

Asia File Corporation Berhad

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

Maintain NEUTRAL

Results Within Expectations

Unchanged Target Price: RM2.05

KEY INVESTMENT HIGHLIGHTS

- **Within expectations**
- **Revenue improved supported by filing product performance**
- **Subdued profitability on forex losses**
- **Earning forecast; Maintained**
- **Maintain Neutral with an unchanged TP of RM2.05**

Within expectations. Asia File's ("AF") 1QFY25 PATANCI narrowed to RM10.3m (-35.8%yoy), which largely within our estimates, accounting for 25% of full-year estimates. The weaker profit was mainly due to less favourable in Forex both in GBP and EURO which resulted substantial forex loss in this period.

Revenue improved supported by filing product performance. Sequentially, AF's revenue rose +7.1%qoq to RM77.2m, following higher sales from filing products segment at RM65.1m (11.8%qoq). The optimism however was taper by consumer & food ware products, which have been declined by -12.4%qoq to RM12.1m on subdued consumer spending after Raya festivities.

Subdued profitability on forex losses. During the quarter, weaker profits for filling and consumer & food ware at RM9.4m (-26.5%qoq) and RM1.7m (-46.4%qoq), respectively. This was mainly due to unfavorable exchange movement and also loss contribution from the associate company during the quarter.

Earnings forecast. Maintained.

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.

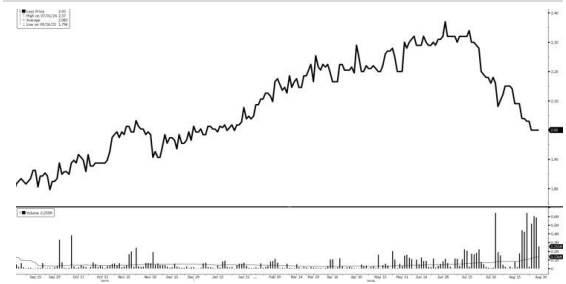
We also appreciate the strong net cash position of RM323.1m as of 1QFY25, which provides a buffer against downside risks. Thus, we reiterate **NEUTRAL** on Asia File. **Re-rating catalysts** include i) a further decrease in input costs and ii) better-than-expected demand for the products.

Maintain NEUTRAL with an unchanged TP of RM2.05. Our unchanged 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.

RETURN STATISTICS

Price @ 29 th Aug 2024 (RM)	2.00
Expected share price return (%)	+2.5
Expected dividend yield (%)	+3.9
Expected total return (%)	+6.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.4	-9.7
3 months	-13.8	-11.8
12 months	6.4	-6.6

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 (%)	4.1	4.3	4.5

KEY STATISTICS

FBM KLCI	1,653.55
Issue shares (m)	195.47
Estimated free float (%)	19.48
Market Capitalisation (RM'm)	387.79
52-wk price range	RM1.87-RM2.37
3-mth average daily volume (m)	0.13
3-mth average daily value (RM'm)	0.27
Top Shareholders (%)	
Prestige Elegance M Sdn	43.19
Amanah Saham Nasional	18.31
FMR LLC	5.09

Asia File Corporation: 1QFY25 Results Summary

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	1QFY25	4QFY24	1QFY24	YoY (%)	QoQ (%)	3MFY25	3MFY24	YoY (%)
Revenue	77.2	72.0	75.6	2.0	7.1	77.2	75.6	2.0
Operating expenses	(66.4)	(56.4)	(57.8)	14.8	17.7	(66.4)	(57.8)	14.8
Other operating income	0.2	0.3	0.2	(2.6)	(28.5)	0.2	0.2	(2.6)
Operating profit (EBIT)	11.0	16.0	18.1	(39.1)	(31.0)	11.0	18.1	(39.1)
Net finance income/(cost)	(0.0)	(0.0)	(0.0)	(50.0)	(21.1)	(0.0)	(0.0)	(50.0)
Profit before tax (PBT)	13.8	20.3	18.2	(24.1)	(32.3)	13.8	18.2	(24.1)
Taxation	(3.5)	(4.9)	(2.1)	62.6	(29.0)	(3.5)	(2.1)	62.6
Profit After tax (PAT)	10.3	15.4	16.0	(35.7)	(33.3)	10.3	16.0	(35.7)
PATANCI	10.3	15.4	16.0	(35.8)	(33.5)	10.3	16.0	(35.8)
Core PATANCI	10.3	12.2	6.3	62.3	(15.5)	10.3	6.3	62.3
Basic EPS (sen)	5.3	7.9	8.2	(36.1)	(33.6)	5.3	8.2	(36.1)
Growth & Margin (%)				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Operating Profit Margin	14.3	22.1	23.9	(9.6)	(7.9)	14.3	23.9	(9.6)
PBT Margin	17.8	28.2	24.0	(6.1)	(10.4)	17.8	24.0	(6.1)
Core PATANCI Margin	13.3	16.9	8.4	5.0	(3.6)	13.3	8.4	5.0
Ratios & Valuation				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Net cash/market cap (%)	81.7	80.4	71.3	10.4	1.3	81.7	71.3	10.4
Effective tax rate (%)	25.2	24.0	11.8	13.4	1.2	25.2	11.8	13.4

Source: Company, MIDFR

Asia File Corporation: Breakdown by operating segment

FYE Mar (RM'm)	Quarterly results					Cumulative results		
	1QFY25	4QFY24	1QFY24	YoY (%)	QoQ (%)	3MFY25	3MFY24	YoY (%)
Revenue (External):								
Filing Products	65.1	58.2	65.5	(0.6)	11.8	65.1	65.5	(0.6)
Consumer & Food Ware Products	12.1	13.8	10.2	19.1	(12.4)	12.1	10.2	19.1
Total	77.2	72.0	75.6	2.0	7.1	77.2	75.6	2.0
Operating Profit:								
Filing Products	9.4	12.8	16.2	(42.2)	(26.5)	9.4	16.2	(42.2)
Consumer & Food Ware Products	1.7	3.1	1.5	14.0	(46.4)	1.7	1.5	14.0
Total	11.0	16.0	18.1	(39.1)	(31.0)	11.0	18.1	(39.1)
Operating profit margin:				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Filing Products	14.4	21.9	24.8	(10.4)	(7.5)	14.4	24.8	(10.4)
Consumer & Food Ware Products	13.9	22.7	14.5	(0.6)	(8.8)	13.9	14.5	(0.6)
Total	14.3	22.1	23.9	(9.6)	(7.9)	14.3	23.9	(9.6)

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)	12.3	7.5	9.5	9.1	8.8
Net Cash/Market Capitalisation (%)	57.9	73.4	75.0	76.8	78.7
Dividend Yield (%)	1.0	5.3	4.1	4.3	4.5

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