

# Company Focus

# Sasbadi Holdings Berhad

Bloomberg: SASB MK | Reuters: SAHO.KL

Refer to important disclosures at the end of this report

## Malaysia Equity Research

28 Apr 2015

**HOLD RM2.31 KLCI : 1,859.58**

Price Target : 12-Month RM 2.25

Shariah Compliant: Yes

Reason for Report : 2QFY15 results

Potential Catalyst: Earnings-accretive acquisitions

Where we differ: In line with consensus

### Analyst

King Yoong CHEAH CFA +603 2604 3908  
cheahky@alliancedbs.com

### Result Summary

| FY Aug (RM m)        | 2Q<br>2015 | 2Q<br>2014 | 1Q<br>2015 | % Chg<br>y-o-y | % Chg<br>q-o-q |
|----------------------|------------|------------|------------|----------------|----------------|
| <b>P&amp;L Items</b> |            |            |            |                |                |
| Turnover             | 32.1       | N/A        | 16.3       | N/A            | 96.7           |
| Gross Profit         | 17.4       | N/A        | 6.9        | nm             | 151.0          |
| Opg Profit           | 11.5       | N/A        | 2.2        | nm             | 421.3          |
| EBITDA               | 12.8       | N/A        | 2.9        | nm             | 344.9          |
| Net Profit           | 8.3        | N/A        | 1.6        | nm             | 403.6          |
| <b>Other Data</b>    |            |            |            |                |                |
| Gross Margin (%)     | 54.2       | N/A        | 42.5       |                |                |
| Opg Margin (%)       | 35.8       | N/A        | 13.5       |                |                |
| Net Margin (%)       | 25.9       | N/A        | 10.1       |                |                |

### Financial Summary

| FY Aug (RM m)       | 2014A | 2015F | 2016F | 2017F |
|---------------------|-------|-------|-------|-------|
| Turnover            | 79    | 87    | 100   | 114   |
| Operating Profit    | 20    | 24    | 30    | 36    |
| EBITDA              | 23    | 27    | 33    | 40    |
| Net Pft (Pre Ex.)   | 15    | 18    | 22    | 27    |
| EPS (sen)           | 9.6   | 13.8  | 17.5  | 21.6  |
| EPS Pre Ex. (sen)   | 12.2  | 13.8  | 17.5  | 21.6  |
| EPS Gth (%)         | (4)   | 43    | 27    | 23    |
| EPS Gth Pre Ex (%)  | 21    | 14    | 27    | 23    |
| Net DPS (sen)       | 0.0   | 6.9   | 8.8   | 10.8  |
| BV Per Share (sen)  | 73.8  | 80.7  | 89.5  | 100.3 |
| PE (X)              | 23.9  | 16.7  | 13.2  | 10.7  |
| PE Pre Ex. (X)      | 19.0  | 16.7  | 13.2  | 10.7  |
| EV/EBITDA (X)       | 11.9  | 9.8   | 7.9   | 6.3   |
| Net Div Yield (%)   | 0.0   | 3.0   | 3.8   | 4.7   |
| P/Book Value (X)    | 3.1   | 2.9   | 2.6   | 2.3   |
| Net Debt/Equity (X) | CASH  | CASH  | CASH  | CASH  |
| ROAE (%)            | 13.1  | 17.1  | 20.6  | 22.8  |

### At A Glance

|                         |            |
|-------------------------|------------|
| Issued Capital (m shrs) | 127        |
| Mkt. Cap (RMm/US\$m)    | 293 / 82.2 |
| Avg. Daily Vol.('000)   | 647        |

ICB Industry : Consumer Services

ICB Sector: Media

**Principal Business:** Sasbadi Holdings (Sasbadi) is a market leader in the local educational publishing industry with c.9% market share. The group is well managed with high ROE and superior profitability, thanks to its lean operating structure and complementary business model.

Source: Company, AllianceDBS, Bloomberg Finance L.P.

## No surprises

- As expected, the group booked strong 2QFY15 core earnings of RM8.3m (+404% q-o-q)
- 1HFY15 earnings reached RM9.9m, in line with our full year estimate
- No change to forecast earnings
- Maintain HOLD with RM2.25 TP

### Highlights

#### Seasonally strong quarter

- Sasbadi reported strong 2QFY15 core earnings of RM8.3m (+404% q-o-q). There is no y-o-y comparison as the group was only listed in July 2014. This takes 1HFY15 earnings to RM9.9m, or 57% of our full year estimate.
- As highlighted in our previous write up, 2QFY15 (December to February) is seasonally strongest for the group, followed by 3QFY15 (March to May).

### Outlook

#### No change to earnings forecasts

- Despite the anticipated slowdown in consumer spending in the coming months following the implementation of GST effective April, the group's business will remain relatively resilient. Therefore, we expect the group to meet our full year earnings forecasts.

### Valuation

We continue to like Sasbadi for its solid fundamentals and hands-on management, but the stock remains a HOLD because of limited upside to our DCF-derived TP of RM2.25.

### Risks

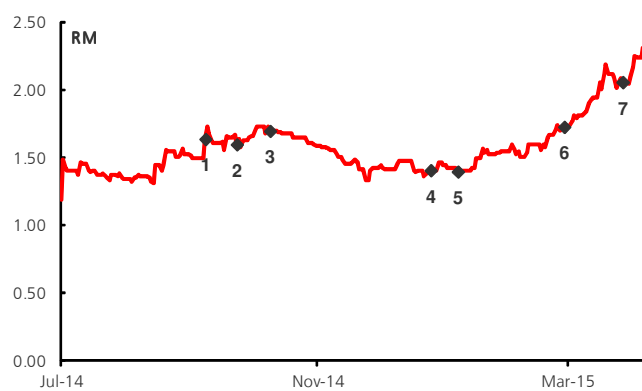
#### Paper cost fluctuation

- A sudden surge in paper cost, which represents 38% of Sasbadi's COGS would hurt earnings.

#### Change in education policies

- Failure to respond timely to changes in education policies could hurt sales and earnings.

## Target Price &amp; Ratings History



**Note:** Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

**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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Wong Ming Tek, Executive Director

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19th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.  
Tel.: +603 2604 3333 Fax: +603 2604 3921 email : [general@alliancedbs.com](mailto:general@alliancedbs.com)