

Sasbadi Holdings (BUY ↔; EPS ↔)

EDUCATION
NEWSBREAK

19 May 2016

Price Target: RM1.55 (↔)

Share price: RM1.28

Second Contract In The Book

News

- Sasbadi's indirect subsidiary – The Malaya Press S/B (TMP) (wholly owned subsidiary of Sanjung Unggul S/B), has announced that it has signed and accepted the Letter of Acceptance dated 18th May 2016 from MOE to publish, print and supply textbook for the subject of Chinese Language for Form 1 of national schools throughout Malaysia.
- The RM1.6m contract will commence from 18th May 2016 and end on 31st December 2018.
- TMP will deliver its first tranche of textbooks throughout Malaysia in the first quarter of FY17, worth circa RM1.5m.
- To recap, Sasbadi had previously announced TMP was awarded with the contract of publishing and distributing Year 1 Chinese Language and Physical Education and Health Education on 28th of April 2016.
- Similar to the previous contract award, earnings from the Form 1 Chinese language textbook contract is expected to kick in FY17 onwards.
- YTD, Sasbadi has secured approximately RM9.4m worth of textbook contract.

Risks

- Migration towards the online platform;
- Spike in paper prices; and
- Changes in National Curriculum and educational policies.

Forecasts

- Unchanged.

Rating

BUY (↔)

- We like Sasbadi due to its strong annual FCF, high growth rate, its innovativeness in creating products that cater to tech-savvy youth and unique education exposure which is closely linked to the country's education system.

Valuation

- Reiterate BUY with TP of RM1.55 based on P/E multiple of 18x CY17 EPS. Targeted P/E is based on a discount of 40% to education sector. Valuation is justified in our view, due to Sasbadi's relatively small market capitalisation and low liquidity.

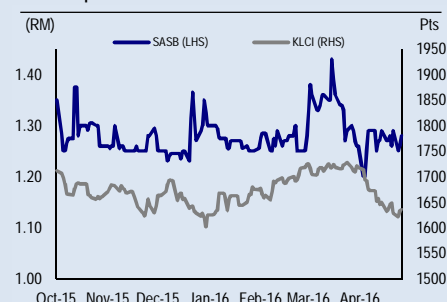
Mardhiah Omar

mardhiah@hlib.hongleong.com.my

(603) 2168 1155

KLCI	1,635.7
Expected share price return	21.1%
Expected dividend return	3.4%
Expected total return	24.5%

Share price



Information

Bloomberg Ticker	SASB MK
Bursa Code	5252
Issued Shares (m)	279
Market cap (RM m)	358
3-mth avg. volume ('000)	387
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	-0.8	2.4	13.8
Relative	3.8	4.9	25.9

Major shareholders

Law King Hui	18.3%
Karya Kencana	18.2%
Lee Swee Hang	8.5%
EPF	5.1%

Summary Earnings Table

FYE Aug (RM m)	2014A	2015A	2016E	2017E
Revenue	79.5	88.0	100.5	108.5
Pre-tax Profit	20.2	21.4	27.6	32.1
Rpt. PATAMI	15.5	15.3	20.4	24.1
Nom. PATAMI	15.5	15.3	20.4	24.1
Nom. EPS (sen)	5.6	5.5	7.3	8.6
Nom. P/E (x)	21.6	21.9	16.4	13.9
BV/share (RM)	0.3	0.4	0.6	0.7
P/BV (x)	3.6	3.2	2.1	1.8
Gross DPS (sen)	-	5.0	3.7	4.3
Div. yield (%)	-	4.2	3.0	3.6
ROE (%)	17.7	13.9	12.9	13.2
ROA (%)	14.5	10.9	10.9	11.3

HLIB

Figure #1 Regional Peers Comparison

Company	FYE	Price (Local)		Market Cap (m) (Local) (USD)		P/E (x)		P/B (x)		ROE (%)		Gross DY (%)
						2016	2017	2016	2017	2016	2017	2016
Sasbadi	Aug	MYR	1.28	357.6	88.3	17.5	14.9	2.1	1.8	12.9	13.2	2.9
Pelangi Publishing	Sept	MYR	0.56	54.2	13.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Prestariang	Dec	MYR	2.33	1,126.2	278.0	24.3	17.9	5.8	5.3	25.3	30.8	2.6
SEG International	Dec	MYR	1.20	866.1	213.8	26.7	N/A	3.8	N/A	16.1	N/A	1.9
ASIAMET Education	Dec	MYR	0.28	105.3	26.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SMRT	Dec	MYR	0.21	57.0	14.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average						22.8	16.4	3.9	3.6	18.1	22.0	2.5

HLIB, Bloomberg

Sasbadi Holdings (BUY; TP: RM1.55; CP: RM1.28)

Income Statement

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue	78.0	79.5	88.0	100.5	108.5
EBITDA	19.5	19.8	24.4	31.4	35.3
D&A	1.9	2.6	2.9	3.3	3.4
EBIT	17.6	20.5	21.4	28.1	31.8
Interest income	0.1	(0.3)	(0.0)	(0.5)	0.3
Interest expense	(0.1)	(0.5)	(0.5)	(0.8)	(0.8)
JV & Associates	0.0	0.0	0.0	0.0	0.0
PBT	17.7	20.2	21.4	27.6	32.1
Income Tax Expense	(4.9)	(4.6)	(5.6)	(7.2)	(8.0)
Discontinued op.	0.0	0.0	0.0	0.0	0.0
NCI	0.0	0.0	(0.5)	0.0	0.0
PATAMI	12.8	15.5	15.3	20.4	24.1
Basic shares (m)	279.4	279.4	279.4	279.4	279.4
Basic EPS (sen)	4.6	5.6	5.5	7.3	8.6

Quarterly Financial Summary

FYE 31 Aug (RM m)	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16
Revenue	32.1	18.9	20.1	21.0	33.9
GP	17.5	8.8	8.3	9.3	17.3
Other Income	0.0	0.1	0.5	0.0	0.0
Expenses	(6.0)	(4.6)	(5.4)	(5.8)	(8.1)
EBIT	11.5	4.3	3.3	3.5	9.3
Interest Income	0.1	0.1	0.1	0.0	0.1
Finance Costs	(0.1)	(0.2)	(0.1)	(0.3)	(0.3)
PBT	11.5	4.3	3.3	3.2	9.0
Tax	(3.1)	(1.2)	(0.6)	(0.9)	(2.4)
PATAMI	8.3	3.1	2.2	2.0	6.6
Basic EPS (sen)	6.6	2.5	1.8	1.6	5.0
Adj Basic EPS (sen)	6.6	2.5	1.8	1.6	5.0

Balance Sheet

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
Fixed Assets	28.0	30.3	30.9	30.7	30.4
Other long-term assets	0.0	5.0	22.7	40.0	57.4
Other short-term assets	0.9	1.6	1.4	1.4	1.4
Working Capital	28.5	43.4	64.0	68.0	73.0
Receivables	20.0	31.2	40.4	38.6	41.6
Payables	(6.5)	(8.0)	(13.4)	(11.9)	(12.7)
Inventory	15.0	20.2	37.1	41.4	44.1
Net cash	11.5	20.3	(1.1)	26.0	28.1
Cash	12.0	26.3	8.3	35.6	37.7
Total Debt	(0.5)	(6.0)	(9.4)	(9.5)	(9.5)
Shareholders' funds	63.6	93.7	105.2	158.6	182.7
Share capital	2.4	63.5	63.5	95.3	95.3
Reserves	61.2	30.2	41.7	63.3	87.4
Minorities	0.0	0.0	5.1	0.0	0.0
Other liabilities	5.3	6.8	7.6	7.6	7.6

Rates and Ratios

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
Basic EPS (sen)	4.6	5.6	5.5	7.3	8.6
P/E (x)	26.3	21.6	21.9	16.4	13.9
Gross DPS (sen)	0.0	0.0	5.0	3.7	4.3
Div. yield (%)	0.0	0.0	4.2	3.0	3.6
BV/share (RM)	0.2	0.3	0.4	0.6	0.7
P/B (x)	5.3	3.6	3.2	2.1	1.8
FCF/share (sen)	0.1	0.0	0.1	0.1	0.2
Net Debt/Equity (%)	18.1	21.6	(1.0)	16.4	15.4
Enterprise value	323.8	315.0	341.4	309.3	307.1
EV/EBITDA (x)	16.6	15.9	14.0	9.9	8.7
ROE (%)	20.0	17.7	13.9	12.9	13.2
ROA (%)	16.8	14.5	10.9	10.9	11.3

Cashflow Analysis

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
EBITDA	19.5	23.1	24.4	31.4	35.3
WC changes	(0.1)	(14.9)	(20.7)	(4.0)	(4.9)
Taxation	(4.9)	(4.6)	(5.6)	(7.2)	(8.0)
Others	2.7	(2.3)	6.4	0.0	0.0
Operating cashflow	17.1	1.3	4.5	20.2	22.3
Capex & acquisitions	(8.8)	(6.8)	(20.5)	(20.5)	(20.5)
Free cashflow	8.3	(5.5)	(16.0)	(0.3)	1.8
Other inv cashflow	7.6	0.0	0.4	0.3	1.1
New borrowings	(0.3)	5.5	3.5	0.0	0.0
Share issuance	0.0	0.0	0.0	31.8	0.0
Dividends paid	0.0	(8.5)	(3.8)	0.0	0.0
Other fin cashflow	(16.2)	17.0	(0.5)	31.0	(0.8)
Net cashflow	(0.5)	8.5	(16.4)	62.7	2.1

Assumption Metrics

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue Growth (%)	20.3	2.0	10.6	14.3	7.9
PBT Growth (%)	18.6	14.3	6.1	28.8	16.5
PAT Growth (%)	17.1	21.9	1.5	29.3	18.0
EBITDA Margin (%)	25.0	24.9	27.7	31.2	32.5
EBIT Margin (%)	22.5	25.8	24.4	28.0	29.3
PBT Margin (%)	22.7	25.4	24.3	27.4	29.6
PAT Margin (%)	16.4	19.6	17.9	20.3	22.2

Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, is made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represent a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, is under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to, websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 19 May 2016, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -.

2. As of 19 May 2016, the analyst, Mardhiah Omar, who prepared this report, has interest in the following securities covered in this report:

(a) -.

Published & Printed by
Hong Leong Investment Bank Berhad (10209-W)
 Level 23, Menara HLA
 No. 3, Jalan Kia Peng
 50450 Kuala Lumpur
 Tel 603 2168 1168 / 603 2710 1168
 Fax 603 2161 3880

Equity rating definitions

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.
TRADING SELL	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
SELL	Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months.
NOT RATED	No research coverage and report is intended purely for informational purposes.

Industry rating definitions

OVERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of more than +5% over 12-months.
NEUTRAL	The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months.
UNDERWEIGHT	The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months.