

Company Name : Sasbadi Holdings Berhad
Date : 22 June 2017
Source : The Edge Financial Daily

Bonus issue seen to enhance Sasbadi's liquidity

Sasbadi Holdings Bhd
(June 21, RM1.40)

Reiterate buy recommendation with an unchanged target price of RM1.73: Sasbadi Holdings Bhd proposed a one-for-two bonus issue of up to 139.7 million new ordinary shares in Sasbadi. The proposed bonus issue will be capitalised from the share premium account of Sasbadi at 25 sen per bonus share. The exercise will be held on an entitlement date to be determined and announced at a later date.

While the proposed bonus issue will not have an impact on Sasbadi's fundamentals, we view the bonus issue positively as it enhances the liquidity of the stock.

We remain optimistic about Sasbadi's earnings outlook. We understand that the company is taking continuous efforts to look for suitable merger and acquisition targets, and it is looking to acquire at least one publishing company per annum in order to achieve better economies of scale.

The multilevel marketing scheme, iLearn Ace is on a par with Sasbadi's expectations and currently has around 6,000 agents. It is still gaining good momentum, generating revenue of approximately half a million monthly.

The group hopes to extend its direct selling business to the international market. With its ad-

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vanced augmented reality educational products, the company believes that it has the advantage to go global.

The group is collaborating with Universiti Malaya to provide accredited certification of robotic programmes to students, and plans to franchise its robotics education classes after getting its certification.

Risks include accelerated migration towards the online platform, a spike in paper prices, changes in the national curriculum and educational policies, execution of its direct selling segment and losing the textbook contract from the education ministry.

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

— *Hong Leong Investment Bank Research, June 21*