

Company Name : Sasbadi Holdings Berhad
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Analysts upbeat about earnings outlook for Sasbadi

PETALING JAYA: Analysts are upbeat about the earnings outlook of Sasbadi Holdings Bhd, a publisher of print and digital educational materials.

AllianceDBS Research has maintained a "buy" call on the stock with a target price of RM1.75 based on a price-to-earnings ratio of 19 times from 17 times previously on the narrowing of the valuation discount to 10% from 25%.

Similarly, Hong Leong Investment Bank has a "buy" recommendation and a target price of RM1.63 on the counter, with an unchanged price-to-earnings multiple of 18 times based on financial year ending Dec 31, 2017 (FY17) earnings per share.

The company posted a 47% jump in net profit for the first quarter ended Nov 30, 2016 compared to the same quarter a year ago despite this being a seasonally weaker quarter for the education publishing industry.

AllianceDBS said the stock served as one of the best proxies to the Malaysian education industry, in which Sasbadi has a publishing market share of 10%.

The research house considers network marketing, from which the company received a licence last April, to be a key growth driver.

It added that there could be significant contributions kicking in from FY17 onwards, given that the company has signed on more than 3,000 members.

It said these marketing strategies could be a boost for the company's digital products as the market remained unfamiliar with such products.

As such, a more personalised marketing strategy could lead to better recognition and appreciation of such products by consumers.

"In our earnings model, we have only assumed RM5mil contributions from its network marketing business for FY17, leaving room for further earnings upgrade," it said.

Meanwhile, Hong Leong Investment Bank Bhd said the company "is more prepared" compared to the previous year for the tendering of textbooks for 2018.

"Tendering process should end by March 2017," it said, adding that higher earnings contributions could come from the second and third quarters as students purchase new books for the beginning of the school term.

It also expects higher contribution from the company's online products via Mindtech education.