

Sasbadi Holdings (HOLD ↓; EPS ↓)

EDUCATION

EARNINGS EVALUATION

28 January 2015

Price Target: RM1.55(↓)

Share price: RM1.43

1QFY15 Results

Results

- **Below expectations** – Sasbadi's revenue of RM16.3m (-7% qoq) translated into PATAMI of RM1.6m came in below ours and consensus' full year estimation, accounting for 10% and 9%, respectively.

Deviations

- Lower than expected revenue contribution due to seasonality.

Dividends

- Declared 3 sen per share. This accounts for 78% of our DPS estimates. Ex-date on 25 Feb-15, payment on 23 Mar-15. As stated before, management plans to adopt dividend policy of up to 50% of their profit upon listing.

Highlights

- **1QFY15 qoq review...** Due to sales of PT3 (Pentaksiran Tingkatan 3), educational materials for post-secondary and teacher education in the previous quarter, revenue dropped 7% qoq. Its educational print publishing and distribution of applied learning products arm, Sasbadi Sdn Bhd, represented 94% of total revenue (RM15.4m).
- Sasbadi Online recorded revenue of RM0.2m; a level which we think is sustainable. We believe changes in the educational policy on e-learning would be a catalyst for the online division.
- Managed to control its expenses, posting a 12% decline from RM5.3m in 4QFY14 to RM4.7m. Achieved higher PBT of RM2.3m (+21% qoq) due to the presence of listing expenses in 4QFY14.
- Note that Sasbadi still has RM10.5m from IPO proceeds which will be used for earnings-accretive acquisition(s) of publishing companies that will complement its current business structure. Overall, we're still optimistic on its long-term earnings growth.

Risks

- Losing the textbook tender from MOE;
- Migration towards the online platform;
- Spike in paper prices; and
- Changes in National Curriculum and educational policies.

Forecasts

- We tweaked FY15 – FY16 earnings downwards by 6-6.4%, to reflect lower revenue contribution from its educational publishing and online segment.

Rating

BUY (↔)

- We like Sasbadi due to the stability in their business and their long term catalysts based on the new curriculum for secondary schools from 2017 onwards and potential M&As. However, in view of the poor results, we tentatively downgrade the stock to a HOLD pending update with the management.

Valuation

- Downgrade to HOLD, with lower target price of RM1.55, based on 12x CY 15 EPS or circa 50% discount (unchanged) to average P/E of education sector.

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KLCI	1,803.2
Expected share price return	8.4%
Expected dividend return	2.4%
Expected total return	10.8%

Share price



Information

Bloomberg Ticker	SASB MK
Bursa Code	5252
Issued Shares (m)	127
Market cap (RM m)	182
3-mth avg. volume ('000)	151
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	0.7	-14.9	nm
Relative	-1.5	-13.8	nm

Major shareholders

Law King Hui	20.2%
Lee Swee Hang	10.1%
Maybank Trustees Bhd	6.9%

Summary Earnings Table

FYE Aug (RM m)	2013A	2014A	2015E	2016E
Revenue	77.97	79.48	86.04	97.33
EBITDA	20.34	19.78	25.08	29.42
PATAMI	13.62	12.25	15.03	19.16
EPS (sen)	12.87	8.66	11.83	15.09
Core EPS (sen)	12.87	8.66	11.83	15.09
P/E (x)	11.11	16.50	12.08	9.48
BV /share	0.6	0.8	0.8	0.9
P/BV (x)	2.35	1.76	1.76	1.57
DPS (sen)	-	7.37	3.55	4.53
DY %	-	5.15	2.48	3.17
ROE (%)	23.60	12.63	15.24	17.47
ROA (%)	17.63	10.61	13.12	15.42

HLIB

Figure #1 Quarterly results comparison

FYE Aug (RM m)	1QFY14	4QFY14	1QFY15	QoQ (%)	YoY (%)	Comments
Revenue	-	17.5	16.3	-7	-	Made up 18% of both ours and consensus' estimates.
Sasbadi Sdn Bhd	-	13.7	15.4	12	-	QoQ: Sales due to new products based on the modified school assessment PT3.
Sasbadi Online	-	0.7	0.3	-61	-	
Orbit Buku	-	0.1	0.0	-88	-	
Malaysian Book Promotions	-	3.0	0.6	-79	-	
GP	-	7.3	6.9	-5	-	
Expenses		(5.3)	(4.7)	-12		
EBITDA	-	2.6	2.9	14	-	
Operating Profit	-	1.9	2.3	17	-	Thanks to better cost management.
Interest Income	-	0.06	0.11	105	-	
Finance Costs	-	(0.1)	(0.1)	-1	-	
Shares of Associates/JCE	-	-	-	-	-	
PBT	-	1.9	2.3	21	-	Higher due to the absence of listing expenses.
PAT	-	1.2	1.6	36	-	Effective tax rate of 28% due to non-deductible expenses.
PATAMI	-	1.2	1.6	-34	-	
Core Earnings	-	2.5	1.6	-34	-	Equates to 10% and 9% of ours and streets' estimates.
Basic EPS (sen)	-	1.05	1.30	24	-	
GP Margin (%)	-	41%	42%	2	-	
EBITDA Margin (%)	-	15%	18%	23	-	
Operating Profit Margin (%)	-	11%	14%	26	-	Lower expenses.
Sasbadi, HLIB						

Figure #2 Consensus vs HLIB

FYE Dec (RM m)	FY15E			FY16E		
	HLIB	Consensus	(%)	HLIB	Consensus	(%)
Revenue	86.0	89.5	-3.8	97.3	101.0	-3.6
PATAMI	15.0	17.6	-14.6	19.2	21.2	-9.4

Bloomberg, HLIB

Financial Projections for Sasbadi Holdings (HOLD; TP: RM1.55)

Income Statement

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	64.8	78.0	79.5	86.0	97.5
COS	(37.9)	(45.8)	(42.4)	(46.7)	(51.4)
EBITDA	16.5	20.3	19.8	25.1	29.4
D&A	(1.6)	(1.9)	(2.6)	(2.7)	(3.2)
Net Interest	0.0	0.1	(0.3)	0.3	0.3
Associates/JCE	-	-	-	-	-
Exceptionals	-	-	-	-	-
Profit Before Tax	14.9	18.5	16.9	20.0	25.6
Tax	(4.0)	(4.9)	(4.6)	(5.0)	(6.4)
Minority Interests	-	-	-	-	-
PATAMI	10.9	13.6	12.3	15.0	19.2
Core Earnings	10.9	13.6	10.0	15.0	19.2
Basic Shares (m)	105.8	105.8	115.4	127.0	127.0
Basic EPS (sen)	10.29	12.87	10.62	11.83	15.09
Core EPS (sen)	10.29	12.87	11.74	11.83	15.09

Quarterly Financial Summary

FYE 31 Aug (RM m)	3QFY14	4QFY14	1QFY15
Revenue	17.9	17.5	16.3
COGS	(9.831)	(10.270)	(9.392)
Gross Profit	8.110	7.279	6.931
Other Income	0.041	-	0.063
Expenses	(3.945)	(5.345)	(4.725)
Operating Profit	4.206	1.934	2.269
Interest Income	0.022	0.055	0.113
Finance Costs	(0.189)	(0.097)	(0.096)
Associates/JCE	-	-	-
Profit Before Tax	4.039	1.892	2.286
Tax	(1.035)	(0.676)	(0.638)
Profit After Tax	3.004	1.216	1.648
MI	-	-	-
PATAMI	3.004	1.216	1.648
Core PATAMI	3.004	2.5	1.648
Basic EPS (sen)	2.84	1.05	1.30
DPS (sen)	-	-	3.00
W. Ave. Shares (m)	105.8	115.4	127.0

Balance Sheet

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Fixed Assets	28.6	28.0	30.3	35.9	41.0
Other long-term assets	0.04	0.04	4.99	4.99	4.99
Other short-term assets	2.1	0.7	1.1	1.1	1.1
Working Capital	28.4	29.5	43.9	48.7	53.4
Receivables	12.8	21.0	31.0	31.8	34.7
Payables	(5.9)	(6.5)	(7.4)	(8.7)	(9.7)
Inventory	21.5	15.0	20.3	25.6	28.4
Net cash	11.7	11.5	20.3	14.5	17.2
Cash	12.5	12.0	23.9	18.2	20.8
Total Debt	(0.8)	(0.5)	(3.7)	(3.7)	(3.7)
Shareholders' funds	50.9	64.5	93.7	103.5	115.9
Share capital	2.4	2.4	63.5	63.5	63.5
Reserves	48.5	62.1	30.2	40.0	52.4
Minorities	-	-	-	-	-
Other liabilities	20.0	5.3	6.8	5.1	5.1

Rates and Ratios

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
EPS (sen)	10.3	12.9	8.7	11.8	15.1
PER (x)	13.9	11.1	16.5	12.1	9.5
DPS (sen)	16.7	0.0	7.37	3.55	4.53
DY %	11.7	0.00	5.15	2.48	3.17
BVPS (RM)	0.5	0.6	0.8	0.8	0.9
P/B (x)	3.0	2.3	1.8	1.8	1.6
FCF/Share (sen)	0.02	0.15	(0.06)	0.02	0.07
FCF yield %	1.1	10.4	(4.3)	1.4	5.0
ROE	20.9	23.6	12.6	15.2	17.5
ROA	15.2	17.6	10.6	13.1	15.4
Net Gearing (%)	(23.0)	(17.8)	(21.6)	(14.0)	(14.8)

Cashflow Analysis

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
EBITDA	16.5	20.3	19.8	25.1	29.4
WC changes	(7.7)	(1.1)	(10.0)	(4.8)	(4.7)
Taxation	(4.0)	(4.9)	(4.9)	(5.0)	(6.4)
Others	(1.6)	2.9	(1.1)	(4.3)	(0.9)
Operating cashflow	3.2	17.1	5.5	11.0	17.4
Capex & acquisitions	(1.5)	(1.3)	(8.3)	(8.3)	(8.3)
Free cashflow	1.7	15.8	(2.8)	2.6	9.1
Other inv cashflow	1.0	0.1	0.3	0.3	0.3
New borrowings	0.2	(0.3)	-	-	-
Share issuance	-	-	25.2	-	-
Dividends paid	(1.6)	(16.1)	(16.1)	(5.3)	(6.7)
Other fin cashflow	(0.5)	(0.0)	(0.0)	(0.0)	(0.0)
Net cashflow	0.9	(0.5)	6.6	(2.4)	2.6

Assumption Metrics

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue Growth (%)	8.1	20.3	3.9	11.3	12.7
PATAMI Growth (%)	14.9	25.0	2.1	14.4	17.4
EPS Growth (%)	14.9	25.0	(17.5)	11.4	27.5
EBITDA Margin (%)	25.4	26.1	24.9	29.2	30.2
EBIT Margin (%)	23.0	23.8	21.2	23.3	26.3
PBT Margin (%)	23.0	23.8	21.2	23.3	26.3
PAT Margin (%)	16.8	17.5	15.4	17.5	19.7

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BUY	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
TRADING BUY	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
HOLD	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
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