

Team Coverage

(603) 7890 8888 (ext 2070)

research.dept@apexsecurities.com.my

Recommendation: **HOLD**

Current Price: **RM 3.48**

Previous Target Price: **RM 3.79**

Target Price: ↔ **RM 3.79**

Upside/Downside: **8.9%**

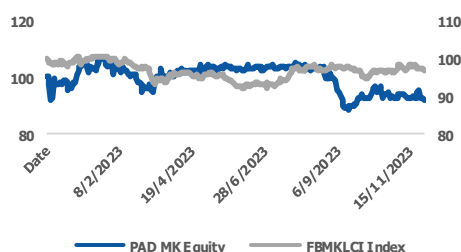
Stock information

Board	MAIN
Sector	Consumer Products
Bursa / Bloomberg Code	7052 / PAD MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆☆
Bloomberg ESG Rating	N/A
Shares issued (m)	657.9
Market Cap (RM' m)	2,289.5
52-Week Price Range (RM)	4.164-3.33
Beta (x)	0.6
Free float (%)	28.4
3M Average Volume (m)	0.5
3M Average Value (RM' m)	1.9

Top 3 Shareholders (%)

YONG PANG CHAUN HOLDINGS SDN BHD	43.7
Kumpulan Wang Persaraan Diperbadan	8.5
Employees Provident Fund Board	6.8

Share Price Performance



	1M	3M	12M
Absolute (%)	-0.9	-9.8	-10.0
Relative (%)	-4.2	-16.3	-16.0

Padini Holdings Berhad

Within expectations

Summary

- **6MFY24 core net profit at RM53.1m came within our expectations, accounting to only 45.0% of our core net profit forecast at RM177.9m, mainly on higher sales due to festive seasons.**
- **Potential short-term increases in material costs and freight charges are acknowledged, yet overall improvement is anticipated in the upcoming quarter, buoyed by heightened sales during the Chinese New Year festive season.**
- **Maintained our recommendation HOLD on PADINI with an unchanged target price of RM3.79, by pegging 14.0x P/E multiple to FY24F EPS of 27.0 sen**





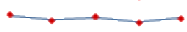

Results Review

- **Results review.** 2QFY24 core net profit slipped 27.4% yoy to RM53.1m, primarily due to rising staff costs. On a positive note, revenue and profit before tax have increased by 28.8% qoq and 103.1% qoq to RM111.9m and RM36.0m. respectively.
- **Within expectations.** 6MFY24 core net profit at RM79.8m accounted to 45% of our core net profit forecast at RM177.9m and 35% of consensus forecasted net profit of RM228.9m. We deemed the reported results to be in line, in anticipation of seasonally stronger performance in 2HFY24 that will be driven by festive seasons.
- **Operations Highlights.** All brand segments reported improvements in the topline, primarily attributed to Christmas sales and year-end school holidays. However, gross margins during the quarter slipped to 37%, down from 39% recorded in the previous corresponding quarter. Retail business was under pressure from reduced purchasing power, driven by escalating costs, trade tensions, and inflation.
- **Industry Highlights.** The competitive landscape lingers as companies pursue market share through technological upgrades like RFID and new store openings. Malaysia's retail sales growth is expected to increase slightly, with Retail Group Malaysia (RGM) revising their annual growth rate for 2024 to +3.8% yoy, up from +2.8% in 2023.
- **Outlook.** Looking ahead, we gather that Padini has are no plans to hike selling price, whilst further increase in material costs and freight charges over the short term are in the cards. We believe upcoming quarter will continue to demonstrate improvement, driven the Chinese New Year festive season.
- **Valuation.** We maintained our **HOLD** recommendation on PADINI with an unchanged target price of RM3.79, by pegging 14.0x P/E multiple to FY24F EPS of 27.0 sen.
- **Risk.** Exposure to foreign exchange risk is a concern, given that raw materials are imported from overseas. There is also a possibility of further short-term increases in material costs and freight charges.

Wednesday, February 28, 2024

Company Results

Figure 1: Results Comparison

FYE Jun (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	6MFY23	6MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	500.1	509.5	(1.8)	388.2	28.8	888.6	888.3	0.0		Sales increased during festive occasions
EBITDA	102.1	123.8	(17.5)	66.0	(54.6)	216.6	168.2	28.8		
Pre-tax profit	70.9	97.2	(27.0)	34.9	(103.1)	161.4	105.9	52.4		Increased sales facilitated a recovery in the performance
Net profit	53.1	73.1	(27.4)	26.7	(99.1)	122.0	79.8	53.0		
Core net profit	53.1	73.1	(27.4)	26.7	(99.1)	122.0	79.8	53.0		
Core EPS (sen)	1.5	2.1	(27.4)	0.8	(99.1)	3.6	2.3	53.0		
EBITDA margin (%)	20.4	24.3		17.0		24.4	18.9			
PBT margin (%)	14.2	19.1		9.0		18.2	11.9			
Core PATMI margin (%)	10.6	14.4		6.9		13.7	9.0			

Source: Company, Apex Securities

Income Statement

FYE Jun (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	1029.4	1319.1	1822.1	1851.8	1965.9
Gross Profit	389.5	507.5	717.8	666.7	707.7
EBITDA	211.7	330.0	416.8	370.4	393.2
Depreciation & Amortisation	-124.3	-116.5	-116.1	-123.9	-131.6
EBIT	87.4	213.5	300.8	246.4	261.6
Net Finance Income/ (Cost)	-13.3	-8.4	-4.9	-9.3	-11.2
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	74.1	205.1	295.9	237.2	250.4
Tax	-20.1	-51.0	-73.2	-59.3	-62.6
Profit After Tax	54.1	154.1	222.7	177.9	187.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	54.1	154.1	222.7	177.9	187.8
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	54.1	154.1	222.7	177.9	187.8

Key Ratios

FYE Jun (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	20.6%	25.0%	22.9%	20.0%	20.0%
EBIT margin	8.5%	16.2%	16.5%	13.3%	13.3%
PBT margin	7.2%	15.5%	16.2%	12.8%	12.7%
PAT margin	5.3%	11.7%	12.2%	9.6%	9.6%
NP margin	5.3%	11.7%	12.2%	9.6%	9.6%
Core NP margin	5.3%	11.7%	12.2%	9.6%	9.6%
ROE	6.7%	17.3%	21.4%	15.4%	14.7%
ROA	4.2%	10.3%	13.4%	9.9%	9.6%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Jun (RM m)	FY21	FY22	FY23	FY24F	FY25F
Total no. of stores	130.0	133.0	135.0	140.0	145.0
Total Gross Floor Area (m sqft)	14	14	15	15	15
Average revenue/store (RM m)	7.9	9.9	13.5	13.2	13.6

Valuations

	FY25F
Core EPS (RM)	0.270
P/E multiple (x)	14.0
Fair Value (RM)	3.79

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	523.8	808.9	605.3	545.0	548.9
Receivables	47.6	56.5	66.0	71.0	75.4
Inventories	218.6	137.3	433.2	521.5	528.2
Other current assets	10.4	13	0.0	0.0	0.0
Total Current Assets	800.4	1003.9	1104.5	1137.6	1152.5
Fixed Assets	84.7	816	918	97.5	103.5
Intangibles	3.8	3.3	3.9	3.9	3.9
Other non-current assets	385.6	405.3	465.9	559.1	698.8
Total Non-current assets	474.1	490.1	561.6	660.5	806.3
Short-term Debt	76.4	73.7	94.5	99.2	104.2
Payables	617	178.3	125.2	105.2	120.0
Other Current Liabilities	10.2	25.0	27.3	27.3	27.3
Total Current Liabilities	148.3	277.1	247.0	231.7	251.4
Long-term Debt	317.1	317.5	366.9	385.3	404.5
Other non-current liabilities	7.3	8.4	12.1	29.0	28.6
Total Non-current Liabilities	324.4	325.9	379.0	414.3	433.1
Shareholder's equity	801.8	891.1	1040.1	1152.2	1274.2
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	801.8	891.1	1040.1	1152.2	1274.2

Cash Flow

FYE Jun (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	74.1	205.1	295.9	237.2	250.4
Depreciation & amortisation	124.3	116.5	116.1	123.9	131.6
Changes in working capital	25.8	187.6	-367.4	-75.7	-27.7
Others	-38.3	-35.3	-63.8	-63.8	-63.8
Operating cash flow	186.0	474.0	-19.2	221.6	290.5
Net capex	-5.6	-16.3	-28.6	-129.6	-137.6
Others	7.8	-19.0	16.8	16.8	16.8
Investing cash flow	2.2	-35.4	-11.7	-112.8	-120.8
Dividends paid	-16.4	-65.8	-75.7	-65.8	-65.8
Others	-89.8	-90.8	-104.7	-104.7	-104.7
Financing cash flow	-106.2	-156.6	-180.3	-170.5	-170.5
Net cash flow	82.0	282.0	-211.3	-61.7	-0.7
Forex	0.3	3.1	4.6	4.6	4.6
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	441.5	523.8	808.9	602.1	545.0
Ending cash	523.8	808.9	602.1	545.0	548.9

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 6th Floor, Menara Apex, Off Jalan Semenyih, Bukit Mewah 43000 Kajang, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 8736 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028)</p>	<p>Mutiara Damansara Office: Kenneth Leong (ext 2093) Lee Cherng Wee (ext 2067) Steven Chong (ext 2068) Jayden Tan (ext 2069) Aiman Kamil (ext 2071)</p>
<p>Mutiara Damansara Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p>	<p>Institutional Dealing Team: Siti Nur Nadhirah (ext 2032)</p> <p>PJ Office: General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)</p>	

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

DISCLAIMER

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.