Corporate Update

Asia File Corporation Berhad

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

SHARIAH Compliant

Maintain **SELL**

Revised Target Price **RM1.25** (from RM1.44)

3QFY25 Results Review

Sink into the Red

Maintain SELL with lower TP of RM1.25. Asia File' (AF) 3QFY25 results fell below expectations, with core PATANCI turning negative at -RM1.4m after excluding a one-off forex gain. With a cautious outlook ahead, persistent cost pressures and soft demand continue to pose challenges. We have revised our earnings down and maintain a SELL rating with a lower target price of RM1.25, based on a revised FY26F core EPS of 13.3 sen and an unchanged PER of 9.4x.

Below expectations. AF chalked in 3QFY25 revenue of RM60.1m (-12.2%qoq; -10.9%yoy) and core PATANCI of -RM1.4m (-131.7%qoq, +113.2%yoy) which brought 9MFY25 core PATANCI to RM13.4m (-52.2%yoy). This came in below our estimates, accounting for 45% of full-year estimates. The underperformance was primarily due to higher-than-expected input costs and increased associate losses. No dividend was declared for the quarter.

Revenue Weakness Persists. For 9MFY25, revenue declined by -7.4%yoy to RM205.8m. This was mainly attributed to lower contributions from the Filing Products segment, which saw a revenue contraction to RM167.8m from RM189.0m in 9MFY24. The decline was partly offset by the Industrial, Consumer & Food Ware division, which registered a +14.6%yoy increase in sales to RM38.0m from RM33.1m in the same period last year. On a sequential basis, AF's 3QFY25 revenue fell -12.2%qoq to RM60.1m from RM68.5m in 2QFY25, reflecting subdued demand across key business segments amid ongoing macroeconomic challenges.

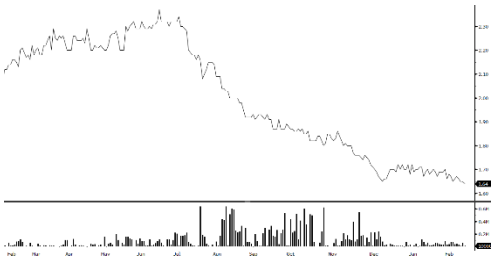
Subdued profitability. Excluding a one-off forex gain of RM3.8m, AF's 3QFY25 core PATANCI stood at -RM1.4m, turning into a net loss for the quarter. For 9MFY25, core PATANCI declined by -52.2%yoy to RM13.4m, largely due to weaker revenue and cost pressures. Additionally, the group's share of associate losses widened significantly to -RM11.8m in 9MFY25, compared to -RM1.6m in 9MFY24, further eroding profitability. The operating profit margin fell to 5.3% in 9MFY25 from 16.3% in 9MFY24, as lower sales volumes resulted in reduced fixed cost absorption.

Revising earnings estimate down. In light of the weak results, we have revised our FY25-27F core earnings estimates downward by -40%, -13%, and -11%, respectively, to account for softer revenue from Filing Products, increased associate losses, and persistently high input costs.

Outlook. Looking ahead, we remain cautious on the near-term outlook as demand for filing products continues to face headwinds. Persistent cost pressures, forex volatility, and higher associate losses could further weigh on profitability. The company's efforts to expand its industrial and consumer divisions may provide some resilience, but a meaningful turnaround remains uncertain in the near term.

RETURN STATISTICS	
Price @ 27th Feb 2025 (RM)	1.64
Expected share price return (%)	-23.7
Expected dividend yield (%)	+3.2
Expected total return (%)	-20.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.5	-5.2
3months	-3.5	-7.9
12 months	-23.7	-25.1

INVESTMENT STATISTICS

FYE MAR (RM'm)	2025F	2026F	2027F
Revenue	268.1	267.7	270.6
EBITDA	41.1	42.1	43.7
PBT	22.2	33.0	34.3
Core PATANCI	17.6	26.1	27.1
Core EPS (sen)	9.0	13.3	13.8
DPS (sen)	3.5	5.2	5.4
Dividend Yield (%)	2.1	3.2	3.3

KEY STATISTICS	
FBM KLCI	1,586.60
Issue shares (m)	195.47
Estimated free float (%)	24.04
Market Capitalisation (RM'm)	310.55
52-wk price range	RM1.64 - RM2.37
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	0.13
Top Shareholders (%)	
PRESTIGE ELEGANCE M SDN	44.22
Amanah Saham Nasional Bhd	12.26
FMR LLC	5.21

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Asia File Corporation: 3QFY25 Results Summary

FYE MAR (RM'm)	Quarterly results					Cumulative results		
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	60.1	68.5	67.5	(10.9)	(12.2)	205.8	222.2	(7.4)
Operating expenses	(53.9)	(76.1)	(57.9)	(7.0)	(29.2)	(196.3)	(186.7)	5.2
Other operating income	0.4	0.8	0.2	73.2	(44.8)	1.4	0.7	100.1
Operating profit (EBIT)	**6.7**	**(6.8)**	**9.8**	**(31.9)**	**(198.8)**	**10.9**	**36.2**	**(69.8)**
Net finance income/(cost)	(0.0)	(0.0)	(0.0)	(63.6)	(27.3)	(0.0)	(0.1)	(66.3)
Profit before tax (PBT)	**4.0**	**(8.0)**	**15.2**	**(73.3)**	**(150.9)**	**9.9**	**44.4**	**(77.8)**
Taxation	(1.6)	(2.6)	(1.4)	14.9	(40.0)	(7.6)	(7.6)	(0.2)
Profit After tax (PAT)	**2.5**	**(10.6)**	**13.8**	**(81.9)**	**(123.6)**	**2.2**	**36.7**	**(93.9)**
Core PATANCI	**(1.4)**	**4.5**	**10.8**	**(113.2)**	**(131.7)**	**13.4**	**28.0**	**(52.2)**
Basic EPS (sen)	1.3	(5.4)	7.1	(81.9)	(123.5)	1.1	18.9	(94.1)
DPS (sen)	0.0	0.0	3.5	(100.0)	n.m.	0.0	7.0	(100.0)
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Operating Profit Margin	11.2	(9.9)	14.6	(3.4)	21.1	5.3	16.3	(11.0)
PBT Margin	6.7	(11.6)	22.5	(15.7)	18.3	4.8	20.0	(15.2)
Core PATANCI Margin	(2.4)	6.6	16.0	(18.4)	(8.9)	6.5	12.6	(6.1)

Source: Company, MIDFR

Asia File Corporation: Breakdown by operating segment

FYE Mar (RM'm)	Quarterly results					Cumulative results		
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (External):								
Filing Products	46.0	56.7	55.4	(17.0)	(18.8)	167.8	189.0	(11.2)
Consumer & Food Ware Products	14.1	11.8	12.0	16.9	19.1	38.0	33.1	14.6
Total	0.6	0.0	0.1	1,116.0	8,585.7	0.6	0.1	900.0
Operating Profit:	**60.7**	**68.5**	**67.5**	**(10.1)**	**(11.4)**	**206.4**	**222.2**	**(7.1)**
Filing Products								
Consumer & Food Ware Products	4.8	(7.8)	8.1	(40.4)	(161.8)	6.4	31.4	(79.6)
Total	1.8	1.5	1.7	9.4	20.9	5.0	4.6	9.8
Operating profit margin:	0.1	(0.5)	0.1	(43.6)	(110.3)	(0.5)	0.3	(294.7)
Filing Products	**6.7**	**(6.8)**	**9.9**	**(31.9)**	**(198.8)**	**10.9**	**36.2**	**(69.8)**
Consumer & Food Ware Products				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Total	10.5	(13.7)	14.6	(4.1)	24.2	3.8	16.6	(12.8)

Source: Company, MIDFR

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	317.6	294.2	268.1	267.7	270.6
Gross Profit	109.1	106.0	83.3	83.3	84.4
EBITDA	59.7	73.6	41.1	42.1	43.7
EBIT	48.3	62.1	30.8	31.6	32.8
PBT	43.8	64.7	22.2	33.0	34.3
Taxation	(12.1)	(12.5)	(4.6)	(6.9)	(7.2)
PAT	31.7	52.2	17.6	26.1	27.1
Core PATANCI	38.8	40.2	17.6	26.1	27.1
Core EPS (sen)	19.9	20.5	9.0	13.3	13.8
PER (x)	10.1	6.1	18.3	12.3	11.9
DPS (sen)	2.0	10.5	3.5	5.2	5.4
Dividend Yield (%)	1.2	6.4	2.1	3.2	3.3

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	43.8	64.7	22.2	33.0	34.3
Operating cash flow	61.6	72.0	14.7	22.7	22.5
Investing cash flow	57.3	5.9	(35.6)	(12.8)	(8.6)
Financing cash flow	(8.2)	(15.8)	(7.3)	(10.4)	(10.7)
Net cash flow	110.7	62.2	(28.1)	(0.5)	3.1
Beginning cash flow	133.6	248.1	316.9	288.8	288.3
Ending cash flow	248.1	316.9	288.8	288.3	291.5

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	(1.7)	(7.3)	(8.9)	(0.2)	1.1
Gross Profit Growth	(6.6)	(2.8)	(21.4)	0.1	1.3
EBITDA Growth	22.5	23.4	(44.2)	2.6	3.6
Core PATANCI Growth	(9.6)	3.5	(56.3)	48.7	3.8

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	34.3	36.0	31.1	31.1	31.2
EBITDA Margin	18.8	25.0	15.3	15.7	16.1
EBIT Margin	15.2	21.1	11.5	11.8	12.1
Core PATANCI Margin	12.2	13.7	6.6	9.8	10.0

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	110.4	104.1	101.1	97.8	94.2
Intangible assets	30.2	30.2	30.2	30.2	30.2
Non-current assets	394.1	363.4	354.6	385.6	471.8
Inventories	97.6	90.7	89.5	89.3	90.1
ST - Trade receivables	60.9	52.0	47.6	47.5	48.1
Cash and cash equivalents	248.1	317.0	288.8	288.3	291.5
Current assets	407.6	489.6	425.9	425.1	429.7
Total Assets	801.7	853.0	780.6	810.7	901.5
Total Equity	748.7	792.7	729.7	760.0	850.2
LT Loans	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	17.9	16.2	14.6	14.5	14.7
ST Trade payables	29.8	30.0	29.6	29.5	29.8
ST Loans	0.0	0.0	0.0	0.0	0.0
Current Liabilities	35.1	44.1	36.3	36.2	36.6
Total Liabilities	53.0	60.3	50.9	50.7	51.3

Liquidity Ratios (x)	2023A	2024A	2025F	2026F	2027F
Current ratio	11.6	11.1	11.7	11.7	11.8
Quick ratio	8.8	9.0	9.3	9.3	9.3

Leverage Ratios (x)	2023A	2024A	2025F	2026F	2027F
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Total Debt to Assets	0.0	0.0	0.0	0.0	0.0
Net debt/total equity	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Efficiency Ratios (days)	2023A	2024A	2025F	2026F	2027F
Inventories Turnover	171.4	176.7	177.9	177.0	175.9
Receivable Turnover	72.3	68.2	70.9	66.7	66.4
Payable Turnover	53.0	59.2	60.3	60.1	59.9
Cash Conversion Cycle	190.7	185.7	188.5	183.5	182.4

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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