

1 September 2021

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Harvey Norman Holdings Limited

Consumer Discretionary

BUY

HVN A\$5.39 TARGET PRICE A\$6.38

Harvey Norman Holdings Ltd. engages in the retail, franchise, property, and digital enterprise business. It operates business through the following segments: Franchising Operations; Retail-New Zealand; Retail-Singapore and Malaysia; Retail-Slovenia and Croatia; Retail-Ireland and Northern Ireland; Other Non-Franchised Retail; Retail Property; Retail Property Under Construction; Property Developments for Resale; Equity Investments; and Other

Company Data

Number of shares	1246.0 M
Market Capitalisation	\$ 6927.8 M
Free float (%)	44.2
12-month high/low	\$6/\$4.22
Average Daily Turnover (\$m)	19.2
% S&P/ASX200	0.33%
DDM Ranking	192
% All Ordinaries	0.28%
GICS Industry Group	Consumer Discretionary

Source: FactSet, Barclay Pearce Capital

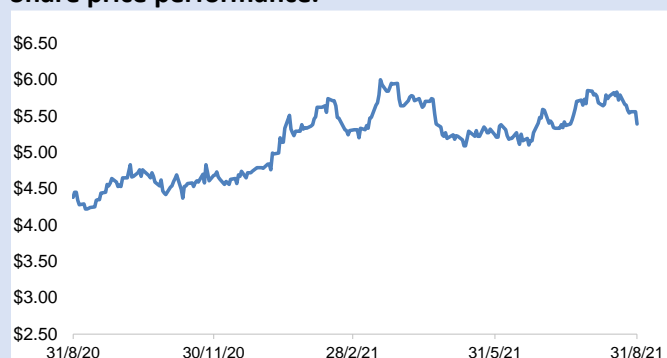
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	4,439.0	3,956.8	4,109.4	4,667.4
EBITDA (\$M)	1,457.0	1,042.3	1,033.8	1,174.1
Reported NPAT (\$M)	841.4	540.6	536.3	576.9
Adjusted NPAT (\$M)	743.1	533.1	522.5	576.9
Reported EPS (c)	67.5	43.3	43.0	46.3
Adjusted EPS (c - FD)	67.5	42.1	42.0	46.3
Adjusted EPS growth (%)	72.3	-31.1	-0.1	10.7
Adjusted P/E (x)	0.1	14.6	14.6	13.2
Dividend (c/sh)	35.0	33.1	30.9	31.5
Gross yield (%)	9.0	8.5	7.9	8.1
Net yield (%)	6.3	6.0	5.5	5.7
ROIC (%)	20.0	12.9	12.4	13.9

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

FY21 Year End Financial Results

On 30th August, Harvey Norman Holdings Ltd (HVN) announced their results for the full year ended 30 June 2021 with the following highlights:

Financial performance

- Record reported earnings before interest, tax, depreciation & amortisation (EBITDA) of \$1.457 billion, up by \$512.46 million or +54.2%.
- EBITDA (excluding AASB 16 impact and net property revaluations) of \$1.147 billion, up by \$404.09 million or +54.4%.
- Record net profit after tax and non-controlling interests (NPAT&NCl) of \$841.41 million, up by \$360.87 million or +75.1%.
- Solid earnings per share of 67.53 cents, up by +72.3% from 39.19 cents for FY20.

Sales highlights

- Aggregated Sales** increased by 30.6% for the period 1 July 2020 to 17 September compared to the pcp;
- Total Sales** changes calculated in the Australian Dollar (AUD)
 - Australia increased by 12.8.8%
 - New Zealand increased by 21.8%
 - Slovenia and Croatia increased by 19.8%
 - Ireland increased by 52.6%
 - Northern Ireland increased by 30.5%
 - Singapore increased by 21.3%
 - Malaysia increased by 17.5%
- Comparable Aggregated Sales** increased by 30.3% for the period 1 July 2020 to 17 September 2020 compared to the previous corresponding period;
- Comparable Sales** changes calculated in the Australian Dollar
 - Australia increased by 12.9%
 - New Zealand increased by 20.7%
 - Slovenia and Croatia increased by 14.5%
 - Ireland increased by 40.6%
 - Northern Ireland increased by 20.5%
 - Singapore decreased by 10.8%
 - Malaysia decreased by 5.1%; and

Outlook

"During the 2022 financial year, we intend to open up to 3 franchised complexes in Australia and 3 company-operated stores overseas: 1 in Malaysia, 1 in Croatia and 1 in Ireland. Beyond the upcoming financial year, we intend to open up to 2 franchised complexes in Australia during the 2023 financial year and we intend to relocate 1 franchised complex from a leased site to a freehold property. We expect our offshore expansion plans to ramp-up towards the end of calendar 2022 and we anticipate opening up to 8 company-operated stores overseas during FY23: 4 in New Zealand, 3 in Malaysia and 1 in Croatia."

Earnings changes

In FY21, HVN reported an EPS of 67.53c compared to market expectations of 56.9c. Hence, we expect positive earnings revisions of the order of 5% for future periods.

Valuation

We are updating our target price from \$4.60 to \$6.38 and revising our HOLD recommendation to a BUY. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)