

## Asia File Corporation Berhad

(7129 | AF MK) Main | Consumer Products & Services | Office Supplies

**Maintain NEUTRAL**

### Continuous Weak Demand for Non-Essential Products

**Unchanged Target Price: RM1.85**

#### KEY INVESTMENT HIGHLIGHTS

- **Within Expectation**
- **Flattish core PATANCI with higher operating margins more than offset the reduced revenue**
- **Better operational efficiency in 9MFY24**
- **Maintain Neutral with an unchanged TP of RM1.85**

**Within Expectation.** Asia File's 9MFY24 core PATANCI amounted to RM10.8m, excluding one off items of -RM8.6m. This figure falls within our full-year FY24F estimation, accounting for 71% of our projection. The group declared a single-tier 2nd interim dividend of 3.5sen/share (payable on 23 May 2024), bringing the total dividend to 7sen/share with a dividend yield of 3.3%.

**Flattish core PATANCI with higher operating margins more than offset the reduced revenue.** On a yearly basis, the group's revenue dropped -12.3% yoy to RM67.5m in 3QFY24, mainly due to reduced revenue from the consumer and foodware division. However, the group's penetration into online marketing has improved the operating margin by +4.2ppt yoy to 14.6%. As such, the core PATANCI rose +3.1% yoy to RM10.8m. On a quarterly basis, the core PATANCI remained relatively unchanged at RM10.8m despite lower revenue (-14.6% qoq) in 3QFY24, mainly due to the share of profit during the quarter as opposed to a share of loss of an associate in 2QFY24.

**Better operational efficiency in 9MFY24.** Cumulatively, the group's topline dropped -7.2% qoq to RM222.2m, mainly due to lower demand for filing products as well as consumer & food ware products. However, the better profit margin for filing products, improved operational efficiency, and lower effective tax rate have raised the core PATANCI higher by +10.8% yoy to RM28m.

**Maintain Neutral with an unchanged TP of RM1.85.** We make no changes to our forecast given that earnings came in within expectations. Our **TP of RM1.85** is based on an unchanged PER of 8.9x (its 5-year historical -0.5SD PER), pegged at FY25F EPS of 20.8sen. We maintain caution regarding the near-term outlook for demand in filing products and consumer & food ware products, considering the ongoing global slowdown in business activities. On a positive note, we are optimistic about its strong net cash position of RM304.2m as of 3QFY23, which could provide support against downside risks going forward. Hence, we reiterate **NEUTRAL** on Asia File. Re-rating catalysts include (i) a further decrease in input costs and (ii) better-than-expected demand for the products.

#### RETURN STATISTICS

Price @ 29 <sup>th</sup> Feb 2024 (RM)	2.13
Expected share price return (%)	-13.0
Expected dividend yield (%)	+3.30
<b>Expected total return (%)</b>	<b>-9.64</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.4	2.4
3 months	3.8	-2.1
12 months	23.4	16.0

#### INVESTMENT STATISTICS

FYE Mar	2024F	2025F	2026F
Revenue	310.0	319.5	330.0
EBITDA	60.2	62.3	64.4
Profit before tax (PBT)	54.5	56.1	57.8
Core PATANCI	39.4	40.6	41.9
Core EPS (sen)	20.2	20.8	21.5
DPS (sen)	7.1	7.3	7.5
Dividend Yield (%)	3.3	3.4	3.5

#### KEY STATISTICS

FBM KLCI	1,551.44
Issue shares (m)	194.81
Estimated free float (%)	20.89
Market Capitalisation (RM'm)	420.45
52-wk price range	RM1.70-RM2.18
3-mth average daily volume (m)	0.03
3-mth average daily value (RM'm)	0.06
Top Shareholders (%)	
Prestige Elegance M Sdn	43.02
Amanah Saham Nasional	19.35
FMR LLC	5.07

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## Asia File Corporation: 3QFY24 Results Summary

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	3QFY24	2QFY24	2QFY23	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
Revenue	67.5	79.0	77.0	(12.3)	(14.6)	222.2	239.3	(7.2)
Operating expenses	(57.9)	(71.0)	(69.2)	(16.3)	(18.4)	(186.7)	(207.2)	(9.9)
Other operating income	0.2	0.2	0.2	17.1	4.7	0.7	0.7	0.4
<b>Operating profit (EBIT)</b>	<b>9.8</b>	<b>8.3</b>	<b>8.0</b>	<b>23.2</b>	<b>18.4</b>	<b>36.2</b>	<b>32.8</b>	<b>10.3</b>
Net finance income/(cost)	(0.0)	(0.0)	(0.1)	(75.8)	(55.1)	(0.1)	(0.2)	(47.4)
<b>Profit before tax (PBT)</b>	<b>15.2</b>	<b>11.1</b>	<b>9.5</b>	<b>58.8</b>	<b>36.8</b>	<b>44.4</b>	<b>30.5</b>	<b>45.3</b>
Taxation	(1.4)	(4.2)	(1.8)	(22.9)	(67.4)	(7.6)	(8.2)	(6.6)
<b>Profit After tax (PAT)</b>	<b>13.8</b>	<b>6.9</b>	<b>7.8</b>	<b>77.2</b>	<b>99.2</b>	<b>36.7</b>	<b>22.4</b>	<b>64.4</b>
PATANCI	13.8	6.9	7.8	77.4	100.5	36.6	22.3	64.5
<b>Core PATANCI</b>	<b>10.8</b>	<b>10.8</b>	<b>10.5</b>	<b>3.1</b>	<b>(0.3)</b>	<b>28.0</b>	<b>25.3</b>	<b>10.8</b>
Basic EPS (sen)	7.1	3.5	4.0	77.7	100.8	18.9	11.4	64.9
DPS (sen)	3.5	3.5	0.0	n.m.	0.0	7.0	0.0	n.m.
<b>Growth &amp; Margin (%)</b>				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Operating Profit Margin	14.6	10.5	10.4	4.2	4.1	16.3	13.7	2.6
PBT Margin	22.5	14.0	12.4	10.1	8.4	20.0	12.8	7.2
Core PATANCI Margin	16.0	13.7	13.6	2.4	2.3	12.6	10.6	2.0
<b>Ratios &amp; Valuation</b>				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Net cash/market cap (%)	73.4	71.1	43.6	29.8	2.3	73.4	56.6	16.8
Effective tax rate (%)	8.9	37.5	18.4	(9.5)	(28.5)	17.2	26.8	(9.6)

Source: Company, MIDFR

## Asia File Corporation: Breakdown by operating segment

FYE Mar (RM'm)	Quarterly results					Cumulative results		
	3QFY24	2QFY24	2QFY23	YoY (%)	QoQ (%)	9MFY24	9MFY23	YoY (%)
<b>Revenue (External):</b>								
Filing Products	55.4	68.1	65.0	(14.8)	(18.6)	189.0	201.3	(6.1)
Consumer & Food Ware Products	12.0	10.9	11.9	1.0	10.1	33.1	37.9	(12.6)
Others	0.1	0.0	0.0	733.3	733.3	0.1	0.1	1.6
<b>Total</b>	<b>67.5</b>	<b>79.0</b>	<b>77.0</b>	<b>(12.3)</b>	<b>(14.6)</b>	<b>222.2</b>	<b>239.3</b>	<b>(7.2)</b>
<b>Operating Profit:</b>								
Filing Products	8.1	7.1	6.9	16.5	14.1	31.4	27.5	14.0
Consumer & Food Ware Products	1.7	1.4	1.3	32.6	17.3	4.6	5.6	(17.7)
Others	0.1	(0.2)	(0.2)	(146.3)	(148.2)	0.3	(0.3)	(201.1)
<b>Total</b>	<b>9.9</b>	<b>8.3</b>	<b>8.0</b>	<b>23.2</b>	<b>18.4</b>	<b>36.2</b>	<b>32.8</b>	<b>10.3</b>
<b>Operating profit margin:</b>				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Filing Products	14.6	10.4	10.7	3.9	4.2	16.6	13.7	2.9
Consumer & Food Ware Products	13.9	13.1	10.6	3.3	0.9	13.8	14.7	(0.8)
Others	188.0	(3,250.0)	(3,383.3)	3,571.3	3,438.0	425.8	(427.9)	853.7
<b>Total</b>	<b>14.6</b>	<b>10.5</b>	<b>10.4</b>	<b>4.2</b>	<b>4.1</b>	<b>16.3</b>	<b>13.7</b>	<b>2.6</b>

Source: Company, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>Revenue</b>	<b>323.0</b>	<b>317.6</b>	<b>310.0</b>	<b>319.5</b>	<b>330.0</b>
Cost of Sales	(206.3)	(208.5)	(201.5)	(206.6)	(212.4)
<b>Gross Profit</b>	<b>116.8</b>	<b>109.1</b>	<b>108.5</b>	<b>112.8</b>	<b>117.6</b>
Other Income	6.8	4.5	4.8	4.9	5.0
Distribution costs	(23.8)	(26.7)	(26.2)	(27.6)	(29.2)
Administrative expenses	(60.2)	(36.3)	(36.1)	(37.8)	(39.4)
Other operating expenses	(1.3)	(2.3)	(2.5)	(2.5)	(2.5)
<b>EBITDA</b>	<b>48.7</b>	<b>59.7</b>	<b>60.2</b>	<b>62.3</b>	<b>64.4</b>
<b>EBIT</b>	<b>38.3</b>	<b>48.3</b>	<b>48.5</b>	<b>49.9</b>	<b>51.5</b>
<b>Profit before tax (PBT)</b>	<b>51.5</b>	<b>43.8</b>	<b>54.5</b>	<b>56.1</b>	<b>57.8</b>
Profit After tax (PAT)	43.4	31.7	39.4	40.6	41.9
<b>Core PATANCI</b>	<b>43.0</b>	<b>38.8</b>	<b>39.4</b>	<b>40.6</b>	<b>41.9</b>
Core EPS (sen)	22.1	19.9	20.2	20.8	21.5
DPS (sen)	3.5	2.0	7.1	7.3	7.5

<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Property, plant and equipment	114.0	110.4	111.6	112.9	114.0
Intangible assets	30.2	30.2	30.5	30.5	30.5
<b>Total Non-current assets</b>	<b>386.0</b>	<b>394.1</b>	<b>385.8</b>	<b>394.3</b>	<b>403.5</b>
Inventories	109.4	97.6	103.6	106.2	109.2
ST - Trade and other receivables	68.1	60.9	63.6	65.6	67.7
Cash and cash equivalents	214.3	248.1	302.7	311.9	322.2
<b>Total current assets</b>	<b>391.9</b>	<b>407.6</b>	<b>470.2</b>	<b>484.0</b>	<b>499.4</b>
<b>Total Assets</b>	<b>777.9</b>	<b>801.7</b>	<b>856.0</b>	<b>878.4</b>	<b>902.9</b>
<b>Total Equity</b>	<b>717.1</b>	<b>748.7</b>	<b>798.5</b>	<b>819.4</b>	<b>842.2</b>
LT Loans and borrowings	0.0	0.0	0.0	0.0	0.0
<b>Total Non-current liabilities</b>	<b>17.5</b>	<b>17.9</b>	<b>16.8</b>	<b>17.2</b>	<b>17.8</b>
ST Trade and other payables	36.7	29.8	35.5	36.4	37.4
ST Loans and borrowings	2.4	0.0	0.0	0.0	0.0
<b>Total Current Liabilities</b>	<b>43.4</b>	<b>35.1</b>	<b>40.7</b>	<b>41.8</b>	<b>43.0</b>
<b>Total Liabilities</b>	<b>60.8</b>	<b>53.0</b>	<b>57.5</b>	<b>59.0</b>	<b>60.7</b>

<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Pretax profit	51.5	43.8	54.5	56.1	57.8
Cash flow from operations	14.1	61.6	42.7	43.0	43.8
Cash flow from investing	(64.8)	(27.7)	111.0	(19.3)	(18.7)
Cash flow from financing	(29.2)	(8.2)	(14.0)	(14.4)	(14.8)
<b>Net cash flow</b>	<b>(79.9)</b>	<b>25.6</b>	<b>139.6</b>	<b>9.3</b>	<b>10.3</b>
(+/-) Adjustments	(1.8)	3.8	0.0	0.0	0.0
<b>Net cash/(debt) b/f</b>	<b>215.2</b>	<b>133.6</b>	<b>163.0</b>	<b>302.7</b>	<b>311.9</b>
<b>Net cash/(debt) c/f</b>	<b>133.6</b>	<b>163.0</b>	<b>302.7</b>	<b>311.9</b>	<b>322.2</b>

<b>Key Metrics</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Effective tax rate (%)	15.8	27.6	27.6	27.6	27.6
PER (x)	9.3	13.1	10.5	10.2	9.9
Net Cash/Market Capitalisation (%)	51.1	59.8	72.9	75.2	77.7
Dividend Yield (%)	1.6	0.9	3.3	3.4	3.5

<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
Gross Profit Margin (%)	36.1	34.3	35.0	35.3	35.6
EBIT Margin (%)	11.8	15.2	15.7	15.6	15.6
Core PATANCI Margin (%)	13.3	12.2	12.7	12.7	12.7

Source: Bloomberg, MIDFR

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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% 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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology