

Company Name : Sasbadi Holdings Berhad
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Sasbadi's sales poised to pick up in the coming quarters

PETALING JAYA: After a soft start in the first quarter of financial year 2024 (1Q24), Sasbadi Holdings Bhd is poised to see a pick up in sales in the coming quarters with the start of the new school term.

In 1Q24 (ended Nov 30, 2023), the publisher of education materials saw its revenue dropping 17.5% year-on-year to RM15.3mil mainly due to the lack of government contract contribution in the form of textbooks supply and Common European Framework of Reference for Languages (CEFR) digital solutions.

As a result, the group recorded a net loss of RM1mil in 1Q24 due to the higher fixed cost, while the Shopee voucher contribu-

tions were also lower-than-expected.

Inter-Pacific Research said Sasbadi's 1Q24 results were below its expectations.

However 1Q24 tends to be seasonally a weaker quarter and it expects "sales to pick up significantly in 2Q24 and 3Q24 before the start of school terms", which will improve its print publishing segment.

"Taking into consideration the management's guidance, we project 2Q24 academic books demand to come in around last year's level.

"We also learnt that the elevated inventory level was not an indication of a slower sales trend but was mainly due to bulk paper purchase worth around RM8mil at

around US\$750 per tonne, in which the purchase will cover about 75% of the group's total FY24 paper requirement," Inter-Pacific Research said in a note to clients on the company.

To account for the lower-than-expected sales contribution from its Shopee partnership in the first-half of this year, Inter-Pacific Research has tweaked its FY24 and FY25 earnings forecast for Sasbadi by 14.9% to 15.5% to RM10.3mil and RM10.4mil, respectively.

However, the research firm expects the group to leverage on its cost savings strategy to sustain its gross margin for 2Q24, as the group intends to follow market pricing

to benefit from the cost differential with its peers.

It also remains positive on the group's focus on mergers and acquisitions strategies moving forward.

"This should provide better footing for the group to reduce its reliance on the print publishing segment, and to potentially benefit from the increased digitalisation of the learning environment in Malaysia as the digital learning products typically yield higher margin compared to the supply of academic prints."

Inter-Pacific Research has a "buy" call on Sasbadi with a 24 sen a share target price. Its shares closed at 17 sen on Wednesday.