Corporate Update

Padini Holdings Berhad

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

SHARIAH Compliant | FTSE4Good | ESG 3 Stars

Upgrade to **BUY**

Revised Target Price **RM2.49** (from RM2.19)

3QFY25 Results Review

Margin Strength Drives Earnings Beat

Upgrade to BUY with TP of RM2.49. Padini's 3QFY25 results came in above expectations, driven by stronger-than-expected margin delivery despite festive-linked bonus payouts. We revise our FY25–27F earnings forecasts upward by +20%/+23%/+22%, factoring in better margin assumptions. We also take this opportunity to roll forward our valuation to FY26F. Accordingly, we raise our TP to RM2.49 (from RM2.19), based on a 12.6x PER (3-year mean) pegged to FY26F EPS of 19.7sen. Given the upside to our revised target price, we upgrade our call to BUY.

Above expectations. Padini chalked in 3QFY25 revenue of RM626.8m (+19.3%qoq; +8.9%yoy) and core PATANCI of RM74m (+23.9%qoq, +61.5%yoy) which brought 9MFY25 core PATANCI to RM155.2m (+18.9yoy). While revenue was broadly in line, earnings came in above expectations, reaching 103% of our FY25 forecast and 101% of consensus. The positive variance was primarily driven by stronger-than-expected margin performance, underpinned by a better cost discipline, and improved operating leverage. A fourth interim dividend of 1.8sen and a special dividend of 1.0sen were also declared, bringing total 9MFY25 DPS to 7.1sen.

Festive-Driven Sales Rebound. Padini's 3QFY25 revenue rose +19.3%qoq to RM626.8m, driven by a strong seasonal uplift from the double festive period—Chinese New Year and Hari Raya—both of which fell within the quarter. We believe the twin festivals provided a significant boost to store traffic and basket sizes, contributing to broad-based sales strength across key apparel categories. Cumulatively, 9MFY25 revenue increased +5.6%yoy to RM1.55b, supported by steady demand for value-for-money offerings and resilient store performance across all regions.

Margin-Led Earnings Outperformance. Despite festive-linked bonus payouts, Padini delivered stronger-than-expected profitability in 3QFY25, with core PATANCI rising to RM74.0m (+23.9%qoq; +61.5%yoy). Gross profit margin expanded by 5.6ppts yoy to 41.0%, likely driven by improved negotiating power with Chinese suppliers, which helped manage input costs effectively. Operating margin also improved to 16.7% (3QFY24: 10.4%), reflecting the benefits of higher sales and operating leverage. This lifted 9MFY25 core PATANCI to RM155.2m (+18.9%yoy), underpinned by sustained cost discipline and seasonal scale efficiencies.

Outlook. We remain positive on Padini's near-term outlook, underpinned by its affordable pricing strategy and strong value-for-money positioning. While earnings momentum is expected to moderate in 4QFY25 following the festive peak, the group remains on solid footing. Stable employment trends and wage policies should continue to support consumer spending into the future. Key risks include input cost pressures and softer discretionary demand.

RETURN STATISTICS	
Price @ 29th May 2025 (RM)	2.06
Expected share price return (%)	+20.7
Expected dividend yield (%)	+5.8
Expected total return (%)	+26.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.9	-2.3
3months	-4.2	26.1
12 months	-19.6	-15.2

INVESTMENT STATISTICS

FYE JUN (RM'm)	2025F	2026F	2027F
Revenue	1,987.1	2,069.4	2,154.3
EBITDA	364.0	385.3	400.6
PBT	238.5	257.8	271.0
Core PATANCI	180.1	194.7	204.6
Core EPS (sen)	18.2	19.7	20.7
DPS (sen)	12.0	12.0	12.0
Dividend Yield (%)	5.8	5.8	5.8

KEY STATISTICS

FBM KLCI	1518.98
Issue shares (m)	986.87
Estimated free float (%)	45.29
Market Capitalisation (RM'm)	2,032.94
52-wk price range	RM1.6 - RM2.59
3-mth average daily volume (m)	0.85
3-mth average daily value (RM'm)	1.60
Top Shareholders (%)	
YONG PANG CHAUN HOLDINGS SDN BHD	43.74
Kumpulan Wang Persaraan Diperbadan	10.22
Employees Provident Fund Board	7.74

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Padini: 3QFY25 Results Summary

FYE Jun (RM'm)	Quarterly results					Cumulative results		
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	626.8	525.6	575.4	8.9	19.3	1,545.6	1,463.7	5.6
Cost of sales	(370.1)	(315.2)	(372.2)	(0.6)	17.4	(938.4)	(929.8)	0.9
Gross profit	**256.7**	**210.4**	**203.2**	**26.3**	**22.0**	**607.2**	**533.9**	**13.7**
Other income	10.6	3.0	8.9	19.6	249.1	20.5	18.2	12.7
Administrative expenses	(36.8)	(12.7)	(33.1)	11.3	190.1	(79.1)	(71.0)	11.4
Selling and distribution costs	(126.1)	(109.1)	(119.3)	5.8	15.6	(330.1)	(304.7)	8.3
Operating profit (EBIT)	**104.4**	**91.6**	**59.8**	**74.7**	**14.0**	**218.5**	**176.4**	**23.9**
Net finance income/(cost)	(8.7)	(5.8)	(5.1)	71.7	51.7	(20.6)	(15.8)	30.3
Profit before tax (PBT)	**95.7**	**85.9**	**54.7**	**75.0**	**11.4**	**197.9**	**160.6**	**23.2**
Income tax expense	(23.7)	(21.5)	(14.2)	67.4	10.0	(50.1)	(40.3)	24.3
Profit After tax (PAT)	**72.0**	**64.3**	**40.5**	**77.6**	**11.9**	**147.8**	**120.3**	**22.9**
PATANCI	72.0	64.3	40.5	77.6	11.9	147.8	120.3	22.9
Core PATANCI	**74.0**	**59.7**	**45.8**	**61.5**	**23.9**	**155.2**	**130.6**	**18.9**
Core EPS (sen)	**7.5**	**6.0**	**4.6**	**61.5**	**23.9**	**15.7**	**13.2**	**18.9**
DPS (sen)	2.8	1.8	2.5	12.0	55.6	7.1	7.5	(5.3)
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Gross Profit Margin	41.0	40.0	35.3	5.6	0.9	39.3	36.5	2.8
Operating Profit Margin	16.7	17.4	10.4	6.3	(0.8)	14.1	12.1	2.1
PBT Margin	15.3	16.3	9.5	5.8	(1.1)	12.8	11.0	1.8
Core PATANCI Margin	11.8	11.4	8.0	3.8	0.4	10.0	8.9	1.1
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	24.8	25.1	25.9	(1.1)	(0.3)	25.3	25.1	0.2

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	757.8	795.6	834.9
EBITDA	416.8	346.1	364.0	385.3	400.6
EBIT	300.8	202.4	240.9	259.1	271.3
PBT	295.9	196.7	238.5	257.8	271.0
Taxation	(73.2)	(50.1)	(58.4)	(63.2)	(66.4)
PAT	222.7	146.6	180.1	194.7	204.6
Core PATANCI	225.1	150.0	180.1	194.7	204.6
Core EPS (sen)	22.8	15.2	18.2	19.7	20.7
PER (x)	6.1	9.2	11.3	10.4	9.9
DPS (sen)	11.5	11.5	12.0	12.0	12.0
Dividend Yield (%)	5.6	5.6	5.8	5.8	5.8

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	295.9	196.7	238.5	257.8	271.0
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)	9.0	5.0	4.9
EBITDA Growth	26.3	(17.0)	5.2	5.9	4.0
Core PATANCI Growth	44.3	(33.4)	20.0	8.1	5.1

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	39.4	36.2	38.1	38.4	38.8
EBITDA Margin	22.9	18.0	18.3	18.6	18.6
EBIT Margin	16.5	10.5	12.1	12.5	12.6
Core PATANCI Margin	12.4	7.8	9.1	9.4	9.5

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	404.1	418.8	433.8
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	1,145.8	1,184.3	1,223.6
Total Assets	1,666.1	1,829.2	1,860.3	1,981.7	2,109.0
Total Equity	1,040.1	1,111.1	1,215.3	1,342.3	1,474.5
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	168.4	174.5	180.7
ST Loans	3.2	0.0	3.2	3.2	3.2
Current Liabilities	247.0	269.7	276.3	275.8	275.9
Total Liabilities	626.0	718.1	645.0	639.5	634.5

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