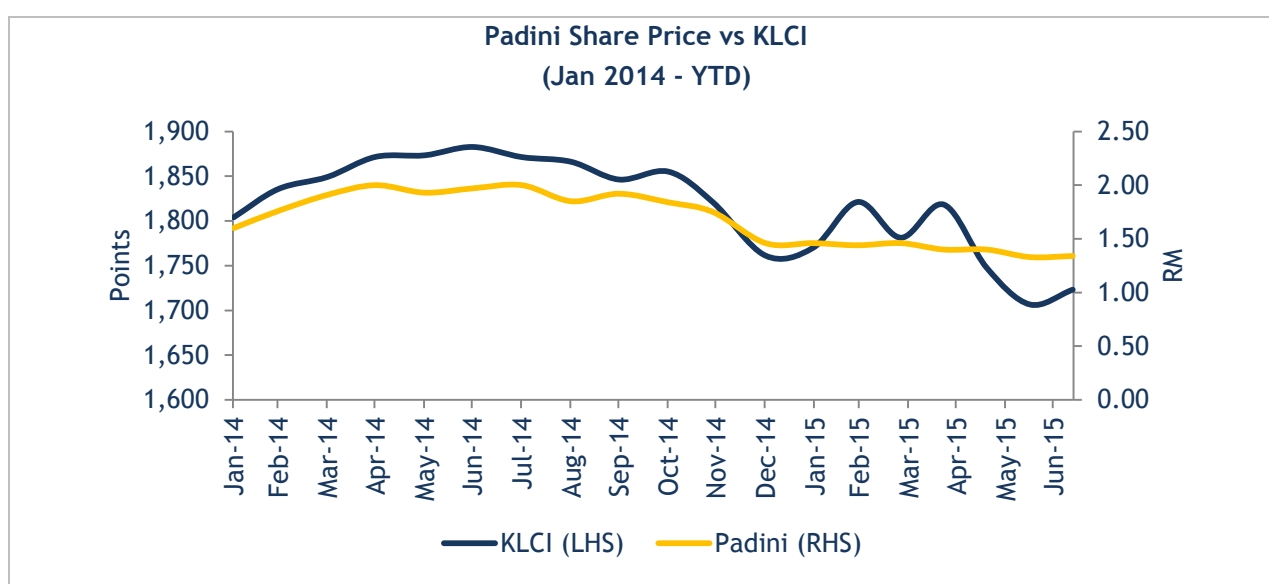
Source: Bursa Malaysia, M&A Securities

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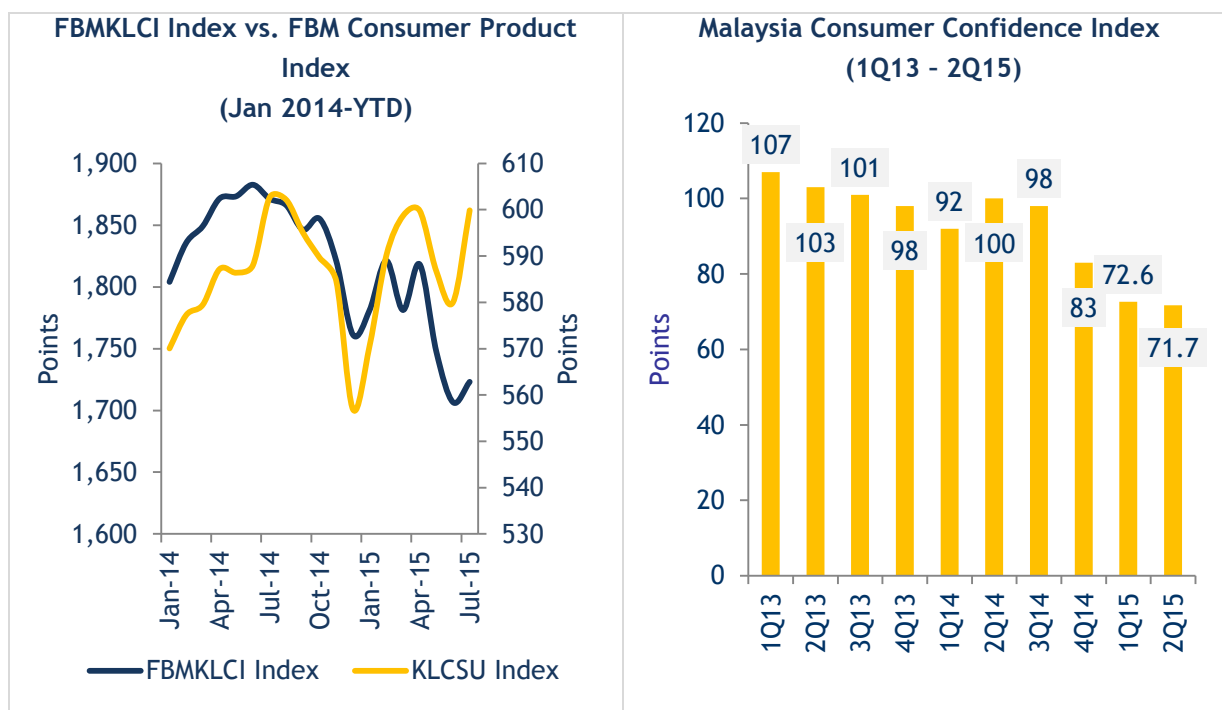
Table 3: Results Analysis

YE: June (RM million)	4Q15	4Q14	3Q14	q-o-q	y-o-y	12M15	12M14	y-o-y
Revenue	222	196	284	-22%	13%	978	866	13%
Gross Profit	93	87	126	-26%	8%	422	400	6%
Finance Cost	(1)	(1)	(1)	-1%	46%	(3)	(2)	29%
PBT	22	19	39	-44%	13%	112	126	-11%
Taxation	(4)	(6)	(12)	-69%	-34%	(32)	(35)	-9%
PAT	18	14	27	-32%	33%	80	91	-12%
EPS (sen)	3	2	4	-32%	33%	12	14	-12%
GP Margin	42%	44%	44%			43%	46%	
PBT Margin	10%	10%	14%			11%	15%	
PAT Margin	8%	7%	9%			8%	10%	

Source: Bursa Malaysia, M&A Securities



Source: Bursa Malaysia, M&A Securities



Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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