Company Name : **Sasbadi Holdings Berhad**
Date : **31 October 2017**
Source : **The Edge Financial Daily**

Sasbadi to capitalise on Budget 2018 benefits

Sasbadi Holdings Bhd
(Oct 30, 85 sen)

Maintain a buy recommendation with an unchanged target price (TP) of RM1.25: We maintain our "bullish" stance on Sasbadi despite the potentially disappointing fourth quarter of financial year 2017 (4QFY17) results. We are optimistic that earnings growth is poised to pick up in FY18, following management's recent actions in streamlining costs and enhancing its revenue growth trajectory.

Our TP is higher than the consensus' as we believe that the market has under-appreciated Sasbadi's medium-term growth prospects following recent disappointments from its quarterly earnings. We also have a more aggressive valuation compared to the street's.

The management aims to embark on at least one earnings-accretive acquisition annually to further strengthen its dominant position in the publishing industry and drive income growth. Our revenue assumptions for its network marketing business are RM15 million and RM20 million for FY18 and FY19 respectively, and a stronger-than-expected contribution would serve as a catalyst for the stock.

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Sasbadi is poised to release its results this week. The group so far has registered nine-month (9M) FY17 earnings of RM12.3 million. It needs to register about RM4 million in 4QFY17 to meet our full-year earnings forecast of RM16.4 million. However, the 4QFY17 results could come in below expectations, as we had highlighted in our previous report that the group is actively engaged in streamlining its operations and leveraging on its core brands to improve efficiency and cross-selling. We do not discount the possibility that management may take the opportunity to do some book-clearing exercises to start FY18 on a stronger footing. If so, we would not be surprised if Sasbadi registers headline losses for 4QFY17.

We advocate investors to look forward to FY18, where we are optimistic that Sasbadi's earnings growth will pick up, following management's recent actions in streamlining cost and enhancing its revenue growth trajectory.

We believe that Sasbadi is well positioned to capitalise on Budget 2018 since the government has made a commitment to strengthen Malaysia's quality of education. The specific measures announced that we believe will benefit the group include: i) RM100 schooling assistance per student for 3.2 million students from low-income households; ii) food assistance, textbooks, capita grant assistance and federal scholarships amounting to RM2.9 billion; iii) establishment of science, technology, engineering, and mathematics (Stem) centres; iv) book voucher assistance of RM250; and v) introduction of 21st century smart classrooms to enhance creative-based learning and innovative thinking.

As highlighted in our previous write-up, we understand that management has intensified its efforts to boost its top line by: i) bringing forward its publication timeline to provide its sales channels with ample time to market its products; ii) incorporate digital technology into its academic publications to sharpen its competitive edge; iii) publishing preschool titles, which is a new market segment that the group had minimal presence in the past; and iv) expanding its market position in the non-academic segment by introducing more titles.

— AllianceDBS Research, Oct 30

Sasbadi Holdings Bhd

FYE AUG (RM MIL)	2016A	2017F	2018F	2019F
Revenue	92.7	109	129	148
Ebitda	22.1	28.1	38.7	48.0
Pre-tax profit	22.2	23.4	34.1	43.4
Net profit	16.7	16.4	24.6	31.8
Net profit (pre ex)	11.9	16.4	24.6	31.8
Net profit growth (pre ex) (%)	(22.6)	38.7	50.0	29.2
EPS (sen)	3.98	3.92	5.88	7.59
EPS pre ex (sen)	2.83	3.92	5.88	7.59
EPS growth pre ex (%)	(23)	39	50	29
Diluted EPS (sen)	3.98	3.92	5.88	7.59
Net DPS (sen)	1.50	1.96	2.94	3.80
BV per share (sen)	35.2	38.2	42.4	47.7
PER (x)	23.7	24.1	16.1	12.4
PER pre ex (x)	33.4	24.1	16.1	12.4
P/CF (x)	236.6	48.4	29.5	18.8
EV/Ebitda (x)	17.9	14.5	10.6	8.5
Net dividend yield (%)	1.6	2.1	3.1	4.0
P/BV (x)	2.7	2.5	2.2	2.0
Net debt/equity (x)	Cash	0.0	0.0	0.0
ROAE (%)	13.2	10.7	14.6	16.9

Sources: Company, AllianceDBS, Bloomberg Finance LP