

Company Profile

Ord Minnett Research

21 May 2024

Harvey Norman Holdings Ltd (HVN.AX)

Harvey Norman Holdings Limited (HVN) is engaged in the retail and franchise business, property development and digital systems. The company acts as a franchisor, sells furniture, bedding, computers, communications and consumer electrical products, invests in property, leases premises, does media placement, provides consumer finance and other commercial loans & advances. The Group operates in New Zealand, Singapore, Malaysia, Slovenia, Croatia, Ireland and Northern Ireland.

Franchise segment Consists of the franchisor operations of the consolidated entity, but does not include the results, assets, liabilities or operations of any Harvey Norman, Domayne and Joyce Mayne franchisees

New Zealand (retail) Consists of the wholly owned operations of the consolidated entity in the retail trading operations in New Zealand under the Harvey Norman brand name.

Singapore & Malaysia (retail) Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman and Space Furniture brand names.

Slovenia & Croatia (retail) Consists of the wholly owned operations of the consolidated entity in the retail trading operations in Slovenia and Croatia under the Harvey Norman brand name.

Ireland & Northern Ireland (retail) Consists of the wholly owned operations of the consolidated entity in the retail trading operations in Ireland and Northern Ireland under the Harvey Norman brand name.

Other non-franchised retail Consists of the retail and wholesale trading operations in Australia which are wholly-owned or controlled by the consolidated entity, and does not include the operations of any Harvey Norman, Domayne and Joyce Mayne franchisees.

Snapshot

Last Price	\$4.29
Market Cap.	\$5,345 million
52 Week High/Low	\$5.15 - \$3.18
Shares on issue	1,246 million
GICS Industry	Broadline Retail

Key Dates

Accounts Close	30 June
AGM	29 Nov 2023
Listing Date	03 Sep 1987

Investment Fundamentals

		2023A	2024E	2025E	2026E
Sales Rev.	\$m	4,275	4,035	4,250	4,465
Rep Profit	\$m	539.5	377.8	444.2	491.3
Norm Profit	\$m	471.9	377.8	444.2	491.3
Rep EPS	¢	43.2	30.3	35.6	--
Norm EPS	¢	37.8	30.3	35.6	39.4
Rep PE	x	9.2	14.4	12.3	11.1
Norm PE	x	11.6	14.4	12.3	11.1
DPS	¢	25.0	24.0	29.0	32.0
Yield	%	7.2	5.5	6.6	7.3
Franking	%	100	100	100	100
ROE	%	12.4	8.4	9.8	10.6

Source: Ord Minnett

Share Price Chart



Total Return on \$10,000 Investment



Ratios and Substantial Shareholders						
		2019A	2020A	2021A	2022A	2023A
Profitability Ratios						
EBITDA Margin	%	21.62	27.81	35.01	34.34	27.99
EBIT Margin	%	18.96	21.19	29.60	28.46	21.39
Net Profit Margin	%	12.85	14.26	20.29	19.43	13.54
Return on Equity	%	13.01	13.98	21.77	18.89	12.18
Return on Assets	%	9.06	9.03	13.19	11.67	7.91
Debt/Safety Ratios						
Net Debt/Equity	%	19.59	33.29	37.87	38.55	43.89
Interest Cover	x	25.84	13.40	27.19	26.10	11.21
No Substantial Shareholders						

Source: Morningstar

Principals & Directors	
Principals	
Directors	
Mr Maurice (John) John Craven (Non-Executive Director)	
Mr Gerald Harvey (Executive Director, Executive Chairman)	
Ms Kay Lesley Page (Chief Executive Officer, Executive Director)	
Mr John Evyn Slack-Smith (Chief Operating Officer, Executive Director)	
Mr Michael John Harvey (Non-Executive Director)	
Mr Christopher Herbert Brown (Non-Executive Director)	
Ms Luisa C Catanzaro (Non-Executive Director)	
Mr Kenneth William Gunderson-Briggs (Non-Executive Director)	
Mr Chris Mentis (Chief Financial Officer, Company Secretary, Executive Director)	

Source: Morningstar

Recent Operational History

16 April 2024 - Harvey Norman reported NPAT down 45.34% to \$200.01m for the half-year ended 31 December 2023. Revenue from ordinary activities were \$2,150.18m, down 8.92% from last year. Diluted EPS was 16.02 cents compared to 29.37 cents last year. Net operating cash flow was \$497.31m compared to \$341.07m last year. The interim dividend declared was 10 cents, compared with 13 cents last year.

29 February 2024 - Harvey Norman Holdings Announces 1HFY2024 Typographical error amended. 1H2024 has delivered strong operating cashflows of \$497m at a cash conversion whilst maintaining a low net debt to equity ratio of 10.75%. The balance sheet is resilient with net assets of \$4.51bn. Strategic highlights during the period include building on digital and online offerings as well as expanding overseas footprint.

29 February 2024 - Harvey Norman Holdings provided Presentation of Results for 1H FY2024. \$4.51bn net assets, up \$47.31m or 1.1% from December 2022 substantial 37.3% growth since December 2019. Prudent financial management has resulted in an improved liquidity position and low net debt to equity ratio of 10.75% in 1H24, an improvement from 12.17% in 1H23 and 16.57% in 1H2020. \$497.31m in operating cash flows, up \$156.24m or 45.8% from 1H2023, with a cash conversion of 1.35x mainly due to substantial improvement in working capital: increase of \$198.55m or 66.5% from pre-pandemic operating cash flows in 1H2024 and 4-year CAGR of 13.6%. \$283.58m reported PBT, down \$239.09m or -45.7% from 1H2023 due to \$2.15bn of total revenues, down by \$191.84m or -8.2% from 1H2023.

Peer Analysis			Market Cap	Price	PE (x)		EPS Growth		Dividend Yield		Franking	
Company Name	Code	Recommendation	(\$m)	(\$)	2024	2025	2024	2025	2024	2025	2024	2025
Wesfarmers	WES	Sell	77,237	68.10	30.6	28.0	2.4	9.3	2.9	3.0	100	100
JB Hi-Fi	JBH	Sell	6,183	56.55	15.5	17.0	-22.4	-9.0	4.2	3.8	100	100
Harvey Norman	HVN	Hold	5,345	4.29	14.4	12.3	-19.9	17.6	5.5	6.6	100	100
Lovisa Holdings	LOV	Lighten	3,442	31.38	46.9	34.4	10.1	36.5	1.7	2.3	50	50
Eagers Automotive	APE	Buy	3,159	12.21	10.5	10.6	5.8	-1.6	5.7	6.7	1	1
Super Retail Group	SUL	Lighten	2,963	13.12	12.4	14.2	-11.9	-13.0	5.4	5.4	100	100
Bapcor	BAP	Hold	1,544	4.55	16.0	14.6	-24.3	10.7	3.7	3.8	1	1

Please contact your Ord Minnett Adviser for further information on our document.

Guide to Ord Minnett recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

Ord Minnett Offices

Adelaide
Level 5
100 Pirie Street
Adelaide SA 5000
Tel: (08) 8203 2500
Fax: (08) 8203 2525

Brisbane
Level 31
10 Eagle St
Brisbane QLD 4000
Tel: (07) 3214 5555
Fax: (07) 3214 5550

Buderim
Sunshine Coast
1/99 Burnett St
Buderim QLD 4566
Tel: (07) 5430 4444
Fax: (07) 5430 4400

Canberra
101 Northbourne Avenue
Canberra ACT 2600
Tel: (02) 6206 1700
Fax: (02) 6206 1720

Gold Coast
Level 7, 50 Appel Street
Surfers Paradise QLD 4217
Tel: (07) 5557 3333
Fax: (07) 5557 3377

Hobart
Level 3
85 Macquarie Street
Hobart TAS 7000
Tel: (03) 6161 9300

Mackay
45 Gordon Street
Mackay QLD 4740
Tel: (07) 4969 4888
Fax: (07) 4969 4800

Melbourne
Level 22
35 Collins Street
Melbourne VIC 3000
Tel: (03) 9608 4111
Fax: (03) 9608 4142

Newcastle
426 King Street
Newcastle NSW 2300
Tel: (02) 4910 2400
Fax: (02) 4910 2424

Perth
Level 27
108 St Georges
Terrace Perth WA 6000
Tel: (02) 4910 2400
Fax: (02) 4910 2424

Head Office
Sydney
Level 18, Grosvenor
Place 225 George Street
Sydney NSW 2000
Tel: (02) 8216 6300
Fax: (02) 8216 6311
www.ords.com.au

International
Hongkong
1801 Ruttonjee House
11 Duddell Street
Central, Hongkong
Tel: +852 2912 8980
Fax: +852 2813 7212
www.ords.com.hk

Disclosure: Ord Minnett is the trading brand of Ord Minnett Limited ABN 86 002 733 048, holder of AFS Licence Number 237121 and is an ASX Group Participant, a Participant of Cboe Australia Pty Ltd and a wholly owned subsidiary of Ord Minnett Holdings Pty Limited ABN 32 062 323 728. Ord Minnett Limited and/or its associated entities, directors and/or its employees may have a material interest in, and may earn brokerage from, any securities referred to in this document. This document is not available for distribution outside Australia, New Zealand and Hong Kong and may not be passed on to any third party or person without the prior written consent of Ord Minnett Limited. Further, Ord Minnett and/or its affiliated companies may have acted as manager or co-manager of a public offering of any such securities in the past three years. Ord Minnett and/or its affiliated companies may provide or may have provided corporate finance to the companies referred to in the report. Ord Minnett and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firm or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. This document is current as at the date of the issue but may be superseded by future publications. You can confirm the currency of this document by checking Ord Minnett's internet site.

Disclaimer: Ord Minnett Limited believes that the information contained in this document has been obtained from sources that are accurate, but has not checked or verified this information. Except to the extent that liability cannot be excluded, Ord Minnett Limited and its associated entities accept no liability for any loss or damage caused by any error in, or omission from, this document. This document is intended to provide general securities advice only, and has been prepared without taking account of your objectives, financial situation or needs, and therefore before acting on advice contained in this document, you should consider its appropriateness having regard to your objectives, financial situation and needs. If any advice in this document relates to the acquisition or possible acquisition of a particular financial product, you should obtain a copy of and consider the Product Disclosure Statement for that product before making any decision. Investments can go up and down. Past performance is not necessarily indicative of future performance.

Analyst Certification: The analyst certifies that: (1) all of the views expressed in this research accurately reflect their personal views about any and all of the subject securities or issuers; (2) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein.

Ord Minnett Hong Kong: This document is issued in Hong Kong by Ord Minnett Hong Kong Limited, CR Number 1792608, which is licensed by the Securities and Futures Commission (CE number BA1183) for Dealing in Securities (Type 1 Regulated Activity) and Advising on Securities (Type 4 Regulated Activity) and Asset Management (Type 9 Regulated Activity) in Hong Kong. Ord Minnett Hong Kong Limited believes that the information contained in this document has been obtained from sources that are accurate, but has not checked or verified this information. Except to the extent that liability cannot be excluded, Ord Minnett Hong Kong Limited and its associated entities accept no liability for any loss or damage caused by any error in, or omission from, this document. This document is provided for information purposes only and does not constitute an offer to sell (or solicitation of an offer to purchase) the securities mentioned or to participate in any particular trading strategy. The investments described have not been, and will not be, authorized by the Hong Kong Securities and Futures Commission.

For summary information about the qualifications and experience of the Ord Minnett Limited research service, please visit <http://www.ords.com.au/our-team-2/>

For information regarding Ord Minnett Research's coverage criteria, methodology and spread of ratings, please visit <http://www.ords.com.au/methodology/>

For information regarding any potential conflicts of interest and analyst holdings, please visit <http://www.ords.com.au/methodology/>

The analyst has certified that they were not in receipt of inside information when preparing this report; whether or not it contains company recommendations. This report has been authorised for distribution by Simon Kent-Jones, Head of Private Client Research.

Morningstar Disclaimer © 2024 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein of these sections to be accurate, complete or timely nor will they have any liability for its use or distribution. Morningstar Australasia Pty Limited (ABN: 95 090 665 544, AFSL: 240892) has licensed the use of Morningstar research to Ord Minnett. The Morningstar research provided does not constitute investment advice, is provided solely for information purposes, and is not an offer to buy or sell a security. The research was prepared by Morningstar Australasia Pty Ltd, a subsidiary of Morningstar, Inc, without reference to your objectives, financial situation or needs. For more information refer to our Financial Services Guide at www.morningstar.com.au/sfsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Morningstar's full research reports are the source of any Morningstar Ratings and are available from Morningstar or your adviser. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser.

Some material is copyright and published under licence from ASX Operations Pty Ltd ACN 004 523 782.