

Company Flash Note

Sasbadi Holdings Berhad

Bloomberg: SASB MK | Reuters: SAHO.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

14 Oct 2014

BUY RM1.67 KLCI : 1,797.20

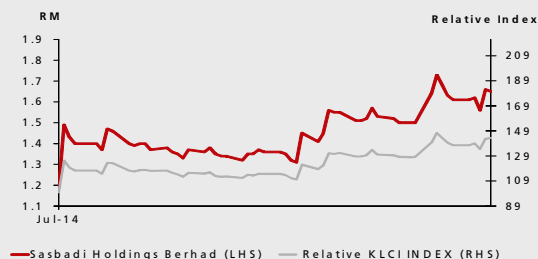
Price Target : 12-Month RM 2.25 (Prev RM 2.25)

Shariah Compliant : No

Analyst

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Price Relative



Forecasts and Valuation

FY Aug (RM m)	2014F	2015F	2016F	2017F
Revenue	76	87	98	111
EBITDA	23	27	33	39
Pre-tax Profit	16	24	30	36
Net Profit	11	18	22	27
Net Pft (Pre Ex.)	15	18	22	27
EPS (sen)	9.1	13.9	17.3	21.0
EPS Pre Ex. (sen)	11.7	13.9	17.3	21.0
EPS Gth (%)	(10)	54	24	22
EPS Gth Pre Ex (%)	16	19	24	22
Diluted EPS (sen)	11.7	13.9	17.3	21.0
Net DPS (sen)	0.0	7.0	8.6	10.5
BV Per Share (sen)	73.0	80.0	88.6	99.1
PE (X)	18.2	11.8	9.5	7.9
PE Pre Ex. (X)	14.1	11.8	9.5	7.9
P/Cash Flow (X)	16.7	13.2	10.0	8.3
EV/EBITDA (X)	7.7	6.8	5.5	4.3
Net Div Yield (%)	0.0	4.2	5.2	6.4
P/Book Value (X)	2.3	2.1	1.9	1.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	12.4	17.4	20.5	22.4

Source of all data: Company, AllianceDBS, Bloomberg Finance L.P

Sweet deal to gain Indonesia exposure

- Signs LSA with Indonesian publisher, Erlangga
- Opportunity to penetrate a fast-growing market
- Earnings unchanged pending 4QFY14 results
- Reiterate high conviction BUY and RM2.25 TP

Signs exclusive agreement with PT Penerbit Erlangga.

Sasbadi has entered into a License and Services Agreement (LSA) with one of Indonesia's largest book publishers, PT Penerbit Erlangga. This would grant the publisher an exclusive and non-transferable license to use its interactive online learning system i-LEARN, and sell the latter's online learning materials under the platform in Indonesia. In return, Sasbadi will receive a one-off USD300k (c.RM1m) non-refundable license fee, as well as a semi-annual royalties fees based on net sales generated through the online platform in Indonesia.

Our view. This is a positive development as it would allow Sasbadi to diversify its market and get a piece of the fast-growing Indonesian education industry without additional business risks and costs. According to Euromonitor, Indonesia's book publishing industry expanded at 5-year CAGR of 6% over 2007-2012 to Rp6.6 trillion (RM1.7-1.8bn), driven by economic growth and rising awareness of education. This is 2.4x the size of Malaysia's book publishing market, and we foresee the growth potential to be much stronger in Indonesia premised on its large population (253m vs 28m in Malaysia).

Earnings unchanged pending 4QFY14 results. The RM1m one-off license fee would lift FY15F PAT by 6%; we will review our forecasts after the release of 4QFY14 results. Over the longer term, the recurring royalty fees from platform sales will grow earnings contribution from Indonesia.

Reiterate BUY, RM2.25 TP (DCF valuation). At the current price, the stock is trading at undemanding valuation (11.8x/9.5x/7.9x of FY15-FY17 EPS). Yield is compelling at 4-6%, based on 50% payout assumption.

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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