

Padini Holdings (PAD MK)

Below expectations

Maintain BUY with a lower TP of MYR2.40

PAD's 2QFY26 results undershot expectations on higher-than-expected operating expenses. CNY and Hari Raya Aidilfitri spending should drive sales momentum upwards in 3QFY26 before normalising in 4QFY26. We believe that favourable FX movements may also help mitigate further cost pressures on the group. Nevertheless, our FY26E-FY28E earnings estimates are cut by 11%-15%. Maintain BUY with a lower TP of MYR2.40, based on an unchanged 15x CY26 PER, mean.

1HFY26 core net profit made up 36% of our FY26E

PAD's 2QFY26 core net profit of MYR44m (-25% YoY, +115% QoQ) brought 1HFY26 core net profit to MYR65m (-19% YoY), accounting for 36%/39% of ours/consensus full-year earnings estimates. The earnings shortfall was mainly due to higher-than-expected operating expenses. A third interim DPS of 1.8sen was also declared.

Subdued consumer sentiment dragged sales YoY

Key takeaways from PAD's 2QFY26 results: (i) revenue fell -8% YoY given weaker consumer spending on fashion retail and lower SSSG, we suspect, while (ii) the wider decline in EBIT growth (-31% YoY) can be attributed to higher administrative expenses (+101% YoY) and added 8% SST on leases (w.e.f. 1 Jul 2025). Meanwhile, PAD posted positive revenue growth of +21% QoQ aided by Christmas and year-end school holiday spending, which led to higher EBIT growth of +34% YoY on better economies of scale.

Expecting a festive boost to 3QFY26 earnings

We reduce our FY26E-FY28E earnings estimates by 11%-15% after adjusting for higher operating expenses. With dual festive celebrations (CNY & Hari Raya Aidilfitri) in 3QFY26, we expect sales momentum to rise before normalising in 4QFY26 in absence of festive-driven spending. Continued strengthening of the MYR vs. CNY will also support the group in maintaining gross profit margins at c.40%, we believe.

FYE Jun (MYR m)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	1,919	1,938	2,172	2,315	2,407
EBITDA	248	274	287	320	352
Core net profit	147	163	151	169	187
Core EPS (sen)	14.9	16.5	15.3	17.1	19.0
Core EPS growth (%)	(33.1)	10.9	(7.0)	11.8	10.7
Net DPS (sen)	7.7	8.2	8.2	8.2	8.2
Core P/E (x)	16.4	12.7	13.0	11.7	10.5
P/BV (x)	2.2	1.7	1.6	1.5	1.4
Net dividend yield (%)	3.2	3.9	4.1	4.1	4.1
ROAE (%)	13.6	13.5	12.4	13.1	13.6
ROAA (%)	8.4	8.4	7.2	7.8	8.2
EV/EBITDA (x)	8.4	7.2	5.4	3.9	2.8
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	170	180	210
MIBG vs. Consensus (%)	-	-	(11.1)	(6.0)	(10.6)

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BUY

Share Price	MYR 2.00
12m Price Target	MYR 2.40 (+24%)
Previous Price Target	MYR 2.65

Company Description

Padini is the owner and operator of fashion retail outlets such as Padini, Brands Outlet, Seed and Vincci.

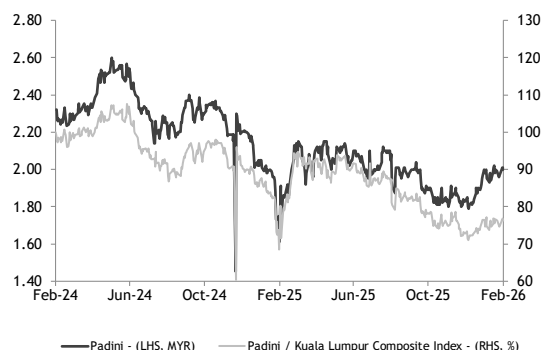
Statistics

52w high/low (MYR)	2.15/1.69
3m avg turnover (USDm)	0.2
Free float (%)	39.4
Issued shares (m)	987
Market capitalisation	MYR2.0B USD507M

Major shareholders:

YONG PANG CHAUN HOLDINGS SDN BHD	43.7%
Employees Provident Fund Board	8.3%
Kumpulan Wang Persaraan Diperbadankan	7.1%

Price Performance



	-1M	-3M	-12M
Absolute (%)	0	9	13
Relative to index (%)	(0)	1	3

Source: FactSet

Fig 1: Results summary

FY Jun (MYR m)	Quarterly					Cumulative		
	2QFY26	2QFY25	% YoY	1QFY26	% QoQ	1HFY26	1HFY25	% YoY
Sales	484.0	525.6	(7.9)	401.1	20.7	885.1	918.8	(3.7)
Cost of goods sold	(291.8)	(315.2)	(7.4)	(240.9)	21.1	(532.6)	(568.3)	(6.3)
Gross profit	192.3	210.4	(8.6)	160.2	20.0	352.5	350.5	0.6
Other income/(loss)	7.8	3.0	155.6	5.5	41.9	13.3	9.9	33.8
Administrative expenses	(25.5)	(12.7)	100.7	(25.0)	1.7	(50.5)	(42.3)	19.4
Selling and distribution expenses	(111.0)	(109.1)	1.7	(102.0)	8.9	(213.0)	(204.0)	4.4
EBIT	63.6	91.6	(30.6)	38.7	64.2	102.3	114.1	(10.4)
Interest expense	(7.2)	(5.8)	24.6	(7.5)	(4.6)	(14.7)	(11.9)	23.6
Exceptional gain/(loss)*	(3.0)	5.7	(152.1)	(0.2)	1236.0	(3.2)	(3.8)	(15.3)
Pretax profit	56.4	85.9	(34.3)	31.2	80.8	87.6	102.2	(14.3)
Tax	(15.1)	(21.5)	(30.1)	(10.8)	39.5	(25.9)	(26.4)	(1.9)
Net profit	41.3	64.3	(35.8)	20.4	102.7	61.7	75.8	(18.6)
Net profit ex-EI	44.3	58.6	(24.5)	20.6	114.9	64.9	79.6	(18.5)
	2QFY26	2QFY25	+/- ppt	1QFY26	+/- ppt	1HFY26	1HFY25	+/- ppt
Gross profit margin (%)	39.7	40.0	(0.3)	39.9	(0.2)	39.8	38.1	1.7
EBIT margin (%)	13.1	17.4	(4.3)	9.7	3.5	11.6	12.4	(0.9)
Net profit ex-EI margin (%)	9.1	11.2	(2.0)	5.1	4.0	7.3	8.7	(1.3)

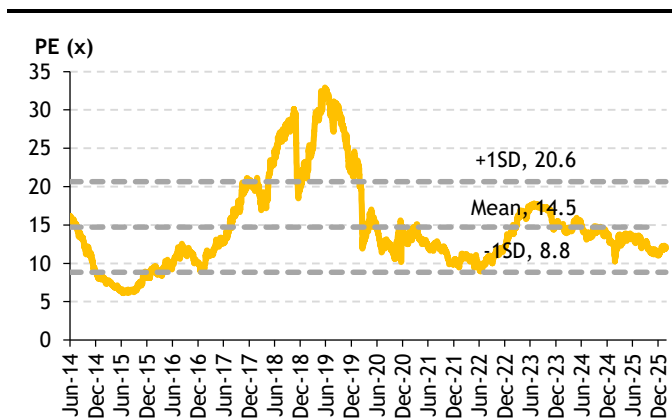
* Unrealised forex gains/(loss)

Sources: Company

Fig 2: Padini earnings assumption changes

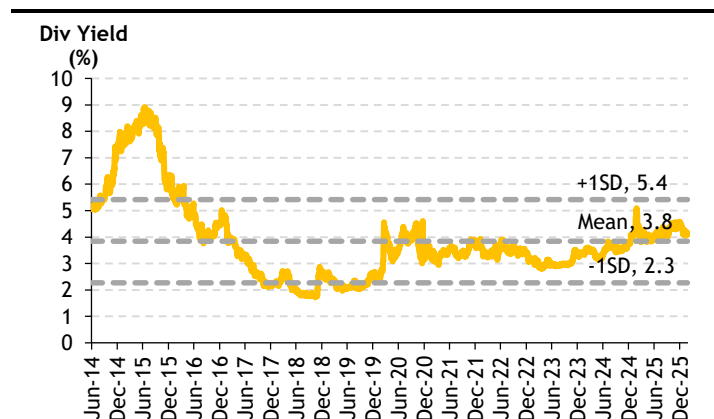
(MYRm)	Revised			Previous			% change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,172	2,315	2,407	2,172	2,315	2,407	0%	0%	0%
Gross profit	849	891	920	849	891	920	0%	0%	0%
GP margins (%)	39.1	38.5	38.2	39.1	38.5	38.2	0.0	0.0	0.0
EBIT	238	262	286	275	298	317	-13%	-12%	-10%
EBIT margin (%)	11.0%	11.3%	11.9%	12.7%	12.9%	13.2%	-13%	-12%	-10%
PBT	205	229	253	242	265	283	-15%	-14%	-11%
Net profit	151	169	187	179	196	209	-15%	-14%	-11%

Fig 2: Forward PER



Source: Bloomberg, Maybank IBG Research

Fig 3: Forward dividend yield



Source: Bloomberg, Maybank IBG Research

Risk statement

There are several risk factors for our earnings estimates, target price and rating for PAD. Changes in sales volume, selling prices and operating expenses may lead to lower earnings for PAD. Increasing competition and weak consumer sentiment are additional earnings risk factors.

FYE 30 Jun	FY24A	FY25A	FY26E	FY27E	FY28E
Key Metrics					
P/E (reported) (x)	16.7	13.7	13.0	11.7	10.5
Core P/E (x)	16.4	12.7	13.0	11.7	10.5
P/BV (x)	2.2	1.7	1.6	1.5	1.4
P/NTA (x)	2.2	1.8	1.6	1.5	1.4
Net dividend yield (%)	3.2	3.9	4.1	4.1	4.1
FCF yield (%)	15.6	7.1	13.0	12.7	12.7
EV/EBITDA (x)	8.4	7.2	5.4	3.9	2.8
EV/EBIT (x)	9.4	8.3	6.5	4.8	3.5
INCOME STATEMENT (MYR m)					
Revenue	1,918.8	1,937.7	2,172.1	2,314.7	2,407.3
EBITDA	247.9	274.1	286.7	320.4	351.6
Depreciation	(24.2)	(34.0)	(47.2)	(56.7)	(63.4)
Amortisation	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)
EBIT	222.2	238.4	237.8	262.0	286.5
Net interest income / (exp)	(25.4)	(29.0)	(33.2)	(33.2)	(33.2)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	196.7	209.4	204.6	228.8	253.3
Income tax	(50.1)	(54.6)	(53.3)	(59.7)	(66.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	146.6	154.8	151.3	169.1	187.2
Core net profit	146.6	162.6	151.3	169.1	187.2
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	821.0	756.5	923.8	1,084.5	1,246.1
Accounts receivable	70.4	60.4	67.7	72.2	75.0
Inventory	288.2	387.2	432.3	465.2	486.2
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	115.1	159.7	191.9	214.7	230.7
Intangible assets	3.2	3.7	2.1	0.4	(1.2)
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	531.2	683.8	511.4	383.8	289.2
Total assets	1,829.2	2,051.2	2,129.2	2,220.6	2,326.0
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	151.6	137.9	154.0	165.7	173.2
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	567.0	728.0	728.0	728.0	728.0
Total Liabilities	718.1	866.4	882.4	894.1	901.6
Shareholders Equity	1,111.1	1,184.8	1,246.7	1,326.5	1,424.4
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	1,111.1	1,184.8	1,246.7	1,326.5	1,424.4
Total liabilities and equity	1,829.2	2,051.2	2,129.2	2,220.6	2,326.0
CASH FLOW (MYR m)					
Pretax profit	196.7	209.4	204.6	228.8	253.3
Depreciation & amortisation	25.7	35.7	48.8	58.4	65.1
Adj net interest (income)/exp	(25.4)	(29.0)	(33.2)	(33.2)	(33.2)
Change in working capital	148.4	(111.8)	(36.3)	(25.6)	(16.4)
Cash taxes paid	(64.8)	(48.5)	(53.3)	(59.7)	(66.0)
Other operating cash flow	(21.6)	(14.2)	0.0	0.0	0.0
Cash flow from operations	427.8	227.3	336.1	329.5	330.5
Capex	(52.6)	(79.4)	(79.4)	(79.4)	(79.4)
Free cash flow	375.2	147.8	256.6	250.1	251.0
Dividends paid	(75.7)	(78.3)	(80.9)	(80.9)	(80.9)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	17.3	50.4	0.0	0.0	0.0
Effect of exch rate changes	0.5	(8.4)	(8.4)	(8.4)	(8.4)
Net cash flow	317.4	111.5	167.3	160.7	161.6

FYE 30 Jun	FY24A	FY25A	FY26E	FY27E	FY28E
Key Ratios					
Growth ratios (%)					
Revenue growth	5.3	1.0	12.1	6.6	4.0
EBITDA growth	(26.2)	10.6	4.6	11.8	9.7
EBIT growth	(30.1)	7.3	(0.2)	10.2	9.3
Pretax growth	(33.5)	6.4	(2.3)	11.8	10.7
Reported net profit growth	(34.2)	5.6	(2.3)	11.8	10.7
Core net profit growth	(33.1)	10.9	(7.0)	11.8	10.7
Profitability ratios (%)					
EBITDA margin	12.9	14.1	13.2	13.8	14.6
EBIT margin	11.6	12.3	11.0	11.3	11.9
Pretax profit margin	10.3	10.8	9.4	9.9	10.5
Payout ratio	51.6	52.3	53.5	47.8	43.2
DuPont analysis					
Net profit margin (%)	7.6	8.0	7.0	7.3	7.8
Revenue/Assets (x)	1.0	0.9	1.0	1.0	1.0
Assets/Equity (x)	1.6	1.7	1.7	1.7	1.6
ROAE (%)	13.6	13.5	12.4	13.1	13.6
ROAA (%)	8.4	8.4	7.2	7.8	8.2
Liquidity & Efficiency					
Cash conversion cycle	78.2	70.8	82.4	83.9	85.1
Days receivable outstanding	12.8	12.2	10.6	10.9	11.0
Days inventory outstanding	106.1	102.6	111.5	113.5	115.1
Days payables outstanding	40.7	44.0	39.7	40.4	41.0
Dividend cover (x)	1.9	1.9	1.9	2.1	2.3
Current ratio (x)	4.4	4.5	5.0	5.5	6.0
Leverage & Expense Analysis					
Asset/Liability (x)	2.5	2.4	2.4	2.5	2.6
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	8.7	8.2	7.2	7.9	8.6
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Capex/revenue (%)	2.7	4.1	3.7	3.4	3.3
Net debt/ (net cash)	(821.0)	(756.5)	(923.8)	(1,084.5)	(1,246.1)

Source: Company; Maybank IBG Research

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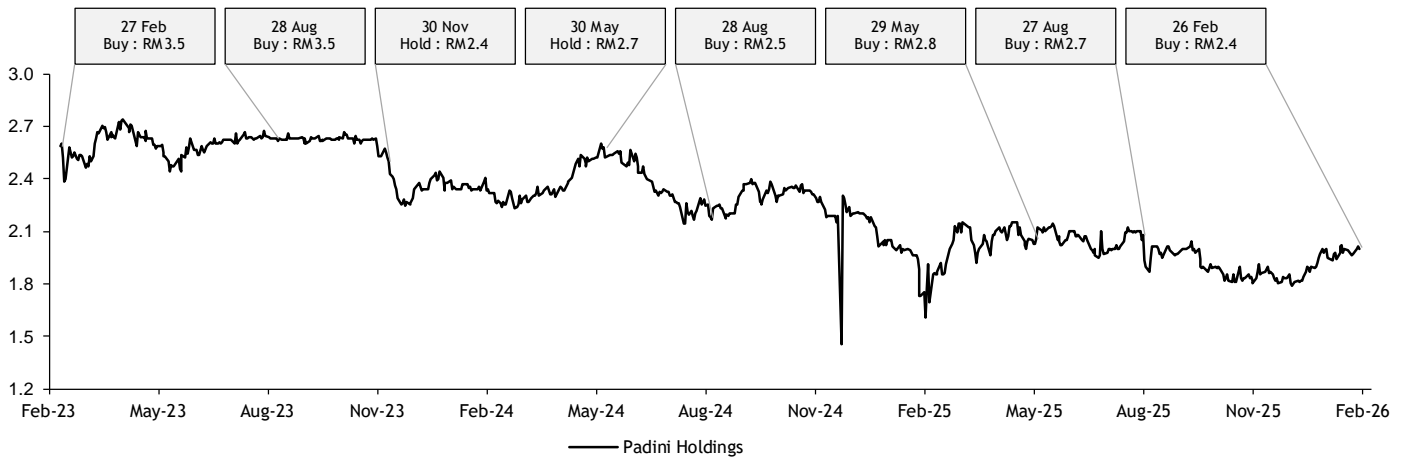
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