



Padini Holdings Berhad

(7052 | PAD MK) Main | Consumer Products & Services | Retailers

More Store Opening on the Horizon

KEY INVESTMENT HIGHLIGHTS

- **Virtual analyst briefing**
- **Positive SSSG in 3QFY2**
- **Challenge of hiring staff remained**
- **More store opening ahead**
- **No shutdown plans for Thailand operations**
- **Maintain BUY with an unchanged TP of RM4.40**


Virtual analyst briefing. We attended Padini Holdings Berhad (Padini) analyst briefing and remained optimistic about the outlook ahead. Salient highlight are as follow:-

Positive SSSG in 3QFY23. Same-store sales growth ("SSSG") increased +41%yoy in 3QFY23 vs. 3QFY22. This indicated the continuous positive demand for Padini's product at the existing store during the quarter. Similarly, the SSSG for 9MFY23 vs. 9MFY24 remains robust at +65%yoy. Going forward, the group alludes that the sales in April and May were comparable to the prior year, mainly attributed to the dampened consumer sentiment caused by the increasing interest rates and inflationary conditions.

Challenge of hiring staff remained. As of 9MFY23, Padini has successfully hired 300 new employees across various positions. However, the management indicates that challenges in hiring staff for certain stores persist. Additionally, the group have no plans to increase the headcount for a particular stores unless necessary or for new store openings.

More store opening ahead. Padini opened two freestanding stores (FSS) in 9MFY23, one located in Ampang Point and the other in Aeon Mall Shah Alam. Going forward, the management highlighted the opening of two additional outlets in Cambodia. Additionally, the group is actively exploring the possibility of opening approximately five new outlets in Malaysia and one to two new stores in Thailand.

No shutdown plans for Thailand operations. The management highlights that the fashion retail sector in Thailand remains highly competitive, but there are no plans to shut any stores at this time. This is in view that certain Thailand stores have begun to register profits in certain months of 2023.

Maintain BUY with an unchanged TP of RM4.40. Post analyst briefing, we make no adjustments to our forecast. Our **TP of RM4.40** is based on an unchanged PER of 12.9x (sector's average forward PE for consumer discretionary) pegging to Padini's FY24F EPS of 34.7sen/share. We are bullish about Padini's outlook underpinned by (1) its strong net cash position of RM627.5m (equivalent to 25% of market cap), (2) its affordably priced product, which appeals to the B40 and M40 income groups, and (3) effective cost management. **Downside risk** is weaker-than-expected consumer sentiment. 

Maintain BUY**Unchanged Target Price: RM4.40**

RETURN STATISTICS

Price @ 1 st June 2023 (RM)	3.71
Expected share price return (%)	+18.60
Expected dividend yield (%)	2.80
Expected total return (%)	+21.34

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	21.1	17.7
3 months	11.3	26.6
12 months	78.7	70.1

INVESTMENT STATISTICS

FYE Jun	2023F	2024F	2025F
Revenue	1,771.2	1,894.8	1,998.6
EBITDA	303.6	328.7	351.0
Profit before tax (PBT)	274.6	298.6	320.1
Core PATANCI	206.3	224.4	240.5
Core EPS (sen)	31.4	34.1	36.5
DPS (sen)	10.7	10.2	10.2
Dividend Yield (%)	2.7	2.6	2.6

KEY STATISTICS

FBM KLCI	1,383.01
Issue shares (m)	657.91
Estimated free float (%)	34.72
Market Capitalisation (RM'm)	2,467.16
52-wk price range	RM2.9 – RM4.2
3-mth average daily volume (m)	0.7
3-mth average daily value (RM'm)	2.5
Top Shareholders (%)	
Yong Pang Chaun Holdings Sdn	43.7
Kumpulan Wang Persaraan	7.7
Employees Provident Fund Board	5.0

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FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023F	2024F	2025F
Revenue	1,029.4	1,319.1	1,771.2	1,894.8	1,998.6
Cost of sales	(639.9)	(811.6)	(1,091.9)	(1,162.3)	(1,219.8)
Gross Profit	389.5	507.5	679.3	732.5	778.8
Other Income	31.8	27.4	27.3	29.3	31.2
Selling and distribution costs	(266.0)	(259.6)	(342.7)	(368.4)	(390.6)
Administrative expenses	(67.9)	(61.8)	(83.4)	(89.7)	(95.1)
EBITDA	211.7	330.0	303.6	328.7	351.0
EBIT	87.4	213.5	280.4	303.7	324.4
Net finance (expenses)/income	(13.3)	(8.4)	(5.9)	(5.1)	(4.3)
Profit before tax (PBT)	74.1	205.1	274.6	298.6	320.1
Profit After tax (PAT)	54.1	154.1	206.3	224.4	240.5
Core PATANCI	53.0	156.0	206.3	224.4	240.5
Core EPS (sen)	8.1	23.7	31.4	34.1	36.5
DPS (sen)	2.5	10.0	10.7	10.2	10.2

Balance Sheet (RM'm)	2021A	2022A	2023F	2024F	2025F
Property, plant and equipment	79.5	76.1	79.5	82.9	86.3
Intangible assets	3.8	3.3	3.3	3.4	3.4
Total Non-current assets	474.1	490.1	513.5	525.1	536.1
Inventories	218.6	137.3	263.3	280.3	294.2
ST - Trade and other receivables	47.6	56.5	73.4	78.5	82.8
Cash and cash equivalents	523.8	808.9	748.3	775.9	798.0
Total current assets	800.4	1,003.9	1,086.8	1,136.6	1,177.0
Total Assets	1,274.5	1,494.0	1,600.2	1,661.7	1,713.0
Total Equity	801.8	891.1	987.6	1,046.7	1,099.2
LT Loans and borrowings	0.0	0.0	0.0	0.0	0.0
Total Non-current liabilities	324.4	325.9	323.8	319.7	315.4
ST Trade and other payables	61.7	178.3	169.5	180.4	189.3
ST Loans and borrowings	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	148.3	277.1	288.9	295.3	298.4
Total Liabilities	472.7	603.0	612.7	615.0	613.9

Cash Flow Statement (RM'm)	2021A	2022A	2023F	2024F	2025F
Pretax profit	74.1	205.1	274.6	298.6	320.1
Cash flow from operations	186.0	474.0	57.0	125.2	119.7
Cash flow from investing	2.2	(35.4)	(19.0)	(20.7)	(22.2)
Cash flow from financing	(106.2)	(156.6)	(98.6)	(76.8)	(75.5)
Net cash flow	82.0	282.0	(60.6)	27.6	22.0
(+/-) Adjustments	0.3	3.1	0.0	0.0	0.0
Net cash/(debt) b/f	441.5	523.8	808.9	748.3	775.9
Net cash/(debt) c/f	523.8	808.9	748.3	775.9	798.0

Key Metrics	2021A	2022A	2023F	2024F	2025F
Effective tax rate (%)	27.1	24.9	24.9	24.9	24.9
Net Cash/Market Capitalisation (%)	21.2	32.8	30.3	31.5	32.3
Cash per share (RM)	0.3	0.7	0.1	0.2	0.2

Profitability Margins	2021A	2022A	2023F	2024F	2025F
Gross Profit Margin (%)	37.8	38.5	38.4	38.7	39.0
EBITDA Margin (%)	20.6	25.0	17.1	17.3	17.6
EBIT Margin (%)	8.5	16.2	15.8	16.0	16.2
Core PATANCI Margin (%)	5.1	11.8	11.6	11.8	12.0

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology