

02 March 2026

# Padini Holdings

## Not Quite in Vogue

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PADINI highlighted that consumer sentiment remains soft during its post-results briefing, with 1HFY26 SSSG at -6%. In our view, this suggests that recovery in the apparel retail segment is still uneven despite broader improvement in consumer sentiment. While 3QFY26 is expected to improve QoQ on the back of Chinese New Year and Hari Raya, overall spending remains subdued outside of festive periods. Additionally, while the SST rate cut to 6%, (from 8%) is expected to reduce the additional cost burden, the net impact is still significant at an estimated RM6m-RM17m annually, equivalent to roughly 4%-13% of our FY26 earnings forecast. We trim FY27F earnings by 3% on more conservative margin assumptions. We also cut our valuation multiple to 12x FY27F PER (from 13.5x), lowering our TP to RM1.90 (from RM2.20). Given the uneven apparel demand recovery and lack of near-term catalysts, we downgrade the stock to **MARKET PERFORM** from **OUTPERFORM**.

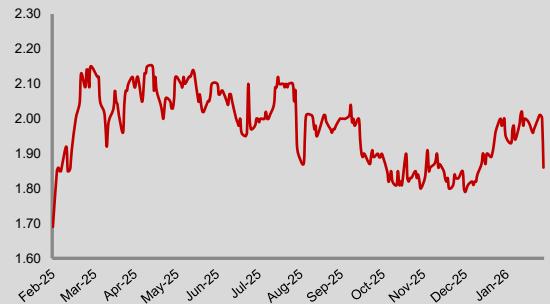
Key takeaways from PADINI's 2QFY26 results briefing are as follows:

- Uneven recovery in apparel retail segment, despite broader sentiment recovery.** Management indicated consumer sentiment remains subdued and overall spending was softer YoY, with 1HFY26 SSSG at -6% and 2Q at -9%. While selected tourist-driven outlets (e.g. Pavilion KL and Fahrenheit88) are benefiting from improved tourist arrivals under Visit Malaysia 2026, the uplift is not group-wide. In our view, apparel demand recovery remains uneven despite broader consumer sentiment gradually improving amid easing policy uncertainties such as RON95 subsidy rationalisation. We believe this is also potentially due to more intense competition, including from online channels. That said, 3QFY26 is expected to improve QoQ, boosted by double festivities of Chinese New Year and Hari Raya.
- Margins supported by better sell-through.** PADINI continues to focus on IP collaborations, such as *Sanrio* and *Peanuts*, to drive sales and improve sell-through. 1HFY26 GP margin strengthened to 39.8% (1HFY25: 38.1%), mainly due to lower markdown intensity and better inventory management. However, upside from a stronger MYR is limited as the group operates on a cost-plus model, with cost savings largely passed on to customers. As such, we expect margins to remain within management's guidance of 36%-40%, with no material uplift in the near term. Our FY26-27F GP margin assumptions stand at ~39%.
- Lower SST rate reduces but does not eliminate cost burden.** The net additional cost impact from SST is expected to ease to approximately RM6m-RM17m per year following the reduction in rate to 6% (from 8%) effective January 2026. Previously, management had estimated that the expanded 8% SST on leased properties, introduced in July 2025, would add RM10m-RM20m annually. With the lower rate, the group now expects annual savings of RM3m-RM4m, providing partial relief, though SST remains a key cost headwind.
- Ongoing expansion and refurbishments.** The group plans to open 5 to 6 new stores in FY26 and refurbish around 10 stores, at

## MARKET PERFORM ↓

Price: **RM1.86**  
Target Price: **RM1.90** ↓

### Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	3.9%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PAD MK EQUITY
Market Cap (RM m)	1,835.6
Shares Outstanding	986.9
52-week range (H)	2.18
52-week range (L)	1.73
3-mth avg. daily vol.	490,305
Free Float	45%
Beta	0.6

### Major Shareholders

Yong Pang Chaun Holdings Sdn Bhd	43.7%
Employees Provident Fund Board	10.7%
Kumpulan Wang Persaraan Diperbadankan	10.6%

### Summary Earnings Table

FYE Jun (RM m)	2025A	2026F	2027F
Turnover	1,938	1,901	1,972
EBIT	238	216	232
PBT	209	185	206
<b>Net Profit (NP)</b>	155	135	157
<b>Core NP</b>	163	138	157
Consensus (NP)	-	158	166
Earnings Revision	-	-	-3%
Core EPS (sen)	16.5	14.0	15.9
Core EPS Growth (%)	-26	-15	14
NDPS (sen)	8.9	8.2	8.9
BVPS (RM)	1.20	1.26	1.32
Core PER (x)	11.3	13.3	11.7
PBV (x)	1.5	1.5	1.4
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	4.8	4.4	4.8

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a cost of RM3m-RM5m per store. Notably, renovated stores typically return ~3% in sales uplift.

**Forecasts.** We trim FY27F earnings by 3% to reflect more conservative margin assumptions given weaker cost absorption amid subdued sales.

**Valuations.** We cut our TP to RM1.90 (from RM2.20), as we lower our valuation multiple to 12x FY27F PER (from 13.5x). This implies a wider 20% discount (vs. 10% previously) to the departmental store/apparel sector's average historical forward PER of 15x, to reflect uneven demand recovery within the apparel retail segment and still-conservative spending behaviour of its target customers, i.e. the M40 income group, amid elevated living costs. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

**Investment case.** We like PADINI for: (i) its position in offering value-for-money apparel, which resonates well with budget-conscious consumers, (ii) its potential to benefit from the strengthening MYR translating into more favourable purchase costs, and (iii) its strong net cash position, which enables efficient inventory management. However, given the uneven apparel demand recovery and limited near-term catalysts, we downgrade the stock to **MARKET PERFORM** from **OUTPERFORM**.

**Risks to our call include:** (i) competition from both existing and new players, (ii) sustained high inflation that eventually erodes consumers' spending power, stalling consumption including apparel and footwear, and (iii) rising textile prices.

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**Income Statement**

FYE Jun (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	1,822	1,919	1,938	1,901	1,972
EBITDA	434	366	401	391	419
Depreciation	116	144	163	175	187
Operating Profit	318	222	238	216	232
Other Income	27	36	31	32	34
Interest Expense	22	25	29	31	26
Associate	0	0	0	0	0
Exceptional Items	0	0	0	0	0
PBT	296	197	209	185	206
Taxation	-73	-50	-54	-50	-49
Minority Interest	0	0	0	0	0
Net Profit	223	147	155	135	157
Core Net Profit	219	146	163	138	157

**Balance Sheet**

FYE Jun (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	92	120	164	204	245
Intangible Assets	3.9	3.2	3.7	0.0	(1.6)
Other FA	453	510	665	665	665
Inventories	433	288	387	320	331
Receivables	66	70	60	63	64
Other CA	13	46	15	14	13
Cash	605	791	757	834	856
<b>Total Assets</b>	<b>1,666</b>	<b>1,829</b>	<b>2,051</b>	<b>2,100</b>	<b>2,174</b>
Payables	125	152	138	136	141
ST Borrowings	99	111	117	117	117
Other ST Liability	23	7	12	11	11
LT Borrowings	367	440	591	591	591
Other LT Liability	12	8	9	9	9
Minorities Int.	-	-	-	-	-
<b>Net Assets</b>	<b>1,040</b>	<b>1,111</b>	<b>1,185</b>	<b>1,237</b>	<b>1,305</b>
Share Capital	70	70	70	70	70
Reserves	971	1,042	1,115	1,169	1,238
<b>Equity</b>	<b>1,040</b>	<b>1,111</b>	<b>1,185</b>	<b>1,239</b>	<b>1,308</b>

**Cashflow Statement**

FYE Jun (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	-19	428	227	373	336
Investing CF	-12	-35	-29	-58	-59
Financing CF	-181	-204	-224	-81	-88
Change In Cash	-211	188	-26	234	189
Free CF	-45	375	148	315	277

**Financial Data & Ratios**

FYE Jun (RM m)	2023A	2024A	2025A	2026F	2027F
<b>Growth (%)</b>					
Turnover	38.1	5.3	1.0	-1.9	3.7
EBITDA	27.2	-15.6	9.7	-2.7	7.3
Operating Profit	41.5	-30.1	7.1	-9.4	7.5
PBT	44.3	-33.5	6.2	-11.5	11.5
Core Net Profit	42.0	-33.2	11.2	-15.1	13.5
<b>Profitability (%)</b>					
EBITDA Margin	23.8	19.1	20.7	20.5	21.3
Operating Margin	17.4	11.6	12.3	11.4	11.8
PBT Margin	16.2	10.3	10.8	9.7	10.5
Core Net Margin	12.0	7.6	8.4	7.3	7.9
Effective Tax Rate	-24.7	-25.5	-25.9	-27.1	-24.0
ROA	13.4	8.0	7.5	6.4	7.2
ROE	21.4	13.2	13.1	10.9	12.0
<b>DuPont Analysis</b>					
Net Margin (%)	12.0%	7.6%	8.4%	7.3%	7.9%
Assets Turnover	1.1x	1.0x	0.9x	0.9x	0.9x
Leverage Factor	1.6x	1.6x	1.7x	1.7x	1.7x
ROE (%)	21.4	13.2	13.1	10.9	12.0
<b>Leverage</b>					
Debt/Asset (x)	0.3	0.3	0.3	0.3	0.3
Debt/Equity (x)	0.5	0.5	0.6	0.6	0.5
Net Cash/(Debt)	136	240	49	127	149
Net Debt/Equity (x)	0.1	0.2	0.0	0.1	0.1
<b>Valuations</b>					
Core EPS (sen)	33.3	22.2	16.5	14.0	15.9
NDPS (sen)	11.5	13.0	8.9	8.2	8.9
BV/Share (RM)	1.58	1.69	1.20	1.26	1.32
Core PER (x)	5.6	8.4	11.3	13.3	11.7
Net Div. Yield (%)	6.2	7.0	4.8	4.4	4.8
P/BV (x)	1.2	1.1	1.5	1.5	1.4
EV/EBITDA (x)	3.1	4.0	4.7	5.0	4.7

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>CONSUMER</b>																	
AEON CO. (M) BHD	OP	1.26	1.40	11.1%	1,769.0	Y	12/2026	10.3	11.3	8.6%	9.0%	12.2	11.2	0.9	7.1%	5.0	4.0%
FARM FRESH BHD	MP	2.62	2.70	3.1%	4,937.0	Y	03/2026	7.5	9.0	29.2%	20.4%	35.1	29.1	6.0	18.2%	3.0	1.1%
FRASER & NEAVE HOLDINGS BHD	OP	34.94	37.70	7.9%	12,815.2	Y	09/2026	144.2	160.7	3.6%	11.4%	24.2	21.7	3.1	13.2%	70.0	2.0%
MR D.I.Y. GROUP (M) BHD	MP	1.79	1.95	8.9%	16,964.7	Y	12/2026	7.5	8.2	11.6%	9.0%	23.8	21.8	8.4	35.3%	8.0	4.5%
NESTLE (MALAYSIA) BHD	MP	109.90	106.00	-3.5%	25,771.6	Y	12/2026	256.9	284.7	20.2%	10.8%	42.8	38.6	44.4	104.1%	255.0	2.3%
PADINI HOLDINGS BHD	MP	1.86	1.90	2.2%	1,835.6	Y	06/2026	14.0	15.9	-15.0%	13.5%	13.3	11.7	1.5	11.1%	8.2	4.4%
POWER ROOT BHD	MP	1.17	1.08	-7.7%	492.6	Y	03/2026	5.6	7.2	-21.5%	28.3%	20.9	16.3	1.7	7.5%	5.0	4.3%
QL RESOURCES BHD	MP	4.08	4.26	4.4%	14,893.0	Y	03/2026	12.2	13.4	-2.0%	9.5%	33.4	30.5	4.2	14.1%	5.0	1.2%
KAREX BHD	MP	0.560	0.580	3.6%	589.9	Y	06/2026	1.0	2.3	5250.0%	126.2%	55.1	24.4	1.3	2.3%	1.5	2.7%
<b>SECTOR AGGREGATE</b>					<b>80,068.6</b>					<b>8.2%</b>	<b>11.4%</b>	<b>29.1</b>	<b>26.2</b>	<b>5.3</b>	<b>18.1%</b>		<b>2.9%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★	☆	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★	☆	
	Effluent & Waste Management	★	★	★	☆	
	Digitalisation & Innovation	★	★	★	★	
	Use of Biodegradable Materials	★	★	★		
	Supply Chain Management	★	★	★	☆	
	Energy Efficiency	★	★	★	☆	
<b>OVERALL</b>		★	★	★	☆	

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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