

Company Name : **Sasbadi Holdings Berhad**
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Minimal Impact From School Textbook Contracts For Sasbadi

KUALA LUMPUR: Sasbadi Holdings Bhd's latest contracts win worth RM6.81mil by the Education Ministry, is expected to have minimal impact on its earnings, according to CIMB Research.

According to the contract terms, around RM4mil worth of books would need to be delivered by 1QFY18-2QFY18, before the start of the 2018 national school season.

"Assuming a 10% pretax profit margin, Sasbadi would recognise a pretax profit of RM400,000 in 1QFY8/18 or a net profit of RM300,000.

"We expect this to boost the company's FY18 forecast earnings per share (EPS) by only 0.5%. The remaining RM2.9mil worth of order is to be delivered by 1QFY19, which we estimate would boost its FY19F EPS by only 0.2%," CIMB said in a report.

Sasbadi announced it has secured a contract from the Education Ministry to print three textbooks (mathematics, arts education and Chinese language) for the Year 2 Chinese national-type primary schools throughout Malaysia.

"This contract win is not a surprise to us. The company typically wins some textbook orders annually, and since it bought a 70% stake in Sanjung Unggul in August 2015, it has been winning more textbook orders for the Chinese national schools," CIMB said.

The research house noted that Sasbadi's monthly iLearn-Ace's multi-level marketing (MLM) sales have been stable at around RM500,000.

"We previously expected MLM sales to pick up from January onwards with the start of the national school season; however, it seems the company may need a little

more time to boost iLearn-Ace's MLM sales. We believe Sasbadi is still tweaking its sales strategy to help boost sales," it added.

Sasbadi is expected to announce its 2QFY17 results in end-April. Seasonally, its second quarter is the strongest quarter of the year as the school season starts in early-January which falls in the middle of the Dec-Feb quarter.

"We maintain our EPS forecasts and target price, based on a 20% discount to FY18 forecast 16 times price-to-earnings to reflect its small market cap," CIMB said, adding that Sasbadi remained an "add" with a target price of RM2.82.

It said potential re-rating catalysts were stronger-than-expected iLearn-Ace sales over the next few quarters and M&As while continued weakness in iLearn-Ace sales was a key downside risk.