

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

30 Jun 2015

HOLD RM2.31 KLCI : 1,691.92

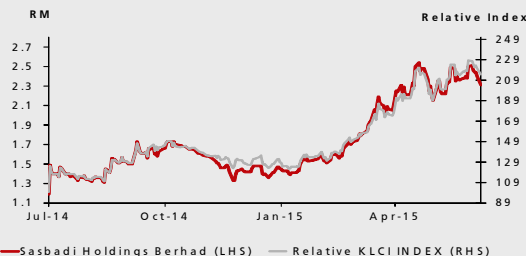
Price Target : 12-Month RM 2.25 ((3)% downside)

Shariah Compliant: Yes

Analyst

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

Price Relative



Forecasts and Valuation

FY Aug (RM m)	2014A	2015F	2016F	2017F
Revenue	79	87	100	114
EBITDA	23	27	33	40
Pre-tax Profit	17	24	30	37
Net Profit	12	18	22	27
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
Diluted EPS (sen)	12.2	13.8	17.5	21.6
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
P/Cash Flow (X)	228.3	10.1	13.9	11.4
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

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

Venturing into tertiary education

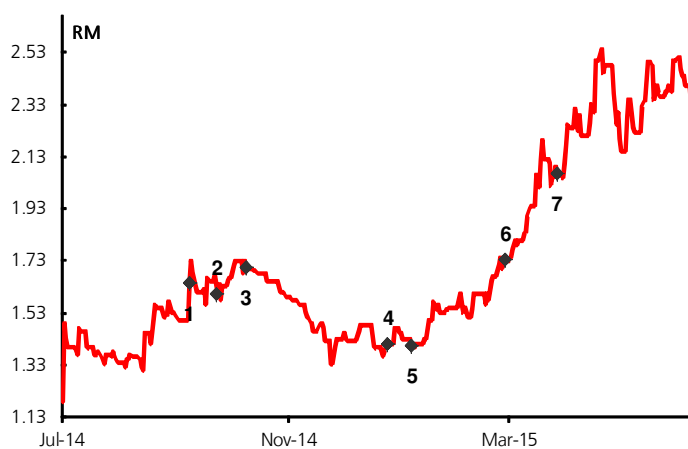
- **Proposes to acquire a small college**
- **We are neutral on deal**
- **No change to our earnings estimates**
- **HOLD, RM2.25 TP**

Buying a small college in Kuala Lumpur. Sasbadi has announced it will acquire the entire share capital of PMI Education Sdn. Bhd. (PMIE), which operates Mantissa College in TTDI, Kuala Lumpur. Currently, the college offers 18 tertiary education programmes, of which 14 come with either full accreditation or provisional accreditation from Malaysian Qualifications Agency (MQA). Mantissa College has about 300 students (as at June 2015).

Small investment for a college. The purchase consideration amounting to RM2.6m represents 2.8x P/BV (as at 31st Dec 2014). We understand PMIE's core operations had achieved breakeven in the year ended Dec 2014. Sasbadi will finance the acquisition with internal funds. The transaction is expected to be completed by end 2015. We gather there will not be further significant capital injection to support the business.

Neutral on the deal. Although we foresee synergies between the college and Sasbadi's book publishing business, we are aware of business and execution risks arising from this, as it is a new business venture for Sasbadi. Nonetheless, we take comfort that these risks will be mitigated by the following: (1) the relatively small investment, (2) strong entrepreneurial & hands-on management team at Sasbadi, (3) current management of PMIE will stay on to expand the operations.

Maintain HOLD, TP RM2.25. There is no change to our earnings estimates. 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.

Target Price & Ratings History

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

S.No.	Date	Closing Price	Target Price	Rating
1:	29 Sep 14	1.64	2.25	Buy
2:	14 Oct 14	1.60	2.25	Buy
3:	30 Oct 14	1.70	2.25	Buy
4:	15 Jan 15	1.41	2.25	Buy
5:	28 Jan 15	1.40	2.25	Buy
6:	20 Mar 15	1.73	2.25	Buy
7:	17 Apr 15	2.06	2.25	Hold

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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AllianceDBS Research Sdn Bhd (128540 U)

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