

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

Sasbadi to seek more M&A to tap into newer education-related segments

Sasbadi Holdings Bhd
 (July 26, RM1.39)

Reiterate buy with a target price (TP) of RM1.73: Sasbadi Holdings Bhd entered into a conditional sale and purchase agreement (SPA) to acquire the remaining 30% of the issued share capital of Sanjung Unggul Sdn Bhd for a purchase consideration of RM9.4 million.

Recall that Sasbadi Holdings had acquired 70% of the issued share capital of Sanjung Unggul back in August 2016, and the acquisition helped Sasbadi to strengthen its presence in the Chinese school market.

We deem the purchase price of RM9.4 million to be fair, as it translates into a 13 times price-earnings (PE), which is lower than the average industrial PE of 18 times. Based on our estimates, the acquisition will contribute an additional 2% to 3% to the bottom line of Sasbadi.

We believe the group will continue to seek more mergers and acquisitions (M&A) to tap into newer and more advanced education-related segments. It is



the group's strategy to achieve at least one (M&A) a year.

We continue to like Sasbadi due to its high growth potential (arising from i-Learn Ace and advance augmented reality educational products), 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. We reiterate "buy" with an unchanged TP of RM1.73. — *Hong Leong Investment Bank Research, July 26*

Sasbadi Holdings Bhd

FYE AUG (RM MIL)	2016A	2017E	2018F	2019F
Revenue	93	110	129	148
Ebitda	26.9	29.7	37.2	44.1
PBT	22.2	26.5	33.9	40.7
Patmi	16.7	19.6	25.1	30.1
Adj Patmi	16.4	19.6	25.1	30.1
Rep EPS (sen)	6.0	7.0	9.0	10.8
Adj EPS (sen)	5.9	7.0	9.0	10.8
PER (x)	24.0	20.1	15.7	13.1
BVPS (RM)	0.55	0.60	0.66	0.73
P/B (x)	2.6	2.4	2.1	1.9
ROA (%)	8.1	9.3	10.8	11.8
ROE (%)	10.9	11.8	13.7	14.8

Source: Hong Leong Investment Bank Research