

Asia File Corporation Berhad

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

New Products with Better Margins

KEY INVESTMENT HIGHLIGHTS

- **Within expectations**
- **Improved margins from new products**
- **New products and higher investment profit in FY24**
- **Revised FY25-26F earnings forecast and valuation**
- **Maintain Neutral with a revised TP of RM2.05 (from RM1.85)**

Within expectations. Asia File's ("AF") FY24 core PATANCI of RM40.2m (after excluding a one-time off item of -RM11.9m) came in within our forecast (at 101.9% our forecast) and consensus estimates (at 102% of consensus forecast). AF proposed a final single-tier dividend of 3.5 sen/share, pending shareholder approval. This brings the total FY24 dividend to 10.5 sen/share, up from 3.5 sen/share in FY23 and translates into dividend yield of 4.8%.

Improved margins from new products. Sequentially, AF's 4QFY24 revenue rose +6.7%qoq to RM72m, driven by increased sales in consumer & foodware products and filing products. Core PATANCI increased by +12.7%qoq to RM12.2m due to higher revenue and better margins from new products. On yearly basis, 4QFY24 core PATANCI surged +88.3%yoy to RM12.2m despite a -7.9%yoy drop in sales, mainly due to new product launches, higher-margin e-commerce sales, and improved cost efficiency.

New products and higher investment profit in FY24. For FY24, core PATANCI rose +26.6%yoy to RM40.2m despite a -7.3%yoy decline in revenue to RM294.2m. This was driven by better margins from new products, higher investment results, and a lower share of associate losses.

Revised FY25-26F earnings forecast and valuation. We tweaked our FY25-26F earnings projections upward by +1.6%/+2.6%, respectively, and introduced an FY27F earnings forecast. This was after factoring in (1) improved gross profit margins from higher-margin new products and (2) increased cost efficiency. Meanwhile, we revised our valuation to a 2-year historical mean PER of 9.4x from a 5-year historical -0.5SD PER of 8.9x to better reflect mid-to-long-term prospects. We also roll over our valuation based on FY26F EPS forecast of 21.9 sen from FY25F of 20.8 sen.

Maintain NEUTRAL with a revised TP of RM2.05 (from RM1.85). Our revised TP of RM2.05 is based on an unchanged PER of 9.4x (its 2Y historical mean PER), pegged at FY26F EPS of 21.9sen.

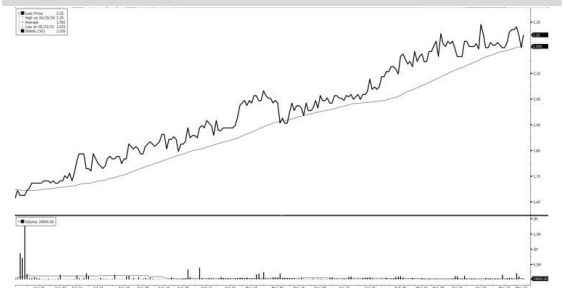
Maintain NEUTRAL

Revised Target Price: RM2.05
(Previously RM1.85)

RETURN STATISTICS

Price @ 31 st May 2024 (RM)	2.20
Expected share price return (%)	-6.8
Expected dividend yield (%)	+3.9
Expected total return (%)	-2.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.7	-3.7
3 months	2.3	-1.3
12 months	31.6	14.3


INVESTMENT STATISTICS

FYE Mar	2025F	2026F	2027F
Revenue	300.9	308.0	315.6
EBITDA	59.1	61.6	64.3
Profit before tax (PBT)	52.1	54.3	56.6
Core PATANCI	41.2	43.0	44.8
Core EPS (sen)	21.0	21.9	22.8
DPS (sen)	8.2	8.6	8.9
Dividend Yield (%)	3.7	3.9	4.1

KEY STATISTICS

FBM KLCI	1,596.68
Issue shares (m)	194.81
Estimated free float (%)	20.96
Market Capitalisation (RM'm)	438.34
52-wk price range	RM1.70-RM2.33
3-mth average daily volume (m)	0.03
3-mth average daily value (RM'm)	0.06
Top Shareholders (%)	
Prestige Elegance M Sdn	42.98
Amanah Saham Nasional	19.33
FMR LLC	5.07

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Outlook. We remain cautious about the near-term demand outlook for filing products and consumer & foodware products due to the ongoing global economic slowdown. On a positive note, the group is committed to launching new products and expanding online platforms, which have better margins and can improve earnings. We also appreciate the strong net cash position of RM294.8m as of 2QFY23, which provides a buffer against downside risks. Thus, we reiterate our **NEUTRAL** on Asia File. **Re-rating catalysts** include (i) a further decrease in input costs and (ii) better-than-expected demand for the products. 

Asia File Corporation: 4QFY24 Results Summary

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)	12MFY24	12MFY23	YoY (%)
Revenue	72.0	67.5	78.3	(7.9)	6.7	294.2	317.6	(7.3)
Operating expenses	(56.4)	(57.9)	(63.5)	(11.1)	(2.6)	(243.1)	(270.7)	(10.2)
Other operating income	0.3	0.2	0.2	50.7	26.8	1.0	0.9	11.8
Operating profit (EBIT)	16.0	9.8	15.0	6.4	62.0	52.2	47.8	9.1
Net finance income/(cost)	(0.0)	(0.0)	(0.0)	(40.6)	(13.6)	(0.1)	(0.2)	(46.4)
Profit before tax (PBT)	20.3	15.2	13.3	53.2	34.2	64.7	43.8	47.7
Taxation	(4.9)	(1.4)	(3.9)	24.7	261.0	(12.5)	(12.1)	3.5
Profit After tax (PAT)	15.4	13.8	9.4	65.1	11.9	52.2	31.7	64.6
PATANCI	15.4	13.8	9.4	65.0	12.0	52.1	31.6	64.6
Core PATANCI	12.2	10.8	6.5	88.3	12.7	40.2	31.8	26.6
Basic EPS (sen)	7.9	7.1	4.8	65.4	12.0	26.8	16.2	65.0
DPS (sen)	3.5	3.5	3.5	0.0	0.0	10.5	3.5	200.0
Growth & Margin (%)				+(-) ppts	+(-) ppts			+(-) ppts
Operating Profit Margin	22.1	14.6	19.2	3.0	7.6	17.7	15.1	2.7
PBT Margin	28.2	22.5	17.0	11.3	5.8	22.0	13.8	8.2
Core PATANCI Margin	16.9	16.0	8.3	8.6	0.9	13.7	10.0	3.7
Ratios & Valuation				+(-) ppts	+(-) ppts			+(-) ppts
Net cash/market cap (%)	73.1	71.0	57.6	15.6	2.1	73.1	57.6	15.6
Effective tax rate (%)	24.0	8.9	29.5	(5.5)	15.1	19.4	27.6	(8.3)

Source: Company, MIDFR

Asia File Corporation: Breakdown by operating segment

FYE Mar (RM'm)	Quarterly results					Cumulative results		
	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)	12MFY24	12MFY23	YoY (%)
Revenue (External):								
Filing Products	58.2	55.4	66.6	(12.6)	5.0	247.2	267.9	(7.7)
Consumer & Food Ware Products	13.8	12.0	11.6	18.8	14.9	47.0	49.6	(5.3)
Others	0.0	0.1	0.0	5.9	(64.0)	0.1	0.1	2.6
Total	72.0	67.5	78.3	(7.9)	6.7	294.2	317.6	(7.3)
Operating Profit:								
Filing Products	12.8	8.1	13.0	(1.8)	58.0	44.1	40.5	8.9
Consumer & Food Ware Products	3.1	1.7	1.9	64.5	86.6	7.7	7.5	3.3
Others	0.1	0.1	0.1	(34.7)	(31.9)	0.3	(0.2)	>(100.0)
Total	16.0	9.9	15.0	6.4	62.0	52.2	47.8	9.1
Operating profit margin:				+(-) ppts	+(-) ppts			+(-) ppts
Filing Products	21.9	14.6	19.5	2.4	7.3	17.9	15.1	2.7
Consumer & Food Ware Products	22.7	13.9	16.4	6.3	8.7	16.4	15.1	1.4
Others	>100.0	>100.0	>100.0	>(100.0)	>100.0	>100.0	>(100.0)	>100.0
Total	22.1	14.6	19.2	3.0	7.6	17.7	15.1	2.7

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	317.6	294.2	300.9	308.0	315.6
Cost of Sales	(208.5)	(188.3)	(197.3)	(201.8)	(206.6)
Gross Profit	109.1	106.0	103.5	106.2	109.0
Other Income	4.5	1.0	1.0	1.1	1.1
Distribution costs	(26.7)	(22.9)	(28.4)	(28.7)	(29.2)
Administrative expenses	(36.3)	(30.3)	(36.5)	(36.9)	(37.5)
Other operating expenses	(2.3)	8.2	8.5	8.8	9.1
EBITDA	59.7	73.6	59.1	61.6	64.3
EBIT	48.3	62.1	48.3	50.4	52.6
Profit before tax (PBT)	43.8	64.7	52.1	54.3	56.6
Profit After tax (PAT)	31.7	52.2	41.2	43.0	44.8
Core PATANCI	38.8	40.2	41.2	43.0	44.8
Core EPS (sen)	19.9	20.5	21.0	21.9	22.8
DPS (sen)	2.0	10.5	8.2	8.6	8.9

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
Property, plant and equipment	110.4	104.1	101.4	98.4	95.1
Intangible assets	30.2	30.2	30.2	30.2	30.2
Total Non-current assets	394.1	363.4	378.7	415.4	505.3
Inventories	97.6	90.7	95.5	97.7	100.0
ST - Trade and other receivables	60.9	52.0	53.4	54.7	56.1
Cash and cash equivalents	248.1	317.0	324.1	331.7	340.0
Total current assets	407.6	489.6	473.1	484.2	496.1
Total Assets	801.7	853.0	851.8	899.6	1,001.4
Total Equity	748.7	792.7	796.3	842.8	943.3
LT Loans and borrowings	0.0	0.0	0.0	0.0	0.0
Total Non-Current liabilities	17.9	16.2	16.4	16.7	17.1
ST Trade and other payables	29.8	30.0	31.6	32.3	33.1
ST Loans and borrowings	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	35.1	44.1	39.1	40.0	41.0
Total Liabilities	53.0	60.3	55.5	56.7	58.1

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Pretax profit	43.8	64.7	52.1	54.3	56.6
Cash flow from operations	61.6	72.0	39.6	43.7	45.6
Cash flow from investing	57.3	5.9	(16.0)	(19.1)	(19.8)
Cash flow from financing	(8.2)	(15.8)	(16.4)	(16.9)	(17.6)
Net cash flow	110.7	62.2	7.1	7.7	8.2
(+/-) Adjustments	3.8	6.7	0.0	0.0	0.0
Net cash/(debt) b/f	133.6	248.1	316.9	324.1	331.7
Net cash/(debt) c/f	248.1	316.9	324.1	331.7	340.0

Key Metrics	2023A	2024A	2025F	2026F	2027F
Effective tax rate (%)	27.6	19.4	20.9	20.9	20.9
PER (x)	13.5	8.2	10.5	10.1	9.6
Net Cash/Market Capitalisation (%)	57.9	73.4	75.0	76.8	78.7
Dividend Yield (%)	0.9	4.8	3.7	3.9	4.1

Profitability Margins	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin (%)	34.3	36.0	34.4	34.5	34.5
EBIT Margin (%)	15.2	21.1	16.0	16.4	16.7
Core PATANCI Margin (%)	12.2	13.7	13.7	13.9	14.2

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