

Company Name : Sasbadi Holdings Berhad  
 Date : 06 April 2017  
 Source : The Edge Financial Daily

# Sasbadi secures three textbook tenders

## Sasbadi Holdings Bhd (April 5, RM1.55)

**Reiterate buy call with a target price (TP) of RM1.73:** Sasbadi Holdings Bhd announced that its wholly-owned subsidiary, Sasbadi Sdn Bhd, has accepted two letters of acceptance (LoAs) from the Ministry of Education (MoE) to publish, print, and supply the textbook packages for Mathematics and Arts Education for Year Two of Chinese national-type primary schools (SJKCs).

In the same announcement, Sasbadi's indirect subsidiary, The Malaya Press Sdn Bhd (a subsidiary of Sanjung Unggul), has also accepted a LoA from MoE to publish, print and supply the textbook package for Chinese Language for Year Two of the SJKCs.

All three contracts, which amounted to RM6.81 million, started from March 31, 2017 and will end on Dec 31, 2019.

The RM6.81 million worth of LoAs are expected to contribute positively to the group's earnings in financial year 2018 (FY18). However, this is lower than the first three contracts that Sasbadi won in FY16 which amounted to RM7.71 million.

The group will be delivering its first portion of textbooks in the first quarter of FY18 (1QFY18) and 2QFY18, worth approximately RM4.1 million. The remainder of the contract sum will flow into FY19 and FY20.

There will be one more round of tender awards expected to be called in May 2017. Recall in FY16, Sasbadi won one contract in the

## Sasbadi Holdings Bhd

FYE AUG (RM MIL)	2016A	2017E	2018F	2019F
Revenue	93.2	109.0	121.6	134.4
Pre-tax profit	22.2	31.5	35.5	36.3
Rpt Patami	16.8	23.6	26.4	27.9
Nom Patami	16.8	23.6	26.4	27.9
Nom EPS (sen)	6.0	8.5	9.5	10.0
Nom PER (x)	25.5	18.2	16.3	15.4
BV/share (RM)	0.5	0.6	0.7	0.8
P/BV (x)	2.9	2.5	2.2	1.9
Gross DPS (sen)	2.3	4.2	4.7	5.0
Dividend yield (%)	1.5	2.7	3.1	3.2
ROE (%)	8.2	13.8	13.4	12.4
ROA (%)	6.3	10.7	10.6	10.0

Source: HLIB Research

second round amounting to RM1.6 million.

We reiterate our positive outlook on Sasbadi as the company grows more solid through its efforts to cement its position as a sought-after educational publishing company, as well as an education and solutions provider for Lego Education robotics products, and science, technology, engineering and mathematics (STEM) education. While we expect a slower bottom line growth for its iLearn Ace segment, given the slow take-up rate, we remain positive on its potential over the longer term.

The risks include accelerated migration towards the online platform, spike in paper price, changes in national curriculum and educational policies, execution of its direct selling segment and losing

the textbook contracts from MoE.

We reduce FY18 and FY19 earnings forecast by 7.4% and 4.4% respectively, in the light of the lower-than-expected contract sum won, and slower bottom line growth on its iLearn Ace front.

We like Sasbadi due to its strong annual free cash flow, high growth rate, innovativeness in creating products that cater to tech-savvy youth and unique education exposure which is closely linked to the country's education system.

We reiterate "buy" with higher TP of RM1.73 (from RM1.63) post earnings forecast adjustment and roll over of valuation into 2018. Our valuation is based on unchanged price-earnings ratio multiple of 18 times 2018 earnings per share. — *Hong Leong Investment Bank Research, April 5*