

Padini Bhd (PAD MK)

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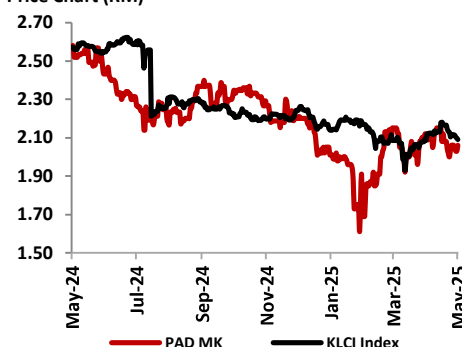
BUY

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)



Share Performance (%)	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

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Table 1: Quarterly figures

Padini FYE 30 June (RM mn)	Quarterly 3QFY24	Quarterly 2QFY25	Quarterly 3QFY25	Change (%) QoQ	Change (%) YoY	Cumulative 9MFY24	Cumulative 9MFY25	YTD %	BIMB FY25F	BIMB 9M/F
Revenue	575.4	525.6	626.8	19.3%	8.9%	1463.7	1545.6	5.6%	2009.1	76.9%
Gross Profit	203.2	210.4	256.7	22.0%	26.3%	533.9	607.2	13.7%	751.6	80.8%
EBIT	54.3	86.1	98.5	14.4%	81.4%	162.3	201.8	24.4%	192.4	104.9%
Pretax profit	54.7	85.9	95.7	11.4%	75.0%	160.6	197.9	23.2%	179.8	110.0%
Taxation	(14.2)	(21.5)	(23.7)	10.0%	67.4%	-40.3	-50.1	24.3%	(43.2)	116.0%
Net Profit	40.5	64.3	72.0	11.9%	77.6%	120.3	147.8	22.9%	136.7	108.1%
EPS (sen)	4.1	6.5	7.3	11.9%	77.6%	12.2	15.0	22.9%	13.9	108.1%
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

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.

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