

Company Focus

Sasbadi Holdings Berhad

Bloomberg: SASB MK | Reuters: SAHO.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

30 Oct 2015

HOLD

Last Traded Price: RM2.53 (KLCI : 1,666.98)

Price Target : RM2.42 (-4% downside)

Shariah Compliant: Yes

Reason for Report : 4QFY15 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)	4Q 2015	4Q 2014	3Q 2015	yoy % chg	qoq % chg
P&L Items					
Turnover	20.1	17.5	18.9	14.6	6.6
Gross Profit	8.3	7.3	8.8	13.6	(6.5)
Opg Profit	3.3	1.9	4.3	72.3	(23.1)
EBITDA	4.3	2.6	4.5	66.3	(4.7)
Net Profit	2.2	1.2	3.1	83.6	(28.3)
Other Data					
Gross Margin (%)	41.1	41.5	46.9		
Opg Margin (%)	16.6	11.0	23.0		
Net Margin (%)	11.1	6.9	16.5		

Financial Summary

FY Aug (RM m)	2014A	2015A	2016F	2017F
Turnover	79	87	98	111
Operating Profit	20	21	29	35
EBITDA	23	25	34	41
Net Pft (Pre Ex.)	15	15	21	25
EPS (sen)	9.6	12.1	16.4	20.0
EPS Pre Ex. (sen)	12.2	12.1	16.4	20.0
EPS Gth (%)	(4)	25	36	22
EPS Gth Pre Ex (%)	21	(1)	36	22
Net DPS (sen)	0.0	5.0	8.2	10.0
BV Per Share (sen)	73.8	80.3	88.5	99.3
PE (X)	26.2	21.0	15.4	12.6
PE Pre Ex. (X)	20.8	21.0	15.4	12.6
EV/EBITDA (X)	13.1	11.9	9.2	7.2
Net Div Yield (%)	0.0	2.0	3.2	4.0
P/Book Value (X)	3.4	3.2	2.9	2.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	13.1	15.0	19.5	21.3

At A Glance

Issued Capital (m shrs)	127
Mkt. Cap (RMm/US\$m)	321 / 74.8
3m Avg. Daily Val (US\$m)	0.1

ICB Industry : Consumer Services

ICB Sector: Media

Principal Business: Sasbadi is a market leader in the local educational publishing industry with c.10% 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.

NOT A PAGE TURNER

- FY15 results came in marginally below
- Keeping FY16-FY17 estimates unchanged
- Maintain HOLD with TP of RM2.42

Highlights

Marginally below

- Sasbadi reported 4QFY15 core earnings of RM2.2m (-28% q-o-q, +84% y-o-y). The y-o-y increase in the group's core earnings for the current quarter was mainly driven by contribution from the Sanjung Unggul Group post acquisition. We wish to highlight that q-o-q comparison does not serve as a good gauge as the group's earnings are highly seasonal. This brings FY15 earnings to RM15.3m, meeting 93% of our full year estimate.
- The key variant between the group's reported earnings and our forecast is mainly due to higher than expected operating expenses, due to higher personnel costs as the group increased staff headcount to cater for business expansion.
- The group declared a final DPS of 2sen. This brings its full year DPS to 5sen, representing a payout ratio of 41.4%.

Outlook

Earnings prospects to be driven by accretive acquisitions

- We remain optimistic of the group's earnings prospects going forward. Other than organic growth, we believe that earnings for FY16 will be mainly driven by acquisition(s) and full year contributions from Sanjung Unggul.

Maintaining forecast

- We keep our earnings estimates unchanged pending a meeting with management for an update post results.

Valuation:

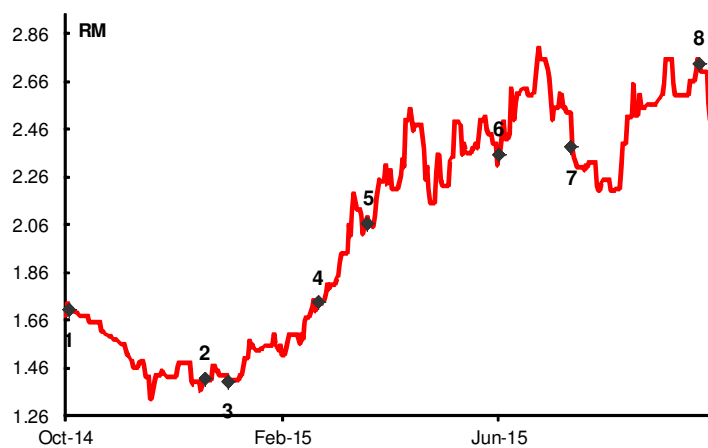
We maintain our HOLD recommendation for Sasbadi with an unchanged TP of RM2.42, based on DCF. We continue to like Sasbadi for its solid fundamentals and hands-on management, but the stock remains a HOLD because of limited upside to our TP.

Key Risks:

Paper cost fluctuation. A sudden surge in paper cost, which represents about 40% of Sasbadi's COGS, would hurt earnings.

Change in education policies. Failure to respond to changes in education policies in a timely manner would hurt sales and earnings.

Target Price & 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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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