**Research Team**
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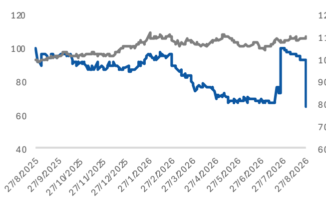
| **Recommendation:** | **HOLD** |
|---|---|
| Current Price: | RM 1.34 |
| Previous Target Price: | RM 1.45 |
| Target Price: ↓ | RM 1.29 |
| Capital Upside/Downside: | -3.7% |
| Dividend Yield (%): | 7.5% |
| **Total Upside/Downside:** | **3.7%** |

| **Stock information** | |
|---|---|
| Board | MAIN |
| Sector | Consumer |
| Bursa / Bloomberg Code | 7052 / PAD MK |
| Syariah Compliant | Yes |
| ESG Rating | ★★★ |
| Shares issued (m) | 986.9 |
| Market Cap (RM' m) | 1,322.4 |
| 52-Week Price Range (RM) | 2.051-1.32 |
| Beta (x) | 0.8 |
| Free float (%) | 45.4 |
| 3M Average Volume (m) | 1.4 |
| 3M Average Value (RM' m) | 2.0 |

| **Top 3 Shareholders** | **(%)** |
|---|---|
| Yong Pang Chaun Holdings Sdn Bhd | 43.7 |
| Employees Provident Fund Board | 9.8 |
| Kumpulan Wang Persaraan Diperbadan | 8.3 |

**Share Price Performance**



| | **1M** | **3M** | **12M** |
|---|---|---|---|
| Absolute (%) | -10.1 | -4.3 | -34.7 |
| Relative (%) | -11.6 | -7.4 | -40.5 |

**Earnings Summary**

| **FYE Jun (RM m)** | **FY26** | **FY27F** | **FY28F** |
|---|---|---|---|
| Revenue (RM'm) | 1875.5 | 1803.3 | 1799.0 |
| PATAMI (RM'm) | 112.6 | 120.7 | 123.5 |
| CNP (RM'm) | 127.7 | 120.7 | 123.5 |
| EPS - core (sen) | 12.9 | 12.2 | 12.5 |
| P/E (x) | 10.4 | 11.0 | 10.7 |

*Source: Company, Apex Securities*

# Padini Holdings Bhd

## Below Expectations

- **PADINI reported a 4QFY26 core net loss of RM6.4m (versus a core net profit of RM13.6m in 4QFY25), bringing FY26 core net profit (CNP) to RM127.7m (-24.3% YoY). The results missed expectations, accounting for only 89% of our full-year forecast and 86% of consensus.**
- **The Group declared a first interim dividend of 1.8sen for FY27 (ex-date: 14 September 2026) (4QFY25: 1.8sen), bringing total DPS declared for FY26 to 9.2sen (FY25: 9.6sen).**
- **We cut our FY27F core net profit forecast by 11.3% to RM120.7m and introduce FY28F and FY29F core net profit forecasts of RM123.5m and RM128.1m respectively, as elevated depreciation and rental-related costs following the SST scope expansion appear more structural than transitory.**
- **Maintain HOLD with a lower TP of RM1.29 (from RM1.45), based on an unchanged 10.5x P/E applied to our lower FY27F EPS of 12.2 sen (from 13.8 sen previously).**

**Below Expectations.** Excluding net forex gain (-RM1.1m) and inventory losses/write-offs (+RM4.4m), PADINI reported a 4QFY26 core net loss of RM6.4m, bringing FY26 CNP to RM127.7m. **The results missed expectations**, accounting for only 89% of our full-year forecast and 86% of consensus, as steep revenue normalisation post-festive quarter met persistently elevated operating costs.

**QoQ.** 4QFY26 revenue fell 41.4% QoQ to RM365.9m, resulting in a swing to a core net loss of RM6.4m (3QFY26: CNP RM64.8m), as festive-driven demand from the Chinese New Year and Hari Raya period in 3QFY26 normalised. Gross profit margin also compressed to 36% (3QFY26: 40%) amid softer sales momentum and higher promotional activities, alongside continued elevated depreciation and rental-related costs that weighed further on operating leverage.

**YoY.** 4QFY26 swung into a core net loss of RM6.4m from a core net profit of RM13.6m in 4QFY25, mainly due to a 6.7% YoY decline in revenue amid softer consumer demand. In addition, operating expenses (administrative and selling & distribution costs) rose 3.7% YoY, driven by higher depreciation charges (+22.6% YoY) and the continued impact of service tax on rental expenses following the July 2025 SST scope expansion, resulting in weaker operating leverage and a swing into loss during the quarter.

**YTD.** FY26 revenue fell 3.2% YoY to RM1,875.5m, while core net profit declined 24.3% YoY to RM127.7m, as softer consumer demand and rising operating costs (higher depreciation, full-year SST impact on rental expenses) weighed on operating leverage. Gross profit margin held broadly stable at 39% (FY25: 39%), supported by resilient in-house brand and sportswear contribution.

**Dividend.** The Group declared a first interim dividend of 1.8sen (ex-date: 14 September 2026) (4QFY25: 1.8sen), bringing total DPS declared for 12MFY26 to 9.2sen (12MFY25: 9.6sen).

**Outlook.** We expect FY27 to remain challenging, as the 4QFY26 swing into a core net loss underscores that cost pressures, particularly elevated depreciation and the now full-year impact of the SST scope expansion on rental expenses, have proven more structural than transitory. Management continues to guide for a challenging retail environment amid weakening consumer purchasing power, ongoing trade tensions and an elevated inflation and interest rate environment, though it remains optimistic on delivering a satisfactory FY27 performance through continued cost control, working capital optimisation and operational streamlining. On a more positive note, the MACC investigation overhang has been substantially resolved following the unfreezing of the Group's bank accounts in July 2026, with management confirming no director, officer or employee has been charged or subject to forfeiture proceedings, which should remove a key source of sentiment overhang on the stock. That said, with revenue growth likely to stay muted and operating deleverage persisting into 1QFY27, we see limited near-term earnings recovery catalysts and expect consensus estimates to trend lower following this set of results.

**Earnings Revision**. Following the FY26 miss, **we cut our FY27F core net profit forecast by 11.3% to RM120.7m** (from RM136.1m previously), and introduce FY28F and FY29F core net profit forecasts of RM123.5m and RM128.1m respectively. The revision is consistent with our economist's view that Malaysian retail spending remains stable but not particularly strong, even as wholesale activity has softened. This is reflected in 4QFY26 EBIT margin, which collapsed to near-breakeven at 0.1% (4QFY25: 5.0%) as revenue normalisation met persistently elevated depreciation and rental costs.

**Valuation & Recommendation**. We retain our **HOLD** call on PADINI with a **lower TP of RM1.29** (from RM1.45), based on an unchanged P/E multiple of 10.5x applied to our **lower FY27F EPS of 12.2 sen** (from 13.8 sen previously). We believe the retail sector continues to face limited near-term re-rating catalysts amid a still-soft discretionary spending backdrop, though this is partly offset by the resolution of the MACC investigation overhang, which should remove a key source of sentiment drag on the stock going forward.

**Risk.** Weaker-than-expected same-store sales, continued cost inflation from depreciation and rental expenses, and forex volatility raising material sourcing and freight costs remain the key risks to our forecasts.

## Results Comparison

| FYE Jun (RM m) | 4QFY26 | 4QFY25 | yoy (%) | 3QFY26 | qoq (%) | 12MFY26 | 12MFY25 | yoy (%) |
|---|---|---|---|---|---|---|---|---|
| Revenue | 365.9 | 392.1 | *(6.7)* | 624.5 | *(41.4)* | 1,875.5 | 1,937.7 | *(3.2)* |
| EBITDA | 51.8 | 66.2 | *(21.7)* | 126.3 | *(59.0)* | 356.5 | 401.7 | *(11.3)* |
| Pre-tax profit | (9.5) | 11.1 | *nm* | 82.8 | *nm* | 160.8 | 209.4 | *(23.2)* |
| PATAMI | (9.6) | 7.0 | *nm* | 60.5 | *nm* | 112.6 | 154.8 | *(27.3)* |
| Core net profit | (6.4) | 13.6 | *nm* | 64.8 | *nm* | 127.7 | 168.7 | *(24.3)* |
| Core EPS (sen) | (0.6) | 1.4 | *nm* | 6.6 | *nm* | 12.9 | 17.1 | *(24.3)* |
| DPS (sen) | 1.8 | 1.8 | - | 3.8 | *(52.6)* | 9.2 | 9.6 | *(4.2)* |
| | | | | | | | | |
| EBITDA margin (%) | 14.2 | 16.9 | | 20.2 | | 19.0 | 20.7 | |
| PBT margin (%) | (2.6) | 2.8 | | 13.3 | | 8.6 | 10.8 | |
| Core PATMI margin (%) | (1.7) | 3.5 | | 10.4 | | 6.8 | 8.7 | |

*Source: Company, Apex Securities*

## Financial Highlights

**Income Statement**

| FYE Jun (RM m) | FY25 | FY26 | FY27F | FY28F | FY29F |
|---|---|---|---|---|---|
| **Revenue** | **1937.7** | **1875.5** | **1803.3** | **1799.0** | **1812.4** |
| **Gross Profit** | **752.9** | **733.8** | **703.3** | **701.6** | **706.9** |
| **EBITDA** | **401.7** | **356.5** | **342.6** | **341.8** | **344.4** |
| Depreciation & Amortisation | -163.3 | -186.3 | -175.7 | -175.5 | -171.0 |
| **EBIT** | **238.4** | **170.2** | **166.9** | **166.3** | **173.4** |
| Net Finance Income/ (Cost) | -6.5 | -9.4 | -8.1 | -3.8 | -4.8 |
| Associates & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Pre-tax Profit** | **209.4** | **160.8** | **158.8** | **162.5** | **168.6** |
| Tax | -54.6 | -48.2 | -38.1 | -39.0 | -40.5 |
| **Profit After Tax** | **154.8** | **112.6** | **120.7** | **123.5** | **128.1** |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **PATAMI** | **154.8** | **112.6** | **120.7** | **123.5** | **128.1** |
| Exceptionals | -13.9 | -15.1 | 0.0 | 0.0 | 0.0 |
| **Core Net Profit** | **168.7** | **127.7** | **120.7** | **123.5** | **128.1** |

**Key Ratios**

| FYE Jun (RM m) | FY25 | FY26 | FY27F | FY28F | FY29F |
|---|---|---|---|---|---|
| P/E (x) | 7.8 | 10.4 | 11.0 | 10.7 | 10.3 |
| EPS | 17.1 | 12.9 | 12.2 | 12.5 | 13.0 |
| P/B (x) | 1.1 | 1.1 | 1.1 | 1.1 | 1.0 |
| EV/EBITDA (x) | 2.8 | 3.1 | 2.8 | 2.9 | 3.0 |
| DPS (sen) | 9.6 | 9.2 | 10.0 | 10.0 | 10.0 |
| Dividend Yield (%) | 7.2% | 6.9% | 7.5% | 7.5% | 7.5% |
| EBITDA margin | 20.7% | 19.0% | 19.0% | 19.0% | 19.0% |
| EBIT margin | 12.3% | 9.1% | 9.3% | 9.2% | 9.6% |
| PBT margin | 10.8% | 8.6% | 8.8% | 9.0% | 9.3% |
| PAT margin | 8.0% | 6.0% | 6.7% | 6.9% | 7.1% |
| NP margin | 8.0% | 6.0% | 6.7% | 6.9% | 7.1% |
| Core NP margin | 8.7% | 6.8% | 6.7% | 6.9% | 7.1% |
| ROE | 13.1% | 9.3% | 9.8% | 9.9% | 10.0% |
| ROA | 7.5% | 5.5% | 5.7% | 5.7% | 5.7% |
| Net gearing | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |

**Key Assumptions**

| FYE Jun (RM m) | FY27F | FY28F | FY29F |
|---|---|---|---|
| Total no. of stores (Malaysia + Cambodia + Thailand) | 167 | 170 | 173 |
| Total Gross Floor Area (m sqft) | 1.7 | 1.8 | 1.8 |
| SSSG | -5.0% | -2.0% | -1.0% |
| Average revenue/store (RM m) | 10.8 | 10.6 | 10.5 |

| Valuations | FY27F |
|---|---|
| Core EPS (RM) | 0.12 |
| P/E multiple (x) | 10.5 |
| **Equity Value (RM)** | **1.29** |
| **ESG premium/discount** | **0.0%** |
| **Fair Value** | **1.29** |

*Source: Company, Apex Securities*

**Balance Sheet**

| FYE Jun (RM m) | FY25 | FY26 | FY27F | FY28F | FY29F |
|---|---|---|---|---|---|
| Cash | 756.5 | 814.3 | 1011.8 | 1035.4 | 1066.3 |
| Receivables | 60.4 | 64.2 | 69.2 | 69.0 | 69.5 |
| Inventories | 387.2 | 310.0 | 139.5 | 136.9 | 145.1 |
| Other current assets | 0.1 | 1.0 | 0.0 | 0.0 | 0.0 |
| **Total Current Assets** | **1204.2** | **1189.5** | **1220.5** | **1241.2** | **1280.8** |
| Fixed Assets | 824.2 | 836.7 | 877.4 | 899.8 | 928.2 |
| Intangibles | 3.7 | 5.1 | 5.1 | 5.1 | 5.1 |
| Other non-current assets | 19.1 | 19.3 | 19.3 | 19.3 | 19.3 |
| **Total Non-current assets** | **847.0** | **861.1** | **901.8** | **924.2** | **952.6** |
| Short-term Debt | 116.1 | 121.1 | 127.1 | 133.5 | 140.2 |
| Payables | 137.9 | 119.2 | 139.2 | 120.6 | 120.3 |
| Other Current Liabilities | 12.7 | 8.4 | 2.8 | 2.8 | 2.8 |
| **Total Current Liabilities** | **266.7** | **248.7** | **269.2** | **256.9** | **263.3** |
| Long-term Debt | 590.7 | 583.9 | 613.0 | 643.7 | 675.9 |
| Other non-current liabilities | 9.0 | 12.6 | 12.6 | 12.6 | 12.6 |
| **Total Non-current Liabilities** | **599.7** | **596.5** | **625.7** | **656.3** | **688.5** |
| Shareholder's equity | 1184.8 | 1205.4 | 1227.4 | 1252.3 | 1281.7 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Equity** | **1184.8** | **1205.4** | **1227.4** | **1252.3** | **1281.7** |

**Cash Flow**

| FYE Jun (RM m) | FY25 | FY26 | FY27F | FY28F | FY29F |
|---|---|---|---|---|---|
| **Pre-tax profit** | **209.4** | **160.8** | **158.8** | **162.5** | **168.6** |
| Depreciation & amortisation | 163.3 | 186.3 | 175.7 | 175.5 | 171.0 |
| Changes in working capital | -111.8 | 41.7 | 180.9 | -15.9 | -9.0 |
| Others | -33.6 | -31.9 | -38.1 | -39.0 | -40.5 |
| **Operating cash flow** | **227.3** | **356.9** | **477.3** | **283.1** | **290.1** |
| Capex | -81.9 | -70.4 | -216.4 | -197.9 | -199.4 |
| Others | 52.8 | 22.0 | 0.0 | 0.0 | 0.0 |
| **Investing cash flow** | **-29.1** | **-48.5** | **-216.4** | **-197.9** | **-199.4** |
| Dividends paid | -78.3 | -90.8 | -98.7 | -98.7 | -98.7 |
| Others | -146.0 | -156.3 | 35.2 | 37.0 | 38.9 |
| **Financing cash flow** | **-224.3** | **-247.1** | **-63.4** | **-61.7** | **-59.8** |
| **Net cash flow** | **-26.1** | **61.3** | **197.5** | **23.6** | **30.9** |
| Forex | -8.4 | -3.5 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Beginning cash | 791.0 | 756.5 | 814.3 | 1011.8 | 1035.4 |
| **Ending cash** | **756.5** | **814.3** | **1011.8** | **1035.4** | **1066.3** |

## ESG Matrix Framework:

### Environment

| Parameters | Rating | Comments |
|---|---|---|
| Climate | ★★★★ | Sorona fabric is 37% plant-based, reducing reliance on fossil fuels and lowering GHG emissions. Around 120,600 apparel units were made with 100% Sorona in FY25. |
| Waste & Effluent | ★★★★ | In FY25, about 28,700kg of apparel and footwear were collected from recycle bins at 27 outlets in Malaysia. |
| Energy | ★★★★ | Since the solar system installation, 4.9gWh of clean energy has been produced, offsetting an estimated 3,714 tonnes of CO2 emissions in FY25 |
| Water | ★★★ | In FY25, 10.2 megalitres of water (FY24: 10.7 megalitres) were used, a 4.7% reduction in water usage. |
| Compliance | ★ | RM32,000 penalty to PAD Malaysia due to renovation at outlets without permit in FY25. |

### 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 84% and male employees 16% in FY25. |
| Human Rights | ★★★ | Zero number of substantiated complaints concerning human rights violations in FY25. |
| Occupational Safety and Health | ★ | In FY25, PAD recorded 33 minor workplace accidents in Malaysia and none in Thailand as well as 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 | ★★★ | 0.32% of employees are contractors or temporary staff in FY25. |

### Governance

| | | |
|---|---|---|
| CSR Strategy | ★★★ | In FY25, PADINI made a positive impact through various philanthropic initiatives, donating around 1,600 cartons (26,000 pieces) of merchandise to the needy. Seventeen (17) NGOs benefited from the donations of products, cash, and in-kind support. |
| Management | ★★ | The Board currently has ten (10) members, including four (4) Independent Non-Executive Directors and four (4) Executive Directors. 30% Female and 70% 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