

09 July 2013 | Initiate Coverage

Padini Holdings Berhad

Maintaining local-centric approach to retain market share

Recommend NEUTRAL

Target Price: RM1.80

INVESTMENT HIGHLIGHTS

- We initiate coverage on Padini Holdings Berhad with a **NEUTRAL** stance at a Target Price of RM1.80.
- The Group's track record since listing has been solid with uninterrupted revenue growths, upward trending net profits and margins, and consistent dividend payments
- However, we expect FY13 earnings to register a 'one-off' decline as a result of structural changes to the industry with the entry of H&M.
- Thereafter, the Group's strength in its localized merchandise coupled with new offerings are expected to retain market share, while the Group's expanding network of concept stores provide growth.

Uninterrupted annual growth in revenue expected to continue but at decelerated rates. Despite two financial crises, Padini Holdings Berhad (Padini or the Company) and its group of companies (collectively, the Group) registered uninterrupted increases in revenue since its listing in 1998. The continuous growth registered was at an excellent double digit Compounded Annual Growth Rate (CAGR) of 17.1% up till FY12.

Growth is expected to extend into FY13 with 9MFY13 revenue already at RM612.7m, representing a 10.1%yoy increment. The growth rate, however, is softer relative to the Group's average annual 5-year growth rate of 18.2%yoy, as a result of weaker quarterly numbers following the opening of H&M in Malaysia on 22 Sept 2012. With 4QFY13 void of major festivities, expect a decelerated full year growth in revenue.

FY13 earnings expected to register a 'one-off' decline from increased market fragmentation. Historically, the Group has recorded laudable upward trending net profits and operating profit margins, growing at a CAGR of 27.7% and at an average of 0.9ppts per annum respectively.

Nevertheless, 9MFY13, net profit was down -12.7%yoy to RM69.7m, while cumulative operating profit margin declined -3.8ppts to 15.8%, proving H&M to be a formidable competitor. Aside from softer sales, possible increased sales periods in response to the softer sales may have resulted in thinner margins. Hence, expect a year-on-year decline in FY13 earnings.

Thereafter, the Group's 'localised' merchandises are expected to maintain market share. The potential decline in FY13, however, is seen as a 'one-off' event as a result of structural changes from increased market fragmentation.

RETURN STATS	
Price (8 July '13)	RM1.85
Target Price	RM1.80
Expected Share Price Return	-2.7%
Expected Dividend Yield	+4.3%
Expected Total Return	+1.6%

STOCK INFO	
KLCI	1762.9
Bursa / Bloomberg	7052 / PAD MK
Board / Sector	Main / Consumer Products
Syariah Compliant	Yes
Issued shares (mil)	657.9
Par Value (RM)	0.10
Market Cap. (RM'm)	1217.1
Price over NA	3.4x
52-wk price Range	RM1.72 – RM2.36
Beta (against KLCI)	1.0
3-mth Avg Daily Vol.	1.5m
3-mth Avg Daily Value	RM2.9m
Major Shareholders	
Pang Chaun Yong	44.0%
Skim Amanah Saham Bumiputera	5.0%

TABLE 1: INVESTMENT STATISTICS

FYE June (RM'm, unless otherwise stated)	FY11	FY12	FY13F	FY14F	FY15F
Revenue	568.5	723.4	782.7	845.3	912.9
Profit from operations	106.6	133.0	124.1	137.9	146.2
Profit from operations margin (%)	18.8	18.4	15.9	16.3	16.0
Pre-tax profit	105.1	130.6	121.5	135.4	143.7
Net profit	75.7	96.0	87.9	97.9	103.9
Net profit margin (%)	13.3	13.3	11.2	11.6	11.4
Basic EPS (sen)	11.5	14.6	13.4	14.9	15.8
Basic EPS growth (%)	24.2	26.8	-8.4	11.4	6.1
PER (x)	16.1	12.7	13.8	12.4	11.7
Net DPS (sen)	4.0	6.0	8.0	8.0	8.0
Net dividend yield (%) @ RM1.85	2.2	3.2	4.3	4.3	4.3

Source: Company, MIDF Research

Moving forward and assuming that fragmentation remains status quo, the Group's strength in its uniquely localised merchandise is expected to retain the Group's market share, with new offering to provide support in FY14.

While concept stores are expected to drive revenue growth. In the years to come, revenue growth is expected to be derived from new store openings especially from the Group's concept stores. According to management, 1HFY14 may see the opening of three (3) Padini Concept Stores, and four (4) Brands Outlet in Malaysia with a capital expenditure of circa RM17.0m from internally generated funds. This will likely bring the total number of Padini Concept Stores and Brands Outlets to 29 and 23 respectively.

The focus on growing the Group's concept stores is attributable to the praiseworthy growths recorded in revenue contributions from the two retailing format over the years, especially from Brands Outlet, as follows:-

TABLE 2: Aggregate Sales and Same Store Sales (SSS) Growth Rates of All Standalone Stores

FYE June	Padini Concept Stores		Brands Outlets		Single-brand Stores		All Free-Standing Stores	
(%yoy)	Agg. Sales Growth	SSS Growth	Agg. Sales Growth	SSS Growth	Agg. Sales Growth	SSS Growth	Agg. Sales Growth	SSS Growth
FY10	14.3	8.1	45.2	16.0	(0.2)	0.4	12.4	6.4
FY11	12.1	7.3	48.8	22.1	(3.1)	5.0	12.5	9.3
FY12	29.0	15.8	58.6	15.2	18.3	6.6	31.8	13.2

Source: Company

Consistent and higher-than-peers dividends. The Group prides itself on being consistent in rewarding its owners and has been doing so since listing in 1998. Its aggregate 5-year payout ratio stood at 37.3% at FY12, which is superior to peers 5-year averages of 25-30%. Therefore, expect dividends payments to continue with no less than 30% payout ratio given that this has been the case for the past 10 years.

DIAGRAM 1: Corporate Structure



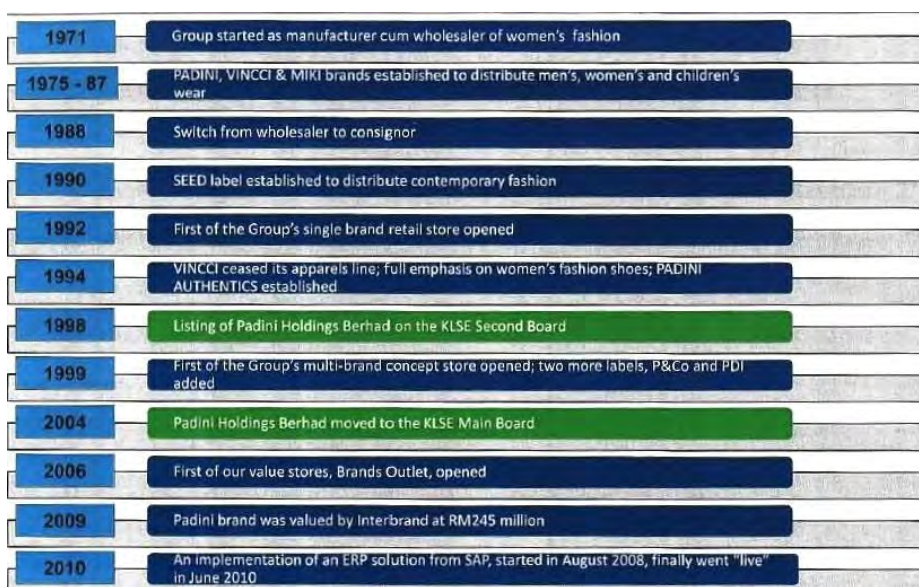
Source: Company

BUSINESS OVERVIEW

Background. Padini is a Malaysian-domiciled investment-holding company headquartered in Hicom Glenmarie Industrial Park, Shah Alam. Incorporated in 1971 as proprietorship under the trade name Hwayo Garments Manufacturers Company, Padini was initially engaged in the manufacture and wholesale of ladies wear. The company subsequently added men's and children's lines to its offerings when it established its first three (3) brands from 1975-87. In 1988, Padini discarded its role as wholesaler to take up the role of consignor. Thereafter, the first single-brand store distributing Seed was opened in 1992 in Sungei Wang Plaza, Kuala Lumpur.

On 5 March 1998, the Group was listed on the Second Board of Bursa Malaysia Securities Berhad (Bursa) (formerly known as the Kuala Lumpur Stock Exchange (KLSE)) and thereafter, transferred to the Main Board on 4 August 2004. The Main and Second Boards merged on 3 August 2009 and are now collectively known as the Main Market. Diagram 2 below provides a brief history of the Group.

DIAGRAM 2: Brief History












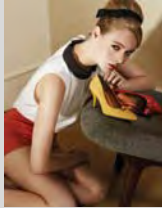
Source: Company

Note: For a more detailed timeline, please refer to Appendix 1

Today, Padini manufactures and retails garments, shoes, ancillary products, and accessories through its subsidiaries (collectively, the “Group”) under its nine core (9) registered brands. These nine (9) brands which were developed in-house by the Group are Padini, Padini Authentics, PDI, Seed, P&Co., Miki, Vincci, Vincci+, and Vincci Accessories.

Table 3 below sets out a brief description of the Group’s core brands.

TABLE 3: Brand Details

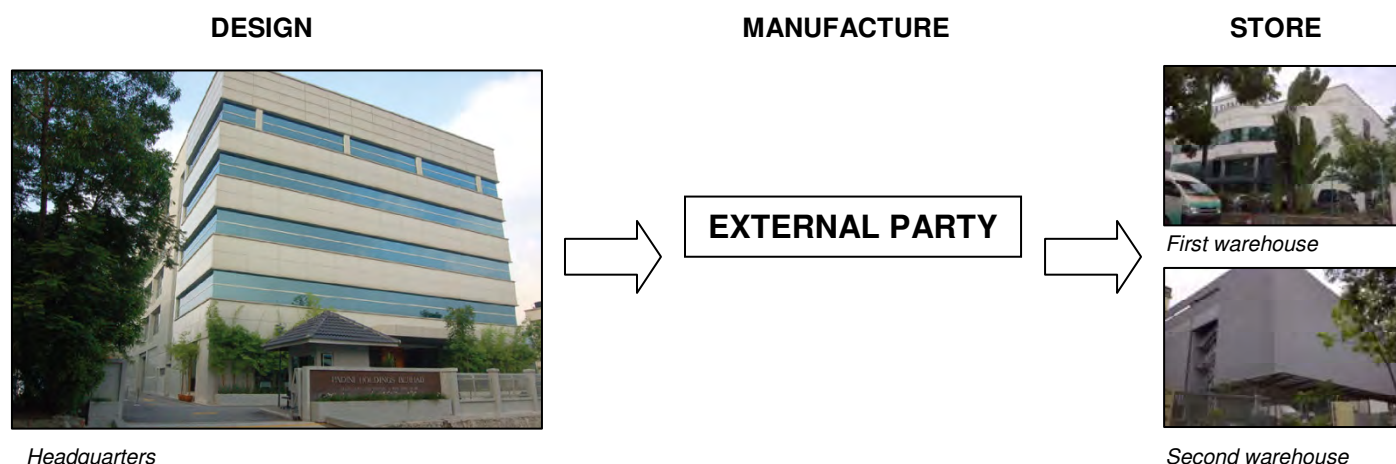
Brand Names	Offerings	Brand Names	Offerings
PADINI 	Office wear Contemporary Modern executives and managers in their mid-20s to late-30s Both genders	MIKI 	Children wear Maternity wear Bright, fun and colourful Practical and fashionable Ages 3 to 13 Pregnant women Both genders Working mothers- to-be
PADINI AUTHENTICS 	Casual wear Toddler wear Moderately trendy Ages 5 to 45 Toddler to pre-teens Both genders Children	VINCCI 	Footwear, accessories and handbags Teens onwards Ladies
PDI 	Basic wear Slightly fashionable Teens till age 30s Both genders	VINCCI+ 	Footwear and handbags Premium with higher price tags Teens onwards Ladies
SEED 	Adult wear Kids wear Contemporary Ages 20 to early-30s Ages 3 to pre-teens Both genders Children	VINCCI ACCESSORIES 	Accessories Runway looks at affordable prices All ages Ladies
P & CO. 	Eclectic, edgy, experimental wear Mid-teens till mid-20s Ladies	TIZIO 	Footwear, accessories and bags Bright and brazen Teens to young adults Ladies

Source: Group

Tizio was introduced to the public with the opening of its first outlet in Mid Valley Megamall in Nov 2012 and subsequently in Paradigm Mall on 23 May 2013. Like almost all of the Group’s brands, Tizio was developed in-house by, and is registered to the Group. Anticipate more presence from Tizio in the coming years as the brand has been slated to become an addition to the Group’s portfolio of core brands.

Major shareholders of the Group as at 8 July 2013 are Pang Chaun Yong with 44% and Skim Amanah Saham Bumiputera with 5.0%.

Manufacturing process. The Group designs its creations in-house at its headquarters in Hicom Glenmarie Industrial Park, Shah Alam. Thereafter, external parties are contracted to do the manufacturing according to the Group's designs. Upon receipt, the finished goods are stored in one (1) of two (2) of the Group's warehouses located close to the Group's headquarters.



The Group began outsourcing its manufacturing function to external parties 8-10 years ago, when (i) its manufacturing operations became loss-making largely due to the absence of economies of scale, and (ii) labour supply shortages which may have resulted in lower productivity (as unskilled workers were moved into skilled positions), higher wages and missed opportunities. The move would have also allowed the Group to focus more of its time on developing its brands and on steering the direction of the Group.

These external manufacturers are located domestically in Kuala Lumpur and Ipoh, and abroad in China, Taiwan, Korea and Bangladesh. Table 4 below provides a breakdown of the location of the contracted manufacturers according to product type.

TABLE 4: Location of Manufacturers According to Product Type







Product Type	Location of Contracted Manufacturers
Apparel	Malaysia, China (approx. 60%), and Bangladesh
Footwear	Malaysia, China (approx. 12-20%)
Handbags	Malaysia, China, Taiwan, and Korea
Accessories	China, Taiwan, and Korea

Source: Company

A large chunk of the Group's merchandises are manufactured in China. However, this is true for many large retailers. According to management, this gives rise to difficulties in securing good Chinese manufacturers who are demanding higher manufacturing volumes in accepting jobs. Therefore, the Group may be exploring with manufacturers in other countries like Sri Lanka to beef up its supply chain and diversify/move away from its dependence on China.

Distribution by channel. The finished goods are distributed through (1) owned, franchised or dealer standalone single-brand stores, (2) consignment counters, or (3) one of two of the Group's multi-brand, large-format concept stores known as the Padini Concept Store and Brands Outlet. All brands distributed by the Group were developed in-house by the Group and are either registered under the Ministry of Domestic Trade, Co-operatives and Consumerism or are in the process of being registered to the Group. Further details are contained in Table 5 below.

TABLE 5: Distribution Channels

Ref No.	Brand Names	Offering	No. of outlets as at 30 June 2012	
			Domestic	Foreign
1.	STANDALONE Owned Stores 	One brand per standalone store Eight (8) brands are currently being distributed through this retail format	48 (84,550sqft)	-
	STANDALONE Franchise Stores 	One brand per standalone store Three (3) brands are currently being distributed through this retail format	15	65
	STANDALONE Dealer Stores 	One brand per standalone store Three (3) brands are currently being distributed through this retail format	-	16
2.	CONSIGNMENT COUNTERS 	One brand per counter Floor space located within departmental stores Five (5) brands are currently being distributed through this retail format	155	-
3.	PADINI CONCEPT STORE 	Multiple brands per large format store Lifestyle concept Any of the nine (9) core brands may be distributed through this retail format	26 (389,126sqft)	-
	BRANDS OUTLET 	Multiple brands per large format store Value concept Any non-core brand may be distributed through this retail format	19 (225,460sqft)	-

Source: Company

Distribution by brand. The Group distributes its merchandises domestically through all of the above-listed distribution channels, except for standalone dealer stores which are only available abroad in Thailand. Tables xxx and xxx below provides a breakdown of the numbers and types of distribution outlets used by the Group, domestically and internationally, to distribute by brand.

TABLE 6: No. and Type of Outlet in the Domestic Market by Brand

Brands – Domestic Market	As at 30.6.2010	As at 30.6.2011	As at 30.6.2012
Vincci, Vincci+, Vincci Accessories			
Free-standing stores	22	19	20
Consignment counters	0	2	1
Franchise stores	12	14	14
Seed			
Free-standing stores	5	4	4
Consignment counters	49	48	54
Padini Authentics			
Free-standing stores	9	7	8
Consignment counters	24	25	29
PDI			
Free-standing stores	11	12	13
Franchise stores	0	1	1
Padini			
Free-standing stores	2	2	2
Consignment counters	34	34	37
P&Co			
Free-standing stores	1	1	1
Miki Kids			
Consignment counters	24	27	30
Miki Mom			
Consignment counters	10	4	4
Brands Outlet			
Free-standing stores	10	13	19
Multi-brands			
Free-standing stores *	20	22	26
Total	233	235	263

Source: Company

Upon examination of the domestic distribution channels by brands, we note that Seed has the largest market representation in Malaysia with 58 outlets, followed by Padini with 39 outlets.

In foreign markets, only two (2) retail channels are used – (i) standalone franchise stores, and (ii) standalone dealer stores. The overseas standalone franchise stores are located in the ASEAN region (Brunei, Cambodia, Indonesia, Myanmar, Philippines, and Thailand), Saudi Arabia, UAE, Oman, Syria, Qatar, Bahrain, Pakistan, Egypt, and Morocco. Standalone dealer stores, on the other hand, are located only in Thailand. Merchandise from only three (3) brands are made available abroad. They are Vincci, Vincci+ and Vincci Accessories, which are generally marketed under the brand name VNC (except for Brunei where the original brand names are used). Table 7 below provides a breakdown of the number and store format used abroad according to country.

TABLE 7: No. and Type of Outlet in Foreign Markets by Brand

Brands – Foreign Market	Locations	As at 30.6.2010	As at 30.6.2011	As at 30.6.2012
Vincci/VNC				
Franchise Stores	ASEAN	18	15	14
	Saudi Arabia	24	25	24
	UAE	9	11	13
	Oman	1	1	2
	Syria	2	3	3
	Qatar	2	2	2
	Bahrain	0	2	2
	Pakistan	0	1	2
	Egypt	0	1	1
	Morocco	0	0	2
Dealer Stores	Thailand	12	12	16
Total		68	73	81

Source: Company

Globally, Vincci, Vincci+ and Vincci Accessories take the cake in terms of presence with a distribution network of 116 outlets given that these brands are the only ones with added international exposure.

Sales periods. The Group participates in Malaysia's three (3) annual major sales seasons, namely the Grand Prix Sale which is usually held early in the year, the mid-year Mega Sale Carnival and the Year-end Sale. In CY13, these sales events were/will be held during the following periods :-

TABLE 8: CY13 Malaysia Sales Events and their Corresponding Sales Periods

No.	Malaysia Sales Event	CY13 Sales Period
1	Grand Prix Sales	16 Mar 2013 – 07 Apr 2013
2	Mega Sale Carnival	29 Jun 2013 – 01 Sep 2013
3	Year-end Sale	16 Nov 2013 – 05 Jan 2014

Source: Malaysia Tourism Promotion Board

Additionally, the Group holds at least two (2) additional sales periods for its brands. These sales periods provide the Group with an effective means of clearing off their dated designs while boosting sales.

Competition. Given that the Group targets a range of markets, its competition also varies across its brand. Table 9 below provides details on some of the Group's identified competition according to brand.

TABLE 9: Identified Competition According to Brand

Brand Names	Identified Competition
Padini	G2000, Elements
Padini Authentics (Casual)	Esprit
PDI (Basics)	Cotton On, Uniqlo
P & Co. (Eclectic)	Voir, Soda
Seed (Contemporary high street)	MNG, H&M, Zara, Topshop
Vincci, Vincci+ and Vincci Accessories (Shoes & accessories)	Nose, and Charles & Keith
Miki (Children)	Poney, Kiko, Pumpkin Patch
Padini Concept Store	Isetan, Robinsons, Parkson, Mark and Spencer
Brands Outlet (Value concept)	Factory Outlet Store, Reject Shop
Tizio (Higher-end footwear, accessories and bags)	Aldo, Primevera

Source: Company

SWOT ANALYSIS

Strengths

- Its nine (9) core brands have strong presences which provides for (i) higher sales of products that are associated with the brands, (ii) better acceptance of new products, (iii) higher ability to increase market share through advertising, and, (iv) stronger resistance to price erosions in the market.

- Given its longer-than-competition track record in Malaysia of 21 years since the opening of its first Seed store, the Group has a more extensive distribution network. Furthermore, we believe that competition is unlikely to mimic the Group's distribution network or any expansions in its distribution network given that the target markets of the most formidable of competition are confined to the mid-upper income earning urban population. The Group on the other hand, offers value as well as basic merchandise targeting also the mid-lower income population.
- Diversified offerings provide some degree of insulation from demand fluctuations, while tapping into almost every age and income segment of the market.
- Furthermore, the Group caters to only one geographical market according it with a single focus on catering to the preferences of Malaysians. Large international brands, on the other hand, are unlikely to incur additional localisation costs given that Malaysia is a relatively small market in their global portfolio.
- Net cash position allows for funding of expansion plans via internally generated funds. At 31 March 2013, net cash stood at RM166.3m.
- Increasingly efficient and effective management with Return on Equity growing from 11.5% in FY03 to 28% in FY12.

Weaknesses

- The Group may be unable to secure the best suppliers in the global market given its relatively small scale compared to global giants like Zara, H&M and Uniqlo.
- Possible declines in quality to remain competitive with fast fashion rivals, may alienate some existing customers.
- Frequent and prolonged sales periods may adversely affect the Group as it provides incentive to consumers to withhold their purchases until discounts are offered. This may result in the Group indirectly positioning itself in the same market already being served by the Group value-themed concept store Brands Outlet.

Opportunities

- Sabah and Sarawak may be a growth area since penetration there is currently low. In addition, the relatively limited connectivity between cities and town will make each area within Sabah and Sarawak a captive market. This may provide for the offloading of older designs, while providing the Group with stable income streams.
- The expansion of the Group's large-format value-themed stores, Brands Outlet, is another likely growth area given (i) the flexibility of the store's "value" concept which allows the Group to tailor products mixes according to the locality of the store, and (ii) the strong revenue growth from the operation of the Brands Outlet which registered a 15.2%yoy same store sales growth (SSSG) in FY12 which is similar to the Padini Concept Store's SSSG of 15.8%yoy and higher than the aggregate SSSG from single-brand stores of 6.6%yoy.

Threats

- Entry of reputable foreign brands has made competition stiffer which may decelerate growth in sales and begin thinning margins. We saw this most evidently in the Group's 2QFY13 numbers following the opening of H&M in Malaysia on 22 Sept 2012 during which growth in revenue decelerated to a low 2.6%yoy while a negative net profit growth was recorded. Net profit margin also declined to 9% from 14% a year ago.

VALUATION

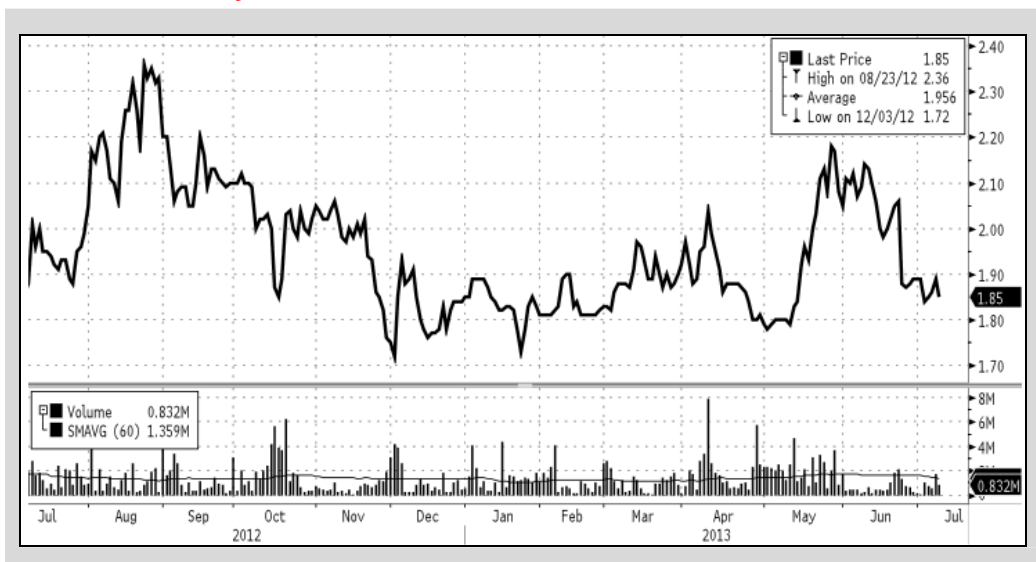
Share price performance. The shares of the Group made its debut on the KLSE on 5 March 1998 at an initial price of RM2.80 (or RM0.14, after adjusting for the share split on 21 April 2011). The market capitalisation of the Group upon listing was RM12.6m. 15 years on, the Group's share price now trades at RM1.85 at the close of 8 July 2013, which is 13.2x the initial price and equates a market capitalisation of RM1.2b.

The average historical Price Earnings Ratio (PER) achieved in the last 10 years was 12.2x.

Recommend NEUTRAL. We recommend a NEUTRAL stance at a Target Price (TP) of RM1.80. The TP implies a forward Price Earnings Ratio (PER) of 12.2x representing the Group's historical 9-year PER from the date the Group first announced that it was transferring to the Main Board (now known as the Main Market) of Bursa. This implies that the Group's current share price has already reflects its fundamentals.



DIAGRAM 3: Daily Price Chart



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APPENDIX 1: History of the Group

1971

Began operations as Hwayo Garments Manufacturers Company, a sole proprietorship manufacturing ladies garments and wholesaling the finished products to departmental stores.

1973

Expanded into the textile trading.

1975

Entered the retail industry with the company's pioneer brand, PADINI.

1981

Vincci established.

1987

Children wear was launched under MIKI brand.

1988

All brands have switched from wholesaler to consignor.

1990

- Seed label was established to distribute contemporary fashion.
- ROPE label was created.

1991

Home Stores Sdn Bhd was established as a holding company for the Group's retail, wholesale and manufacturing business.

1992

- Home Stores Sdn Bhd was changed to Padini Holdings Sdn Bhd.
- First of the Group's single brand retail store - SEED opened at Sungei Wang Plaza.

1993

Padini Authentics was established.

1995

Padini Holdings Sdn Bhd became Padini Holdings Berhad, a public company listed by shares.

1998

Padini Holdings Berhad was listed on the Second Board of Kuala Lumpur Stock Exchange (now Bursa Malaysia).

1999

- PDI joined the family of brands under the Group.
- The first of the Group's multi-brand shops, the Padini Shop, opened in City Square of Johor Bahru. The 11,000 square feet store showcased merchandise from Padini, SEED, PDI, Vincci, P&Co and ROPE. Today (as of 2013), there are 25 of these concept stores nationwide.
- A new brand, P&Co, was launched in the second half of the year.

2000

- The Group ventured into the food and beverage industry with SEED Cafe.
- Began operating the first foreign Vincci store in Brunei.

2001

- PADINI was relaunched as a career wear brand for men and women. ROPE was merged under the concept PADINI.
- Vincci ventured into Thailand.

2003

- Vincci grows its regional presence by expanding into the Philippines and Saudi Arabia.

2004

- Padini Holdings transfer of listing and quotation into the Main Board of Kuala Lumpur Stock Exchange (now the Main Market of Bursa Malaysia).

2005

- Vincci entered into Indonesia, United Arab Emirates and Cambodia.

2006

- First of our value stores, Brands Outlet was opened in December.

2007

- Vincci+, Vincci Accessories and Brands Outlet all debuted within the year.
- Oman welcomes its first Vincci store.

2009

- Padini Group was recognized as one of Malaysia's Top 30 Most Valuable Brands and valued by Interbrand at RM245 million.
- Vincci ventured into Syria.

2010

- Vincci entered Qatar and Pakistan.

2011

- Vincci expands its presence abroad by adding stores in Bahrain, Egypt and Morocco (North Africa).

2012

- Padini Group was recognized as one of Malaysia's Top 30 Most Valuable Brands and valued by Interbrand at RM260 million.
- Vincci opened its first store in Myanmar.
- Vincci was awarded Putra Most Promising Brand of the Year at Putra Brand Awards.
- Signed Franchise Agreement with PT Gilang Agung Persada, regarding VNC franchise in Indonesia.
- Tizio, a new brand was launched in November.

APPENDIX 2: Income Statement

Income Statement (ANNUAL) FYE June RM'm	FY10 6/30/2010 restated	FY11 6/30/2011 original	FY12 6/30/2012 original	FY13F 6/30/2013 forecast	FY14F 6/30/2014 forecast
Revenue	518.8	568.5	723.4	782.7	845.3
Cost of sales	(259.5)	(277.7)	(374.8)	(403.7)	(429.7)
Gross profit	259.3	290.8	348.6	379.0	415.6
Other operating income	5.8	7.5	7.3	5.0	5.4
Selling and distribution costs	(133.1)	(149.8)	(174.8)	(205.9)	(222.3)
Administrative expenses	(44.6)	(41.9)	(48.1)	(54.1)	(60.8)
Profit from operations	87.4	106.6	133.0	124.1	137.9
Finance costs	(1.1)	(1.6)	(2.3)	(2.5)	(2.5)
Share of results of an associated company	-	-	-	(0.0)	(0.0)
PBT	86.3	105.1	130.6	121.5	135.4
Taxation	(25.3)	(29.4)	(34.6)	(33.6)	(37.4)
PAT	61.0	75.7	96.0	88.0	98.0
Minority / Non-controlling interest	-	-	-	(0.0)	(0.0)
PATAMI	61.0	75.7	96.0	87.9	97.9
Weighted avg. shares - Basic	657.9	657.9	657.9	657.9	657.9
Basic EPS	9.3	11.5	14.6		
Adjusted EPS	9.3	11.5	14.6	13.4	14.9
Adjusted 1st interim DPS (sen)	1.5	2.0	2.0	2.0	2.0
Adjusted 2nd interim DPS (sen)	1.5	2.0	2.0	2.0	2.0
Adjusted 3rd interim DPS (sen)	-	-	2.0	2.0	2.0
Adjusted 4th interim DPS (sen)	-	-	-	2.0	2.0
Adjusted special DPS (sen)	-	-	-	-	-
Adjusted final DPS (sen)	-	-	-	-	-
Adjusted total DPS (sen)	3.0	4.0	6.0	8.0	8.0

Source: Company, MIDF Research

APPENDIX 3: Balance Sheet

Balance Sheet FYE June RM'm	FY08 6/30/2008 original	FY09 6/30/2009 original	FY10 6/30/2010 restated	FY11 6/30/2011 original	FY12 6/30/2012 original
ASSETS					
Non-current assets					
PPE	70.7	75.9	80.8	83.6	90.3
Intangible assets	-	-	7.0	6.5	7.2
Investment properties	1.7	1.7	1.9	2.2	2.6
Investment in an associated company	-	-	-	-	-
Investment in club membership	-	-	0.1	0.1	0.1
Other investments					
- Available-for-sale financial assets	-	-	-	0.6	0.6
- Investment	0.7	0.7	0.6	-	-
Deferred tax assets	0.5	2.0	2.0	1.5	1.3
Other non-current assets	0.8	0.9	-	-	-
Total non-current assets	74.4	81.2	92.3	94.6	102.0
Current assets					
Inventories	116.1	91.9	76.6	171.0	192.3
Receivables	30.2	33.1	32.6	39.4	47.8
Tax assets	0.2	-	0.3	0.4	0.2
Other investments					
- Financial assets at fair value through profit and loss	-	-	-	0.3	2.4
- Short term investment	19.9	18.9	19.9	-	-
Deposits, cash and bank balances	21.8	65.6	135.0	138.6	137.6
Non-current assets held for sale	1.7	-	-	-	-
Total Current Assets	189.9	209.5	264.3	349.8	380.3
TOTAL ASSETS	264.3	290.7	356.6	444.3	482.3
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	65.8	65.8	65.8	65.8	65.8
Reserves	103.7	138.3	168.5	216.9	274.3
Total equity ex. MI	169.5	204.0	234.3	282.7	340.1
Minority/Non-controlling interests	-	-	-	-	-
Total equity	169.5	204.0	234.3	282.7	340.1
LIABILITIES					
Non-current liabilities					
Borrowings	3.2	3.2	10.1	22.2	19.6
Deferred tax liabilities	0.0	0.2	0.8	1.6	2.2
Negative goodwill on consolidation	-	-	-	-	-
Total non-current liabilities	3.2	3.4	10.9	23.7	21.8
Current liabilities					
Payables	60.8	44.3	58.6	93.9	78.9
Dividend payable	-	-	19.7	13.2	-
Borrowings	25.0	28.6	26.1	24.9	31.2
Tax liabilities	4.8	8.7	6.9	5.9	10.3
Provisions	1.1	1.6	-	-	-
Total current liabilities	91.6	83.3	111.4	137.9	120.4
TOTAL LIABILITIES	94.8	86.7	122.3	161.7	142.2
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	264.3	290.7	356.6	444.3	482.3

Source: Company

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.