

02 December 2020

Rofina Group Ltd

COVID causes luggage to exceed weight limits

Rofina Group Ltd listed on the NSX on 31st August raising \$1.45m at \$0.10/share for a market capitalisation at IPO of \$15.75m. Rofina is a Malaysia-based company, engaged in the design, marketing and sale of luggage, bags, winter apparel and travel accessories. Its brands include Rofina, Cosas United and Ragdoll. Rofina offers after-sales luggage repair and servicing and sells via retail stores, e-commerce, and wholesale operations. The Company operates 26 retail stores and has a presence in several department stores in shopping centres across Malaysia. The wholesale business supplies a specialty luggage store in Melbourne and sells luggage and other travel-related products. Luggage drives 67% of sales, clothing is 15% with bags and accessories the remainder. Rofina has ambitions to grow the wholesale business in Australia and establish "One Stop Solution" concept stores for travellers in Malaysia.

Business model

Rofina is focused on the travel luggage sector and therefore travel within Malaysia and internationally is extremely important for generating traffic to its stores with 98% of revenue store-based. The company has also established a wholesale operation in Melbourne, Victoria. Prior to COVID Rofina had seen steady sales growth since 2016 through the store network and was expanding its non-store wholesale and ecommerce channels. COVID-19 has been disruptive to Rofina's operations, with stores closed from March to May, impacting the company's final quarter for FY20. The company has reported that there was a significant month-on-month improvement from May through to July suggesting that cashflows will improve as restrictions ease.

Recent News

Rofina has reported that COVID restrictions have impacted company administration and operations. The company has recently released its audited accounts for FY20, reporting an operating profit of \$0.17m for the year after adjusting for impairments. The net loss for the year was \$2.215m, compared with a net profit of \$0.04m a year before. Rofina implemented cost reductions to mitigate the impact of the pandemic including store closures on lease expiry, salary reductions, rent reductions and has observed sales have started to increase since it reopened its stores in May 2020. The company has secured a loan repayment moratorium from its bankers from April 2020 to September 2020 with a possible extension until January 2021. The company has also negotiated deferred payment terms with some suppliers until at least August 2021.

Earnings history (In A\$M)

Year ended May 31	Total Revenue	Gross Profit	EBITDA Adj.*	NPAT	EPS
FY19	13.75	8.59	0.71	0.04	n.a.
FY20	9.60	5.65	0.17	(2.215)	(0.044)

Source: Company data *Adj for impairments

Shares Summary

Share Code	218
Share price at 29 Oct 20	A\$0.17
Market Capitalisation	A\$26.8M
Number of Shares	157.5M
Net Debt at 31 May 2020	A\$4.9M
Share Registry	BoardRoom Ltd

RaaS 5-Point Score* = 0/5

Revenue increasing (0); EPS increasing (0), Return on Capital Employed [ROCE] (0); EBIT interest cover >3x (0) Gross Operating cash flow/EBITDA >90%(0)

Upside Case

- Minimal COVID cases allow travel in Asia to resume by year end
- Opportunity to expand sales through e-commerce platform
- Strong relationship with suppliers

Downside Case

- Travel restrictions maintained
- Loan repayment moratorium not extended
- COVID resurgence in Asian markets

Board of Directors

Executive Chairman	Boo Chin Soo
CEO/Executive Director	Wei Yin Soo
Non-Executive Director	Jacky Tran Cheung
Non-Executive Director	Chor Keat Ewe
Non-Executive Director	Su Hian Tan

Catalysts

- Changes to COVID related travel restrictions
- Return to normal trading conditions in Malaysia and Victoria
- Demonstrated success with e-commerce strategy

Comparative Companies

City Chic (ASX: CCX), Lovisa (ASX: LOV)

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* The RaaS 5-Point score is based on the company's performance in its last reported full year. Past performance is not a reflection of future performance.

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FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018



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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)
In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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