



Company Report

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PADINI HOLDINGS

(PAD MK EQUITY, PDNI.KL)

4 Jun 2025

Lacklustre medium term growth prospects; stay HOLD.

HOLD

(Maintained)

Rationale for report: Company Result

Price RM2.10
Fair Value RM2.30
52-week High/Low RM2.58/RM1.60

Key Changes

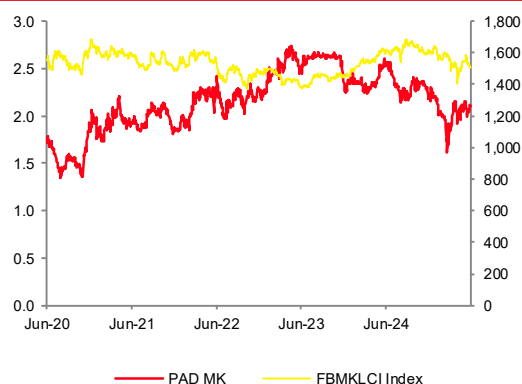
Fair value
EPS

YE to Jun	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	1,918.8	2,002.4	2,081.0	2,154.3
Core net profit (RM mil)	146.6	181.1	170.5	174.6
FD Core EPS (sen)	14.9	18.3	17.3	17.7
FD Core EPS growth (%)	(34.2)	23.5	(5.8)	2.4
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	7.7	8.0	8.0	8.0
PE (x)	14.1	11.4	12.2	11.9
EV/EBITDA (x)	3.9	2.8	2.7	2.2
Div yield (%)	3.7	3.8	3.8	3.8
ROE (%)	13.6	15.6	13.5	12.9
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	986.9
Market Cap (RMmil)	2,072.5
Book Value (RM/Share)	1.13
P/BV (x)	1.9
ROE (%)	13.6
Net Gearing (%)	-
Major Shareholders	Yong Pang Chaun (43.7%) KWAP (10.2%) EPF (7.7%)
Free Float	45.3
Avg Daily Value (RMmil)	1.6

Price performance	3mth	6mth	12mth
Absolute (%)	13.5	(3.7)	(16.3)
Relative (%)	18.7	3.0	(11.1)



Investment Highlights

We maintain our HOLD recommendation on Padini with a higher target price of RM2.30 (vs. RM2.00 previously). Our target price is derived based on unchanged target PE of 13x CY26F which is in line with its 5Y historical mean and unchanged neutral ESG rating of 3-star. Our HOLD recommendation is premised on a lacklustre medium term growth prospect amid weak retail environment. Padini's 9MFY25 core net profit of RM148.4mil came in stronger than expected accounting for 103% and 97% of our and consensus full-year estimates, respectively—mainly due to better-than-expected gross margin. We believe Padini's elevated gross profit margin is likely to sustain in the near term, supported by favourable forex. Meanwhile, 9MFY25 same-store sales growth was modest at +1% YoY. In term of store expansion, the group added 11 net new stores for 9MFY25. We adjusted our earnings forecast to reflect the earnings beat in 9MFY25 (FY25F +26.2%; FY26F +15.9%; FY27F +16.2%).

- **Maintain HOLD with higher TP of RM2.30.** Padini's 9MFY25 core net profit of RM148.4mil was stronger-than-expected at 103% and 97% of our and consensus full year estimates respectively. The key deviation was due to better-than-expected gross margin. With earnings above our estimates and gross margin likely to be elevated in the near term, we raise our TP to RM2.30, based on 13x CY26F PE.
- **Earnings beat due to gross margin expansion.** Padini posted a 5.6% YoY increase in 9MFY25 revenue and a 13.6% rise in core net profit, underpinned by a 2.8ppt gross margin expansion to 39.3%, driven by a stronger ringgit and favourable product mix. Additionally, the recent rollout of new IP products, including Hello Kitty, Disney, and Pokémon as well as active wears, have also contributed to the revenue growth.
- **Elevated gross profit margin likely to sustain in the near term.** Padini's 3QFY25 gross margin rose to 41.0%—its highest in five years—up from 40.0% in 2QFY25. Management expects gross margin to remain above the normalised level of 36% in the near term, supported by favourable forex (MYR vs. CNY/USD), as approximately 50% of products are sourced from China.
- **Modest SSSG and store expansion.** 9MFY25 same-store sales growth was modest at +1% YoY. In term of store expansion, Padini opened 11 net new stores for 9MFY25, 13 domestic stores but closed two underperforming outlets in Thailand, bringing the total store count to 164.

EXHIBIT 1: 3QFY25 EARNINGS SUMMARY

FYE June (RM mil)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY (%)
Revenue	575.4	525.6	626.8	19.3	8.9	1,463.7	1,545.6	5.6
Gross Profit	203.2	210.4	256.7	22.0	26.3	533.9	607.2	13.7
EBITDA	90.6	127.4	149.3	17.2	64.7	267.5	335.1	25.3
D&A	-30.9	-35.8	-44.9	25.5	45.4	-91.1	-116.6	28.0
EBIT	59.8	91.6	104.4	14.0	74.7	176.4	218.5	23.9
Net finance income/(cost)	-5.1	-5.8	-8.7	51.7	71.7	-15.8	-20.6	30.3
Pretax profit	54.7	85.9	95.7	11.4	75.0	160.6	197.9	23.2
Taxation	-14.2	-21.5	-23.7	10.0	67.4	-40.3	-50.1	24.3
PATAMI	40.5	64.3	72.0	11.9	77.6	120.3	147.8	22.9
Core PATAMI	45.8	59.7	67.1	12.5	46.6	130.7	148.4	13.6
Core EPS (sen)	6.2	6.5	6.6	1.6	7.5	18.3	14.9	-18.58
Core DPS (sen)	2.5	2.5	1.8	-28.0	-28.0	7.5	6.8	-9.33
Margins (%)								
GP margin (%)	35.3	40.0	41.0	0.9ppt	5.6ppt	36.5	39.3	2.8ppt
EBITDA margin (%)	15.8	24.2	23.8	-0.4ppt	8.1ppt	18.3	21.7	3.4ppt
Pretax margin (%)	9.5	16.3	15.3	-1.1ppt	5.8ppt	11.0	12.8	1.8ppt
Effective tax rate (%)	25.9	25.1	24.8	-0.3ppt	-1.1ppt	25.1	25.3	0.2ppt
Core net profit margin (%)	8.0	11.4	10.7	-0.6ppt	2.7ppt	8.9	9.6	0.7ppt

Source: Company

Company profile

Padini Holdings Berhad (Padini) provides its products through retail stores and consignment counters, as well as through online portals primarily under several brands including Padini, Vincci, Seed Blitz, Filanto, Gamesters, Garage Inc. and Miki. It operates stores in Malaysia, Cambodia, Bahrain, Brunei, Oman, Qatar, Thailand, and the United Arab Emirates. The company was founded in 1971 and is based in Shah Alam, Malaysia.

Investment thesis and catalysts

We maintain our HOLD recommendation on Padini. Our HOLD recommendation is premised on lacklustre growth prospects amid weak retail environment. Positively, Padini balance sheet is sturdy with close to RM800 million cash and no borrowings which will help the Company to better weather through the soft environment.

Valuation methodology

The stock is valued based on a target CY26F PE of 13x, which is in line with its 5Y historical average forward PE.

Risk factors

Padini's downside risks include weaker than expected retail environment or the inability to adapt to evolving consumer trends.

EXHIBIT 2: CHANGE IN EARNINGS

RMmil	Old	FY25 New	%	Old	FY26 New	%	Old	FY27 New	%
Revenue	2,002.4	2,002.4	0.0%	2,081.0	2,081.0	0.0%	2154.3	2154.3	0.0%
Earnings	143.5	181.1	26.2%	147.1	170.5	15.9%	150.3	174.6	16.2%
Gross Profit Margin	36.5%	39.0%	2.5ppt	36.5%	38.0%	1.5ppt	36.5%	38.0%	1.5ppt

Source: AmlInvestment Bank Bhd

EXHIBIT 3: VALUATIONS

Target PE (x)	13
CY26 EPS (sen)	17.5
ESG premium	0%
12-month target price (RM)	2.30

Source: AmlInvestment Bank Bhd

EXHIBIT 4: PE BAND CHART

Source: Bloomberg

EXHIBIT 5: ESG RATING

	Environmental assessment	Parameters	Weightage	Rating				Rationale
1	Carbon emissions reduction	45% CO2 reduction by 2030	25%	*	*	*		offset 866 tonnes
2	Energy Consumption	kWh	25%	*	*	*	*	20% reduction
3	Environmental friendly products	% of total purchase	25%	*	*	*		0.60%
4	Minimise waste generation	kg	25%	*	*	*		recycled 3,400kg of waste
	Weighted score for environmental assessment		100%	*	*	*		
	Social assessment							
1	Health, safety & well-being	Recorded injuries	25%	*	*	*		13 in 2023, rise of 12 YoY
2	Women in workforce	% of total workforce	25%	*	*	*		40% in workforce & 31% in senior management
3	Investment in employee training	RM	25%	*	*	*		RM0.5mil - 5x increase in 2023
4	Procurement sourcing from local vendors	% of total procurement	25%	*	*	*		13% in 2023
	Weighted score for social assessment		100%	*	*	*		
	Governance assessment							
1	Board age diversity	% under 60 years old	20%	*	*	*		64%
2	Board women representation	% of total board directors	20%	*	*	*		42. % representation
3	Directors with tenure below 6 years	% below 6 years category	15%	*	*	*	*	43%
4	Independent board directors	% of total board directors	15%	*	*	*		50% - independent non-exec
5	Remuneration to directors	% of total staff costs	15%	*	*	*	*	RM6.7mil - 4.3% of 2022 staff costs
6	Corruption investigations	% of employees attended	15%	*	*	*	*	100%
	Weighted score for governance assessment		100%	*	*	*		
	Environmental score		40%	*	*	*		
	Social score		30%	*	*	*		
	Governance score		30%	*	*	*		
	Overall ESG Score		100%	*	*	*		

Source: AmlInvestment Bank Bhd

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1,822.1	1,918.8	2,002.4	2,081.0	2,154.3
EBITDA	432.2	331.5	431.6	427.6	441.1
Depreciation/Amortisation	(114.6)	(109.3)	(161.3)	(168.7)	(174.1)
Operating income (EBIT)	317.6	222.2	270.3	258.9	267.0
Other income & associates	-	-	-	-	-
Net interest	(21.7)	(25.4)	(29.2)	(31.8)	(34.5)
Exceptional items	-	-	-	-	-
Pretax profit	295.9	196.7	241.1	227.1	232.5
Taxation	(73.2)	(50.1)	(60.0)	(56.5)	(57.9)
Minorities/pref dividends	-	-	-	-	-
Net profit	222.7	146.6	181.1	170.5	174.6
Core net profit	222.7	146.6	181.1	170.5	174.6
Balance Sheet (RMmil, YE 30 Jun)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	86.3	115.1	126.3	134.7	141.1
Intangible assets	3.9	3.2	3.2	3.2	3.2
Other long-term assets	471.4	528.2	545.6	558.5	568.1
Total non-current assets	561.6	646.5	675.2	696.5	712.4
Cash & equivalent	605.3	791.0	869.0	937.9	1,097.4
Stock	433.2	288.2	324.5	384.3	355.7
Trade debtors	66.0	70.4	73.0	76.1	78.7
Other current assets	-	33.1	33.1	33.1	33.1
Total current assets	1,104.5	1,182.8	1,299.5	1,431.3	1,564.9
Trade creditors	125.2	151.6	144.9	156.4	160.2
Short-term borrowings	-	-	-	-	-
Other current liabilities	121.8	118.2	128.0	138.0	148.0
Total current liabilities	247.0	269.8	272.9	294.4	308.2
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	379.0	448.4	488.6	528.6	568.6
Total long-term liabilities	379.0	448.4	488.6	528.6	568.6
Shareholders' funds	1,040.1	1,111.1	1,213.2	1,304.8	1,400.5
Minority interests	-	-	-	-	-
BV/share (RM)	1.05	1.13	1.23	1.32	1.42
Cash Flow (RMmil, YE 30 Jun)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	295.9	196.7	241.1	227.1	232.5
Depreciation/Amortisation	114.6	109.3	161.3	168.7	174.1
Net change in working capital	(367.4)	148.4	(45.5)	(51.4)	29.7
Others	(62.2)	(26.6)	(60.9)	(54.7)	(53.4)
Cash flow from operations	(19.0)	427.8	296.1	289.7	382.9
Capital expenditure	(26.5)	(54.7)	(40.0)	(40.0)	(40.0)
Net investments & sale of fixed assets	-	-	-	-	2.0
Others	16.8	19.8	30.0	30.0	30.0
Cash flow from investing	(9.6)	(34.9)	(10.0)	(10.0)	(8.0)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	-	-	-	-	1.0
Dividends paid	(75.7)	(75.7)	(78.9)	(78.9)	(78.9)
Others	(104.9)	(128.5)	(129.2)	(131.8)	(134.5)
Cash flow from financing	(180.5)	(204.1)	(208.1)	(210.8)	(213.4)
Net cash flow	(209.2)	188.8	77.9	68.9	161.5
Net cash/(debt) b/f	808.9	602.1	791.0	869.0	937.9
Net cash/(debt) c/f	604.2	791.4	869.0	937.9	1,099.4
Key Ratios (YE 30 Jun)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	38.1	5.3	4.4	3.9	3.5
EBITDA growth (%)	26.8	(23.3)	30.2	(0.9)	3.2
Pretax margin (%)	16.2	10.3	12.0	10.9	10.8
Net profit margin (%)	12.2	7.6	9.0	8.2	8.1
Interest cover (x)	14.6	8.7	9.3	8.1	7.7
Effective tax rate (%)	24.7	25.5	24.9	24.9	24.9
Dividend payout (%)	34.0	51.6	43.6	46.3	45.2
Debtors turnover (days)	12	13	13	13	13
Stock turnover (days)	57	69	56	62	63
Creditors turnover (days)	30	26	27	26	27

Source: Company, AmlInvestment Bank Bhd estimates

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