

Asia File Corporation Bhd

9MFY24 Results Came In Within Expectation

Summary

- Results came in within expectations.** For 3QFY24, ASIAFLE recorded core earnings of RM13.8m (+100.4% QoQ, +115.2% YoY), translating to a sum of RM36.6m (+64.4% YoY) for 9MFY24. The core PATMI came in within expectations, accounting to 72.3% of our forecast (consensus forecast stood at RM39.4m). A second interim dividend of 3.5 sen per share was declared (ex-date: 30-Apr-2024).
- QoQ.** Despite a drop of 14.6% in revenue, the core PATMI jumped 100.8% on the back of better operating profit from both the filing (+14.1%) and consumer ware (+17.3%) divisions. Meanwhile, the share of profit from the associate turned positive for the quarter at RM1.7m vs. a loss of RM0.5m in 2QFY24. Besides, favourable foreign exchange gains lifted the core PATMI as well.
- YoY.** Despite the drop in revenue by -9.5% due to weaker demand for both the filing and consumer ware divisions, core PATMI soared 115.2%, thanks to favourable exchange gains of RM3.2m (3Q23: RM2.1m). Moreover, the share of losses of the associate stood at -RM3.6m in 3Q23 has turned positive for the quarter to RM1.7m.
- YTD.** The group's revenue dropped 7.2% YoY to RM222.2m amid the general weaker consumer sentiment, resulted in an overall softer demand for its consumer products. However, core PATMI increased 64.4% YoY and the vast improvement was due to favourable exchange factor and increased in operation efficiency.
- Outlook.** In view of the softer recovery from China amid the struggling property sector, weaker consumption activities as well as slowing exports may have negative impacts on the overall business sentiment. However, ASIAFLE will embark and intensify the sales penetration on various digital platforms and focus on improving productivity and efficiency in protecting its operating margin.

Quarterly performance

FYE Mar (RM m)	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	74.6	79.0	67.5	(14.6)	(9.5)	239.3	222.2	(7.2)
PBT	9.4	11.1	15.2	36.8	61.8	30.5	44.4	45.3
PAT	6.4	6.9	13.8	99.2	114.7	22.4	36.7	64.4
Core PATMI	6.4	6.9	13.8	100.4	115.2	22.3	36.6	64.4
Reported PATMI	6.4	6.9	13.8	100.8	115.6	22.3	36.7	64.5
Core EPS (sen)	3.3	3.5	7.1	100.8	115.6	11.4	18.8	64.5
PBT margin (%)	12.6	14.0	22.5			12.8	20.0	
Core PATMI margin (%)	8.6	8.7	20.4			9.3	16.5	

Source: Malacca Securities

Valuation & Recommendation

- Forecast.** Maintained.
- 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 RM303.2m (70.9% of the current market cap of RM427.7m) as at 9MFY24. We do not rule out windfall dividends given the strong cash position in ASIAFLE.

Results Note – 3QFY24

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BUY

Share price	RM2.20
Target price	RM2.60
Previous TP	RM2.60
Capital upside	18.4%
Dividend return	3.6%
Total return	22.0%

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)	194.7
Market Cap (m)	428.2
52W High/Low	2.20 / 1.70
Est. Free float (%)	28.0
Beta (x)	0.6
3-mth avg vol ('000)	30.1
Shariah compliant	Yes

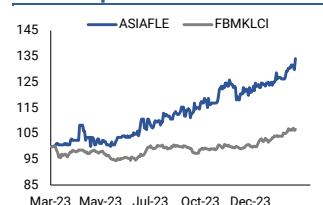
Major shareholders %

Prestige Elegance M Sdn	43.0
Amanah Saham Nasional Bhd	19.4
FMR LLC	5.1

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	31.6	50.6	52.4
EPS (sen)	16.1	25.8	26.7
P/E (x)	13.5	8.4	8.2

Relative performance chart



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- **Recommendation risks** include the (i) supply chain disruptions, which may translate to higher operating costs and (ii) forex 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						

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As of **Friday, 01 Mar, 2024**, 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



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