Corporate Update

Padini Holdings Berhad

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

SHARIAH Compliant | FTSE4Good | ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM2.22**

2QFY26 Results Review

Costs Drag on Earnings

Maintain BUY with an unchanged TP of RM2.22. Padini's 2QFY26 results came in within expectations, though earnings remained soft amid continued cost pressures from higher operating expenses, including rental-related service tax and rising depreciation charges. While festive-driven sales supported sequential recovery, margin compression and elevated cost intensity weighed on year-on-year performance. Our **TP** is unchanged at **RM2.22**, based on an FY26F EPS of 14.8 sen pegged to a 15x PE. We continue to maintain our **BUY** call, as we expect earnings to normalise gradually on improving sales during the festive season while better operating leverage is expected once cost pressures stabilise.

Within expectations. Padini posted 2QFY26 revenue of RM484.0m (-7.9%yoy; +20.7%qoq) and core PATANCI of RM47.1m (-21.1%yoy; +109.7%qoq), bringing 1HFY26 core PATANCI to RM69.6m (-14.4%yoy). The results were in line with our estimates at 48% of our full-year forecast but lagged consensus at 38%. A third interim dividend of 1.8 sen per share was declared during the quarter.

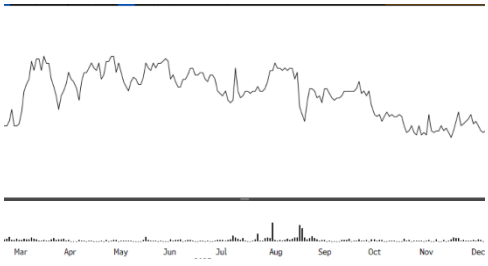
Festive-driven rebound offsets softer year-on-year performance. 2QFY26 revenue rose to RM484.0m (+20.7%qoq), supported by stronger sales during the year-end festive season and school holidays, which lifted footfall and consumer spending sequentially. However, on a year-on-year basis, revenue declined -7.9%yoy, reflecting more cautious discretionary spending amid weaker purchasing power and a challenging retail environment. For 1HFY26, revenue eased by -3.7%yoy to RM885.1m, as the stronger festive-driven quarter was insufficient to fully offset softer demand conditions earlier in the financial year.

Earnings pressured by cost escalation despite sequential rebound. Core PATANCI rose sharply to RM47.1m (+109.7%qoq) in 2QFY26, in line with stronger festive-driven sales, but declined -21.1%yoy as higher operating costs weighed on profitability. Gross margin edged lower to 39.7% (-0.3ppts yoy; -0.2ppts qoq), while core PATANCI margin narrowed to 9.7% (-1.6ppts yoy) despite improving +4.1ppts sequentially, reflecting elevated administrative expenses, higher depreciation charges and the impact of service tax on rental. For 1HFY26, core PATANCI fell -14.4%yoy to RM69.6m, with margin contracting -1.0ppts yoy to 7.9%, underscoring sustained cost pressures that more than offset relatively stable topline performance.

Outlook. We remain constructive on Padini's prospects, underpinned by its strong value positioning and broad brand portfolio that continues to resonate with price-sensitive consumers. A more supportive macro backdrop, including stable employment conditions, targeted government cash assistance and recent monetary easing, should help sustain discretionary spending.

RETURN STATISTICS	
Price @ 26th Feb 2026 (RM)	2.00
Expected share price return (%)	+11.0
Expected dividend yield (%)	+6.0
Expected total return (%)	+17.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	1.7
3 months	11.7	1.0
12 months	13.5	3.5

INVESTMENT STATISTICS

FYE SEPT (RM'm)	2026F	2027F	2028F
Revenue	1,709.4	1,775.5	1,843.6
EBITDA	346.0	358.3	367.5
PBT	193.5	202.9	209.2
Core PATANCI	146.1	153.2	157.9
Core EPS (sen)	14.8	15.5	16.0
DPS (sen)	12.0	12.0	12.0
Dividend Yield (%)	6.0	6.0	6.0

KEY STATISTICS

FBM KLCI	1,740.94
Issued shares (m)	657.91
Estimated free float (%)	44.94
Market Capitalisation (RM'm)	1,973.73
52-wk price range	RM1.68 - RM2.18
3-mth average daily volume (m)	0.45
3-mth average daily value (RM'm)	0.85
Top Shareholders (%)	
YONG PANG CHAUN HOLDINGS SDN BHD	43.74
Employees Provident Fund Board	10.73
Kumpulan Wang Persaraan Diperbadan	10.60

Analyst
MBSB Research
research@mbsb.com

Padini: 2QFY26 Results Summary

FYE Jun (RM'm)	Quarterly results					Cumulative results		
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Revenue	484.0	401.1	525.6	(7.9)	20.7	885.1	918.8	(3.7)
Cost of sales	(291.8)	(240.9)	(315.2)	(7.4)	21.1	(532.6)	(568.3)	(6.3)
Gross profit	**192.3**	**160.2**	**210.4**	**(8.6)**	**20.0**	**352.5**	**350.5**	**0.6**
Other income	7.8	5.5	3.0	155.6	41.9	13.3	9.9	33.8
Administrative expenses	(25.5)	(25.0)	(12.7)	100.7	1.7	(50.5)	(42.3)	19.4
Selling and distribution costs	(111.0)	(102.0)	(109.1)	1.7	8.9	(213.0)	(204.0)	4.4
Operating profit (EBIT)	**63.6**	**38.7**	**91.6**	**(30.6)**	**64.2**	**102.3**	**114.1**	**(10.4)**
Net finance income/(cost)	(7.2)	(7.5)	(5.8)	24.6	(4.6)	(14.7)	(11.9)	23.6
Profit before tax (PBT)	**56.4**	**31.2**	**85.9**	**(34.3)**	**80.8**	**87.6**	**102.2**	**(14.3)**
Income tax expense	(15.1)	(10.8)	(21.5)	(30.1)	39.5	(25.9)	(26.4)	(1.9)
Profit After tax (PAT)	**41.3**	**20.4**	**64.3**	**(35.8)**	**102.7**	**61.7**	**75.8**	**(18.6)**
PATANCI	41.3	20.4	64.3	(35.8)	102.7	61.7	75.8	(18.6)
Core PATANCI	**47.1**	**22.5**	**59.7**	**(21.1)**	**109.7**	**69.6**	**81.2**	**(14.4)**
Core EPS (sen)	**4.8**	**2.3**	**6.0**	**(21.1)**	**109.7**	**7.0**	**8.2**	**(14.4)**
DPS (sen)	1.8	1.8	2.5	(28.0)	0.0	3.6	5.0	(28.0)
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Gross Profit Margin	39.7	39.9	40.0	(0.3)	(0.2)	39.8	38.1	1.7
Operating Profit Margin	13.1	9.7	17.4	(4.3)	3.5	11.6	12.4	(0.9)
PBT Margin	11.6	7.8	16.3	(4.7)	3.9	9.9	11.1	(1.2)
Core PATANCI Margin	9.7	5.6	11.4	(1.6)	4.1	7.9	8.8	(1.0)
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	26.7	34.6	25.1	1.6	(7.9)	29.5	25.8	3.7

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	1,918.8	1,937.7	1,709.4	1,775.5	1,843.6
Gross Profit	695.1	752.9	657.2	688.1	716.8
EBITDA	346.1	378.8	346.0	358.3	367.5
EBIT	202.4	215.5	197.1	205.7	211.1
PBT	196.7	209.0	193.5	202.9	209.2
Taxation	(50.1)	(54.2)	(47.4)	(49.7)	(51.2)
PAT	146.6	154.8	146.1	153.2	157.9
Core PATANCI	150.0	169.1	146.1	153.2	157.9
Core EPS (sen)	15.2	17.1	14.8	15.5	16.0
PER (x)	8.1	11.5	12.2	11.6	11.2
DPS (sen)	11.5	9.6	12.0	12.0	12.0
Dividend Yield (%)	5.8	4.8	6.0	6.0	6.0

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	196.7	209.0	193.5	202.9	209.2
Operating cash flow	427.8	221.8	(199.6)	274.1	279.5
Investing cash flow	(35.3)	(49.4)	(125.1)	(130.1)	(135.3)
Financing cash flow	(204.1)	(224.0)	155.9	(128.1)	(128.0)
Net cash flow	188.4	(60.0)	(168.9)	15.9	16.2
Beginning cash flow	602.1	791.0	731.0	562.1	578.0
Ending cash flow	791.0	731.0	562.1	578.0	594.2

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	5.3	1.0	(11.8)	3.9	3.8
Gross Profit Growth	(3.2)	8.3	(12.7)	4.7	4.2
EBITDA Growth	(17.0)	9.5	(8.7)	3.6	2.6
Core PATANCI Growth	(33.4)	12.7	(13.6)	4.9	3.1

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin (%)	36.2	38.9	38.4	38.8	38.9
EBITDA Margin (%)	18.0	19.6	20.2	20.2	19.9
EBIT Margin (%)	10.5	11.1	11.5	11.6	11.5
Core PATANCI Margin (%)	7.8	8.7	8.5	8.6	8.6

Balance Sheet (RM'm)	2024A	2025A	2026F	2027F	2028F
PPE	115.1	154.7	152.5	175.2	198.6
Intangible assets	3.2	3.7	4.2	4.8	5.5
Non-current assets	646.5	842.0	664.1	695.7	730.2
Inventories	288.2	387.2	345.9	357.5	370.5
ST - Trade receivables	70.4	65.4	70.2	73.0	75.8
Cash	791.0	731.0	562.1	578.0	594.2
Current assets	1,182.8	1,209.2	978.4	1,008.6	1,040.6
Total Assets	1,829.2	2,051.2	1,642.5	1,704.3	1,770.8
Total Equity	1,111.1	1,184.8	1,067.5	1,134.3	1,204.8
LT Loans	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	448.4	599.7	358.4	353.3	348.2
ST Trade payables	151.5	137.9	144.1	149.0	154.4
ST Loans	0.0	0.0	0.0	0.0	0.0
Current Liabilities	269.7	266.7	216.6	216.7	217.7
Total Liabilities	718.1	866.4	575.0	570.0	565.9

Source: Bloomberg, MBSBR

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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