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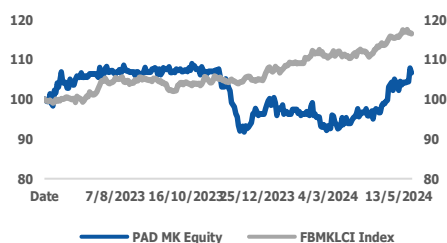
<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 3.87</b>
<b>Previous Target Price:</b>	<b>RM 3.79</b>
<b>Target Price:</b>	<b>RM 4.32</b> ↑
<b>Upside/Downside:</b>	<b>11.6%</b>

**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)	2,546.1
52-Week Price Range (RM)	4.04-3.32
Beta (x)	0.6
Free float (%)	27.2
3M Average Volume (m)	0.5
3M Average Value (RM' m)	2.0

<b>Top 3 Shareholders</b>	<b>(%)</b>
Yong Pang Chaun Holdings Sdn Bhd	43.7
Kumpulan Wang Persaraan Diperbadan	9.7
Employees Provident Fund Board	6.9

**Share Price Performance**



	1M	3M	12M
Absolute (%)	8.1	14.2	4.4
Relative (%)	6.2	10.4	-9.7

## Padini Holdings Berhad

### Improvement quarters ahead










#### Summary

- **9MFY24 core net profit at RM120.3m came within our expectations, accounting to 68% of our core net profit forecast at RM177.9m, mainly on higher sales due to festive seasons.**
- **Short-term increases in material costs and freight charges are noted, but we anticipate significant improvement in the next quarter, driven by increased sales during the Hari Raya festive season and various new product launches.**
- **Raised our recommendation to BUY on PADINI with a higher target price of RM4.32, by pegging 15.1x P/E multiple to FY25F EPS of 29.0 sen**

#### Results Review

- **Results review.** 3QFY24 core net profit slipped 6.6% yoy to RM40.5m, mainly due to rising staff costs from the bonus payout. The retail business remained challenging from declining purchasing power stemmed by escalating costs, trade tensions, inflation, and high interest rates environment. However, revenue for the quarter grew 25.8% yoy and 15.1% qoq, respectively, reaching RM575.4m. A fourth interim dividend of 2.5 sen per share and a special dividend of 1.5 sen per share, payable on 30 June 2024, was declared.
- **Within expectations.** 9MFY24 core net profit of RM120.3m fell within our expectations, accounting for 68% of our core net profit forecast at RM177.9m and 72% of the consensus forecasted net profit of RM167.9m. Sales heightened during festive seasons were key contributors to this performance.
- **Operations Highlights.** All brand segments reported improvements in the topline, thanks to festivities like Chinese New Year and school holidays. However, gross margins during the quarter slipped to 36%, down from 40%, mainly due to a rising staff cost stemming from bonus payouts.
- **Industry Highlights.** Retail Group Malaysia (RGM) forecasts a 7.1% average increase in retail sales in 1QCY24 compared to the previous year, with growth expected across all sub-sectors, partly due to festivities and school holidays. RGM is also revising its annual growth rate for the entirety of 2024 to 4% sales growth, following a +2.2% yoy rise.
- **Outlook.** While no plans to hike selling prices is in place, the possibility of increased material costs and freight charges in the short term lingers. With revenue meeting our expectations, we reckon continued improvement in the upcoming quarter, driven by heightened sales during the Hari Raya festive season, and the introduction of new products such as the Disney collaboration series, and additions to the sportswear and loungewear categories.
- **Valuation.** We raised our recommendation on PADINI to **BUY** from HOLD with a higher target price of RM4.32, by pegging a higher P/E multiple of 15.1x to FY25F EPS of 29.0 sen.
- **Risk.** Foreign exchange risk is a concern due to imported raw materials, with possible short-term increases in material costs and freight charges.

Figure 1: Results Comparison

FYE Jun (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	575.4	457.2	25.8	500.1	15.1	1,345.8	1,463.7	8.8		Sales heightened during festivities
EBITDA	71.6	84.4	(15.1)	102.1	29.9	301.0	239.8	(20.3)		
Pre-tax profit	54.7	58.1	(5.8)	70.9	22.9	219.4	160.6	(26.8)		Lower profit was due to rising staff expenses
Net profit	40.5	43.4	(6.6)	53.1	23.7	165.4	120.3	(27.3)		
Core net profit	40.5	43.4	(6.6)	53.1	23.7	165.4	120.3	(27.3)		
Core EPS (sen)	1.2	1.3	(6.6)	1.5	23.7	4.8	3.5	(27.3)		
EBITDA margin (%)	12.4	18.5		20.4		22.4	16.4			
PBT margin (%)	9.5	12.7		14.2		16.3	11.0			
Core PATMI margin (%)	7.0	9.5		10.6		12.3	8.2			

Source: Company, Apex Securities

### Financial Highlights

#### Income Statement

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

#### 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)	1.4	1.4	1.5	1.5	1.5
Average revenue/store (RM m)	7.9	9.9	13.5	13.2	13.6

#### Valuations

	FY25F
Core EPS (RM)	0.285
P/E multiple (x)	15.1
<b>Fair Value (RM)</b>	<b>4.32</b>

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	1.3	0.0	0.0	0.0
<b>Total Current Assets</b>	<b>800.4</b>	<b>1003.9</b>	<b>1104.5</b>	<b>1137.6</b>	<b>1152.5</b>
Fixed Assets	84.7	81.6	91.8	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
<b>Total Non-current assets</b>	<b>474.1</b>	<b>490.1</b>	<b>561.6</b>	<b>660.5</b>	<b>806.3</b>
Short-term Debt	76.4	73.7	94.5	99.2	104.2
Payables	61.7	178.3	125.2	105.2	120.0
Other Current Liabilities	10.2	25.0	27.3	27.3	27.3
<b>Total Current Liabilities</b>	<b>148.3</b>	<b>277.1</b>	<b>247.0</b>	<b>231.7</b>	<b>251.4</b>
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
<b>Total Non-current Liabilities</b>	<b>324.4</b>	<b>325.9</b>	<b>379.0</b>	<b>414.3</b>	<b>433.1</b>
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
<b>Equity</b>	<b>801.8</b>	<b>891.1</b>	<b>1040.1</b>	<b>1152.2</b>	<b>1274.2</b>

#### Cash Flow

FYE Jun (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Pre-tax profit</b>	<b>74.1</b>	<b>205.1</b>	<b>295.9</b>	<b>237.2</b>	<b>250.4</b>
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
<b>Operating cash flow</b>	<b>186.0</b>	<b>474.0</b>	<b>-19.2</b>	<b>221.6</b>	<b>290.5</b>
Net capex	-5.6	-16.3	-28.6	-129.6	-137.6
Others	7.8	-19.0	16.8	16.8	16.8
<b>Investing cash flow</b>	<b>2.2</b>	<b>-35.4</b>	<b>-11.7</b>	<b>-112.8</b>	<b>-120.8</b>
Dividends paid	-16.4	-65.8	-75.7	-65.8	-65.8
Others	-89.8	-90.8	-104.7	-104.7	-104.7
<b>Financing cash flow</b>	<b>-106.2</b>	<b>-156.6</b>	<b>-180.3</b>	<b>-170.5</b>	<b>-170.5</b>
<b>Net cash flow</b>	<b>82.0</b>	<b>282.0</b>	<b>-211.3</b>	<b>-61.7</b>	<b>-0.7</b>
Forex	0.3	3.1	4.6	4.6	4.6
Others	0.0	0.0	-3.2	0.0	0.0
Beginning cash	441.5	523.8	808.9	602.1	545.0
<b>Ending cash</b>	<b>523.8</b>	<b>808.9</b>	<b>605.3</b>	<b>545.0</b>	<b>548.9</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

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**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.

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