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Asia Brands Berhad - Earnings within expectations

Date: 16/08/2013

Source : **KENANGA**
Stock : **ASIABRN**Price Target : **3.95** | Price Call : BUY
Last Price : **3.46** | Upside/Downside : **+0.49 (14.16%)**[Back](#)

Period 1Q14/3M14

Actual vs. Expectations Asia Brands ("ASIABRN") recorded revenue of RM70.0m and net profit (NP) of RM11.3m in 1Q14. The NP accounted for 31% of our full year estimates of RM36.7m, and is within expectations in spite of the RM6.0m in gains on disposal from property. This is because:

(i) We had previously anticipated the group to benefit from gains on disposal of its non-core and non-revenue generating assets in line with management's strategy of achieving an asset-light business model.

(ii) Their first financial quarter (April-June) is also seasonally weak quarter, given the absence of any major festivities and mega sales incentives. This year, in particular, we believe that the effect was compounded by the general election.

Dividends As expected, no dividend was declared for the quarter.

Key Result Highlights YoY, the 1Q14 revenue jumped 230.3% (RM70.0m) from RM21.2m in 1Q13 due the injection of the baby and lingerie business segments from Asia Brands Corporation Berhad (core brands such as Anakku and Audrey) which were consolidated into the group's results in December 2012. Coupled with the gains on property disposal, NP jumped from RM0.3m in 1Q13 to RM11.3m in 1Q14.

QoQ, the 1Q14 revenue declined by 14.5% from 81.9m in 4Q13. This was due to the seasonality effect as mentioned above and sales also benefited from the extended Chinese New Year festive period in the preceding quarter. However, NP increased by 9.6% QoQ (from RM10.3m in 4Q13) largely due to the RM6.0m in gains on property disposal. Excluding this one off gain, the NP would have declined 49.8%, which we believe was due to high operating expenses in anticipation of the mega sales promotion in the upcoming quarter.

Outlook Merger-related synergies aside, we are positive on ASIABRN's prospects of expanding and enhancing its product varieties and brand labels (e.g. added the Hello Kitty brand as well as becoming the licensee for the Manchester United brand in Malaysia).

In addition, the group is also planning to expand its retail network (recently opened Animation World in Midvalley, Baby Palace in the Mines and UDAY in Times Square KL), and is on track to achieve its target of 12 Anakku Concept stores by end-FY14 from the current 7 outlets.

Change to Forecasts No changes to our FY14E-FY15E earnings forecast of RM36.7m-RM42.8m

Rating Maintain OUTPERFORM

Valuation We are also keeping our Target Price of RM3.95 unchanged, which is derived from an unchanged fwd. PER valuation of 8.5x over the FY14 EPS of 46.4 sen.

Risks Delay in implementing the Smart Vendor Partnership Program.

A slowdown in the global and local economy.

Source: Kenanga

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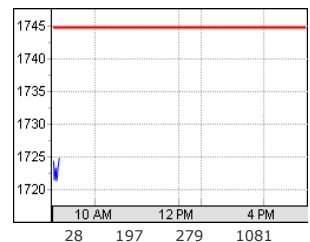
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Top 10 Active Counters

Name	Last	Change
MAS	0.335	-0.01
FLONIC	0.17	-0.01
SONA-WA	0.285	-0.01
SUMATEC-WA	0.505	-0.015
SONA	0.425	-0.01
MAYBANK	9.77	-0.23
TMS	0.09	0.00
INSBIO	0.05	0.00
ASIAPAC	0.145	-0.005
DAYA	0.335	-0.01

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