

Asia File Corporation Bhd

In-line with expectations

Summary

- Broadly in-line.** For 2QFY24, Asia File Corporation Bhd (ASIAFLE) registered core earnings of RM6.9m (-57.0% QoQ, -11.5% YoY), bringing the sum of 1HFY24 core earnings to RM22.9m. Despite the core earnings only accounted to 45% of our estimates (75% of consensus estimates) it is deemed to be broadly in-line as GBP and EUR has regained momentum, which may contribute to better 2HFY24 results. No dividend was announced in the quarter under review.
- QoQ.** Revenue has improved 4.5% QoQ to RM79.0m attributed to the increased in both the filing and Consumer and Food ware divisions 4.0% and 7.6% QoQ to RM68.1m and RM10.9m, respectively. However, the core PATMI dropped significantly by 57.0% from RM16.0m as it was impacted negatively by foreign exchange loss of RM4.0m.
- YoY.** Core PATMI declined 11.5% from RM7.8m in 2QFY23, no thanks to (i) steeper foreign exchange losses and (ii) higher tax expense for the quarter.
- YTD.** For 1HFY24, the group's revenue dropped 6.1% YoY, but the core PATMI increased 43.9% to RM22.9m, as a result of better cost control and well execution of various marketing strategies. Partly, strong gains from foreign exchange in 1QFY24 lifted the overall earnings for 1HFY24.
- Outlook.** Despite the challenging global and domestic business environment with the heightened inflationary pressure coupled with the elevated interest rate environment, we expect both the filing and Consumer & Food ware segments with the promising demand in 2HFY24 on the back of recovery in consumer spending during the festive season. Also, we expect sales from both the segments will continue to generate positive cash flow for the group.

Quarterly performance

FYE Mar (RM m)	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	6MFY23	6MFY24	YoY (%)
Revenue	77.0	75.6	79.0	4.5	2.7	164.7	154.7	(6.1)
PBT	9.5	18.2	11.1	(39.0)	16.1	21.2	29.2	38.0
PAT	7.8	16.0	6.9	(56.7)	(11.0)	15.9	22.9	44.0
Core PATMI	7.8	16.0	6.9	(57.0)	(11.5)	15.9	22.9	43.9
Reported PATMI	7.8	16.0	6.9	(57.0)	(11.5)	15.9	22.9	43.9
Core EPS (sen)	4.0	8.2	3.5	(57.0)	(11.5)	8.2	11.7	43.9
PBT margin (%)	12.4	24.0	14.0			12.9	18.9	
Core PATMI margin (%)	10.1	21.1	8.7			9.6	14.8	

Valuation & Recommendation

- Forecast unchanged.** Given that the core earnings came in broadly within our expectations, we maintained the forecasted earnings at RM50.6m, RM52.4m and RM54.6m over FY24-26f.
- Maintained BUY with TP of RM2.60.** We maintained the Buy recommendation on ASIAFLE, with a target price of RM2.60. The target price derived by ascribing a P/E of 10.0x to FY24f EPS of 26.0 sen. Also, we like the group's net cash position of RM294.8m (74% of the current market cap of RM400.0m) as at 1HFY24.

Results Note – 2QFY24

Loui Low
louilow@msec.com.my
 (603) 2201 2100

BUY

Share price	RM2.05
Target price	RM2.60
Previous TP	RM2.60
Capital upside	26.8%
Dividend return	3.8%
Total return	30.6%

Company profile

Principally involved in the manufacturing and trading of filing and consumer ware products.

Stock information

Bursa Code	7129
Bloomberg ticker	AF MK
Listing market	MAIN
Share issued (m)	194.5
Market Cap (m)	398.8
52W High/Low	2.15 / 1.68
Est. Free float (%)	20.8
Beta (x)	0.8
3-mth avg vol ('000)	43.1
Shariah compliant	Yes

Major shareholders %

Prestige Elegance M Sdn	43.1
Amanah Saham Nasional Bhd	19.4
FMR LLC	5.1

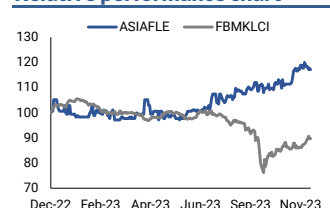
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	5.1	7.3	17.1
Relative	3.9	8.1	20.3

Earnings snapshot

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	31.6	50.6	52.4
EPS (sen)	2.7	5.7	10.0
P/E (x)	12.6	7.9	7.6

Relative performance chart



JOIN OUR OFFICIAL TELEGRAM
TO GET THE LATEST MARKET UPDATES

M+Online
Equipping Traders For The Win

Global
Winning The World

Friday, 01 Dec, 2023

Brought to you by BURSA MALAYSIA
RISE (Research Incentive Scheme)

- **Recommendation risks** include the (i) supply chain disruptions, which may translate to higher operating costs and (ii) foreign exchange risks as its export proceeds are mainly denominated in GBP and EUR, while import is predominantly priced in USD. Any depreciation of GBP/MYR or EUR/MYR could exert pressure to the group's margin.

Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Mar (RM m)	FY22	FY23	FY24f	FY25f	FY26f	FYE Mar (RM m)	FY22	FY23	FY24f	FY25f	FY26f
Revenue	323.0	317.6	311.9	336.3	365.2	Cash	133.6	248.1	314.1	340.9	369.7
EBITDA	45.6	63.8	70.2	72.3	74.9	Receivables	68.1	60.9	63.2	68.2	74.0
EBIT	35.1	52.3	58.6	60.5	62.9	Inventories	109.4	97.6	97.4	104.2	114.1
Net finance income/ (cost)	0.3	0.2	(0.0)	(0.0)	(0.0)	PPE	114.0	110.4	101.9	99.6	95.5
Associates & JV	13.0	(8.7)	6.0	6.4	6.7	Others	352.7	284.7	246.3	239.3	232.5
Profit before tax	48.4	43.8	64.6	66.8	69.6	Assets	777.9	801.7	823.0	852.2	885.8
Tax	(8.1)	(12.1)	(13.9)	(14.4)	(15.0)	Debits	2.4	-	-	-	-
Net profit	40.2	31.7	50.7	52.5	54.6	Payables	36.7	29.8	35.9	38.4	42.0
Minority interest	0.0	(0.1)	(0.0)	(0.0)	(0.0)	Others	21.7	23.3	23.6	23.7	23.4
Core earnings	40.3	31.6	50.6	52.4	54.6	Liabilities	60.8	53.0	59.5	62.0	65.4
Exceptional items	(3.1)	(0.1)	-	-	-	Shareholder's equity	716.6	748.1	783.5	817.6	853.0
Reported earnings	43.4	31.7	50.6	52.4	54.6	Minority interest	0.5	0.5	-	-	-
						Equity	717.1	748.7	783.5	817.6	853.0
Cash Flow Statement						Valuation & Ratios					
FYE Mar (RM m)	FY22	FY23	FY24f	FY25f	FY26f	FYE Mar (RM m)	FY22	FY23	FY24f	FY25f	FY26f
Profit before taxation	48.4	43.8	64.6	66.8	69.6	Core EPS (sen)	20.5	16.1	25.8	26.7	27.8
Depreciation & amortisation	10.5	11.6	11.6	11.8	12.0	P/E (x)	9.9	12.6	7.9	7.6	7.3
Changes in working capital	(26.5)	12.1	4.0	(9.2)	(12.1)	DPS (sen)	2.0	2.0	7.8	9.4	9.8
Share of JV profits	(13.0)	8.7	(6.0)	(6.4)	(6.7)	Dividend yield	1.0%	1.0%	3.8%	4.6%	4.8%
Taxation	(8.1)	(12.1)	(13.9)	(14.4)	(15.0)	BVPS (RM)	3.68	3.84	4.03	4.20	4.38
Others	2.8	(2.4)	2.6	(3.5)	(3.5)	P/B (x)	0.56	0.53	0.51	0.49	0.47
Operating cash flow	14.1	61.6	62.8	45.2	44.2	EBITDA margin	14.1%	20.1%	22.5%	21.5%	20.5%
Net capex	(7.3)	-	(6.9)	(7.4)	(5.8)	EBIT margin	10.9%	16.5%	18.8%	18.0%	17.2%
Others	(57.6)	57.3	45.4	14.7	14.7	PBT margin	15.0%	13.8%	20.7%	19.9%	19.0%
Investing cash flow	(64.8)	57.3	38.6	7.3	8.9	PAT margin	12.5%	10.0%	16.2%	15.6%	15.0%
Changes in borrowings	(23.8)	(2.4)	-	-	-	Core PAT margin	12.5%	10.0%	16.2%	15.6%	14.9%
Issuance of shares	-	0.1	(0.1)	-	-	ROE	5.8%	4.3%	6.6%	6.5%	6.5%
Dividends paid	(2.3)	(3.9)	(15.2)	(18.3)	(19.1)	ROA	5.2%	4.0%	6.2%	6.3%	6.3%
Others	(3.1)	(2.0)	-	-	-	Net gearing	CASH	CASH	CASH	CASH	CASH
Financing cash flow	(29.2)	(8.2)	(15.3)	(18.3)	(19.1)						
Net cash flow	(81.6)	114.5	66.1	26.8	28.8						
Forex	(1.8)	-	-	-	-						
Others	1.8	-	-	-	-						
Beginning cash	215.2	133.6	248.1	314.1	340.9						
Ending cash	133.6	248.1	314.1	340.9	369.7						

Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

As of **Friday, 01 Dec, 2023**, the analyst(s), Loui Low Ley Yee, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned



JOIN OUR OFFICIAL TELEGRAM
TO GET THE LATEST MARKET UPDATES

M+Online
Equipping Traders For The Win

Global
Winning The World