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Recommendation:	BUY
Current Price:	RM 2.06
Previous Target Price:	RM 1.78
Target Price:	↑ RM 2.37
Capital Upside/Downside:	15.0%
Dividend Yield (%):	4.9%
Total Upside/Downside:	19.9%

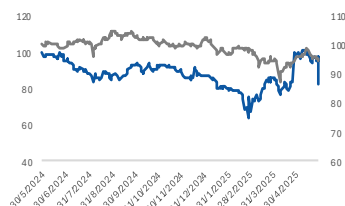
Stock information

Board	MAIN
Sector	Consumer
Bursa / Bloomberg Code	7052 / PADMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	986.9
Market Cap (RM' m)	2,032.9
52-Week Price Range (RM)	2.576-1.6
Beta (x)	0.5
Freefloat (%)	45.3
3M Average Volume (m)	0.8
3M Average Value (RM' m)	1.6

Top 3 Shareholders

(%)

Yong Pong Chaun Holdings Sdn Bhd	43.7
Kumpulan Wang Persaraan Diperbadan	10.2
Employees Provident Fund Board	7.7

Share Price Performance

	1M	3M	12M
Absolute (%)	-1.4	21.9	-19.8
Relative (%)	-0.1	26.4	-15.3

Earnings Summary

FYE Jun (RM m)	FY24	FY25F	FY26F
Revenue (RM' m)	1919	2136	2233
PATAMI (RM' m)	146.6	188.8	189.7
CNP (RM' m)	152.5	188.8	189.7
EPS - core (sen)	23.2	19.1	19.2
P/E (x)	8.9	10.8	10.7

Source: Company, Apex Securities

Padini Holdings Berhad

Exceed expectations

- PAD reported a 3QFY25 core net profit of RM73.6m (+60.3% yoy, +23.1% qoq), bringing 9MFY25 total to RM155.2m (+19.7% yoy). The results exceeded expectations, due to better-than-expected sales during two festivities (Chinese New Year and Hari Raya).
- The Group declared a fourth interim of 1.8 sen and a 1.0 sen special dividend this quarter (3QFY24: 4.0 sen), bringing the YTD DPS to 7.1 sen (9MFY24: 9.0 sen).
- Despite potential macroeconomic headwinds, we believe PAD remains well-positioned to weather these challenges. The Group's competitively priced products may even benefit from consumers downtrading as shoppers seek more affordable alternatives.
- Following the earnings beat, we raised our earnings forecast for FY25/FY26/ FY27 by 41%/22%/18.5% respectively, to reflect better sales and stronger GP margins.
- Re-iterate BUY recommendation with a higher target price of RM2.37 (from RM1.78), pegged to 12.3x PER on FY26F EPS of 19.2 sen, ascribed with three-star ESG rating.

Exceed expectations. Excluding forex loss (+RM0.4m) and provisions in write-offs for inventories (+RM1.3m), Padini (PAD) reported a 3QFY25 core net profit (CNP) of RM73.6m (+60.3% yoy, 23.1% qoq), bringing the 9MFY25 total to RM155.2m. The results exceeded expectations, accounting for 117% of our full-year forecast and 101% of consensus projections. This earnings outperformance was primarily due to better-than-expected sales during two festivities (Chinese New Year and Hari Raya).

Lower Dividend. The Group declared a fourth interim dividend of 1.8 sen and a 1.0 sen special dividend this quarter (3QFY24: 4.0 sen), bringing the YTD DPS to 7.1 sen (9MFY24: 9.0 sen).

YoY. 3QFY25 CNP soared 60.3% yoy to RM73.6m, primarily driven by heightened sales (+8.9% yoy) and significant margin expansion. Gross profit (GP) margin expanded by 6%-pts, attributed to the opening of four new Vincci stores in 2QFY25, which fetched better margins relative to other brands. Additionally, economies of scale and the launch of warehouse automation solution further bolstered cost efficiency. These improvements more than offset the cost escalation from minimum wage hike effective Feb 2025.

YTD. 9MFY25's CNP increased by 19.7%, driven by a 5.6% yoy rise in revenue and a notable improvement in GP margin. The GP margin improved by 6%-pts yoy, attributed to the aforementioned strategic initiatives.

QoQ. CNP increased by 23.1% qoq, thanks to a 19.3% jump in revenue from increased sales in line with festivities and a 3%-pts improvement in GP margin. This margin uplift was likely due to an improved product mix and enhanced economies of scale.

Outlook. In late Mar 2025, PAD launched its first concept store in Malacca. This standalone shop lot at Tarcor Park houses three brands: Padini, Brands Outlet, and Vincci. As the store only commenced operations at the end of March, we anticipate its contributions will be reflected more substantially from the next quarter onwards. Additionally, the Group's in-house logistics hub is expected to commence operations next quarter, which could further enhance cost efficiencies and expand margin.

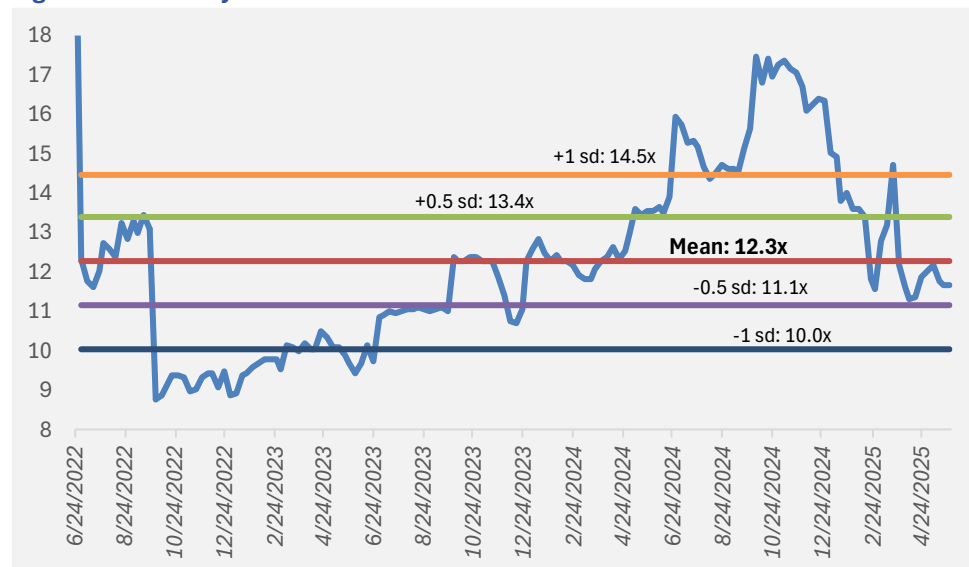
Looking ahead, the next quarter is likely to be PAD's seasonally weaker period due to the absence of major festivities. Despite potential economic slowdown from trade uncertainties and reduction in discretionary spending following the anticipated RON95 subsidy removal and higher electricity tariff, we believe PAD remains well-positioned to weather these challenges. The Group's competitively priced products offer an appealing value proposition, which may even benefit from consumers downtrading as shoppers seek more affordable alternatives.

Earnings Revision. Following the earnings beat, we have raised our earnings forecast for FY25, FY26, and FY27 by 41%, 22%, and 18.5% respectively, to reflect the better sales and GP margins.

Valuation. We reiterate our **BUY** rating with a higher target price of **RM2.37** (from RM1.78), based on a 12.3x PER applied to our FY26F EPS of 19.2 sen. The target price incorporates a 0% ESG premium/discount, consistent with the company's three-star ESG rating. We have raised our PE multiple from 11.2x to 12.3x, equivalent to its 3-year historical PE to better reflect the Group's fundamentals.

Risk. Forex volatility may cause short term increases in material cost and freight charges.

Figure 1: PAD's 3-years historical P/E band



Source: Company, Apex Securities

Results Note

Friday, 30 May, 2025

Results Comparison

FYE Jun (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	626.8	575.4	8.9	525.6	19.3	1,545.6	1,463.7	5.6	stronger sales volume due to two major festivities
EBITDA	143.4	85.2	68.4	121.9	17.7	318.5	253.4	25.7	
Pre-tax profit	95.7	54.7	75.0	85.9	11.3	197.9	160.6	23.3	
PATAMI	72.0	40.5	77.6	64.4	11.7	147.9	120.3	22.9	
Core net profit	73.6	45.9	60.3	59.8	23.1	155.2	129.7	19.7	
Core EPS (sen)	7.5	4.7	60.3	6.1	23.1	15.7	13.1	19.7	6%-pts yoy GP margin improvements
DPS (sen)	2.8	4.0	(30.0)	1.8	55.6	7.1	9.0	(21.1)	
EBITDA margin (%)	22.9	14.8		23.2		20.6	17.3		
PBT margin (%)	15.3	9.5		16.4		12.8	11.0		
Core PATMI margin (%)	11.7	8.0		11.4		10.0	8.9		

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1822.1	1918.8	2136.3	2233.3	2304.4
Gross Profit	717.8	695.1	837.4	871.0	898.7
EBITDA	416.8	294.7	410.2	424.3	437.8
Depreciation & Amortisation	-116.1	-92.3	-150.0	-161.5	-166.6
EBIT	300.8	202.4	260.2	262.9	271.3
Net Finance Income/ (Cost)	-4.9	-5.7	-8.4	-10.0	-8.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	295.9	196.7	251.8	252.9	262.8
Tax	-73.2	-50.1	-62.9	-63.2	-65.7
Profit After Tax	222.7	146.6	188.8	189.7	197.1
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATAMI	222.7	146.6	188.8	189.7	197.1
Exceptionals	-4.4	-5.9	0.0	0.0	0.0
Core Net Profit	227.1	152.5	188.8	189.7	197.1

Key Ratios

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
P/E (x)	6.0	8.9	10.8	10.7	10.3
EPS	34.5	23.2	19.1	19.2	20.0
P/B (x)	2.0	1.8	1.7	1.6	1.5
EV/EBITDA (x)	2.1	3.0	2.4	2.3	2.4
DPS (sen)	11.7	12.0	10.0	10.0	10.0
Dividend Yield (%)	5.5%	5.6%	4.7%	4.7%	4.7%
EBITDA margin	22.9%	15.4%	19.2%	19.0%	19.0%
EBIT margin	16.5%	10.5%	12.2%	11.8%	11.8%
PBT margin	16.2%	10.3%	11.8%	11.3%	11.4%
PAT margin	12.2%	7.6%	8.8%	8.5%	8.6%
NP margin	12.2%	7.6%	8.8%	8.5%	8.6%
Core NP margin	12.5%	7.9%	8.8%	8.5%	8.6%
ROE	21.4%	13.2%	15.7%	14.7%	14.2%
ROA	13.4%	8.0%	9.8%	9.2%	9.0%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Jun (RM m)	FY25F	FY26F	FY27F
Total no. of stores (Malaysia only)	167	172	174
Total Gross Floor Area (m sqft)	1.6	1.6	1.7
SSSG	2.0%	1.5%	2.0%
Average revenue/store (RM m)	12.8	13.0	13.2

Valuations	FY26F
Core EPS (RM)	0.19
P/E multiple (x)	12.3
Equity Value (RM)	2.37
ESG premium/discount	0.0%
Fair Value	2.37

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	602.1	791.0	785.7	907.6	997.2
Receivables	66.0	70.4	81.9	85.7	88.4
Inventories	433.2	288.2	386.4	401.8	445.2
Other current assets	0.0	33.1	0.0	0.0	0.0
Total Current Assets	1101.3	1182.8	1254.0	1395.0	1530.8
Fixed Assets	91.8	624.9	645.8	640.7	635.4
Intangibles	3.9	3.2	3.2	3.2	3.2
Other non-current assets	465.9	18.3	18.3	18.3	18.3
Total Non-current assets	561.6	646.5	667.4	662.3	657.0
Short-term Debt	91.3	110.3	115.8	121.6	127.7
Payables	125.2	151.6	131.6	147.6	149.3
Other Current Liabilities	27.3	7.9	2.4	2.4	2.4
Total Current Liabilities	243.8	269.8	249.8	271.6	279.4
Long-term Debt	366.9	440.1	462.1	485.2	509.5
Other non-current liabilities	12.1	8.2	8.2	8.2	8.2
Total Non-current Liabilities	379.0	448.4	470.4	493.5	517.7
Shareholder's equity	1040.1	1111.1	1201.2	1292.2	1390.7
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	1040.1	1111.1	1201.2	1292.2	1390.7

Cash Flow

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	295.9	196.7	251.8	252.9	262.8
Depreciation & amortisation	116.1	92.3	150.0	161.5	166.6
Changes in working capital	-367.4	148.4	-102.1	-3.1	-44.4
Others	-63.8	-9.5	-62.9	-63.2	-65.7
Operating cash flow	-19.2	427.8	236.7	348.0	319.3
Capex	-28.6	-55.5	-170.9	-156.3	-161.3
Others	16.8	20.1	0.0	0.0	0.0
Investing cash flow	-11.7	-35.3	-170.9	-156.3	-161.3
Dividends paid	-75.7	-75.7	-98.7	-98.7	-98.7
Others	-104.7	-128.5	27.5	28.9	30.3
Financing cash flow	-180.3	-204.1	-71.2	-69.8	-68.3
Net cash flow	-211.3	188.4	-5.4	121.9	89.6
Forex	4.6	0.5	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	808.9	602.1	791.0	785.7	907.6
Ending cash	602.1	791.0	785.7	907.6	997.2

Results Note

Friday, 30 May, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Sorona fabric is 37% plant-based, reducing reliance on fossil fuels and lowering GHG emissions. Around 14,600 apparel units were made with 100% Sorona.
Waste & Effluent	★★★★	In FY2024, about 18,400kg of apparel and footwear were collected from recycle bins at 25 outlets in Malaysia.
Energy	★★★★	Since the solar system installation, 4.2 GWh of clean energy has been produced, offsetting an estimated 3,276 tonnes of CO2 emissions.
Water	★★★	In FY2024, 10.72 megalitres of water were used, supported by eco-friendly products made from organic cotton, recycled cotton, sustainable cotton, and recycled polyester. Since there's no data for FY2023, it is not comparable, but we consider it average as sustainable products were launched that year.
Compliance	★	RM10,000 penalty to PAD Malaysia due to renovation at outlets without permit in FY2024.

Social

Diversity	★★★	The gender distribution of employees in Malaysia is 59% female and 41% male. There is room for improvement towards gender parity in Thailand, where female employees make up 93% and male employees 7% in FY2024.
Human Rights	★★★★	Zero number of substantiated complaints concerning human rights violations.
Occupational Safety and Health	★★★	In FY2024, PAD recorded 16 minor injuries in Malaysia, 2 in Thailand, and none in Cambodia. Most incidents occurred while organising stock in stores. To reduce accidents, PAS provided better equipment, conducted training, and issued a safety memo to staff.
Labour Practices	★★★	0.41% of employees are contractors or temporary staff.

Governance

CSR Strategy	★★★	In FY2024, PAD made a positive impact through various philanthropic initiatives, donating around 1,900 cartons (29,000 pieces) of merchandise. Nineteen (19) NGOs benefited from the donations of products, cash, and in-kind support.
Management	★★	The Board currently has eleven (11) members, including five (5) Independent Non-Executive Directors and six (6) Non-Independent Executive Directors. 35% Female and 64% Male in the Board.
Stakeholders	★★★★	1x AGM per annum and 4/4 analyst briefings.

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of Friday, 30 May, 2025, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.