

Company Name : Sasbadi Holdings Berhad
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Sasbadi Sees Better Results Next Year Despite Weak Outlook



Some of Sasbadi's educational robotic products.

PETALING JAYA: Sasbadi Holdings Bhd expects to see better results in the year ahead despite the weak retail market outlook for 2018.

This is mainly attributable to the business streamlining efforts the education solutions provider initiated for its financial year (FY) ended Aug 31, 2017.

Sasbadi said in anticipation of the continued weak retail market conditions, the group had been stepping up its efforts to diversify beyond the core academic segment into new revenue streams where we do not have a significant presence.

The group had also been streamlining and leveraging resources within the group to maximise efficiency and effectiveness.

“The group was unable to reap the rewards of these efforts during FY2017, as the efforts had not fully turned on, but we believe they will contribute more significantly to

the group in the coming financial years,” Sasbadi said in its 2017 annual report released yesterday.

In addition, the group said it would continue to capitalise on the Government’s agenda with regard to Science, Technology, Engineering and Mathematics (Stem) and smart classroom solutions by utilising the group’s existing and expanding digital solutions, technological know-how, as well as 21st Century learning tools and products.

“The group will also continue to explore opportunities for synergistic collaborations with third parties that have similar drive and agenda, and to pursue growth in our market share of the direct users market via our network marketing/direct sales business,” Sasbadi said.

“Premised on the above and barring any unforeseen circumstances, the group is positive of our prospects and performance for FY2018 despite the poorer-than-expected results for FY2017,” it added.

Sasbadi’s shares closed three sen lower at 55.5 sen yesterday.

Year to date, the counter has lost about 36%.

Sasbadi’s net profit fell 51.8% to RM8.04mil, or 1.92 sen per share, for FY2017, from RM16.7mil, or 4.13 sen per share, in the preceding year.

The group attributed its lower earnings to the absence of bargain purchase gain, as was recognised in FY2016, and higher operating costs.

During the year in review, Sasbadi saw its revenue increase a marginal 0.4% to RM93.06mil from RM92.69mil in FY2016.

Over the years, the group had transformed from a pure educational print publisher to a group with diverse learning and teaching solutions, including technology that enables online learning, digital education products, applied learning tools that facilitate Stem education, education services via learning centres, and a network marketing business, all of which complement the print publishing business.

AllianceDBS Research favoured Sasbadi for its undemanding valuation and growth prospects in the year ahead. The brokerage rated the counter a “buy” and top pick for the consumer sector, with a target price of RM1.25 based on 11.6 times estimated earnings for FY2018.

“Our top pick for the (consumer) sector is Sasbadi, given its attractive valuation, and we are optimistic that earnings growth is poised to pick up in FY2018, following management’s recent actions in streamlining costs and enhancing its revenue growth trajectory,” AllianceDBS said.

The brokerage expected Sasbadi to register a compounded annual growth rate of 43.2% for its earnings per share from 2016-2018.

Similarly optimistic was CIMB Research, which maintained its “add” rating on Sasbadi, with a target price of RM1.32 based on an unchanged 20% discount to the valuation of 16 times the estimated earnings for FY2019 to reflect Sasbadi’s small market cap.

CIMB Research said catalysts for Sasbadi would be stronger-than-expected sales of its iLearn-Ace solutions, which is an interactive mobile learning platform based on the national school curriculum; “Chuck Chicken” books, which are expected to be launched by early-2018; and preschool books.

“We expect Sasbadi’s retail book sales to get a boost from the RM300mil book vouchers given by the Government to school students in FY2018,” CIMB said.

The brokerage added that it expected Sasbadi to see its multilevel marketing sales to reach around RM40mil in FY2018 and FY70mil in FY2019.