

Sasbadi Holdings (BUY ↔; EPS ↔)

EDUCATION
EARNINGS EVALUATION

28 April 2015

Price Target: RM2.53 (↑)

Share price: RM2.31

2QFY15 Results - Seasonality

Results	<ul style="list-style-type: none"> Above expectations – Sasbadi's 1HFY15 revenue of RM48.4m (+10% yoy) translated into PATAMI of RM10.0m came in above HLIB and consensus' full year estimates, making up for 63% and 59%, respectively.
Deviations	<ul style="list-style-type: none"> 2Q (December to February) earnings are seasonally stronger due to the start of the academic year for national schools in January 2015.
Dividends	<ul style="list-style-type: none"> None.
Highlights	<ul style="list-style-type: none"> 1HFY15 review... The group achieved revenue of RM48.4m, an increase of 10% yoy, mainly due to the stronger contribution from Sasbadi Sdn Bhd – its educational print publishing arm. 2Q is generally the strongest quarter for the group as the national schools in Malaysia embarks on a new academic year. Its PAT improved 24% yoy, from RM8m in 1HFY14 to RM10m in 1HFY15. Also, its newly commenced subsidiary, Sasbadi Learning Solutions S/B, charted revenue of RM1.2m, a level we think is commendable given that it started operations in January 2015. 2QFY15 review... A seasonally stronger quarter. Revenue increased 97% qoq. PBT jumped 406% from RM2.3m in 1QFY15 and RM11.5m in 2QFY15 As for the goods and services tax, all books (except magazines) are zero rated under the latest GST Gazette. Sasbadi's applied learning and online products are subjected to GST. We believe business should remain as usual as education is a necessity and the incentives from the government would be able to sustain demand from its end users.
Risks	<ul style="list-style-type: none"> Not winning the textbook contract from MOE; Migration towards the online platform; Spike in paper prices; and Changes in National Curriculum and educational policies.
Forecasts	<ul style="list-style-type: none"> Increase forecast slightly by 4%-5% for FY15-FY16 to take into account higher contribution from print publication and online segment.
Rating	BUY (↔) <ul style="list-style-type: none"> We like Sasbadi due to the stability in their business and their long term catalysts based on the new curriculum for secondary schools from 2017 onwards and potential M&As. We are optimistic on its long term earnings growth.
Valuation	<ul style="list-style-type: none"> Maintain BUY, with higher target price of RM2.53, based on 15x FY16 EPS or circa 50% discount (unchanged) to average P/E of education sector due to Sasbadi's lower market capitalisation and liquidity. We believe the valuation is justified as Sasbadi has a high growth rate and holds a unique education exposure which is closely linked to the country's education system.

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KLCI	1,859.6
Expected share price return	9.6%
Expected dividend return	2.0%
Expected total return	11.6%

Share price



Information

Bloomberg Ticker	SASB MK
Bursa Code	5252
Issued Shares (m)	127
Market cap (RM m)	293
3-mth avg. volume ('000)	626
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	27.6	61.5	nm
Relative	24.5	56.6	nm

Major shareholders

Law King Hui	20.2%
Karya Kencana	20.0%
Lee Swee Hang	10.1%
CIMB Principal Asset Mgmt	7.05%

Summary Earnings Table

FYE Aug (RM m)	2013A	2014A	2015E	2016E
Revenue	77.96	79.51	88.66	100.30
EBITDA	19.48	19.57	25.01	30.64
PATAMI	12.75	12.25	16.72	21.43
EPS (sen)	12.754	14.507	16.716	21.426
Core EPS (sen)	12.05	13.41	13.16	16.87
P/E (x)	19.16	17.23	17.55	13.69
BV /share	0.6	0.9	0.8	0.9
P/BV (x)	3.84	2.67	2.81	2.48
DPS (sen)	-	-	4.61	5.90
DY %	-	-	1.99	2.56
ROE (%)	22.27	18.44	16.86	19.21
ROA (%)	16.61	15.23	13.98	16.71

HLIB

Figure #1 Quarterly results comparison

FYE Aug (RM m)	2QFY14	1QFY15	2QFY15	Qoq (%)	Yoy (%)	Comments
Revenue	-	16.3	32.1	97	-	Made up 37% of both ours and consensus' estimates.
Sasbadi Holdings	-	-	3.8	nm		
Sasbadi Sdn Bhd	-	15.4	30.1	95	-	A seasonally stronger quarter.
Sasbadi Online	-	0.3	0.1	(50)	-	
Orbit Buku	-	0.0	0.3	1841	-	
Malaysian Book Promotions	-	0.6	2.3	262	-	
Sasbadi Learning Solutions	-	-	1.2	nm		
GP	-	6.9	17.5	152	-	
Expenses		(4.7)	(6.0)	27		
EBITDA	-	2.9	12.2	313	-	
Operating Profit	-	2.3	11.5	405	-	Higher than expected revenue from the print publication arm.
Interest Income	-	0.1	0.11	(4)	-	
Finance Costs	-	(0.1)	(0.1)	18	-	
Shares of Associates/JCE	-	-	0.0		-	
PBT	-	2.3	11.5	402	-	
PAT	-	1.6	8.3	406	-	Effective tax rate of 27%.
PATAMI	-	1.6	8.3	406	-	
Core Earnings	-	1.6	8.3	406	-	Accounted for 52% and 49% for HLIB and consensus's estimates.
Basic EPS (sen)	-	1.30	6.56	405	-	
GP Margin (%)	-	42%	54%	28	-	
EBITDA Margin (%)	-	18%	38%	110	-	
Operating Profit Margin (%)	-	14%	36%	157	-	Lower expenses.

Sasbadi, HLIB

Figure #2 Cumulative results comparison

FYE Aug (RM m)	1HFY14	1HFY15	Yoy (%)	Comments
Revenue	44.0	48.4	-	Made up 55% of ours and consensus' estimates.
Sasbadi Holdings	-	3.8	nm	
Sasbadi Sdn Bhd	39.9	45.5	-	Contributed 94% of revenue.
Sasbadi Online	0.1	0.5	-	
Orbit Buku	0.7	0.4	-	
Malaysian Book Promotions	3.3	3.0	-	
Sasbadi Learning Solutions	-	1.2	nm	
GP	21.6	24.4	13	
Expenses	(10.7)	(10.7)	0	
EBITDA	12.4	15.1	22	
Operating Profit	11.1	13.7	24	
Interest Income	0.1	0.2	311	
Finance Costs	(0.2)	(0.2)	23	
Shares of Associates/JCE	-	-	-	
PBT	10.9	13.8	26	
PAT	8.0	10.0	24	Effective tax rate of 27%.
PATAMI	8.0	10.0	24	
Core Earnings	8.0	10.0	24	Equates to 63% and 59% of HLIB and consensus's estimates.
Basic EPS (sen)	7.59	7.86	4	
GP Margin (%)	49%	50%	2	
EBITDA Margin (%)	28%	31%	11	
Operating Profit Margin (%)	25%	28%	13	

Sasbadi, HLIB

Figure #3 Consensus vs HLIB

FYE Dec (RM m)	FY15E			FY16E		
	HLIB	Consensus	(%)	HLIB	Consensus	(%)
Revenue	88.7	87.3	+1.6	100.3	99.6	+0.7
PATAMI	16.7	17.0	-1.7	21.4	21.3	+0.6

Bloomberg, HLIB

Financial Projections for Sasbadi (BUY; TP: RM2.53; CP: RM2.31)

Income Statement

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	64.8	78.0	79.5	88.7	100.3
COS	(37.9)	(45.8)	(42.4)	(47.0)	(52.2)
EBITDA	16.5	20.3	19.8	25.0	30.6
D&A	(1.6)	(1.9)	(2.6)	(2.7)	(2.6)
Net Interest	0.0	0.1	(0.3)	0.0	0.5
Associates/JCE	-	-	-	-	-
Exceptionals	-	-	-	-	-
Profit Before Tax	14.9	18.5	16.9	22.3	28.6
Tax	(4.0)	(4.9)	(4.6)	(5.6)	(7.1)
Minority Interests	-	-	-	-	-
PATAMI	10.9	13.6	12.3	16.7	21.4
Core Earnings	10.9	13.6	10.0	16.7	21.4
Basic Shares (m)	105.8	105.8	115.4	127.0	127.0
Basic EPS (sen)	10.29	12.87	10.62	13.16	16.87
Core EPS (sen)	10.29	12.87	11.74	13.16	16.87

Quarterly Financial Summary

FYE 31 Aug (RM m)	3QFY14	4QFY14	1QFY15	2QFY15
Revenue	17.9	17.5	16.3	32.1
COGS	(9.831)	(10.270)	(9.392)	(14.656)
Gross Profit	8.110	7.279	6.931	17.457
Other Income	0.041	-	0.063	-
Expenses	(3.945)	(5.345)	(4.725)	(5.988)
Operating Profit	4.206	1.934	2.269	11.469
Interest Income	0.022	0.055	0.113	0.109
Finance Costs	(0.189)	(0.097)	(0.096)	(0.113)
Associates/JCE	-	-	-	-
Profit Before Tax	4.039	1.892	2.286	11.465
Tax	(1.035)	(0.676)	(0.638)	(3.128)
Profit After Tax	3.004	1.216	1.648	8.337
MI	-	-	-	-
PATAMI	3.004	1.216	1.648	8.337
Core PATAMI	3.004	2.5	1.648	8.337
Basic EPS (sen)	2.84	1.05	1.30	6.56
DPS (sen)	-	-	3.00	-
W. Ave. Shares (m)	105.8	115.4	127.0	127.0

Balance Sheet

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Fixed Assets	28.6	28.0	30.3	35.9	41.0
Other long-term assets	0.04	0.04	4.99	4.99	4.99
Other short-term assets	2.1	0.7	1.1	1.1	1.1
Working Capital	28.4	29.5	43.9	48.7	53.4
Receivables	12.8	21.0	31.0	31.8	34.7
Payables	(5.9)	(6.5)	(7.4)	(8.7)	(9.7)
Inventory	21.5	15.0	20.3	25.6	28.4
Net cash	11.7	11.5	20.3	14.5	17.2
Cash	12.5	12.0	23.9	18.2	20.8
Total Debt	(0.8)	(0.5)	(3.7)	(3.7)	(3.7)
Shareholders' funds	50.9	64.5	93.7	103.5	115.9
Share capital	2.4	2.4	63.5	63.5	63.5
Reserves	48.5	62.1	30.2	40.0	52.4
Minorities	-	-	-	-	-
Other liabilities	20.0	5.3	6.8	5.1	5.1

Rates and Ratios

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
EPS (sen)	10.3	12.1	13.4	13.2	16.9
PER (x)	22.4	19.2	17.2	17.6	13.7
DPS (sen)	16.7	0.0	7.86	4.61	5.90
DY %	7.2	0.00	3.40	2.0	2.56
BVPS (RM)	0.5	0.6	0.9	0.8	0.9
P/B (x)	4.8	3.8	2.7	2.8	2.5
FCF/Share (sen)	0.0	0.1	0.0	0.1	0.1
FCF yield %	0.7	6.5	0.0	3.5	5.3
ROE	20.9	22.3	18.4	16.9	19.2
ROA	15.2	16.6	15.2	14.0	16.7
Net Gearing (%)	(23.0)	(18.1)	(21.6)	(23.6)	(28.0)

Cashflow Analysis

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
EBITDA	16.5	20.3	19.8	25.0	30.6
WC changes	(7.7)	(1.1)	(10.0)	(5.6)	(2.8)
Taxation	(4.0)	(4.9)	(4.9)	(5.6)	(7.1)
Others	(1.6)	2.9	(1.1)	(2.4)	(3.9)
Operating cashflow	3.2	17.1	5.5	11.5	16.8
Capex & acquisitions	(1.5)	(1.3)	(8.3)	(1.3)	(1.3)
Free cashflow	1.7	15.8	(2.8)	10.2	15.5
Other inv cashflow	1.0	0.1	0.3	0.5	0.5
New borrowings	0.2	(0.3)	-	-	(5.8)
Share issuance	-	-	25.2	-	-
Dividends paid	(1.6)	(16.1)	(16.1)	(5.9)	(7.5)
Other fin cashflow	(0.5)	(0.0)	(0.0)	(0.5)	(0.0)
Net cashflow	0.9	(0.5)	6.6	4.4	2.7

Assumption Metrics

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue Growth (%)	8.1	20.3	2.0	11.5	13.1
PATAMI Growth (%)	14.9	17.1	(3.9)	36.4	28.2
EPS Growth (%)	14.9	17.1	(6.1)	16.2	28.2
EBITDA Margin (%)	25.4	25.0	24.6	28.2	30.6
EBIT Margin (%)	23.0	22.7	21.2	25.1	28.5
PBT Margin (%)	23.0	22.7	21.2	25.1	28.5
PAT Margin (%)	16.8	16.4	15.4	18.9	21.4

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Published & Printed by
Hong Leong Investment Bank Berhad (10209-W)
 Level 23, Menara HLA
 No. 3, Jalan Kia Peng
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 Tel 603 2168 1168 / 603 2710 1168
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TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
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