

**Company Name** : Sasbadi Holdings Berhad  
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## **Sasbadi Looking To Grow Export Markets, CIMB Research Keeps 21c TP**

KUALA LUMPUR: Sasbadi Holdings is looking to grow its export markets, focusing on pre-school books and non-academic books such as comics and novels, CIMB Equities Research says.

The company is also looking at leveraging on its sales of intellectual property (IP) rights and content for the export market, to offset weak domestic retail book sales, the research house said on Wednesday.

As at end-May 2019, Sasbadi's net debt was at RM29.7mil or 0.19 times, an improvement compared to RM31.2mil or 0.2 times net gearing as at end-February 2019.

"This is a positive sign as it shows that its ongoing cost cutting measures are showing results," it said.

CIMB Research maintained its EPS forecasts and TP based on a 30% discount to our 2020F target P/E of 16 times for the domestic education sector.

The discount is to reflect seasonally slower sales of academic school books in 2HFY19F.

"We expect 4QFY19 results to be a net loss due to lower revenue. However, the stock remains a Hold as its share price is supported at 0.5 times PBV. Continued weak retail sales for its academic books could de-rate the stock while stronger-than-expected non-academic revenue is an upside risk to our Hold call," it said.

The research house said Sasbadi's 9MFY19 core net profit was down by 5.4% on-year at RM8.7mil, with revenue dipping 1.0% on-year at RM72.6mil.

While retail school and non-school books revenue rose 0.7% on-year at RM67.5mil, this was offset by lower multi-level-marketing (MLM) revenue.

However, 9MFY19 EBITDA margin was stable at 24.5% mainly due to the company's ongoing cost cutting measures. Its 9MFY19 administrative costs fell by 9% on-year at RM11.2m.

The 3QFY19 revenue declined by 8.7% on-year at RM17.8m mainly due to weak retail and MLM revenue while net profit fell 14.3% on-year at RM600,000.

The 3Q net profit decline could have been worse if not for Sasbadi's cost-cutting measures. 3QFY19 administrative costs fell by 28% on-year at RM3mil.

Sasbadi's 9MFY19 MLM gross profit was down 32% on-year to RM1.7m (9MFY19 MLM revenue declined 26% on-year) as the division lost some of its major distributors during the period.

"What is positive is that the company indicated new major distributors recently joined its MLM division. Hopefully, this will help boost its MLM revenue over the next few quarters.

"Sasbadi's MLM subscriber base is close to 16,300 members," CIMB Research said.