

Company Name : Sasbadi Holdings Berhad
Date : 27 March 2017
Source : The Edge Financial Daily

Sasbadi sees good prospects for network marketing business

BY SYAHIRAH SYED JAAFAR

KUALA LUMPUR: Sasbadi Holdings Bhd, a top player in the local education publishing industry, sees great prospects for its network marketing business.

The group, which obtained its network marketing licence in April 2016, has so far attracted 4,500 members, said Sasbadi co-founder and group managing director Law King Hui.

For the current financial year's first quarter ended Nov 30, 2016 (1QFY17), the segment generated RM1.4 million in sales from the direct selling of its iLearn Ace products, Law told *The Edge Financial Daily*.

Implementing the network marketing business was part of Sasbadi's move to diversify its revenue streams to stay relevant. The group, which started off as a pure education print publisher, has in recent years also diversified into the distribution of applied learning products and online publishing.

This introduction of network marketing is believed to have pushed Sasbadi's share price higher since the later part of 2016. The counter, which closed at RM1.60 last Friday, has risen by more than

50 sen since early October 2016.

Hong Leong Investment Bank Research said the share price hike is most likely due to the direct selling venture, noting that there is potential for the segment to grow. The research house's target price for the stock is RM1.63.

Law said Sasbadi is still in the phase of gathering more members for its network marketing business.

"Networking marketing is a more linear business model. You really don't know what's going to happen in the next quarter," he added.

He said the members have shown sustained interest which he attributes to the Sasbadi brand and the fact that the product being sold is education.

Law hopes to extend this direct-selling strategy business abroad, potentially with Sasbadi's Indonesian partner, book publisher PT Penerbit Erlangga.

The group currently has a licence and services agreement with Penerbit Erlangga that enables Sasbadi to receive a one-off licensing fee and royalty of 8% based on net sales of its iLearn Ace products.

Law said since signing the agreement in 2015, there has not been any significant sales.

This, he said, is because the technology platform is a new concept in Indonesia, and that technologically advanced products requiring live demonstration such as iLearn Ace are better marketed through direct selling.

Law said in Malaysia, the group is gaining good progress through this method as the products are exclusively sold through network marketing, unlike in Indonesia where the products are sold through a conventional distribution method.

"We hope to be able to share with them [the network marketing method]," he said.

Law stressed that Sasbadi remains principally focused on its textbook publishing business and will continue tendering for contracts with the education ministry. It is currently participating in the tender for Form 2 textbooks to be used in 2018.

Recently, Sasbadi was awarded the rights by the Malaysian Examinations Council to print and market past year question papers for the Sijil Tinggi Persekolahan Malaysia (STPM) examination and the Malaysian University English Test (MUET).

The last time Sasbadi printed past year questions was from 2010 to 2013.

The new contract will also last three years, from 2017 to 2019.

CIMB Investment Bank said this is a positive move that should boost Sasbadi's revenue for the next three years.

"We understand STPM's past [year] examination papers are sold for RM9 to RM13 per paper, and MUET's for RM30 per paper. We estimate the potential markets for STPM and MUET to be 40,000 and 200,000 respectively. Assuming 20% of [the] potential market of 240,000 students buy past year question papers, Sasbadi should record RM1.5 million sales annually," said CIMB.

Law also spoke of his vision to embark on providing more experiential learning services and capitalise on it.

Dubbed as his third pillar of the business, he references Sasbadi's new collaboration partnership with Universiti Malaya (UM) to provide accredited certification of robotic programmes to students.

"The collaboration with UM is our effort to leverage on the deep knowledge base of UM and [the] research facility to work together with us to develop credible science, technology, engineering and mathematics (STEM) solutions.

"This is in line with the government's aim to have 60% Malaysian children and youth in STEM education by 2020. Currently, it is at about 40%."

On this, Law said he hopes to create a franchisable product offering and offer it to education operators throughout the country to use in their own learning centres.

Sasbadi recently acquired Distinct Motion Sdn Bhd, which is involved in the business of conducting learning activities related to gadgets, automation systems and robotics technology.

Law said the acquisition was part of the group's plan to go downstream and offer a learning centre space to the public.

However, moving forward, he said he does not want to focus so much on downstream services. Instead, he plans to build a business model based on learning centres and offer its intellectual property to third parties.

"I think it will be very well received. STEM will have huge demand. Not many people are offering STEM [solutions] right now."

Sasbadi's net profit doubled to RM4.33 million in 1QFY17, from RM2.03 million a year earlier.