Corporate Update

Padini Holdings Berhad

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

SHARIAH Compliant | FTSE4Good | ESG 3 Stars

Upgrade to **BUY**

Unchanged Target Price **RM2.19**

2QFY25 Results Review
Strong Seasonal Boost

Upgrade to BUY with an unchanged TP of RM1.61. Padini's 2QFY25 performance was in line with expectations, driven by strong festive season sales and improved margins. However, increased staff costs, and depreciation weighed on earnings. We maintain our earnings forecasts as results align with expectations. Our TP remains at RM1.61, based on an unchanged PER of 14.4x pegged to FY25F EPS of 22.8 sen. Given the recent share price weakness (~-28% decline since early Dec-24 downgrade), we upgrade Padini to BUY.

Within expectations. Padini chalked in 2QFY25 revenue of RM525.6m (+33.7%qoq; +5.1%yoy) and core PATANCI of RM59.7m (+177.3%qoq, +3.8%yoy) which brought 1HFY25 core PATANCI to RM81.2m (-4.2yoy). This met our full-year FY25 forecast and consensus at 54% and 56% of full-year expectations respectively. A third interim DPS of 1.8sen was also declared.

Seasonality driven surge. Padini's 2QFY24 revenue surged 33.7%qoq to RM525.6m, driven by festive season sales, particularly during Christmas and school holidays. On a yearly basis, revenue grew 5.1%yoy, reflecting stable demand for value-for-money fashion. For 1HFY25, Padini's revenue increased 3.4%yoy to RM918.8m, supported by resilient consumer spending despite macroeconomic challenges.

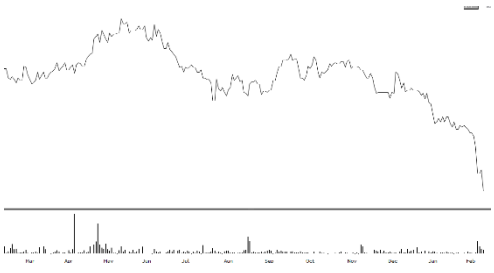
Earnings Pressured Despite Revenue Growth. In tandem with revenue growth, Padini gross profit margin expanded to 40.0% (2QFY24: 38.1%) benefiting from improved product mix and better cost control measures. Operating profit margin saw a notable improvement, rising to 17.4% from 5.7% in the preceding quarter, reflecting stronger operational efficiencies and higher sales volume. Despite these improvements, 1HFY25 core earnings fell 4.9%yoy to RM75.84m, affected by staff costs, and higher depreciation from outlet expansion.

Outlook. We remain optimistic about Padini's resilience, supported by its affordable pricing strategy and strong value-for-money positioning. Stable employment trends and wage policies may further support spending in 2HFY25. However, rising costs, inflation, and global trade uncertainties remain key risks to retail demand and margins.

Upgrade to BUY (from NEUTRAL earlier). Following recent share price underperformance (~-28% decline since our early Dec-24 downgrade), valuations have turned increasingly attractive. At RM1.61, Padini is trading at at an undemanding FY25F PE of 10.6x, well below its three-year historical mean of 16.6x.

RETURN STATISTICS	
Price @ 25th Feb 2025 (RM)	1.61
Expected share price return (%)	+36.0
Expected dividend yield (%)	+7.5
Expected total return (%)	+43.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-21.5	-21.2
3months	-26.8	-28.3
12 months	-30.3	-31.2

INVESTMENT STATISTICS			
FYE JUN (RM'm)	2025F	2026F	2027F
Revenue	1,987.1	2,069.4	2,154.3
EBITDA	324.2	337.4	351.0
PBT	198.7	209.9	221.4
Core PATANCI	150.0	158.5	167.2
Core EPS (sen)	15.2	16.1	16.9
DPS (sen)	12.0	12.0	12.0
Dividend Yield (%)	7.5	7.5	7.5

KEY STATISTICS	
FBM KLCI	1568.03
Issue shares (m)	986.87
Estimated free float (%)	43.90
Market Capitalisation (RM'm)	1588.85
52-wk price range	RM1.6 - RM2.63
3-mth average daily volume (m)	0.37
3-mth average daily value (RM'm)	0.7588578
Top Shareholders (%)	
YONG PANG CHAUN HOLDINGS SDN BHD	43.74
Kumpulan Wang Persaraan Diperbadan	10.18
Employees Provident Fund Board	7.53

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Padini: 2QFY25 Results Summary

FYE Jun (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue	525.6	393.1	500.1	5.1	33.7	918.8	888.3	3.4
Cost of sales	(315.2)	(253.1)	(309.6)	1.8	24.6	(568.3)	(557.6)	1.9
Gross profit	**210.4**	**140.1**	**190.5**	**10.5**	**50.2**	**350.5**	**330.7**	**6.0**
Other income	3.0	6.9	4.8	(36.3)	(55.7)	9.9	9.3	6.2
Administrative expenses	(12.7)	(29.6)	(19.4)	(34.5)	(57.2)	(42.3)	(38.0)	11.4
Selling and distribution costs	(100.1)	(94.8)	(99.7)	9.5	15.1	(204.0)	(185.4)	10.0
Operating profit (EBIT)	**91.6**	**22.5**	**76.2**	**20.3**	**307.9**	**114.1**	**116.6**	**(2.2)**
Net finance income/(cost)	(5.8)	(6.1)	(5.2)	10.4	(6.0)	(11.9)	(10.7)	10.7
Profit before tax (PBT)	**85.9**	**16.3**	**70.9**	**21.0**	**425.7**	**102.2**	**105.9**	**(3.5)**
Income tax expense	(21.5)	(4.8)	(17.8)	20.7	347.7	(26.4)	(26.1)	0.9
Profit After tax (PAT)	**64.3**	**11.5**	**53.1**	**21.1**	**458.3**	**75.8**	**79.8**	**(4.9)**
PATANCI	64.3	11.5	53.1	21.1	458.3	75.8	79.8	(4.9)
Core PATANCI	**59.7**	**21.5**	**57.5**	**3.8**	**177.3**	**81.2**	**84.8**	**(4.2)**
Core EPS (sen)	**6.0**	**3.3**	**8.7**	**(30.8)**	**84.9**	**9.3**	**12.9**	**(27.7)**
DPS (sen)	1.8	2.5	2.5	(28.0)	(28.0)	4.3	5.0	(14.0)
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Gross Profit Margin	40.0	35.6	38.1	1.9	4.4	38.1	37.2	0.9
Operating Profit Margin	17.4	5.7	15.2	2.2	11.7	12.4	13.1	(0.7)
PBT Margin	16.3	4.2	14.2	2.1	12.2	11.1	11.9	(0.8)
Core PATANCI Margin	11.4	5.5	11.5	(0.1)	5.9	8.8	9.5	(0.7)
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	25.1	29.5	25.1	(0.1)	(4.4)	25.8	24.7	1.1

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	1,822.1	1,918.8	1,987.1	2,069.4	2,154.3
Gross Profit	717.8	695.1	717.3	746.9	784.4
EBITDA	416.8	346.1	324.2	337.4	351.0
EBIT	300.8	202.4	201.1	211.2	221.6
PBT	295.9	196.7	198.7	209.9	221.4
Taxation	(73.2)	(50.1)	(48.7)	(51.4)	(54.2)
PAT	222.7	146.6	150.0	158.5	167.2
Core PATANCI	225.1	150.0	150.0	158.5	167.2
Core EPS (sen)	22.8	15.2	15.2	16.1	16.9
PER (x)	4.8	7.2	10.6	10.0	9.5
DPS (sen)	11.5	11.5	12.0	12.0	12.0
Dividend Yield (%)	7.1	7.1	7.5	7.5	7.5

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	295.9	196.7	198.7	209.9	221.4
Operating cash flow	(19.2)	427.8	36.6	300.3	307.0
Investing cash flow	(109.8)	(35.3)	(145.4)	(151.6)	(158.0)
Financing cash flow	(218.2)	(204.1)	(22.2)	(128.3)	(128.2)
Net cash flow	(347.2)	188.4	(131.0)	20.5	20.8
Beginning cash flow	808.9	602.1	791.0	660.0	680.5
Ending cash flow	602.1	791.0	660.0	680.5	701.3

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	38.1	5.3	3.6	4.1	4.1
Gross Profit Growth	41.4	(3.2)	3.2	4.1	5.0
EBITDA Growth	26.3	(17.0)	(6.3)	4.1	4.0
Core PATANCI Growth	44.3	(33.4)	(0.0)	5.6	5.5

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	39.4	36.2	36.1	36.1	36.4
EBITDA Margin	22.9	18.0	16.3	16.3	16.3
EBIT Margin	16.5	10.5	10.1	10.2	10.3
Core PATANCI Margin	12.4	7.8	7.6	7.7	7.8

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	86.3	115.1	130.4	153.5	177.2
Intangible assets	3.9	3.2	5.7	6.9	8.3
Non-current assets	561.6	646.5	714.5	797.4	885.4
Inventories	433.2	288.2	417.5	434.8	450.3
ST - Trade receivables	66.0	70.4	81.7	85.0	88.5
Cash and cash equivalents	605.3	791.0	660.0	680.5	701.3
Current assets	1,104.5	1,182.8	1,159.2	1,200.3	1,240.2
Total Assets	1,666.1	1,829.2	1,873.6	1,997.7	2,125.6
Total Equity	1,040.1	1,111.1	1,223.1	1,351.6	1,484.2
LT Loans	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	379.0	448.4	368.7	363.6	358.6
ST Trade payables	125.2	151.5	173.9	181.2	187.6
ST Loans	3.2	0.0	3.2	3.2	3.2
Current Liabilities	247.0	269.7	281.9	282.5	282.8
Total Liabilities	626.0	718.1	650.6	646.1	641.4

Liquidity Ratios (x)	2023A	2024A	2025F	2026F	2027F
Current ratio	4.5	4.4	4.1	4.2	4.4
Quick ratio	2.7	3.3	2.6	2.7	2.8

Leverage Ratios (x)	2023A	2024A	2025F	2026F	2027F
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Total Debt to Assets	0.0	0.0	0.0	0.0	0.0
Net debt/total equity	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Efficiency Ratios (days)	2023A	2024A	2025F	2026F	2027F
Inventories Turnover	94.3	107.6	101.4	117.6	117.9
Receivable Turnover	12.4	13.3	14.3	15.1	15.1
Payable Turnover	50.8	42.2	47.9	50.3	50.6
Cash Conversion Cycle	55.9	78.7	67.8	82.4	82.5

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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