

Financial Performance Analysis of Bonia Corporation Berhad (2022-2023)

Loh Shi San*, Kam Shu Zhang, Wong Tien Khai, Haulman Khaw Jin Ming, Lim Fu Yan, Tan Khean Liong

Tunku Abdul Rahman University of Management and Technology, Faculty of Accountancy, Kuala Lumpur, Malaysia

*Corresponding author: Loh Shi San, vitroxsky@gmail.com

Abstract

This report presents a comprehensive financial performance analysis of Bonia Corporation Berhad, a Malaysian-listed luxury fashion company. Using data from the company's 2022 and 2023 annual reports, key financial ratios—including liquidity, debt management, profitability, and market value—were calculated and interpreted to assess Bonia's overall financial health. The findings reveal a slight improvement in the company's debt ratio and return on equity, indicating stronger leverage management and shareholder returns. However, Bonia's price-to-earnings ratio declined by 17.82%, reflecting lower investor confidence and cautious market sentiment despite an increase in earnings per share. Liquidity, as measured by the quick ratio, weakened, raising concerns about the firm's short-term financial flexibility. Suggestions are provided to enhance investor communication, strengthen operational efficiency, and adopt strategies to improve cash flow management and market competitiveness. The analysis highlights both strengths and vulnerabilities in Bonia's financial position, offering insights useful for investors, managers, and stakeholders in the luxury retail industry.

Keywords

Bonia Corporation Berhad, Financial Ratio Analysis, Liquidity Ratio, Profitability, Debt Management, Price to Earnings Ratio, Investor Confidence, Malaysia, Luxury Fashion Industry

1. Introduction

1.1 Overview and Background

BONIA-Corporation-Berhad (MYX:3182) is a publicly-listed multinational corporation that provides premium fashion goods.

Bonia was founded by a then 21- years old young man named Chiang Sang Sem in 1974, as a leather wholesaler. During his visit to Italy in 1978 for a leather trade fair in Europe, he was charmed by the Abduction-of-a-Sabine-Woman which was sculptured by Giambologna and decided that he should enter into the field of designing. Under Chiang's outstanding leadership, Bonia is growing rapidly and the name of Bonia started to become familiar in the early 1980s. In 1981, Bonia opened its first official store in Singapore and in the year 1988, Bonia opened its first store in Malaysia [1]. Thanks to the well-received sales, Bonia expanded into other countries such as Taiwan, Hong Kong, Thailand and more in the following years.

On August 23, 1994, Bonia listed in the Bursa Malaysia officially became a public-listed company. As of today, Bonia has more than 1,200 outlets globally. Bonia's accounting year end closed date is on June 30 of a fiscal year.

1.2 Nature of Business

Bonia currently operates in the fashion industry primarily providing goods that are premium such as handbags, watches, clothes, luggage and a wider range of other products. The target customers of Bonia are mainly women that are in the income level of T20. (Top-20% earners in a country). Prices of products offered by Bonia typically range from RM400-to-RM3000, depending on the types of products. Handbags are normally priced above RM1000.

Bonia's business model emphasises the importance of innovation of its product and customer satisfaction. This can be done so by using the omni-channel strategy. This strategy emphasises giving customers a seamless experience throughout the product life, starting from the designing phase to production process and to end-of-life of the product [2]. In addition, Bonia can also be purchased via an online website, giving customers convenience. This strategic approach has enabled Bonia to maintain their position as one of the leading players in the global luxury goods market

Bonia's main competitors include Zalora, Padini,-Louis-Vuitton, Coach & Prada. As-of-January 2023, Bonia-owned-3.6%-of-market-share in the handbags industry in-Malaysia, making-it the fourth-largest-provider of handbags industry-in Malaysia, behind LVMH, Coach and Michael Kors (See Appendix 1).

2. Analysis of Financial Performance

2.1 Liquidity Ratio

Liquidity ratio measures the ability of a company to meet its short term obligations. It is very important as it can indicate how good the financial health of the company is. Liquidity ratio can help the management team of the company to take necessary actions if the ratio indicates a red flag on the financial health. In this assignment, we are going to use the quick ratio (acid test) as the aspect of calculating Bonia's liquidity [3].

The quick ratio is a preferred metric for analysing the liquidity of Bonia because it measures a firm's ability to pay short-term liabilities using the most liquid assets, those that are easily convertible to cash. In contrast, the current ratio includes some current assets that are not as readily convertible, such as inventories. Inventories are considered less liquid because it takes time to sell them to a buyer.

Furthermore, it's important to consider that Bonia is a company that sells premium fashion goods. According to the Kearney Luxury Study 2021-22, sales of major fashion companies like LVMH plunged more than 36% during the pandemic. Thus, in the event of an economic downturn, Bonia might have difficulty selling off its inventories. According to economic professor Dr.-Roger-Arnold from California-State-University, when disposable income decreases and consumers are more likely to prioritise essential goods than luxury goods. This would result in Bonia facing challenges in paying off expenses on raw materials, wages, and other fixed expenses like rent, even if the company has a high current asset value. Therefore, by excluding inventory, the quick ratio provides a more conservative measure of Bonia's ability to handle unforeseen circumstances.

Calculation: Quick ratio can be calculated by using the following formula:

$$(\text{Current Assets} - \text{Closing Inventories}) \div \text{Current Liabilities}$$

To calculate the quick ratio for both fiscal year 2023 and 2022, we need to refer to the Statement of Financial Position in Bonia's 2023 Annual Report, since it provided both years' data on the page 134 and 135 (Note: 136 and 137 on pdf page). We can now extract the following financial data as below (See Appendix 2):

Table 1 shows the fiscal year of 2023 shows a worsened quick ratio (1.904 times) compared to the fiscal year of 2022 (2.165 times). Thus, Bonia's financial well-being in terms of liquidity has deteriorated by 12.06% from the fiscal year 2022 to 2023. This indicates that Bonia's difficulty paying off its current debt by using its most liquid asset has increased. There are potential reasons for a decrease in the ratio. Firstly, by referring to the financial statements, we can see that the current assets excluding inventories has decreased by 20.82% from RM194.547 million to RM154.049 million. Besides, a 17.03% increase in current liabilities driven by a 24.45% increase in short-term lease liabilities from RM42.322 million to RM52.670 million. However, it might indicate a good sign, Bonia opened new retail stores globally throughout the fiscal year 2023. An example is a 1500-square foot concept store in Mid Valley Megamall. Even though it has caused the short term lease liabilities to increase, the new and existing stores might help Bonia to generate revenue in the long term, earning back what it has paid to the landlord. Finally, the quick ratio for both fiscal years is above 1, which strongly indicates that Bonia can repay its short-term liabilities using its most liquid assets. However, if this decreasing trend continues in the long run, Bonia may see a difficulty in repaying its short term loan using its most liquid assets which may lead to insolvency.

Table 1. Bonia quick ratio and liquidity analysis (fy2022 vs fy2023).

	Fiscal Year 2023	Fiscal Year 2022
Current Assets (RM)	294.189 million	248.416 million
Closing Inventories (RM)	94.140 million	53.869 million
Current Liabilities (RM)	105.088 million	89.874 million
Quick ratio	$\text{RM}(294.189 \text{ million} - 94.140 \text{ million}) \div \text{RM}105.088 \text{ million} = 1.904 \text{ times}$	$\text{RM}(248.416 \text{ million} - 53.869 \text{ million}) \div \text{RM}89.874 \text{ million} = 2.165 \text{ times}$

2.2 Asset Management Ratio

Asset management ratios (AMR) are a group of metrics that help a company measure how effectively it manages and utilises its assets to generate revenue or cash flow to the company. These ratios consider not just inventories, but also assets like machinery, buildings and trade receivable.

In this assignment, our group will use the Day Sales Outstanding (DSO) which is used to measure the average number of days it takes for Bonia to collect payment from its receivables after a sale has been made [4]. This ratio indicates

valuable insights into the efficiency of Bonia's accounts receivable management. We agree that cash is undeniably the lifeblood of any business and maintaining a healthy cash flow has become more vital than ever to keep a business thriving. This theory is supported by a study from the University of Nebraska, which concluded that a business making a loss but having a positive cash flow can survive but not a profitable business with a negative cash flow

Our chosen company, Bonia, has 787 employees and more than 1200 outlets globally, thus a strong cash flow is important to maintain its business operation. DSO is more suitable to use to evaluate Bonia's asset management because when Bonia takes more time to collect its receivable from its trade receivables, it will result in weak cash flow to maintain its business operation or any unexpected expenses. The faster the money is collected, the faster the cash can be used for other purposes that can help companies to generate more income. In addition, the principles of time value of money state that a dollar today is worth more than a dollar tomorrow which is mainly due to inflation rate (CFA Institute, 2024). Thus, it would be cheaper for Bonia to invest in a project now such as opening stores than in the future [5].

To calculate DSO, we divide the total accounts receivable by annual sales and multiply the number of days in the accounting period.

Days Sales Outstanding = (Trade Receivable/Annual Sales) x Number of days (365).

To calculate Bonia's DSO for the fiscal year 2023 and 2022, We can extract the following financial data from Bonia's Note 16 Trade Receivable extract from SOFP & Statement of Profit and Loss (SOPL) (See Appendix 2.5 & 3):

Table 2 list A DSO below 45 days is considered ideal and DSO both fiscal years are below 45 days which is healthy for Bonia. Bonia collected payments within an average of 26.788 days in fiscal year 2022. This improved a little to 26.404 days in fiscal year 2023. This represents a minor 1.43% improvement in DSO, this improvement is due to Bonia's strict credit policies for receivables, as every customer has a credit limit to prevent the risk of extended losses and offers credit only to qualified customers (See Appendix 4). In addition, Bonia has a credit period extended to receivable of 30 days for normal customers and 120 days for major customers such as consignment (See Appendix 4). This minor improvement can have an impact on Bonia's cash flow. With money received earlier compared to the last fiscal year, Bonia can use the funds to pay suppliers earlier and potentially avail early payment discounts or invest in growth initiatives like marketing campaigns such as festival promotion or product development such as R&D in a cheaper cost due to principle stated by time value of money.

Table 2. DSO and receivables analysis of bonia (2022 vs 2023).

	Fiscal Year 2023	Fiscal Year 2022
Trade Receivable (excluding impairment) (RM)	30.683 million	27.100 million
Annual Sales	424.148 million	369.257 million
Day Sales Outstanding (DSO)	RM(30.683/424.148)Million x 365 days = 26.404 Days	RM(27.100/369.257)Million x 365 days = 26.788 Days

2.3 Debt Management Ratio

Debt management ratios are financial metrics that measure how well a company manages its debt and financial leverage. These ratios provide information about the company's capacity to meet debt obligations and evaluate its overall financial health (Corporate Financial Institute, n.d.). Debt management ratios assist stakeholders such as investors, creditors, and management in determining the level of risk associated with the company's debt structure and its ability to handle debt repayments [6].

For this assignment, our group decided to use debt ratio analysis. A debt ratio indicates a company's ability to service its debt by expressing the relationship between its total debt and its assets. It represents the percentage of a company's financial asset that comes from debt, and a smaller ratio is often preferable [7]. A company's financial stability is indicated by a debt ratio value of 1 or less which a company can pay off its debts.

Debt ratio is a better statistic to consider when analysing public listed companies such as Bonia because sustaining an ideal debt-to-asset ratio is essential to preserve investor's confidence and creditworthiness. Failure to do so may result in massive sell off of Bonia's stock which lead to share price depreciation. Excessive leverage or high debt ratio can be a sign that Bonia depends a lot on debt financing, which could raise the possibility of its going bankrupt if it can't pay off its debts, which could worry creditors and investors [8]. Given a real example, where Indian conglomerate Adani Group was downgraded from "stable" to "negative" by Moody on February 10, 2023 citing Adani has too much debt and doubt of repaying its debt. Adani stock plunged 28.77% for the next 14 days (Appendix 5). Thus, it is important for public-listed companies including Bonia to avoid having too high debt ratios.

To calculate debt ratio, we need to divide total liabilities by total assets (Total liabilities/Total assets). According to SOFP in Bonia's 2023 Annual Report (Appendix 2), we can extract following financial details from it:

Table 3 show the Fiscal year of 2023 shows a little improvement of 0.29% in debt ratio compared to fiscal year of 2022. In 2023, for every RM34.35 debt, Bonia has RM100 to service its debt, while in 2022, for every RM34.45 debt, Bonia has RM100 to service its debt. It shows that Bonia has a slightly better management of debt and financial leverage in the year of 2023 compared to 2022. This is a great indicator that Bonia is only subjected to low credit risk. The healthy debt ratio of a luxury brand is around 0.444 or 44.4% (Sarath, 2023). Thus, Bonia is more creditworthy compared to its competitors. If this trend remains, Bonia may see that borrowing becomes easier and overall financial health will improve.

Table 3. Comparative debt ratio study: bonia's financial position in 2022 and 2023.

	Fiscal Year 2023	Fiscal Year 2022
Total assets (RM)	693.982 million	645.498 million
Total liabilities (RM)	238.378 million	222.348 million
Debt Ratio (RM)	RM(238.378/693.982)million = 0.3435 or 34.35%	RM(222.348/645.498)million = 0.3445 or 34.45%

2.4 Profitability Ratio

Profitability ratio calculates the ability of businesses to deliver profit. Profit is crucial for businesses because it helps them to pay their operating expenses, reinvesting without using debt financing and indicating good and effective cost management. Profitability also plays an essential role in investors deciding whether to invest in a business. The higher the profitability ratio, the better the business can deliver profit or vice versa [9].

Since Bonia is public-listed, we decided to choose Return on equity (ROE) as profitability ratio. ROE is key ratio for shareholders as it measures how much profit Bonia generates for each dollar of shareholder investment. The higher the ROE the better, as high ROE companies, will produce more earnings that can be used to fund operation, keep the company financially strong, and provide returns to shareholders in forms of dividend or capital gain. ROE can be used as a benchmark for both Bonia's management and investors. For management, it can see how efficiently Bonia uses the shareholders' investment to produce profit, if it is low then-management can take necessary actions such as laying off redundant employees [10]. For investors, a high ROE may indicate that Bonia is profitable enough to cover its operating expenses and invest in product improvement without relying heavily on debt financing

To calculate the Return-on-Equity, we need to divide profit after tax by total shareholder' equity.

Formula: (Profit after tax/ Total shareholder' equity)

According to SOFP (See Appendix 2) and SOPL (See Appendix 3) in Bonia's 2023 Annual Report, we can extract following financial details from it:

Table 4 mention the Return of Equity of Bonia in Year 2022 is 12.42%. It means for every RM1 of funds that shareholders invested, management has generated RM0.1242 of net income. In 2023, the Return on Equity of Bonia increased 10.54% from 12.42% to 13.73%, indicating that Bonia had generated more income in 2023 from the money invested by shareholders. This is likely due to an increase in the number of stores opened during the financial year of 2023, which generates more revenue thus may directly increase net income. Furthermore, 31% of Bonia's sales for fiscal year 2023 came from Singapore (See Appendix 6). Between both fiscal years, SGD has appreciated 9.286% against MYR thus driving up revenue in term of MYR after converting from SGD, thus even the sales volume and price of goods on Singapore remain unchanged from June 30, 2022 to June 30, 2023, the sales will increase by 9.286% solely due to the appreciation of SGD, which also driving up revenue and net income (See Appendix 7). On the other hand, Bonia manufacturing plant is at Melaka, thus taking the advantage of producing cheap in Malaysia and selling it at a higher price in Singapore will drive up net income (See Appendix 8). If this trend continues, investors may be happy to buy additional shares in Bonia, driving up the shares further.

Table 4. ROE and shareholder value generation of bonia (2022-2023).

	Fiscal Year 2023	Fiscal Year 2022
Profit after tax (RM)	62.595 million	52.561 million
Total Shareholder' s equity (RM)	455.604 million	423.150 million
Return on Equity	RM(62.595/455.604) Million = 0.1374 or 13.74%	RM(52.561/423.150)million = 0.1242% or 12.42%

2.5 Market Value Ratio

The price-to-earnings (P/E) ratio is a widely used financial metric that helps assess whether a company's stock is overvalued or undervalued. It is calculated by dividing a company's market price per share by its earnings per share (EPS). We chose the P/E ratio because it provides valuable insights into how the market perceives a company's performance and prospects in relation to its current share price and earnings. According to finance professor Sean Myers from Wharton Business School, a lower P/E ratio is preferable, however a higher P/E ratio might indicate that investors are confident in the company's potential for future earnings growth, which justifies a higher valuation for the stock [11]. Conversely, a lower P/E ratio could suggest the stock might be undervalued or that the company is facing challenges. For example, New York Community Bank is traded at a P/E-ratio of 0.84 (See Appendix 9), however the company is facing the possibility of bankruptcy due to the losses the bank faces from the commercial real estate market. Analysing the P/E ratio for Bonia can provide valuable insights into its fair valuation, growth expectations, and overall market sentiment. This information can be helpful for investors making informed investment decisions

Before calculating the P/E ratio, we need to calculate the earnings per share (EPS) by dividing the profit after tax by the number of ordinary shares outstanding. (Profit after tax ÷ Number of ordinary shares outstanding)

According to the Analysis of Shareholdings in Bonia's 2023 Annual Report (See Appendix 10), SOPL in Bonia's 2023 Annual Report, we can extract the following financial details from it:

Table 5 list the fiscal years of 2023 shows a decrease in P/E ratio (5.8766 times) compared to the fiscal years of 2022's P/E ratio (7.1510 times). The P/E ratio for both fiscal years is way below the industry's P/E ratio. For example, The MSCI Europe Luxury Goods Index which has a P/E ratio of 26 as of February 2023 (Reuters, 2023). But, the decrease of 17.82% in Bonia's P/E ratio suggests that investors may have become less optimistic about the company's future earnings growth or more cautious about its prospects. A declining P/E ratio could indicate concerns about Bonia's financial performance, market conditions, or other factors affecting its earnings potential. However, Bonia may also take this opportunity to perform a share repurchase as it may believe its stock is cheap and repurchasing shares represents a good use of their cash. If this trend continues, Bonia may see value-seeking investors buying up Bonia's stock, pushing

the stock up. However, it also indicates that investors are bearish on the outlook of Bonia.

Table 5. Earnings per share and price-to-earnings ratio analysis of bonia (2022-2023).

	Fiscal Year 2023	Fiscal Year 2022
Number of ordinary shares outstanding (excluding treasury shares)	200,995,123	200,995,123
Profit after tax (RM)	62.595 million	52.561 million
Earnings per Share	$\text{RM}62.595\text{million} \div 200.995\text{million} = \text{RM}0.3114$	$\text{RM}52.561\text{million} \div 200.995\text{million} = \text{RM}0.2615$
Closing price per share	RM1.83 (30 June 2023) (Appendix 11)	RM1.8700 (30 June 2022) (Appendix 10)
P/E ratio (Price per share/ EPS)	$\text{RM}1.8300 \div \text{RM}0.3114 = 5.8766\text{ times}$	$\text{RM}1.8700 \div \text{RM}0.2615 = 7.151\text{ times}$

3. Review and Suggestions

3.1 The Limitation of Financial Analysis

One shortcoming of the chosen financial analysis of quick ratio is that the corporation has left out the closing inventories from this computation as they are not regarded as liquid assets [12].

However, the market's demand from the public for the company's product was disregarded by this computation approach. This indicates that certain businesses can quickly turn their inventory into cash flow due to the popularity and high demand for the product which include Bonia, thus cash flow issues may not arise. The inventory turnover ratio (ITR) of 2.862 times in 2022 (RM154.199 million/RM53.869 million), which is considered high for the luxury apparels industry's standard, which is around 1.77 times. Its competitors such as Prada recorded only an ITR of 1.2 times [13].

Assume when Bonia is faced with an unexpected incident in the fiscal year 2022 and requiring large amounts of urgent cash flow to avoid going insolvency, managers may doubt their ability to handle the financial consequences as the quick ratio indicates a low ratio [14]. However, the turnover ratio may be high enough that the inventory can be sold out within 128 days (365 days/2.862 times, rounded off), so a quick ratio may not be relevant to Bonia's management team in this case

Secondly, is the drawback of using Day Sales Outstanding (DSO) as a financial analysis tool lies in its inclusion of cash sales in the calculation. DSO is a metric that determines the average time a business takes to collect payment from

credit sales. However, the traditional DSO formula divides trade receivables by total sales, which total sales includes both cash and credit sales. This approach can skew the picture of how efficiently the company collects payments on credit.

Logically, cash sales should not be factored into DSO since the company receives immediate payment. To accurately assess a company's credit collection efficiency, cash sales should be excluded from the DSO calculation [15].

For example, consider a company with 80% cash sales of RM1 million and 20% credit sales for a fiscal year. This translates to RM0.2 million in trade receivables. The traditional DSO would be calculated as $\text{RM}(0.2 / 1) \times 365 \text{ days} = 73 \text{ days}$. However, if we exclude cash sales, the DSO (excluding cash sales) would be $\text{RM}(0.2 / 0.2) \times 365 \text{ days} = 365 \text{ days}$. Including cash sales in the DSO calculation misrepresents the actual collection time for receivables and creates a false impression for management that credit collection is faster than it truly is. This also applies to Bonia as according to its annual report of 2023, they include total sales to calculate the DSO, “window dressing” its ability to collect from its trade receivables in the financial statement.

3.2 Suggestions to Address the Concerns or Issues

For the first limitation, we had to create a custom formula where the formula of quick ratio which is “Total Current Assets-Closing Inventories/Current Liabilities) will be modified. In 2022, Bonia took an average 128 days to sell all its inventories [16]. So, we will take the closing inventory divided by 128 days and multiple by 365 days. The custom formula will be:

Table 6. Inventory-adjusted quick ratio analysis of bonia.

Formula = $((\text{Current Assets} - \text{Closing Inventories}) + ((\text{Closing Inventories} / \text{Inventory turnover days}) \times 365 \text{ days})) / \text{Current Liabilities}$
2022 = $\text{RM}(((248.416 - 53.869) + ((53.869 / 128 \text{ days}) \times 365 \text{ days})) / 89.874) \text{ million} = 3.874 \text{ times}$ Notes: Compared to a normal quick ratio, for 2022, which is 2.862 times.

Table 6 explains the ordinary quick ratio is relatively conservative, indicating that the company's debt-paying ability in 2022 is approximately 2.862 times. The adjusted quick ratio of inventory is 3.874 times, indicating that some inventory can be converted into cash quickly within the cycle, thereby improving liquidity.

With our enhanced formula, we incorporate the potential liquidity of inventory by considering inventory turnover days. This gave an overall picture to Bonia's management, that whether they can pay its current liabilities using its current assets by excluding inventories but taking into consideration the amount of time it takes for the inventory to turn into cash to pay back its current liabilities. Thus, providing a more nuanced picture of Bonia's ability to meet current liabilities by including an estimate of how quickly inventory can be converted to cash [17].

For the second limitation, we suggest excluding cash sales from the DSO calculation. This would provide management and investors with a clearer picture of the company's effectiveness in collecting payments from credit sales. This metric, often referred to as 'DSO excluding cash sales,' reflects the average time it takes Bonia to collect revenue from customers on credit.

$\text{DSO excluding cash sales} = (\text{Trade Receivable}) / (\text{Annual Sales} - \text{Cash Sales})$

If the DSO excluding cash sales indicates a slow collection rate, management can take several actions to improve it such as implementing a stricter credit policy which could involve raising creditworthiness requirements for new customers, lowering credit limits for existing customers with a history of late payments, or shortening the credit period (e.g., reducing it from 30 days to 20 days) and improving communication with customers to ensure clear communication of invoice terms and due dates. By addressing slow collection times using DSO excluding cash sales, Bonia can accurately see the real ability of the company to collect receivables and take any action if necessary [18].

4. Appendices



Figure 1. Company shares of bags and luggage.

Figure 1 mention The Malaysian luxury and fashion handbag market is highly concentrated in a few major brands (particularly Louis Vuitton). International brands dominate the market, while local brands (such as Bonia) have a niche

but face significant competition. High-end luxury goods enjoy a significant brand presence, driving their leading market share.

Appendix 1

Figure 2. Statements of financial position as at 30 June 2023.

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STATEMENTS OF FINANCIAL POSITION					
AS AT 30 JUNE 2023					
		Group		Company	
	Note	2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	144,373	90,376	-	-
Right-of-use assets	8	73,630	59,777	-	-
Investment properties	9	99,186	98,476	-	-
Intangible assets	10	77,563	73,813	-	-
Investments in subsidiaries	11	-	-	294,904	255,917
Interests in associates	12	1,160	494	-	-
Other investments	13	2,766	7,444	-	-
Deferred tax assets	14	1,115	1,878	-	-
Other receivables	16	-	-	2,142	2,724
		399,793	332,258	297,046	258,641
Current assets					
Inventories	15	94,140	53,869	-	-
Trade and other receivables	16	55,132	50,429	871	1,106
Current tax assets		1,953	1,514	52	28
Cash and bank balances	17	112,454	115,286	232	1,590
Short term funds	18	30,510	27,318	4,458	14,027
		294,189	248,416	5,613	16,751
Non-current assets/disposal group classified as held for sale/held for distribution	26	-	64,824	-	-
TOTAL ASSETS		693,982	645,498	302,659	275,392
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	19	201,572	201,572	201,572	201,572
Reserves	20	226,046	196,747	89,598	73,249
		427,618	398,319	291,170	274,821
Non-controlling interests	11(e)	27,986	24,831	-	-
TOTAL EQUITY		455,604	423,150	291,170	274,821

LIABILITIES					
Non-current liabilities					
Borrowings	21	67,598	70,173	-	-
Other payable	24	5,796	5,246	-	-
Lease liabilities	8	52,670	42,322	-	-
Provision for restoration costs	23	1,518	1,113	-	-
Deferred tax liabilities	14	5,708	5,558	1	1
		133,290	124,412	1	1
Current liabilities					
Trade and other payables	24	29,232	32,953	11,488	570
Borrowings	21	22,402	10,182	-	-
Lease liabilities	8	25,175	20,240	-	-
Provision for restoration costs	23	702	552	-	-
Contract liabilities	25	20,776	19,645	-	-
Current tax liabilities		6,801	6,302	-	-
		105,088	89,874	11,488	570
Liabilities of disposal group classified as held for distribution	26	-	8,062	-	-
TOTAL LIABILITIES		238,378	222,348	11,489	571
TOTAL EQUITY AND LIABILITIES		693,982	645,498	302,659	275,392

Figure 2 mention the financial statements tell us that as of June 30, 2023, the company had assets of RM694 million, of which RM456 million was shareholders' equity and RM238 million was external liabilities.

Appendix 2

Bonia Corporation Bhd. (2023). Statement of Financial Position [Screenshot]. Bonia.

https://bonia.listedcompany.com/misc/Bonia_AR2023.pdf

Figure 3. Trade and other receivables.

16. TRADE AND OTHER RECEIVABLES

		Group	
	Note	2023	2022
		RM'000	RM'000
Current assets			
Trade receivables			
Third parties		52,100	48,955
Amounts owing by associates		101	160
	(b)	52,201	49,115
Less: Impairment losses			
- third parties		(21,518)	(22,015)
		30,683	27,100

Figure 3 mention the company's total accounts receivable in 2023 will be higher than in 2022 (from RM49.1 million to RM52.2 million). However, the allowance for doubtful debts remains high (over RM21 million).

The final net accounts receivable is RM30.7 million, an increase from 2022 (RM27.1 million), indicating that sales growth has led to higher collectibles.

Appendix 2.5

Bonia Corporation Bhd. (2023). Note 16 Trade and Other Receivable [Screenshot]. Bonia.

https://bonia.listedcompany.com/misc/Bonia_AR2023.pdf

Figure 4. Statement of profit or loss and other comprehensive income.

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**STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	29	424,148	369,257	49,690	46,882
Cost of sales	30	(164,767)	(154,199)	-	-
Gross profit		259,381	215,058	49,690	46,882
Other operating income		9,955	24,349	4,244	1,294
Selling and distribution expenses		(113,837)	(98,240)	-	-
General and administrative expenses		(69,721)	(73,833)	(1,352)	(2,738)
Finance costs		(6,603)	(5,208)	-	-
Share of profit of an associate, net of tax	12(c)	786	256	-	-
Profit before tax	31	79,961	62,382	52,582	45,438
Tax expense	32	(17,366)	(9,821)	(53)	(53)
Profit for the financial year		62,595	52,561	52,529	45,385
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translations		11,434	3,016	-	-
Total other comprehensive income, net of tax		11,434	3,016	-	-
Total comprehensive income		74,029	55,577	52,529	45,385

Figure 4 show this income statement shows that Bonia Group's performance in fiscal year 2023 will be better than in 2022, with key highlights being revenue growth, higher gross profit, and improved net profit. However, there were also increases in selling expenses and financing costs. Overall, the company's operating performance showed a positive trend.

Appendix 3

Bonia Corporation Bhd. (2023). Statement of Profit or Loss and Other Comprehensive Income [Screenshot]. Bonia.

https://bonia.listedcompany.com/misc/Bonia_AR2023.pdf

Figure 5. Credit risk.

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables while the Company's primary exposure is through the amounts owing by subsidiaries. The trading terms of the Group with its customers are mainly on credit, except for boutique sales, where the transactions are performed on cash term. The credit period is generally for a period of 30 days, extending up to 120 days for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Figure 5 explains that the company controls the risk of customer defaults by setting credit terms (30-120 days) and credit limits, and that management regularly monitors overdue accounts to minimize bad debt losses.

Appendix 4

Bonia Corporation Bhd. (2023). Credit Risk [Screenshot]. Bonia. https://bonia.listedcompany.com/misc/Bonia_AR2023.pdf

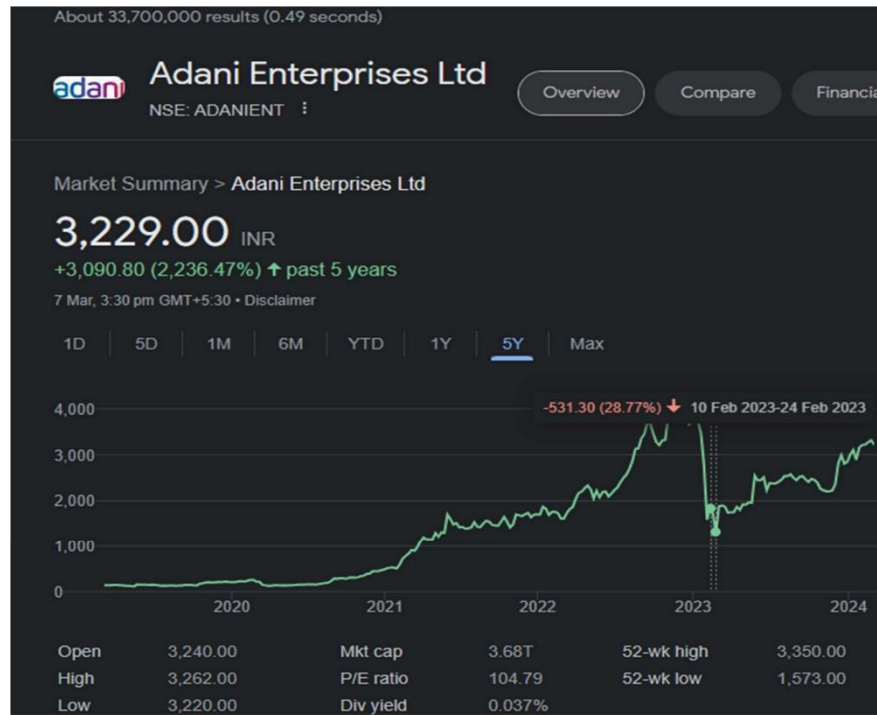
Figure 6. Market summary of Adani Enterprises Ltd.

Figure 6 show Adani Enterprises' stock price has soared over 20-fold over the past five years, making it a high-growth stock. It experienced a sharp correction in 2023 (a drop of nearly 30%), possibly due to external market events or company news, but has since recovered. The current share price is near its historical high, and the price-to-earnings ratio is high, indicating strong market expectations for future growth, but also carries significant risks.

Appendix 5

Google Finance (2024). Market Summary > Adani Enterprises Ltd. [Screenshot]. Google.

<https://www.google.com/search?q=adani+enterprises+share+price>

Figure 7. Operational review.

Figure 7 show Bonia's retail business is primarily concentrated in Malaysia (over 60%) and Singapore (around 30%), with these two markets contributing a combined 93% of its revenue. Indonesia and other markets contribute a smaller 7% (total), indicating that regional expansion remains limited and the company relies heavily on its core Southeast Asian markets.

Appendix 6

Bonia Corporation Bhd. (2023). Retail revenue contribution by country [Screenshot]. Bonia.

https://bonia.listedcompany.com/misc/Bonia_AR2023.pdf

Figure 8. SGD compares with MYR.

Figure 8 shows that the Singapore dollar has continued to strengthen against the Malaysian ringgit over the past year. On June 30, 2023, the exchange rate broke through 3.50, indicating a clear appreciation trend for the Singapore dollar against the Malaysian ringgit.

Appendix 7

TradingView. (2024). Singapore Dollar/Malaysian Ringgit from June 30, 2022 to June 30, 2023 [Screenshot]. TradingView.

https://www.tradingview.com/chart/?symbol=FX_IDC%3ASGDMYR

Figure 9. Bonia Group's product sales channels and production layout.

In Malaysia and Singapore, our products are marketed through numerous stand-alone boutiques and consignment counters. For other overseas markets, our products are sold through retail stores managed by our licensees, distributors and dealers.

For e-commerce channel, we operate our own online platform through www.bonia.com.my, www.sembonia.com, www.braunbuffel.com, www.valentinorudy.com.my, and major marketplaces such as Zalora, Shopee and Lazada. The Group has also expanded into social commerce and activated our BONIA and BRAUN BUFFEL TikTok Shop.

The Group's leather goods and other products are mainly sourced from contract manufacturers and OEM factories from Malaysia, China and other ASEAN countries. We also operate a manufacturing facility in **Melaka** that produces leather goods.

In this rapidly evolving retail landscape, the Group understood that it's imperative that we reaffirm our commitment to building brands that not only thrive but endure through the tests of time. Our mission remained around the core to continue building resilient brands, to adapt, innovate and emerge stronger from every challenges.

Figure 9 explains Bonia's sales model, which combines online and offline sales with multi-market distribution. Product production primarily relies on OEM, with a self-owned factory in Malacca. The core of the company's strategy is to build a resilient brand capable of innovation and sustainable growth in a changing market environment.

Appendix 8

Bonia Corporation Bhd. (2023). Business Overview [Screenshot]. Bonia. https://bonia.listedcompany.com/misc/Bonia_AR2023.pdf

Figure 10. New York Community Bancorp Inc. (NYSE: NYCB) Stock trading information and price trends.

Figure 10 shows that NYCB's current stock price is in a depressed range and will continue to be under pressure in the short term. Investors have great concerns about its future prospects.

Appendix 9

IEX Cloud. (2024). NYCB Share Price [Screenshot]. DuckDuckGo.

<https://duckduckgo.com/?q=NYCB+stock>

Figure 11. Daily exchange rate data for the Malaysian Ringgit (MYR).

Currency in MYR				
Date	Open	High	Low	Close*
Jul 01, 2022	1.8500	1.9300	1.8500	1.9200
Jun 30, 2022	1.9500	1.9700	1.8500	1.8700

Figure 11 reflects the intraday exchange rate movements of a certain currency against the Malaysian Ringgit on June 30 and July 1, 2022, showing the fluctuations of the exchange rate in the short term, first falling and then rising.

Appendix 10

Yahoo Finance. (2024). 9288.KL [Screenshot]. Yahoo.

<https://finance.yahoo.com/quote/9288.KL/history?period1=1656547200&period2=1656892800&interval=1d&filter=history&frequency=1d&includeAdjustedClose=true>

Figure 12. Daily exchange rate data, including opening, high, low and closing prices.

Currency in MYR				
Date	Open	High	Low	Close*
Jul 03, 2023	1.8400	1.9000	1.8400	1.8400
Jun 30, 2023	1.8400	1.8500	1.8100	1.8300

Figure 12 shows the short-term fluctuations of a certain currency against the Malaysian ringgit from late June to early July 2023: There was significant range-bound fluctuation; The closing price remained relatively stable between 1.83 and 1.84; The market experienced significant short-term volatility, but the overall exchange rate fluctuations were minimal.

5. Overall Financial Performance Summary of Bonia Corporation

5.1 Key Financial Concerns

Based on the financial data for fiscal years 2022 and 2023, Bonia is facing several significant financial risks:

5.1.1 High Impairment Losses on Trade Receivables (44.12% reduction after impairment)

This could potentially reduce net profit by over 34%, negatively impacting investor confidence and market capitalization.

5.1.2 Significant Increase in Finished Goods Inventory (up by 92.49%)

Due to fast-changing fashion trends, high inventory risks obsolescence and discounting, leading to poor cash flow and lower profitability.

5.1.3 Declining Price-to-Earnings (P/E) Ratio

The P/E ratio dropped from around 7 times to below 6 times, far below the ideal benchmark of 15–20, indicating that Bonia is undervalued and investors are pessimistic about its future growth.

5.1.4 Decline in Quick Ratio (from 2.165 to 1.904)

Reflects a weakening short-term liquidity position, signaling potential challenges in meeting immediate liabilities.

5.1.5 Negative Market Sentiment and Policy Pressure

The introduction of Malaysia's Luxury Goods Tax (HVGT) and rising inflation have contributed to a drop in Bonia's share price and weaker consumer demand.

5.1.6 Excessively Short Days Sales Outstanding (DSO)

While a short DSO indicates efficient collection, it may also suggest strict credit terms that could harm customer relationships and limit sales growth.

5.2 Overall Implications

- Profitability Risk: Impairment losses and obsolete inventory could significantly reduce net earnings.
- Cash Flow Stress: High inventory and tight receivable policies may restrict cash availability.
- Decline in Investor Confidence: Falling P/E ratio and share price reflect negative expectations about future performance.
- Operational Vulnerability: Reduced liquidity limits Bonia's ability to respond to market challenges or capitalize on new opportunities.

5.3 Strategic Recommendations

A. Improve Asset Quality and Receivable Management

- Implement a credit rating system in partnership with financial institutions.
- Introduce flexible payment terms to retain customers and boost sales.

B. Optimize Inventory Control

- Adopt Make-to-Order (MTO) production or Economic Order Quantity (EOQ) models.
- Reduce excess inventory to minimize storage costs and avoid product obsolescence.

C. Restore Investor Confidence & Enhance Market Valuation

- Strengthen communication with investors through transparent reporting.
- Consider dividends or share buybacks to increase Earnings Per Share (EPS) and signal strength.
- Invest in innovation and sustainable product lines to capture market interest.

D. Strengthen Liquidity Position

- Increase cash reserves and dispose of non-core assets.
- Negotiate longer payment terms with suppliers (e.g., net 60 days).
- Improve cost efficiency and capital allocation.

E. Respond to Policy and Economic Challenges

- Adjust pricing strategies to mitigate luxury tax effects.
- Expand into international markets to diversify risk.

6. Conclusion

Bonia is currently in a situation where earnings are improving, but market confidence is declining. The decline in valuation metrics such as P/E ratio and stock price suggests that investors are uncertain about the company's long-term growth potential. However, by actively addressing issues related to liquidity, inventory, receivables, and investor communication, Bonia has the opportunity to reverse the negative market sentiment, enhance its financial stability, and achieve sustainable long-term growth.

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