1QFY23 Results Review (Within)| Tuesday, 30 August 2022

Asia File Corporation

(7129 | AF MK) Office Supplies

Maintain BUY

Demand remains stable

***Revised* Target Price: RM1.96**
(Previously: RM2.37)

KEY INVESTMENT HIGHLIGHTS

- **Meet expectations**
- **Core PATANCI slumped -52.1%yoy to RM9.8m**
- **Quarter-on-quarter**
- **Maintain BUY with a lower target price of RM1.96 (previously RM2.37)**

Meet expectations. Asia File (AFC)'s 1QFY23 core PATANCI of RM9.8m came in within our expectations, at 20.6% of our FY23F earnings. This was after excluding a one-time off the expense of RM1.69m. No dividend was declared for this quarter as expected. AFC typically only declares dividends once a year, usually during the last quarter of the FY.

Core PATANCI slumped by -52.1%yoy to RM9.8m despite greater sales in the 1QFY23. The weaker earnings were caused by higher operating expenses and a loss in an associate. The top line climbed to RM14.5 million for the Consumer & Food Ware business and RM73.3 million for the filing product division, which led to an increase in overall sales (+8.4%yoy) to RM87.7m. This was supported by an increased demand following the reopening of the economy and borders in most countries.

Quarter-on-quarter. Despite constant revenue, the operating profit increased by 46.5%qoq. This was attributable to the divisions' improved operational efficiency, which led to a +4.8ppt qoq increase in operating profit margin to 15.4%, as well as the successful passing of costs to the customer. However, the core PATANCI has decreased by -4.6%qoq to RM9.8m due to the share of loss from associates.

Maintain BUY with a lower target price of RM1.96 (previously RM2.37). We make no changes to our forecast as earnings meet expectations. Our TP is based on a revised PER of 7.9x (previously 9.7x), at the 2-year historical mean, pegged to an unchanged FY24F EPS of 24.8sen. We like AFC due to its: (i) solid financial position, which includes a net cash position of RM163.6 million, or roughly 46.9% of the market capitalization, and (ii) consistent pre-tax margin of above 10% over the past ten years as well as (iii) diversification of its product line, which has contributed positively to revenue. Downside risks are: (i) a further increase in input cost; and (ii) weaker-than-expected demand for the products. It offers a dividend yield of 1.4%.

RETURN STATISTICS	
Price @29th Aug 2022 (RM)	1.79
Expected share price return (%)	9.6
Expected dividend yield (%)	1.4
Expected total return (%)	**+11.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-0.6	-1.2
3 months	-9.6	-8.5
12 months	-29.2	-24.5

KEY STATISTICS	
FBM KLCI	1,501.57
Syariah compliant	No
Issue shares (m)	194.76
F4BGM Index	N.A.
ESG Grading Band (Star rating)	N.A.
Estimated free float (%)	23.43
Market Capitalisation (RM'm)	348.65
52-wk price range	RM1.7 - RM2.84
Beta vs FBM KLCI (x)	0.77
Monthly velocity (%)	36.29
Monthly volatility (%)	11.08
3-mth average daily volume (m)	0.04
3-mth average daily value (RM'm)	0.07
Top Shareholders (%)	
Prestige Elegance M Sdn	42.99
Amanah Saham Nasional	19.33
FMR LLC	6.58

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INVESTMENT STATISTICS

FYE MAR (RM'm)	FY2021	FY2022	FY2023F	FY2024F	FY2025F
Revenue	**258.1**	**323.0**	**325.6**	**329.5**	**331.2**
Total Operating Expenses	(230.8)	(290.1)	(281.1)	(284.3)	(283.4)
Other Operating Income	1.0	3.5	1.2	1.3	1.3
Profit from operations	**28.3**	**36.4**	**45.7**	**46.5**	**49.1**
Finance cost	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)
Investing results	1.3	2.5	0.0	0.0	0.0
Share of results of associates	22.3	13.0	10.9	11.1	11.1
Profit before tax	**51.4**	**51.5**	**56.3**	**57.2**	**59.8**
Income tax expense	(4.7)	(8.1)	(8.7)	(8.8)	(9.2)
Profit after tax	**46.6**	**43.4**	**47.6**	**48.4**	**50.6**
Non-controllong interest	0.0	0.1	0.0	0.0	0.0
PATANCI	46.6	43.4	47.6	48.4	50.6
Core PATANCI	**46.4**	**42.0**	**47.6**	**48.4**	**50.6**
Basic EPS (sen)	23.8	21.6	24.4	24.8	26.0
DPS (sen)	1.5	2.0	2.4	2.5	2.6
Growth & Margin (%)					
Revenue Growth	(12.0)	25.2	0.8	1.2	0.5
Core PATANCI Growth	35.5	(9.4)	13.2	1.6	4.6
Operating Profit Margin	11.0	11.3	14.1	14.1	14.8
PBT Margin	19.9	15.9	17.3	17.4	18.1
Core PATANCI Margin	18.0	13.0	14.6	14.7	15.3
Effective tax rate	9.2	15.7	15.4	15.4	15.4
Ratios & Valuation					
PER (x)	7.5	8.3	7.3	7.2	6.9
Net debt/Total Equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Net cash/Mkt Cap (%)	54.2	37.6	46.9	48.0	48.7
Dividend yield	0.8	1.0	1.2	1.3	1.3

Source: Company, MIDFR

ASIA FILE CORPORATION: 1QFY23 RESULTS SUMMARY

FYE Mar (RM'm)	Quarterly results					Cumulative results		
	1QFY23	4QFY22	1QFY22	YoY (%)	QoQ (%)	3MFY23	3MFY22	YoY (%)
Revenue	**87.7**	**87.0**	**81.0**	**8.4**	**0.9**	**87.7**	**81.0**	**8.4**
Total Operating Expenses	(74.6)	(78.0)	(69.3)	7.6	(4.4)	(74.6)	(69.3)	7.6
Other Operating Income	0.3	0.2	1.3	(78.3)	22.0	0.3	1.3	(78.3)
Profit from operations	**13.5**	**9.2**	**13.0**	**3.5**	**46.5**	**13.5**	**13.0**	**3.5**
Finance cost	(0.1)	(0.1)	(0.1)	(20.0)	(26.6)	(0.1)	(0.1)	(20.0)
Investing result	0.0	0.1	1.2	(97.8)	(79.7)	0.0	1.2	(97.8)
Share of results of associates	(1.8)	3.1	5.3	(133.4)	(156.8)	(1.8)	5.3	(133.4)
Profit before tax (PBT)	**11.6**	**12.4**	**19.5**	**(40.3)**	**(5.9)**	**11.6**	**19.5**	**(40.3)**
Income tax expense	(3.5)	(2.1)	(2.7)	31.0	65.9	(3.5)	(2.7)	31.0
Profit after tax (PAT)	**8.1**	**10.3**	**16.8**	**(51.6)**	**(20.6)**	**8.1**	**16.8**	**(51.6)**
EI	1.7	0.0	3.6	(53.4)	11,180.0	1.7	3.6	(53.4)
Core PATANCI	**9.8**	**10.3**	**20.4**	**(52.1)**	**(4.6)**	**9.8**	**20.4**	**(52.1)**
Basic EPS (sen)	4.2	5.3	8.6	(51.8)	(21.0)	4.2	8.6	(51.8)
DPS (sen)	0.0	2.0	0.0	n.m.	(100.0)	0.0	0.0	n.m.
Ratios & Margins				**+/(-) ppts**	**+/(-) ppts**			**+/(-) ppts**
Operating profit margin (%)	15.4	10.6	16.1	(0.7)	4.8	15.4	16.1	(0.7)
PBT margin (%)	13.3	14.2	24.1	(10.8)	(1.0)	13.3	24.1	(10.8)
PAT margin (%)	9.3	11.8	20.8	(11.5)	(2.5)	9.3	20.8	(11.5)
Core PATANCI margin (%)	11.2	11.8	25.2	(14.1)	(0.6)	11.2	25.2	(14.1)
Effective tax rate (%)	30.0	17.0	13.7	16.3	13.0	30.0	13.7	16.3
Segmental Breakdown								
Revenue (RM'm):								
Filing Products	73.3	73.7	70.0	4.6	(0.6)	73.3	70.0	4.6
Consumer and Food Ware Products	14.5	13.2	10.9	32.2	9.2	14.5	10.9	32.2
Others	0.0	0.0	0.0	0.0	(73.7)	0.0	0.0	0.0
Total:	**87.7**	**87.0**	**81.0**	**8.4**	**0.9**	**87.7**	**81.0**	**8.4**
Operating Profit (RM'm):								
Filing Products	11.3	5.5	10.9	3.3	104.2	11.3	10.9	3.3
Consumer and Food Ware Products	2.4	3.9	2.0	18.3	(39.4)	2.4	2.0	*18.3*
Others	(0.2)	(0.2)	0.1	(263.8)	(26.2)	(0.2)	0.1	*(263.8)*
Total:	**13.5**	**9.2**	**13.0**	**3.5**	**46.5**	**13.5**	**13.0**	**3.5**
Segmental Profit margin (%):								
Filing Products	15.4	7.5	15.6	(0.2)	7.9	15.4	15.6	(0.2)
Consumer and Food Ware Products	16.4	29.5	18.3	(1.9)	(13.1)	16.4	18.3	(1.9)
Others	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Total:	**15.4**	**10.6**	**16.1**	**(0.7)**	**4.8**	**15.4**	**16.1**	**(0.7)**

Source: Company, 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 *rise* 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 *fall* 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