

Padini Bhd (PAD MK)**Above****BUY**

Share Price **RM2.06**
 Target Price **RM2.80** **+35.9%**

Above Expectation

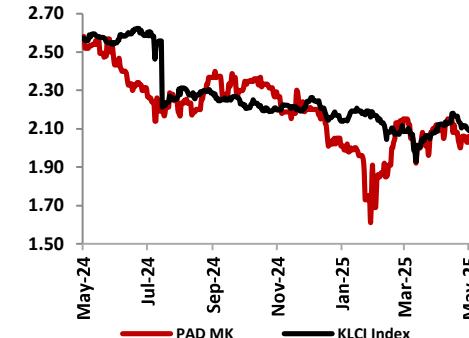
• **Key Highlights.** Padini's 9MFY25 net profit of RM147.8mn came in above both ours and consensus expectations, accounting for 108.1% and 96.5% of full year forecasts respectively. Padini's 9MFY25 revenue rose marginally by +5.6% YoY. Net profit surged by +22.9% YoY, driven by stronger sales and higher GP margin, which expanded by +2.8ppts to 39.3%, presumably resulting from the lower raw material costs particularly cotton, which has been on a declining trend. On a QoQ basis, Padini's 3QFY25 revenue surged by +19.3% resulting from a higher sales volume backed by festivities-induced sales from Chinese New Year and Hari Raya Aidilfitri. However, net profit grew by a more moderate +11.9% QoQ, as the higher revenue was partially offset by the bonus payouts during the quarter.

• **Dividend.** A third interim and special DPS amounting to 2.8sen was declared, bringing YTD FY25 DPS of 7.1 sen (vs YTD 9MFY24: 7.5sen).

• **Earnings Revision.** We have revised our FY25/FY26/FY27F earnings forecast upwards by 29%/27%/24%, as we factoring in lower production costs and higher margin.

• **Outlook.** We maintain a cautiously optimistic outlook on Padini's prospects, supported by favourable input costs, particularly the declining trend in cotton prices. Additionally, Padini is poised to benefit from resilient consumer spending and robust tourism activities, which could bolster its topline performance. However, we remain mindful of the potential impact from fluctuations in operating expenses, which may introduce some earnings volatility.

• **Maintain BUY (RM2.80).** We maintain a **BUY** call on Padini with a higher **TP of RM2.80** (from RM2.10). Our TP is based on 5-year median historical forward PE of 14x pegged to FY26F EPS of 19.9 sen.

Price Chart (RM)

	1m	3m	12m
Absolute	(1.9)	23.1	(17.1)
vs FBM KLCI	(0.5)	26.4	(15.1)

Stock Data

ESG Rating	Good
Mkt Cap (RM)	2,032.9
Adjusted Beta	0.478
Free float (%)	38.3
Issued shares (mn)	986.864
52w H/L (RM)	2.59
3m avg daily volume (mn)	1.60

Major Shareholders (%)

YONG PANG CHAUN HOLD	43.7
KWAP	10.2
EPF	7.7

Research Team

asabrina@bankislam.com.my
 +60(3) 2613 1731

Table 1: Quarterly figures

Padini FYE 30 June (RM mn)	Quarterly			Change (%)		Cumulative		YTD % FY25F	BIMB 9M/F
	3QFY24	2QFY25	3QFY25	QoQ	YoY	9MFY24	9MFY25		
Revenue	575.4	525.6	626.8	19.3%	8.9%	1463.7	1545.6	5.6%	2009.1
Gross Profit	203.2	210.4	256.7	22.0%	26.3%	533.9	607.2	13.7%	751.6
EBIT	54.3	86.1	98.5	14.4%	81.4%	162.3	201.8	24.4%	192.4
Pretax profit	54.7	85.9	95.7	11.4%	75.0%	160.6	197.9	23.2%	179.8
Taxation	(14.2)	(21.5)	(23.7)	10.0%	67.4%	-40.3	-50.1	24.3%	(43.2)
Net Profit	40.5	64.3	72.0	11.9%	77.6%	120.3	147.8	22.9%	136.7
EPS (sen)	4.1	6.5	7.3	11.9%	77.6%	12.2	15.0	22.9%	13.9
Net Gearing (x)	net cash	net cash	net cash			net cash	net cash		net cash
				Chg (ppts)				Chg (ppts)	
EBIT margin (%)	9.4%	16.4%	15.7%	-0.7	6.3	11.1%	13.1%	2.0	9.6%
PBT margin (%)	9.5%	16.3%	15.3%	-1.1	5.8	11.0%	12.8%	1.8	9.0%
Net Profit margin (%)	7.0%	12.2%	11.5%	-0.8	4.4	8.2%	9.6%	1.3	6.8%
Effective tax rate (%)	25.9%	25.1%	24.8%	-0.3	-1.1	25.1%	25.3%	0.2	24.0%

Source: BIMB Securities, Company

Results Review

Consumer – Retail

Equity

Table 2: Earnings forecast

FYE 30 June (RM mn)	FY23	FY24	FY25F	FY26F	FY27F
Turnover	1822.1	1918.8	2009.1	2110.6	2215.3
Gross Profit	717.8	695.1	793.8	839.6	882.7
EBITDA	407.0	334.7	391.3	416.8	442.9
EBIT	291.0	191.1	244.7	267.3	291.9
Pretax profit	295.9	196.7	232.4	258.8	287.2
Net Profit	222.7	146.6	176.6	196.7	218.3
Consensus			153.1	174.1	188.0
EPS (sen)	33.8	22.3	17.9	19.9	22.1
PER (x)	6.1	9.2	11.5	10.3	9.3
BV/Share (RM)	1.6	1.7	1.8	2.0	2.1
P/B (x)	1.3	1.2	1.1	1.0	1.0
DPS (sen)	11.5	11.5	8.9	10.0	11.0
Div. Yield (%)	5.6%	5.6%	4.3%	4.9%	5.3%
Key Ratios (%)					
ROE	23.1%	13.6%	15.3%	15.8%	16.1%
GP margin	39.4%	36.2%	39.5%	39.8%	39.8%
EBITDA margin	22.3%	17.4%	19.5%	19.7%	20.0%
EBIT margin	16.0%	10.0%	12.2%	12.7%	13.2%
Pretax margin	16.2%	10.3%	11.6%	12.3%	13.0%
Net margin	12.2%	7.6%	8.8%	9.3%	9.9%

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Disclaimer

This report has been prepared for information and educational purposes only and are not recommendation or endorsement to sell or solicitation to buy any securities, subscription of financial products or otherwise to be taken as investment advice of any form or kind and neither should be relied upon as such. The information herein was obtained or derived from publicly available information, internally developed data and other sources believed to be reliable. Whilst all reasonable care has been taken to ensure that all information and data are accurate and the opinions are fair and reasonable, we do not represent or warrant their accuracy, timeliness, completeness and currentness or applicability of such information for any particular purpose. The investments advice or idea discussed or recommended in this report may not be suitable for all investors. Any recommendation presented in this report is general in nature and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this report. The investors are advised to conduct own research and seek independent professional advice prior to taking any investment or investment related decisions. The directors and employees of BIMB Securities Sdn Bhd and BIMB Group of Company may from time to time have a position in either the securities mentioned or may provide services to any company and affiliates of such companies whose securities are mentioned herein. BIMB Securities Sdn Bhd and BIMB Group of Company accept no liability for any direct, indirect or consequential losses, claims and damages arising from any use of this report. BIMB Securities does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report. Unless stated otherwise, BIMB Securities is not a market maker in the securities or other capital market products of the subject company(ies) covered in this report. BIMB Securities did not receive compensation for corporate finance services from the subject company(ies) in the past 12 months. BIMB Securities did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report. The analyst(s) who prepared this research report is/are prohibited from receiving any compensation, incentive or bonus based on specific transactions or for providing a specific recommendation for, or view of, a particular company.

Printed and published by



BIMB SECURITIES SB (290163-X)

A Participating Organisation of Bursa Malaysia Securities Berhad

Level 34, Menara Bank Islam

No 22, Jalan Perak,

50450 Kuala Lumpur

Tel: 03-2613 1600 Fax: 03-2613 1799

<http://www.bimbsec.com.my>

Mohd Redza Abdul Rahman
Director of Research