Corporate Update

Padini Holdings Berhad

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

SHARIAH Compliant | FTSE4Good | ESG 3 Stars

4QFY26 Results Review

Loss Making Due to Cost Pressures

Maintain BUY with revised TP of RM1.63. Padini's 4QFY26 results came in below expectations, dragged by post-festive revenue decline and higher structural operating cost pressure. While we continue to like Padini's value-for-money positioning, strong net cash balance sheet and attractive dividend profile, we believe the growth premium has narrowed as cost pressures from depreciation, lease-related expenses and service tax weigh on earnings recovery. We cut our FY27/28 earnings forecasts by -19%/-20% and lower our target PER to 13x from 15x, closer to its 3-year mean. Rolling forward our valuation to FY27F EPS of 12.5 sen, we derive a lower **TP of RM1.63** (from RM2.13). We maintain **BUY**, as the depressed share price offers an attractive entry point.

Below expectations. Padini posted 4QFY26 revenue of RM365.9m (-6.7%yoy; -41.4%qoq) and core net loss of -RM6.5m (-146.4%yoy; -110.0%qoq). For FY26, revenue declined -3.2%yoy to RM1.88b, while core PATANCI fell -24.4%yoy to RM127.8m, accounting for 91% of our full-year forecast and 86% of consensus. The negative deviation was mainly due to higher operating costs, increased depreciation and the imposition of service tax on rental and other expenses following the Service Tax scope expansion from Jul-25. Padini declared a 3.8 sen/share dividend in 4QFY26, bringing FY26 DPS to 9.2 sen/share.

Revenue dragged by post-festive normalisation. 4QFY26 revenue declined -6.7%yoy to RM365.9m, reflecting softer top-line sales amid cautious discretionary spending and weaker purchasing power. Sequentially, revenue fell -41.4%qoq, mainly due to the absence of the heightened festive sales seen in 3QFY26 during Chinese New Year and Hari Raya. For FY26, revenue declined -3.2%yoy to RM1.88b, as festive-driven demand in 3Q was insufficient to offset weaker sales momentum in other quarters. Management continues to flag a challenging retail environment, with consumer purchasing power affected by rising living costs, trade tensions, inflation and interest-rate pressures.

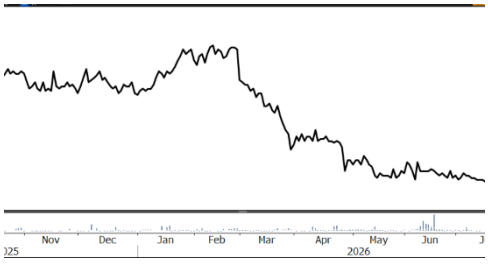
Margins compressed on lower sales and higher cost intensity. Gross profit declined -10.2%yoy and -47.8%qoq to RM130.8m, while gross profit margin narrowed to 35.7% (-1.4ppts yoy; -4.4ppts qoq), reflecting weaker sales mix and lower operating leverage in the post-festive quarter. EBIT fell sharply to RM0.3m (-98.6%yoy; -99.7%qoq) from RM19.5m in 4QFY25 and RM89.6m in 3QFY26. The weaker earnings were mainly due to lower topline sales and higher operating costs, including increased depreciation and lease-related expenses, as well as service tax on rental and other expenses. Selling and distribution costs rose +4.2%yoy to RM115.9m, while administrative expenses increased +1.5%yoy to RM25.7m. As a result, Padini recorded 4QFY26 core net loss of -RM6.5m (-146.4%yoy; -110.0%qoq). For FY26, core PATANCI margin narrowed to 6.8% from 8.7% in FY25.

Maintain **BUY**

Revised Target Price **RM1.63**
(from: RM2.13)

RETURN STATISTICS	
Price @ 27th Aug 2026 (RM)	1.34
Expected share price return (%)	+21.36
Expected dividend yield (%)	+6.87
Expected total return (%)	+28.23

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-10.1	-11.5
3 months	-5.6	-6.6
12 months	-34.7	-40.4

INVESTMENT STATISTICS

FYE SEPT (RM'm)	2026A	2027F	2028F
Revenue	1,875.5	1,948.1	2,023.0
EBITDA	356.5	365.2	373.4
PBT	160.8	168.0	172.7
Core PATANCI	127.8	123.5	127.0
Core EPS (sen)	13.0	12.5	12.9
DPS (sen)	9.2	9.2	9.2
Dividend Yield (%)	6.9	6.9	6.9

KEY STATISTICS

FBM KLCI	1,741.72
Issued shares (m)	986.86
Estimated free float (%)	45.39
Market Capitalisation (RM'm)	1,322.40
52-wk price range	RM1.32 - RM2.05
3-mth average daily volume (m)	1.37
3-mth average daily value (RM'm)	2.02
Top Shareholders (%)	
YONG PANG CHAUN HOLDINGS SDN BHD	43.74
Employees Provident Fund Board	9.78
Kumpulan Wang Persaraan Diperbadan	8.28

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Outlook. We remain cautiously constructive on Padini's medium-term prospects, supported by its affordable product positioning, broad brand portfolio and strong balance sheet. The group's value-for-money proposition should remain relevant as consumers stay price-sensitive, while continued focus on cost control, working capital optimisation, cash preservation and operational streamlining should help cushion earnings. That said, the near-term retail environment remains challenging due to weak discretionary purchasing power, rising operating costs and margin compression. Following the sell-down in share price, we believe valuations have turned attractive, supported by dividend yield and recovery potential from a low earnings base. Maintain **BUY** with lower **TP of RM1.63**.

Padini: 4QFY26 Results Summary

FYE Jun (RM'm)	Quarterly results					Cumulative results		
	4QFY26	3QFY26	4QFY25	YoY (%)	QoQ (%)	12MFY26	12MFY25	YoY (%)
Revenue	365.9	624.5	392.1	(6.7)	(41.4)	1,875.5	1,937.7	(3.2)
Cost of sales	(235.2)	(373.9)	(246.4)	(4.6)	(37.1)	(1,141.7)	(1,184.8)	(3.6)
Gross profit	**130.8**	**250.6**	**145.7**	**(10.2)**	**(47.8)**	**733.8**	**752.9**	**(2.5)**
Other income	11.2	9.7	10.4	6.9	14.6	34.2	31.0	10.3
Administrative expenses	(25.7)	(39.5)	(25.4)	1.5	(34.9)	(115.8)	(104.5)	10.8
Selling and distribution costs	(115.9)	(131.2)	(111.2)	4.2	(11.6)	(460.1)	(441.3)	4.3
Operating profit (EBIT)	**0.3**	**89.6**	**19.5**	**(98.6)**	**(99.7)**	**192.1**	**238.0**	**(19.3)**
Net finance income/(cost)	(9.8)	(6.8)	(8.4)	17.0	43.6	(31.3)	(29.0)	8.0
Profit before tax (PBT)	**(9.5)**	**82.8**	**11.1**	**(185.5)**	**(111.5)**	**160.8**	**209.0**	**(23.1)**
Income tax expense	(0.1)	(22.2)	(4.2)	(97.3)	(99.5)	(48.2)	(54.2)	(11.1)
Profit After tax (PAT)	**(9.6)**	**60.5**	**7.0**	**(238.1)**	**(115.9)**	**112.6**	**154.8**	**(27.3)**
PATANCI	(9.6)	60.5	7.0	(238.1)	(115.9)	112.6	154.8	(27.3)
Core PATANCI	**(6.5)**	**64.7**	**13.9**	**(146.4)**	**(110.0)**	**127.8**	**169.1**	**(24.4)**
Core EPS (sen)	**(0.7)**	**6.6**	**1.4**	**(146.4)**	**(110.0)**	**13.0**	**17.1**	**(24.4)**
DPS (sen)	3.8	1.8	2.8	35.7	111.1	9.2	9.6	(4.2)
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Gross Profit Margin	35.7	40.1	37.2	(1.4)	(4.4)	39.1	38.9	0.3
Operating Profit Margin	0.1	14.3	5.0	(4.9)	(14.3)	10.2	12.3	(2.0)
PBT Margin	(2.6)	13.3	2.8	(5.4)	(15.9)	8.6	10.8	(2.2)
Core PATANCI Margin	(1.8)	10.4	3.5	(5.3)	(12.1)	6.8	8.7	(1.9)
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Effective tax rate (%)	(1.2)	26.9	37.4	(38.5)	(28.0)	30.0	25.9	4.0

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026A	2027F	2028F
Revenue	1,918.8	1,937.7	1,875.5	1,948.1	2,023.0
Gross Profit	695.1	752.9	733.8	762.3	791.6
EBITDA	346.1	378.8	356.5	365.2	373.4
EBIT	202.4	215.5	170.2	176.0	179.4
PBT	196.7	209.0	160.8	168.0	172.7
Taxation	(50.1)	(54.2)	(48.2)	(44.5)	(45.8)
PAT	146.6	154.8	112.6	123.5	127.0
Core PATANCI	150.0	169.1	127.8	123.5	127.0
Core EPS (sen)	15.2	17.1	13.0	12.5	12.9
PER (x)	6.0	8.5	11.7	10.7	10.4
DPS (sen)	11.5	9.6	9.2	9.2	9.2
Dividend Yield (%)	8.6	7.2	6.9	6.9	6.9

Cash Flow (RM'm)	2024A	2025A	2026A	2027F	2028F
PBT	196.7	209.0	160.8	168.0	172.7
Operating cash flow	427.8	221.8	356.9	311.9	319.5
Investing cash flow	(35.3)	(49.4)	(48.5)	(184.1)	(191.4)
Financing cash flow	(204.1)	(224.0)	(247.1)	(104.7)	(104.6)
Net cash flow	188.4	(60.0)	83.3	23.1	23.5
Beginning cash flow	602.1	791.0	731.0	814.3	837.4
Ending cash flow	791.0	731.0	814.3	837.4	860.9

Growth (%)	2024A	2025A	2026A	2027F	2028F
Revenue Growth	5.3	1.0	(3.2)	3.9	3.8
Gross Profit Growth	(3.2)	8.3	(2.5)	3.9	3.8
EBITDA Growth	(17.0)	9.5	(5.9)	2.4	2.2
Core PATANCI Growth	(33.4)	12.7	(24.4)	(3.4)	2.8

Profitability Ratios (%)	2024A	2025A	2026A	2027F	2028F
Gross Profit Margin	36.2	38.9	39.1	39.1	39.1
EBITDA Margin	18.0	19.6	19.0	18.7	18.5
EBIT Margin	10.5	11.1	9.1	9.0	8.9
Core PATANCI Margin	7.8	8.7	6.8	6.3	6.3

Balance Sheet (RM'm)	2024A	2025A	2026A	2027F	2028F
PPE	115.1	154.7	176.1	195.7	216.8
Intangible assets	3.2	3.7	5.1	5.7	6.2
Non-current assets	646.5	842.0	861.1	879.5	901.2
Inventories	288.2	387.2	310.0	322.0	334.4
ST - Trade receivables	70.4	65.4	64.2	66.6	69.2
Cash	791.0	731.0	814.3	837.4	860.9
Current assets	1,182.8	1,209.2	1,189.5	1,227.1	1,265.6
Total Assets	1,829.2	2,051.2	2,050.6	2,106.6	2,166.8
Total Equity	1,111.1	1,184.8	1,205.4	1,273.7	1,345.4
LT Loans	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	448.4	599.7	596.5	587.9	579.6
ST Trade payables	151.5	137.9	119.2	123.8	128.6
ST Loans	0.0	0.0	0.0	0.0	0.0
Current Liabilities	269.7	266.7	248.7	244.9	241.8
Total Liabilities	718.1	866.4	845.2	832.9	821.3

Source: Bloomberg, MBSBR

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MBSB 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