

Company Name : Sasbadi Holdings Berhad
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Sasbadi Bounces Off One-Month Low, Climbs To 90 Sen

KUALA LUMPUR: Sasbadi Holdings Bhd, which publishes educational materials, saw its share surge to a more than one month high of 90 sen on Friday as analysts turned positive about its outlook.

At 2.37pm, it was up seven sen to 90 sen with 2.22 million shares done.

AllianceDBS Research Sdn Bhd said on Friday it had a target price of RM1.25, which a more than 50% upside.

“Sasbadi has become a high conviction Buy, given that (1) valuation has turned attractive after its relative share price underperformance, and, (2) we believe that earnings growth is poised to pick up in FY18 following management’s recent actions in streamlining cost and enhancing its revenue growth trajectory,” it said.

The research house said the share price had fallen to near its year low of 80 sen earlier this week.

“The group is currently trading at below –one standard deviation of its historical mean. At its current valuation, we believe that the market has priced in recent earnings disappointment but ignore its medium-term growth prospects from FY18 onwards,” it said.

AllianceDBS Research said despite its optimism over Sasbadi's earnings prospects from FY18 onwards, it cut its FY17/FY18/FY19 earnings by 28%/13%/7% respectively.

This was mainly to account for (1) uninspiring 9MFY17 earnings reported, and (2) higher cost base assumption as the research house anticipates a higher operating cost than previously assumed, notwithstanding management’s effort to streamline its operations.

“Even with lower earnings estimates, our revised earnings imply that the group will register core earnings growth of 50%/29% in FY18/FY19.

“We are maintaining our Buy recommendation with a higher TP of RM1.25, upon (1) earnings revisions, and (2) rolling forward our valuation base to CY18, pegging to an unchanged price-to-earnings ratio (PER) of 19 times.

“Our valuation is based on a 10% discount against its historical mean PER and implies a price-to-earnings growth of more than one time, which we believe is reasonable. With a potential 51% upside, Sasbadi is a high conviction Buy,” it said.