



Company Note

I Malaysia

ADD

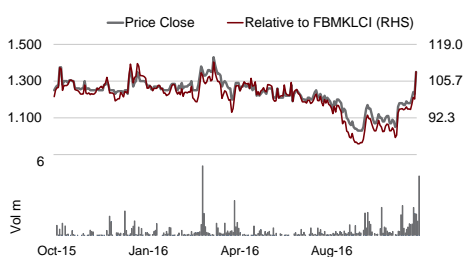
Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price: RM1.35
 Target price: RM2.82
 Previous target: N/A
 Up/downside: 108.9%
 CIMB / Consensus: 101.4%

Reuters: SAHO.KL
 Bloomberg: SASB MK
 Market cap: US\$90.69m
 RM377.2m
 Average daily turnover: US\$0.14m
 RM0.68m
 Current shares o/s: 279.4m
 Free float: 55.0%
 *Source: Bloomberg

Key changes in this note

None.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	22.7	10.7	8
Relative (%)	22.4	10.4	9.7

Major shareholders	% held
Law King Hui	18.3
Karya Kencana S/B	18.2
Lee Swee Hang	8.5

Analyst(s)



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Sasbadi Holdings

i-Learn Ace is a game changer

- Sasbadi's core business is the publishing of books, mainly for primary and secondary school students, based on the national school curriculum.
- The company recently launched iL-Ace, an interactive learning mobile platform that is being marketed via its new direct selling division.
- iL-Ace could be a game changer for Sasbadi; we estimate 82% 3-year EPS CAGR.
- We initiate coverage with an Add recommendation, one of our top smallcap picks.

Publisher of school books

Sasbadi's core business is the publishing of education materials, mainly for primary and secondary schools. In the past five years, the company has been producing more educational products that merge technology and content. In this regard, we believe the game changer for the company should be i-Learn Ace (iL-Ace), an interactive mobile learning platform based on the national school curriculum. The potential market is the 3.5m primary and secondary students nationwide (Standard Four to Form Five).

iL-Ace, the game changer for the company, direct selling is the way

In Jun, the company launched its direct selling division, with iL-Ace as the first product to be marketed via this unit. With the rising popularity of tablets and smartphones, we believe this is the right time to launch iL-Ace. While first year sales are not expected to be significant, they should escalate from the second year onwards. We forecast iL-Ace's FY17F and FY18F sales to be RM20m and RM140m, respectively. The direct selling division currently has around 2,000 distributors.

82% 3-year EPS CAGR

We forecast Sasbadi's FY17-19F 3-year EPS CAGR at a strong 82% as iL-Ace revenue grow exponentially over this period, while the traditional publishing business expands at a steady rate. While the traditional publishing business' pretax profit margin is 22%-25%, iL-Ace's pretax profit is at a much higher 45%-50%.

Growth through M&As

The company is also looking at M&A opportunities as a means to grow. Most book publishers in the country are privately owned and there are currently not many buyers for these businesses. As such, Sasbadi is spoilt for choice in the M&A arena. Sasbadi is planning at least one M&A per year to expand its existing business market segment. In FY16, Sasbadi acquired two companies.

The best defence is a good offence

Being in both the education and direct selling sectors, Sasbadi's business can be described as defensive. As such, we believe the stock could be one of the major outperformers in weak market conditions. In addition, the 8%-9% dividend yield in FY18F should also be attractive for investors.

Initiate with an Add recommendation

We initiate coverage on Sasbadi with an Add recommendation and is one of our top small cap picks. Target price is at RM2.82, based on a 20% discount to the 16x 2018F P/E target for the domestic education sector. The discount is to reflect its small market cap. Potential catalysts include stronger-than-expected sales from iL-Ace over the next few quarters and new M&As. Risks are weak iL-Ace sales. 4QFY16 result will be released early next week.

Financial Summary	Aug-14A	Aug-15A	Aug-16F	Aug-17F	Aug-18F
Revenue (RMm)	79.5	88.0	96.0	123.0	238.8
Operating EBITDA (RMm)	19.81	24.33	23.60	39.00	93.40
Net Profit (RMm)	12.25	15.34	14.05	25.05	64.71
Core EPS (RM)	0.04	0.05	0.05	0.09	0.23
Core EPS Growth		25%	(8%)	78%	158%
FD Core P/E (x)	30.74	24.60	26.84	15.06	5.83
DPS (RM)	0.00	0.03	0.03	0.05	0.12
Dividend Yield	0.00%	1.85%	1.85%	3.33%	8.52%
EV/EBITDA (x)	18.02	15.76	15.34	9.00	3.49
P/FCFE (x)	45	3,092	29	7	3
Net Gearing	(21.6%)	1.0%	(14.0%)	(20.1%)	(29.7%)
P/BV (x)	4.03	3.58	2.63	2.42	2.00
ROE		15.4%	11.3%	16.7%	37.6%
% Change In Core EPS Estimates					
CIMB/consensus EPS (x)			0.84	1.13	2.46

SOURCE: COMPANY DATA, CIMB FORECASTS

iL-Ace is a game changer

Investment thesis

i-Learn Ace, a game changer for Sasbadi ➤

Sasbadi’s current core business is the publishing of education materials (following the national school curriculum), focusing mainly on primary and secondary school education. The company’s earnings should experience a major leap from 2017F onwards as a result of its direct selling business and M&A activities.

In Jun 2016, the company started its direct selling operations nationwide and the first product to be promoted via this channel is an interactive learning mobile platform “i-Learn Ace” (iL-Ace at www.ilearnace.com), which is based on the national school curriculum. iL-Ace targets both the national and Chinese schools and the potential target market size for iL-Ace is 3.5m primary and secondary school students nationwide. Total nationwide primary and secondary students in the country is 4.9m. Other than for students, iL-Ace also has platforms for parents and teachers.

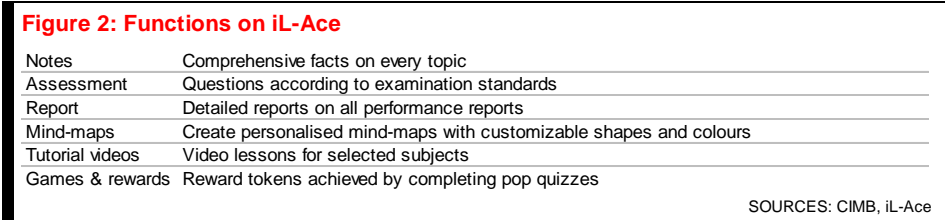
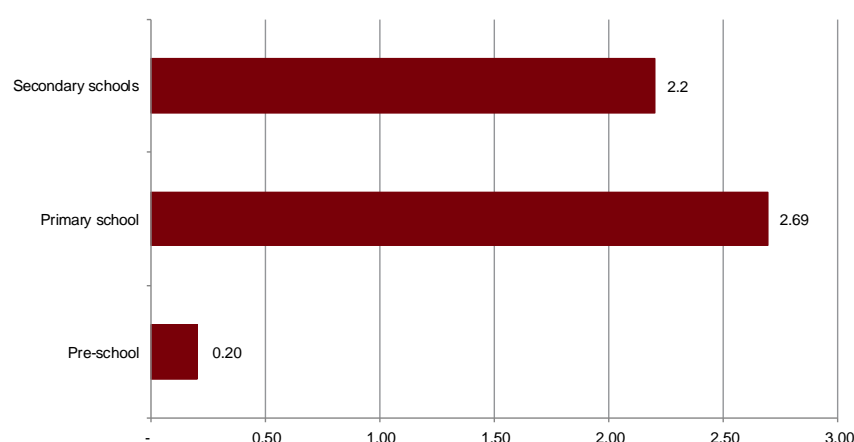


Figure 3: iL-Ace for primary and secondary school students (for both national and Chinese schools)

Type of schools	Subjects
National primary schools Year 4-6	English, Maths, Science and Bahasa Malaysia
National type schools (Chinese) Year 4-6	Chinese, English, Maths, Science and Bahasa Malaysia
National secondary schools Form 1-3	English, Science, Maths, History, Geography, Vocational and Bahasa Malaysia
National secondary schools Form 4-5	English, Maths, Science, Biology, Moral, Chemistry, Physics, Economics, Accounting, Add Maths, Commerce, Islam and BM

SOURCES: CIMB, iL-Ace

The annual subscription for iL-Ace is RM350 (or RM29 per month) for all levels of students, which we feel is affordable, and could be slightly underpriced. For example, for a Form 4 student (iL-Ace offers 13 subjects for Form 4-5 students), the average monthly cost per subject is only RM2.25.

Figure 4: Total students in Malaysia (million)

SOURCES: CIMB, MOE

The new way to study ➤

We believe the time is right to launch iL-Ace in view of the popularity of tablets, phablets and smartphones. Tablets today are affordable, starting from RM300 per unit onwards, while smartphone penetration rate nationwide is projected to exceed 70% in 2017. iL-Ace is a new and exciting way for all students to study.

Why use direct selling for iL-Ace? ➤

It takes between 30 and 60 minutes for a sales person to explain the functionalities of iL-Ace to students, teachers and parents. Sasbadi has around 80 sales persons, whereas through direct selling, there would be thousands of distributors who would be able to show their customers how to use iL-Ace. Direct selling is the fastest way to promote iL-Ace. Sasbadi's direct selling division currently has around 2,000 active distributors.

Figure 5: Why we think iL-Ace will do well through direct selling

Sasbadi is an established brand in the market
iL-Ace is an effective and interesting way to study
iL-Ace RM350 annual subscription is reasonable
iL-Ace subscription is annual
iL-Ace merges technology with education

SOURCES: CIMB

Affordability is not an issue ➤

Affordability for iL-Ace should not be an issue. More than 40% of households in the country earn more than RM5,000 monthly while a tablet or phablet costs

from RM300 onwards. In addition, the penetration rate for smartphones in the country is expected to exceed 70% in 2017. iL-Ace also has an offline mode to target students in rural areas where internet connection may be poor.

Figure 6: Malaysia's household income breakdown (RM)

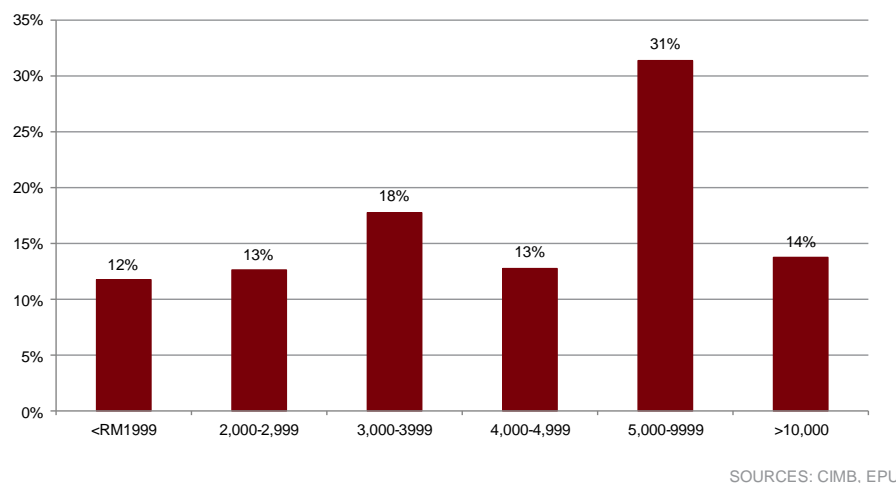
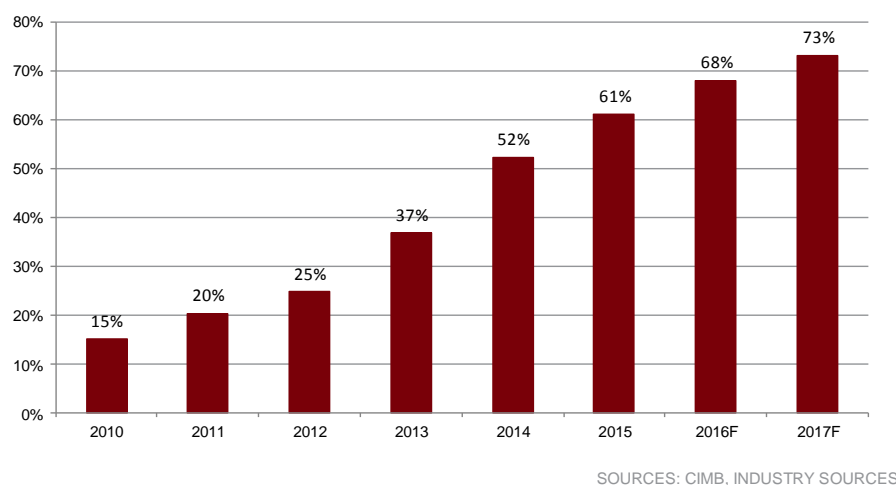


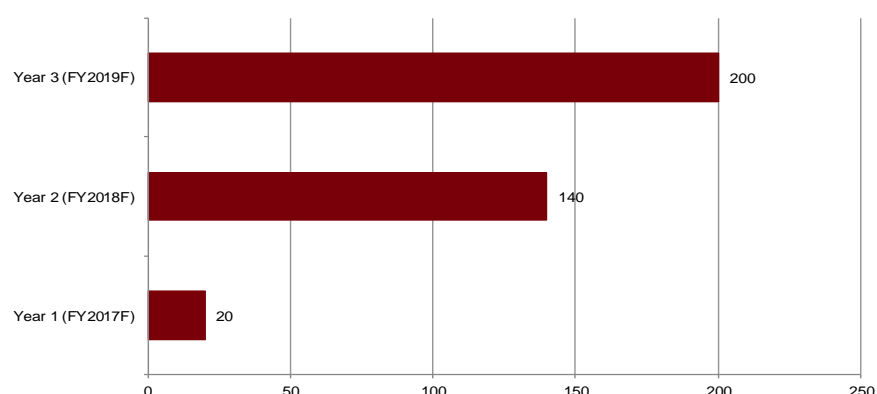
Figure 7: Smartphone penetration rate in Malaysia



Our earnings outlook for iL-Ace ►

We are targeting a RM20m revenue (equivalent to 57,000 annual subscriptions) from iL-Ace in FY2017F (first maiden annual revenue), rising to RM140m (equivalent to 400,000 annual subscriptions) in FY2018F. Revenue in the first year should not be significant as direct selling leaders would be spending most of their time recruiting and training distributors, who are interested to build the business. The leaders would usually have at least one active distributor in the major towns.

In our view, it would be in the second year when sales start to pick up pace. The leaders' and distributors' focus will now be on promoting iL-Ace to the public, which should result in a big leap in sales. Our RM140m sales forecast in FY2018F (equivalent to sales to 400,000 students) is only 11% of the total targeted primary and secondary students in the country. We estimate that iL-Ace should boost Sasbadi's FY2017F and FY2018F EPS by 2.3 sen and 16 sen, respectively.

Figure 8: CIMB's projected sales for i-Learn Ace (RMm)

SOURCES: CIMB

Growth through M&As ➤

The company is also looking at M&As to grow, according to management. In 2016, the company acquired two companies, United Publishing House (a major dictionary publisher), and Distinct Motion (learning activities robotic technology firm). Most of the book publishers in the country are privately-owned and there are currently not many buyers for these businesses. As such, Sasbadi is spoilt for choice on the M&A front. However, management said any acquisition must offer synergy and expand the company's book titles. Sasbadi plans for at least one M&A per year to expand its existing business market segment.

Figure 9: Sasbadi's acquisitions since 2013

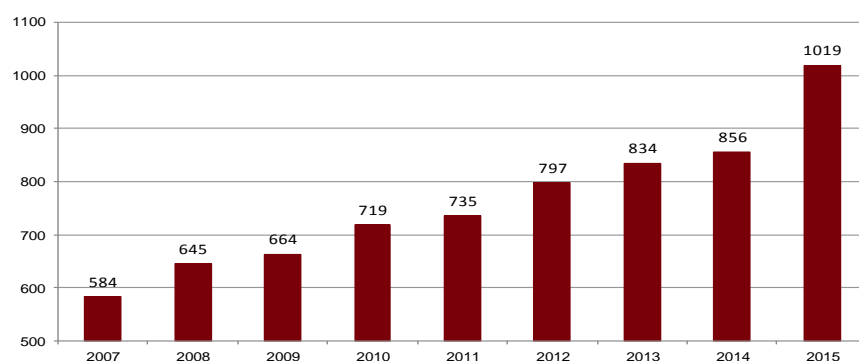
Date	Company	Purchase cost (RMm)	Principal business
Sep-16	Distinct Motion Group	0.9	Learning activities robotics technology
Aug-2016	United Publishing House S/B	4.4	Major dictionary publisher, publish Chinese books
Aug-2015	70% stake in Sanjung Unggul S/B	21.0	Publish books for national-Chinese schools
Oct-2014	Penerbitan Multimedia IP	1.0	Publish academic reference materials
Sep-2013	Pearson Malaysia	5.5	Publish higher education and professional books
Total		32.8	

SOURCES: CIMB, COMPANY REPORTS

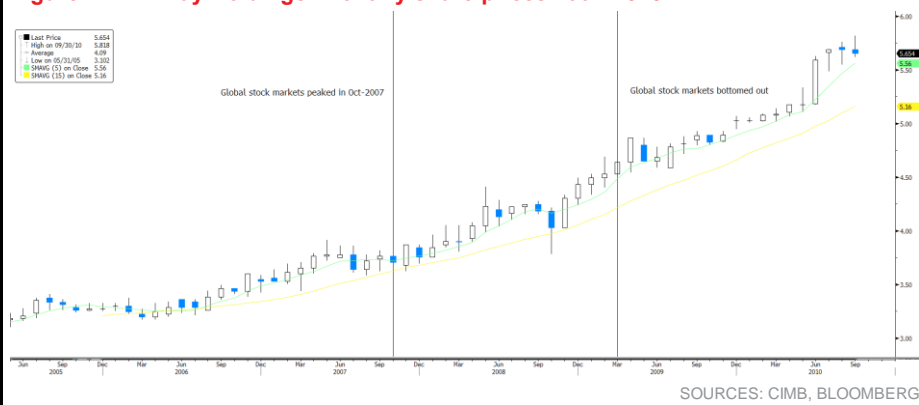
Education and direct selling recession-proof businesses ➤

The education business is generally recession proof. In good and bad times, parents continue to spend for their children's education. The direct selling industry also prospers in a weak economy as people look to diversify their income base. This can be demonstrated in the fortunes of direct selling company, Amway Holding (AMW MK, Not Rated), whose revenue grew from RM584m in 2007 to RM664m in 2009, a 14% increase in two years, as the global economy languished amid the 2008-2009 global financial crisis (GFC).

Amway's share price also appreciated during the GFC; from end-2007 to end-Feb 2009 (one week before the global equity markets bottomed), Amway's shares appreciated an impressive 20%, an indication of how defensive direct selling companies' stocks perform in bear markets.

Figure 10: Amway Holdings' annual revenue since 2007 (RM m)

SOURCES: CIMB, COMPANY REPORTS

Figure 11: Amway Holdings' monthly share prices 2007-2010

SOURCES: CIMB, BLOOMBERG

Could benefit from Budget 2017's education budget ►

In Malaysia's recently announced Budget 2017, RM4.6bn will be allocated for additional capacity for technical, vocational, educational and training (TVET) institutions and RM270m to upgrade educational equipment in TVET institutions. Budget 2017 also focused on developing science, technology, engineering and math (STEM) talent. 1,800 science laboratories in schools will be upgraded to provide students with hands-on learning experience. The government also plans to set up top STEM talents excellence centres under the Academy of Sciences Malaysia (ASM). Also, 430,000 teachers nationwide would be provided with tablets.

Sasbadi has been an exclusive Lego Education Robotics distributor in this country since 2005. In our view, demand for educational robotics products should grow rapidly over the next few years with the government's focus on STEM and TVETs. As teachers will be supplied with tablets, iL-Ace could also become a useful platform for them. We have not included in our earnings forecasts potential revenue increase of robotics product sales and teachers using iL-Ace.

Explosive growth with iL-Ace ►

We believe Sasbadi's earnings are set for explosive growth over the next few years, mainly due to contributions from iL-Ace. Our FY17-19F 3-year EPS CAGR for Sasbadi is a strong 82% and it could be higher if iL-Ace sales grow faster than expected over the next few years. It must be noted that the company is not dependent on iL-Ace and over the past five years, it has been doing R&D, merging technology with education.

According to management, Sasbadi plans to launch more new technology-embedded educational products through its direct selling division in the near future. We have not assumed any potential earnings from new product launches

from the direct selling division and any new M&As. While the current dividend yield is mediocre, we expect yields to reach a respectable 8%-9% level by FY2018F.

Initiate with an Add recommendation ►

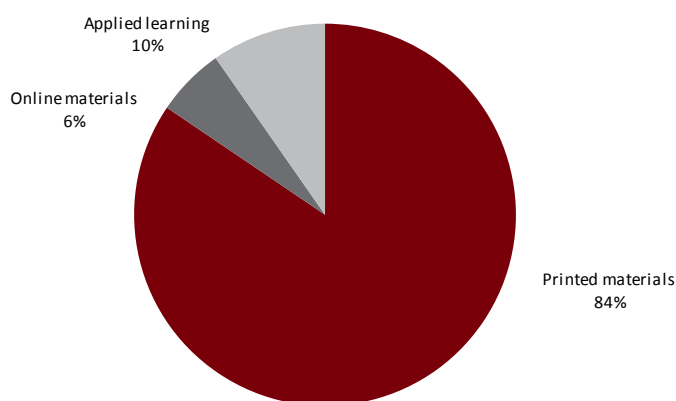
We are initiating coverage on Sasbadi with an Add recommendation. Our target price of RM2.82 is based on a 20% discount to the 2018F 16x P/E target for the education sector; the discount to reflect Sasbadi's small market cap. Potential catalysts include stronger-than-expected sales from iL-Ace over the next few quarters and new M&As. Risks are weaker-than-expected iL-Ace sales. 4QFY16 result would be announced early next week.

BACKGROUND

Core business is the publishing of educational materials ►

Sasbadi's current core business is the publishing of education materials, mainly based on the national school curriculum. Its books are for primary and secondary school students. The company has been publishing books for close to 30 years. The company also publishes non-curriculum based materials and augmented reality books. Sasbadi's other businesses include the online publishing of educational materials, distribution of applied learning products and its recently-launched direct selling division.

Figure 12: Sasbadi's FY2016 estimated revenue breakdown

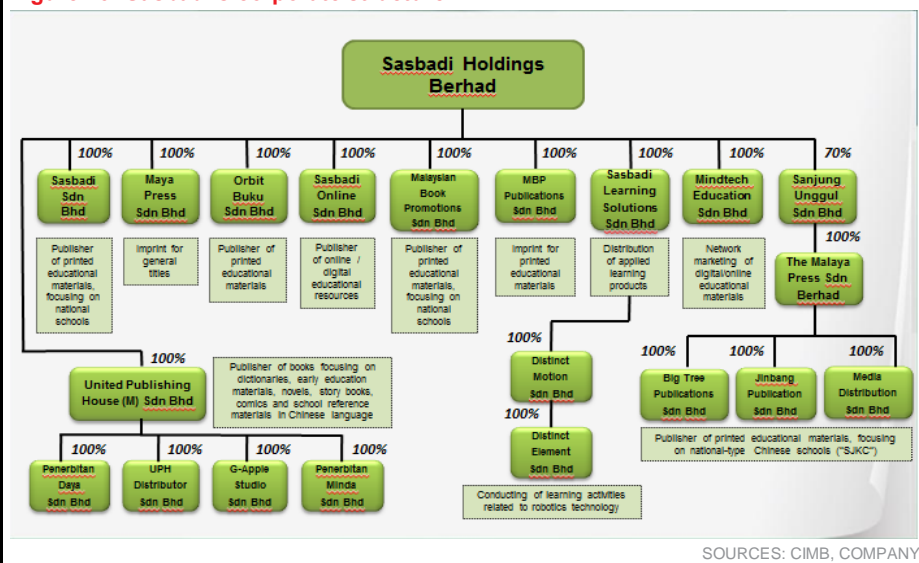


SOURCES: CIMB

Listed on the Main Board of Bursa Malaysia in 2014 ►

Sasbadi was listed on the Main Board of Bursa Malaysia in mid-2014. The company was founded in 1985 by Managing Director Law King Hui and directors Lee Swee Hang and Lee Eng Sang. Law King Hui, Lee Swee Hang and Lee Eng Sang currently hold direct stakes of 18.3%, 8.5% and 5%, respectively, in the company. In addition, these three individuals also together indirectly own another 18.2% equity stake in Sasbadi via Karya Kencana Sdn/Bhd, a private company controlled by them.

The effective free float in the company is 55% and institutional investors currently own around 30% of the company. In 2016, the company completed a private placement of 12.7m new shares at RM2.49 (before share split, RM1.25 ex-split share price) to raise RM31.6m in gross proceeds. This was followed by a 2-for-1 share split (two new shares for every one share owned). The number of issued shares stands at 279.4m currently and market capitalisation of Sasbadi is around RM380m (US\$90m).

Figure 13: Sasbadi's corporate structure**Figure 14: Sasbadi's subsidiaries**

Company	Principal activities
Sasbadi	Print educational materials
Maya Press	Print general titles
Orbit Buku	Publish supplementary educational materials
Sasbadi Online	Publish online educational materials
Malaysian Book Promotions	Organise book fairs and exhibitions
MBP Publications	Print general titles
Sanjung Unggul (70%)	Publish books for national-Chinese schools
Mindtech Education	Direct selling iL-Ace

SOURCES: CIMB, COMPANY REPORTS

Figure 15: Sasbadi's corporate exercise since listing

Period	Event	Issued shares (m)
	Since IPO	127.0
Jan-16	Private placement 12.7m shares at RM2.49/share	139.7
Mar-16	Share split 2-for-1	279.4

SOURCES: CIMB, COMPANY REPORTS

Printed materials ➤

Sasbadi is an established brand of more than thirty years and its books are mainly for primary and secondary students, based on the country's national school curriculum. The company also prints non-curriculum based books, augmented reality series books, organises book fairs/exhibitions and publishes and supplies text books. We estimate the printed materials division contributed more than 80% of the group's revenue in FY2016.

In mid-2016, the company secured RM9.4m worth of jobs to publish textbooks for the Chinese school syllabus. Earnings from this contract should flow in during FY2017-18F. Sasbadi is expected to continue to bid for text book orders till 2021, which is the end of the current order cycle (from 2015-2021).

Figure 16: Contracts secured from the government to print and supply text books

Period	Subject	Amount (RMm)
May-2016 to Dec-2018	Chinese language Form 1	1.6
Apr-2016 to Dec-2018	Maths Year 1 (Chinese)	3.9
Apr-2016 to Dec-2018	Chinese language	3.1
Apr-2016 to Dec-2018	Physical education	0.8
Total		9.4

SOURCES: CIMB, COMPANY REPORTS

Figure 17: Sasbadi's corporate milestones

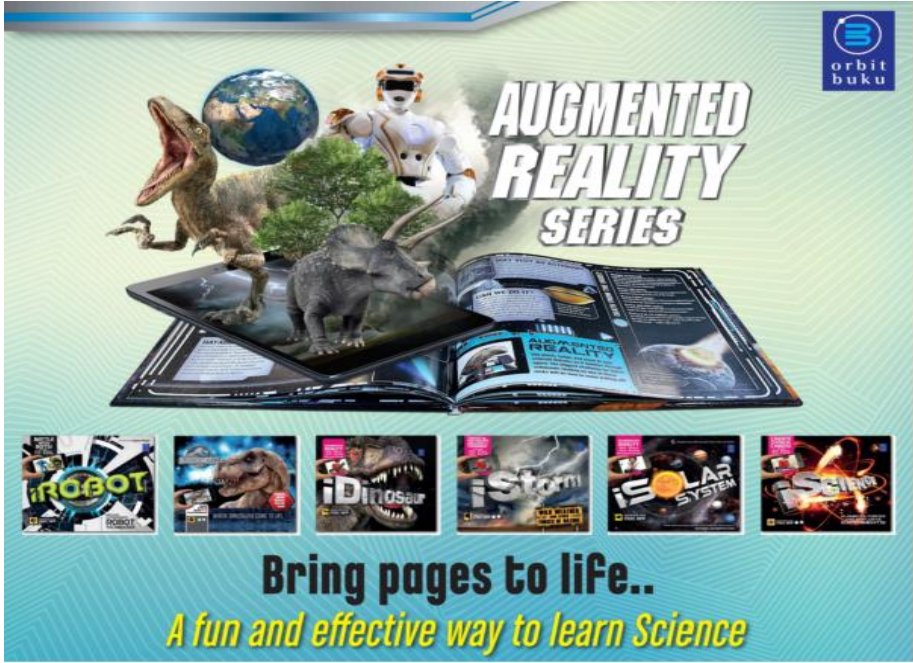
1987	Publish first textbook
2002	Set up Maya Press, publisher of general titles
2004	Moved office to Kota Damansara
2005	Launched eDictionary
	Secured distribution rights for Lego educational products for Msia and Brunei
	Organised first National Robotics Competition
2009	Organised first book fair, Bazar Baca
	Secured exclusive distributorship for Pitsco educational products
2010	Acquired Malaysian Book Promotions S/B
2011	Launched first online teaching product, Penjana Pentaksiran Instan
	Appointed as distributor for National Instrument products
2012	Co-organised with govt. the World Robot Olympiad 2012
2013	Acquired IP rights from Pearson Malaysia
2014	Listed on the Bursa Main Board
	Acquired IP for teacher education system from Penerbitan Multimedia S/B
2015	Acquired Sanjung Unggul and subsidiaries
	Celebrated 30th Anniversary
2016	Acquired United Publishing House S/B
	Completed 2:1 share split
	Acquired Distinct Motion Group
	Started direct selling business
	Completed 10% issue share capital new share private placement exercise

SOURCES: CIMB, COMPANY REPORTS

Figure 18: Some of Sasbadi's published books for primary and secondary students

SOURCES: CIMB, COMPANY

Figure 19: Sasbadi's augmented reality series books



SOURCES: CIMB, COMPANY REPORTS

Applied learning division➤

The applied learning products division offers products that help students experience practical and hands-on learning and also stimulate higher order thinking skills. We estimate this division contributed around 10% of the group's revenue in FY2016. In 2005, the company secured the rights from LEGO Systems A/S to be the sole distributor of and exclusive partner in LEGO Education products for Malaysia and Brunei. Yesterday evening, the company announced it secured from the Ministry of Education (MOE) to supply Lego Education robotics sets to primary and secondary schools in the country. Valued at RM3.85m, the contract is from Oct-2016 to Dec-2016.

Figure 20: Sasbadi's applied learning products

Principal	Range of products	Markets
Lego System AS	Early learning, machines, mechanism and robotics	Malaysia and Brunei
Pitsco Inc	Robotics	Malaysia
NI Southeast Asia S/B	NI myDAQ, LabView for Education and NI myRIO 1900	Malaysia

SOURCES: CIMB, COMPANY REPORTS

Figure 21: Sasbadi's applied learning products

In Sep 2016, the company announced plans to acquire Distinct Motion Group (DMG) for RM0.8m. DMG conducts learning activities of robotics technology, operating in a centre in Atria Shopping Gallery, Damansara, near Kuala Lumpur. Sasbadi said it plans to grow this business in the near future. With the government's focus on STEM, DMG should see exciting growth prospects in the next few years, in our opinion.

Online learning division ►

This should be the company's most exciting growth division in the near future. Sasbadi Online was set up in 2011 to expand into the publishing of online educational materials. Its current online products include Mindmap, i-Teach and i-Learn. In 2015, through subsidiary Mindtech Education S/B, the company launched "i-Learn Ace (iL-Ace)", an interactive learning mobile platform, based on the national school curriculum. iL-Ace also has an off-line mode to cater to students from areas with poor internet coverage. its direct selling division, with iL-Ace as the first product to be marketed via this unit.

Some of iL-Ace's attractive features include subject assessment, videos, and the ability for parents to monitor the progress of their children's education. iL-Ace can be accessed via mobile phone, tablet or PC. Subscription for members are for six months or twelve months with rates of RM175 and RM350, respectively.

We estimate that it takes 30-60 minutes for a sales person to explain the functionalities of iL-Ace to both students and parents. Sasbadi has around 80 sales persons, whereas through direct selling, there would be thousands of distributors who would be able to demonstrate the functionalities of iL-Ace to potential subscribers. We believe direct selling is the fastest way to sell iL-Ace and this division currently has around 2,000 active distributors. This division contributed very little revenue to the group in FY2016 but this should increase significantly from FY2017F onwards.

iL-Ace, the new and exciting way to study ➤

Using iL-Ace, a student today can study using a tablet or a smartphone. For subjects like Physics, Chemistry, Biology and Math, students can learn and revise from videos provided on these respective subjects. We believe iL-Ace is an efficient and more exciting way to study compared to using traditional text books.

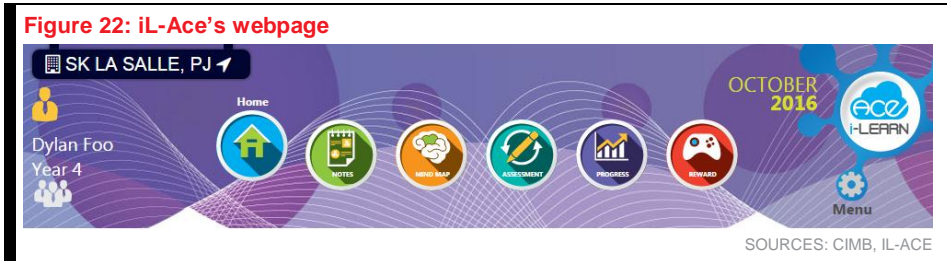


Figure 23: iL-Ace for primary and secondary school students (for national and Chinese schools)

Type of schools	Subjects
National primary schools Year 4-6	English, Maths, Science and Bahasa Malaysia
National type schools (Chinese) Year 4-6	Chinese, English, Maths, Science and Bahasa Malaysia
National secondary schools Form1-3	English, Science, Maths, History, Geography, Vocational and Bahasa Malaysia
National secondary schools Form 4-5	English, Maths, Science, Biology, Moral, Chemistry, Physics, Economics, Accounting, Add Maths, Commerce, Islam and BM

SOURCES: CIMB, COMPANY REPORTS

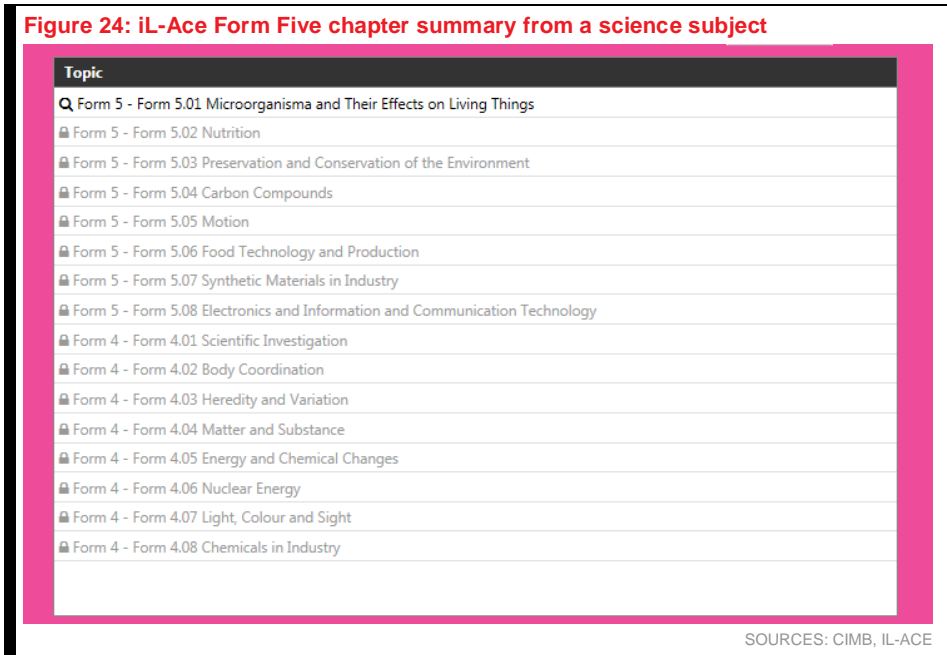


Figure 25: iL-Ace Form Five science chapter on micro organisms

5.01.01 Classification of Microorganisms

Types of Microorganisms

- 1. Microorganisms are tiny living things which cannot be seen with the naked eye. However, they can be seen under a powerful microscope.
- 2. Microorganisms are also called microbes.
- 3. Whether some microorganisms are plants or animals is still a subject under discussion.
- 4. Some microorganisms are harmful and dangerous because they cause diseases, but some are useful to us (see topics 5.01.03 and 5.01.04).
- 5. Microorganisms may be classified into five main groups as shown in the diagram below, based on their characteristics such as shape, size, appearance or mode of life.

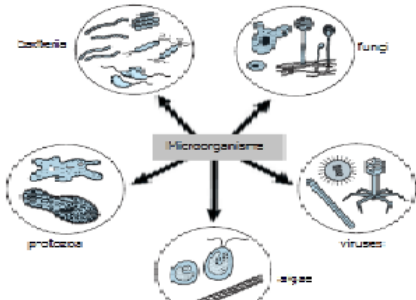


Figure 5.01.01 Types of microorganisms

SOURCES: CIMB, IL-ACE

Figure 26: iL-Ace question paper on the science chapter on micro organisms

Sains

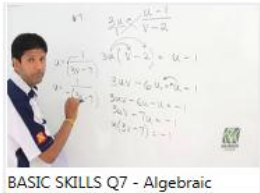


Answer **all the questions** correctly. Choose the **correct** answer.
You are given **60 minutes** to complete all the questions.
Good Luck!

1. Which disease can be transferred from a pregnant woman to her foetus?
Penyakit yang manakah boleh dipindahkan daripada wanita hamil kepada fetusnya?
- ☐ A Pneumonia
Pneumonia
 - ☐ B Ringworm
Kurap
 - ☐ C Malaria
Malaria
 - ☐ D Syphilis
Sifilis

SOURCES: CIMB, IL-ACE

Figure 27: iL-Ace videos on mathematics subject



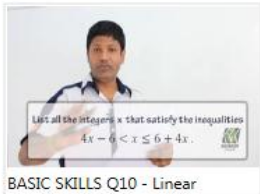
BASIC SKILLS Q7 - Algebraic



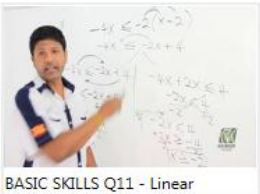
BASIC SKILLS Q8 - Indices



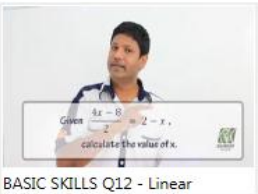
BASIC SKILLS Q9 - Indices



BASIC SKILLS Q10 - Linear



BASIC SKILLS Q11 - Linear



BASIC SKILLS Q12 - Linear

SOURCES: CIMB, IL-ACE

Schools in Malaysia

Malaysia is a young country with around 45% of its population in the “0-24” year-old bracket. There are currently around 4.9m students in the country, with more than half at the primary school level. There are also international schools in the country but less than 0.7% of the country’s total primary and secondary students attend these schools.

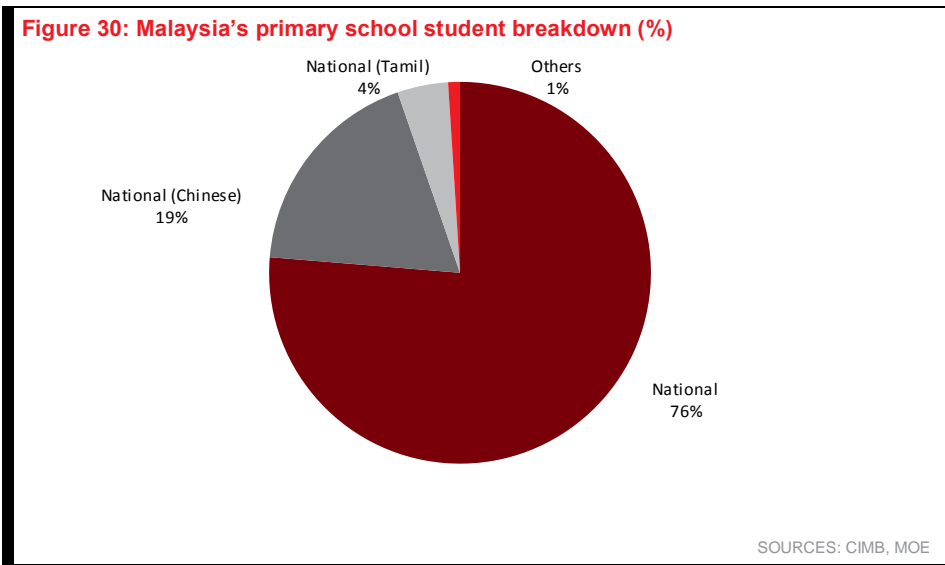
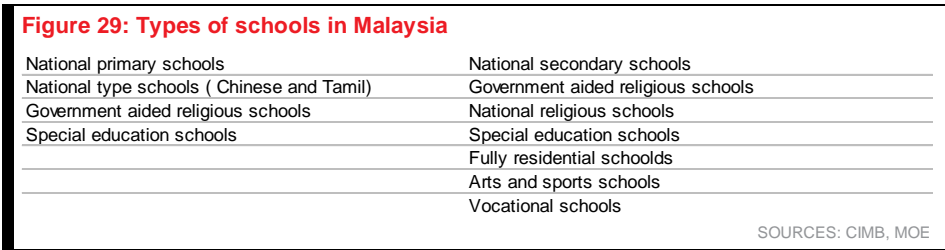
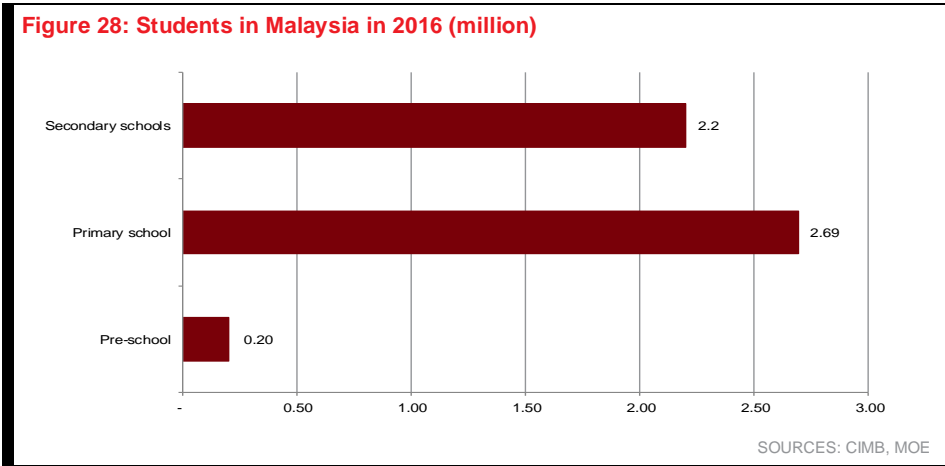
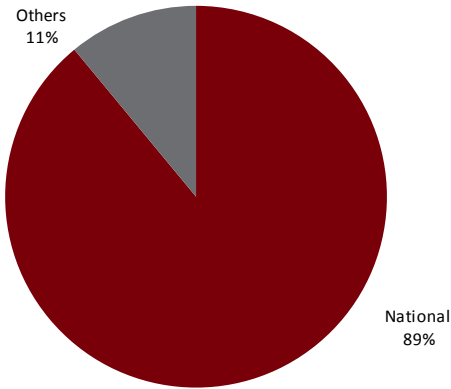
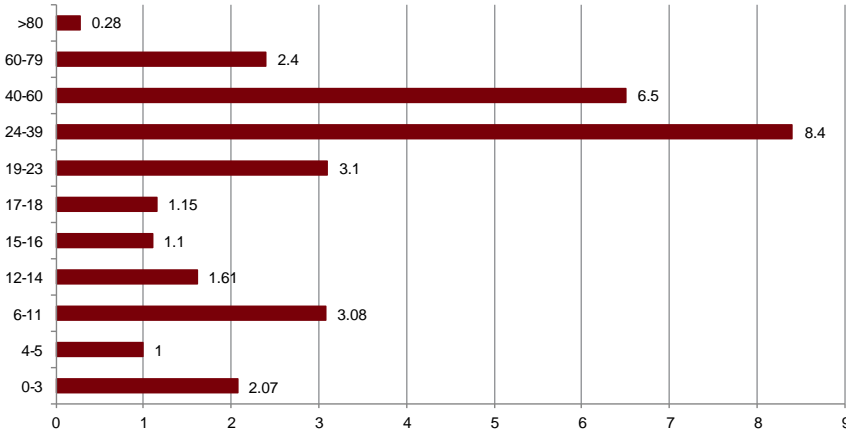


Figure 31: Malaysia’s secondary school student breakdown (%)



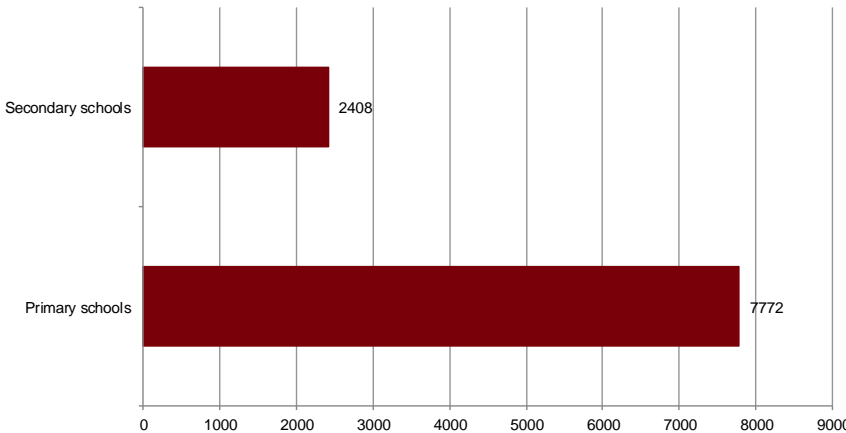
SOURCES: CIMB, MOE

Figure 32: Malaysia’s population breakdown by age group (million)



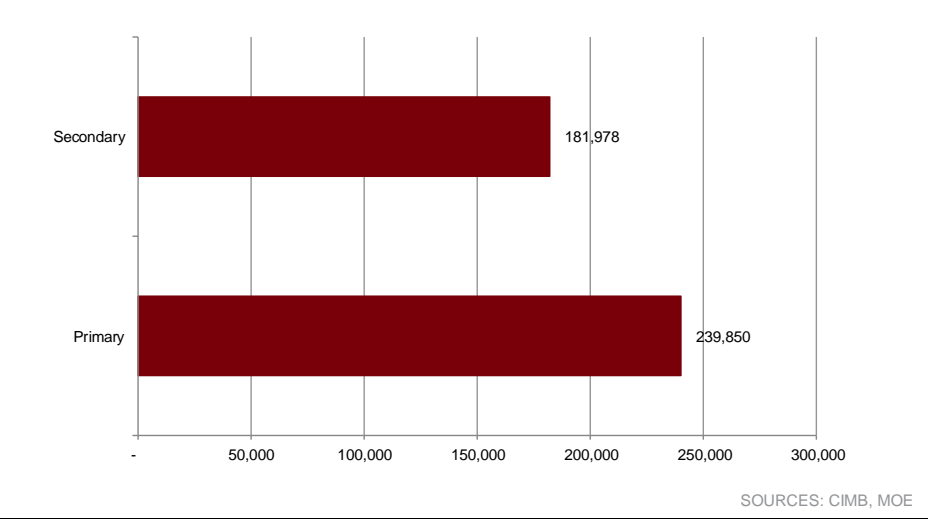
SOURCES: CIMB, MOE

Figure 33: Number of schools in Malaysia



SOURCES: CIMB, MOE

Figure 34: Number of teachers in the country



The direct selling industry in Malaysia ▶

In 2015, the direct selling industry in Malaysia was worth more than RM17bn, according to World Federation Of Direct Selling Association (WFDSA). The breakdown of the sales tells us that wellness, cosmetics/personal care, and household goods dominate the industry, making up about 80% of direct selling revenue in this country. As far as we are aware, Sasbadi is currently the only direct selling company promoting educational products in Malaysia.

Figure 35: Direct selling industry in Malaysia (RM bn)

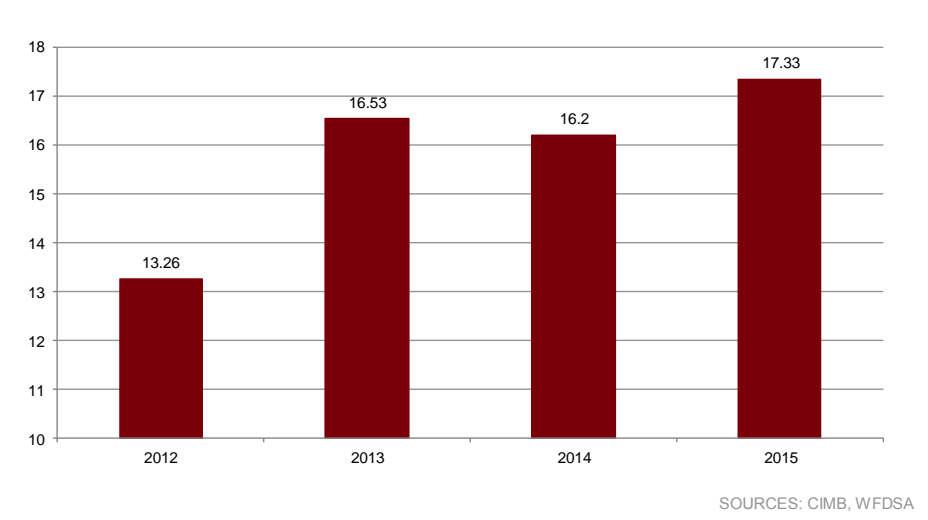
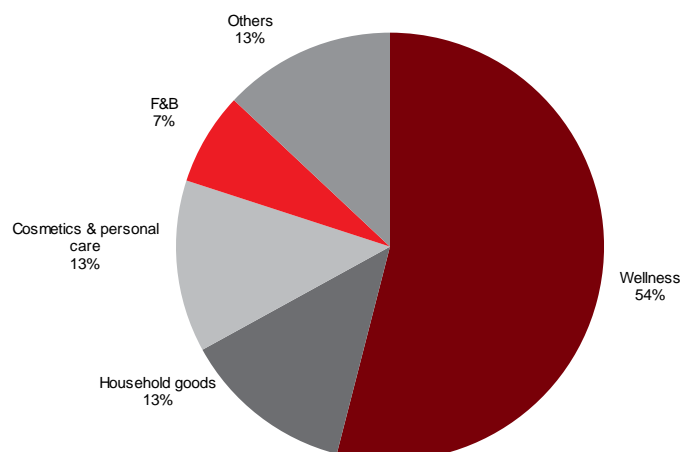


Figure 36: Breakdown of Malaysia's direct selling revenue in 2015

SOURCES: CIMB, WFD SA

In the local bourse, listed direct selling companies include Amway (M) Holdings (AMW MK, Non Rated), Zhulian Corporation (ZHCB MK, Non Rated), and Hai-O Enterprise (HAIP MK, Non Rated). Direct selling companies are usually known for their attractive dividends. Historical dividend yields for the direct selling companies are currently around 4-5%.

In the publishing industry, the closest listed competitor to Sasbadi is Pelangi Publishing Group (PPG MK, Non Rated). Pelangi publishes books similar to Sasbadi. However, Pelangi's revenue is about 70% of Sasbadi's, while its net profit is one-sixth of Sasbadi's. Pelangi's market capitalisation is also around one-sixth of Sasbadi's.

Figure 37: Selected direct selling and publishing listed companies in Bursa

Companies	Sasbadi	Pelangi	Amway	Zhulian	Hai-O
Bloomberg code	SASB MK	PPG MK	AMW MK	ZHCB MK	HAIO MK
Reccm,	Add	NR	NR	NR	NR
Share price (RM)	1.17	0.55	8.12	1.39	3.8
Issued shares (m)	279.4	96.6	164.4	460	193
Market cap (RMm)	326.9	53.1	1334.9	639.4	733.4
Latest FY	Aug-2016	Sep-2015	Dec-2015	Nov-2015	Apr-2016
Revenue (RMm)	96.0	63.3	1019.9	225.9	298.1
Net profit (RMm)	15.3	2.5	63.9	53	36.4
Net profit margin (%)	15.9	3.9	6.3	23.5	12.2
EPS (sen)	5.5	2.6	38.9	11.5	18.9
P/E (x)	22.0	21.3	20.9	12.1	20.1
DPS (sen)	2.5	1.3	45.0	6.0	15.0
Dividend yield (%)	2.1	2.4	5.5	4.3	3.9
PBV (x)	2.3	0.5	7.1	1.2	2.5

SOURCES: CIMB, COMPANY REPORTS

SWOT ANALYSIS ►

Our SWOT analysis on Sasbadi tells us that the company is the market leader in a competitive market. Most of the players in this market are small private companies, which is positive for Sasbadi as it is spoilt for choice as far as M&As opportunities are concerned. Funding for M&As is not an issue in view of its net cash balance sheet and its listed status. Its recent expansion into the direct selling industry should also open up new revenue growth opportunities.

In the publishing industry, we believe Sasbadi is one of the few companies that focuses on merging technology with education. The company's operations are currently entirely focused on the domestic market, and when Sasbadi is ready to export its know-how, we believe the growing ASEAN market has enormous potential.

Figure 38: SWOT analysis on Sasbadi

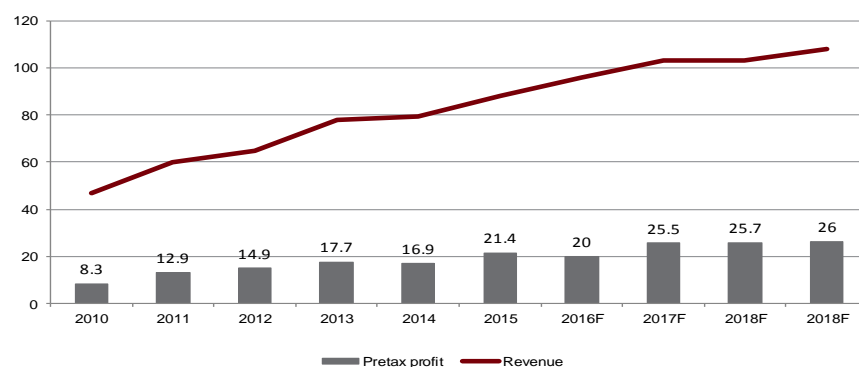
Strengths	Opportunities
Market leader in its market segment	Many M&A opportunities
Strong brand	Direct selling has huge potential
Experienced management	Combining technology and education
Has economies of scale	
Focusing on technology and education	
Net cash balance sheet	
Weakness	Threats
Focused only in the domestic market	Many small private players in this market
Does not have a dominant position in the market	Low barrier of entry in this market
Market share has matured	Change in the government education syllabus

SOURCES: CIMB

OUTLOOK

Existing publishing business offers steady growth ►

Sasbadi's traditional publishing business is defensive but is growing slowly. With the country's young demographic, there is a steady long-term demand for its traditional publishing business.

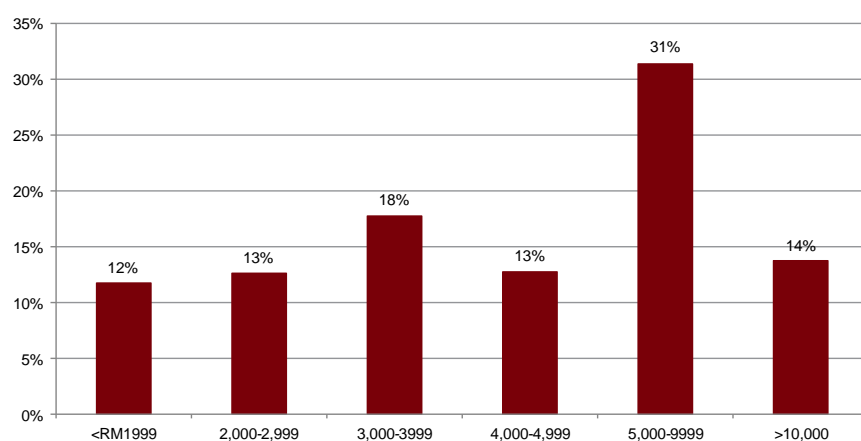
Figure 39: Sasbadi's traditional publishing book revenue & pretax profit (RMm)

SOURCES: CIMB, COMPANY REPORTS

iL-Ace is a game changer for Sasbadi ►

Sasbadi's direct selling business has come at an opportune time, with the growing popularity of smartphones and tablets. By 2017, the country's smartphone penetration rate should be above 70%. Affordability for iL-Ace should not be an issue as close to 45% of Malaysian households are above the RM5,000 per month income bracket. In addition, purchasing a tablet is affordable as prices start from around RM300 for a tablet.

In Malaysia's recent Budget 2017, it was announced that 430,000 teachers nationwide would be provided with tablets. As iL-Ace has platforms for students, parents, as well as teachers, this latest government measure could boost the sales of iL-Ace's subscription.

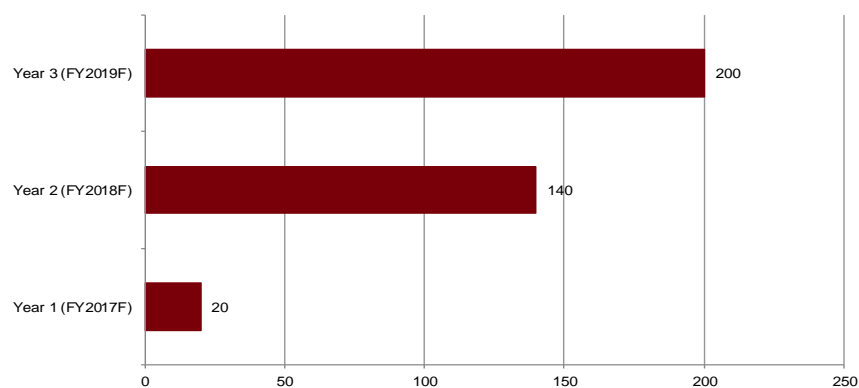
Figure 40: Malaysia's household income breakdown (RM)

SOURCES: CIMB, EPU

We forecast RM20m in revenue from iL-Ace in FY2017F, rising to RM140m in FY18F. Revenue in the first year is not likely to be significant as direct selling leaders would be spending most of their time recruiting and training potential distributors. The leaders would usually have active distributors in the major towns.

From the second year onwards, sales should start to pick up pace once the leaders and their distributors start promoting iL-Ace to their potential market of parents, students and teachers. We estimate that in FY18F, iL-Ace's sales is RM140m (equivalent to some 400,000 students), which is only 11% of the targeted total primary and secondary students in the country.

While the traditional publishing business yields a 22%-25% pretax profit return, we estimate the direct selling's pretax profit margin to be around 45%-50%. We assume an average commission payout to distributors of 52% of revenue and around 3% of revenue used for advertising, promotion and salary charges, resulting in a pretax profit margin for the direct selling business of about 45%. IT infrastructure and content costs for iL-Ace has already been provided for in the past few years and as such, there are no other significant costs yet to be accounted for.

Figure 41: Projected sales for iL-Ace (RM m)

SOURCES: CIMB

Growth from M&A activities ➤

According to management, Sasbadi is also looking for growth through M&A activities. The publishing industry in the country currently consists of many small

companies that specialise in their niche market segments. There are also not many opportunities for the owners of these small publishing companies should they be looking to cash out of their businesses.

Figure 42: Sasbadi's acquisitions since 2013

Date	Company	Purchase cost (RMm)	Principal business
Sep-16	Dintinct Motion Group	0.9	Learning activities robotics technology
Aug-2016	United Publishing House S/B	4.4	Major dictionary publisher, publish Chinese books
Aug-2015	70% stake in Sanjung Unggul S/B	21.0	Publish books for national-Chinese schools
Oct-2014	Penerbitan Multimedia IP	1.0	Publish academic reference materials
Sep-2013	Pearson Malaysia	5.5	Publish higher education and professional books
Total		32.8	

SOURCES: CIMB, COMPANY REPORTS

As a listed company, Sasbadi is in a better position than most to secure funding for any M&As. Early this year, the company raised RM31.6m through a private placement exercise. The latest M&A was the purchase of Distinct Motion Group, which is involved in conducting learning activities of robotic technology for children.

RISKS

Slower-than-expected growth in iL-Ace ►

The growth for Sasbadi's direct selling division could be slower-than-expected over the next few years. This could be due to distributorship base growing at a slower pace than we had forecast. We are targeting iL-Ace sales reaching RM20m in FY2017F and rising to RM140m in FY2018F.

Strong US\$ ►

Paper is the main raw material for its traditional publishing business. Prices are quoted in US\$ and a sharp rise in the US\$ vs. RM would lead to higher operating costs for the company. However, if our forecast of an explosive growth of iL-Ace over the next few years materialises, the impact of a stronger US\$ on the overall group pretax profit margin could be muted. In addition, the company could raise selling prices of its books, to offset higher paper prices.

Change in government syllabus ►

Sasbadi's published materials are mainly based on the country's national school curriculum. Any changes in curriculum would mean amendments to its school books, leading to higher costs incurred for additional writers and authors. However, this could also mean additional revenue from selling more books to its customers.

iL-Ace could cannibalise sales of its published books ►

There is a risk that strong demand for iL-Ace could mean lower sales of its published school books. However, we see iL-Ace complementing than directly competing with its published materials. Students would still use the books but use iL-Ace to revise and do test papers and questions, to help understand the subject topics. In our earnings forecast, we have not assumed iL-Ace cannibalising sale of its published books

FINANCIALS

FY16 net profit should be lower yoy ➤

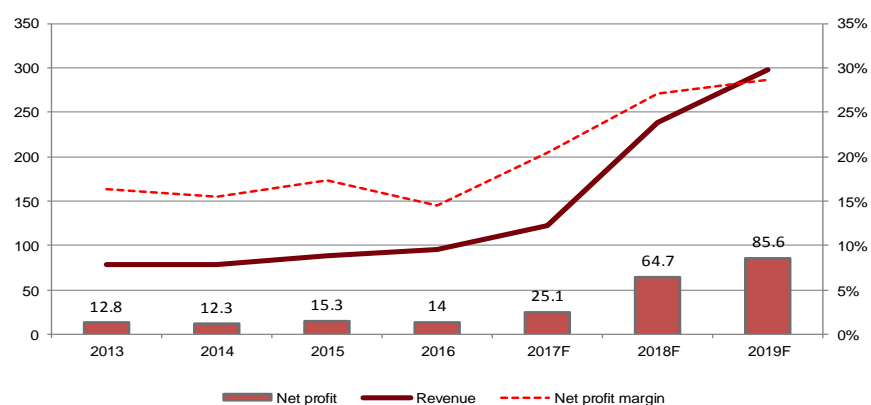
Sasbadi would be announcing the final FY2016 results early next week. Although FY2016 revenue should be higher yoy, (mainly due to the consolidation of 70%-owned subsidiary Sanjung Unggul which was acquired in Aug-2015) but FY2016 net profit should be lower yoy mainly due to higher operating costs.

The company focused more of its resources in 1HFY2016 on bidding for school text book orders from the Ministry of Education (MOE). Although the costs were incurred in FY2016, revenue contribution would only occur in FY2017F and FY2018F. In addition, Sasbadi also incurred higher labour costs in FY2016. We estimate that the labour workforce increased by 3-5% during the financial year.

82% 3-year net profit CAGR ➤

We are targeting a strong 82% 3-year net profit CAGR for FY17-19F with the growth coming mainly from iL-Ace. Group net profit margin should start to rise from FY17F onwards mainly due to iL-Ace's pretax profit contribution. The company does not capitalise its R&D costs and charges them to the profit and loss account as incurred. Development cost on iL-Ace was mostly charged a few years back.

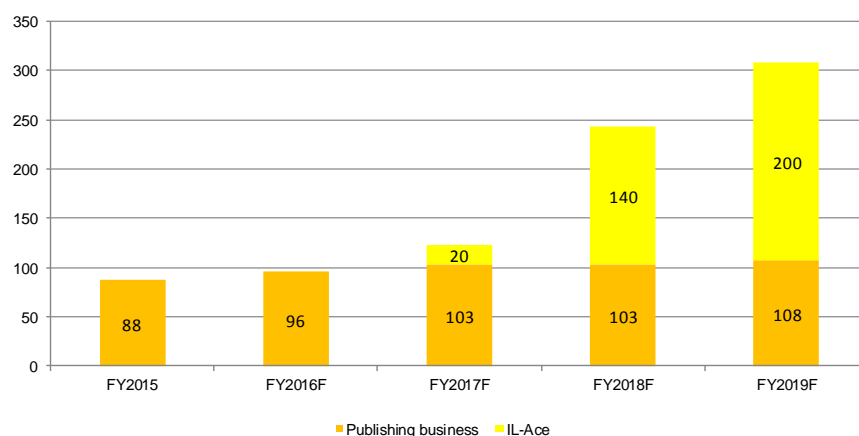
Figure 43: Sasbadi's revenue and net profit forecasts (RMm)



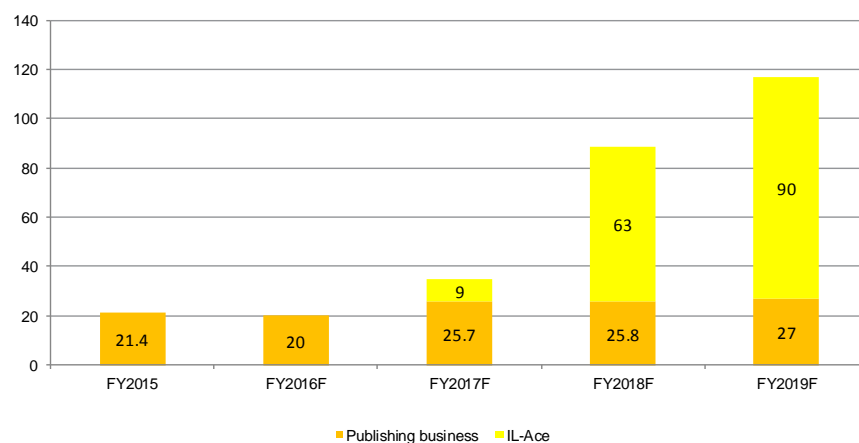
SOURCES: CIMB, COMPANY REPORTS

iL-Ace to contribute from FY2017F onwards ➤

We forecast that iL-Ace to generate RM20m revenue in FY2017F. We also expect the pretax profit margin from iL-Ace to be around 45%-50% vs. 22%-25% for its traditional publishing business. The full extent of iL-Ace's direct selling exponential growth should be felt in FY2018F when iL-Ace's revenue should reach around RM140m. With a 45%-50% pretax profit margin, iL-Ace alone should boost Sasbadi's pretax profit to RM63m.

Figure 44: Sasbadi revenue breakdown (RMm)

SOURCES: CIMB, COMPANY REPORTS

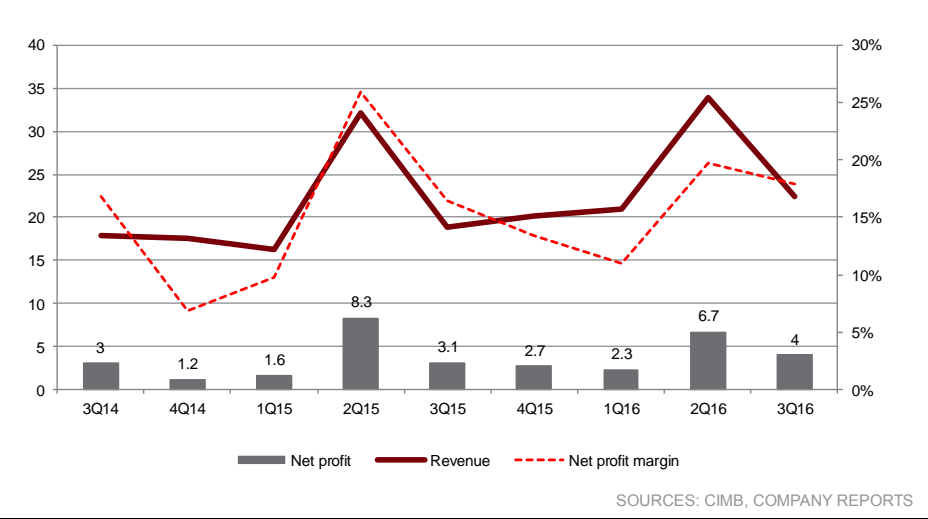
Figure 45: Sasbadi pretax profit breakdown (RMm)

SOURCES: CIMB, COMPANY REPORTS

2Q is seasonally the strongest quarter

The company's financial second quarter (i.e. the Dec-Feb quarter) is traditionally its strongest quarter due to the start of the school year in early-Jan, while its weakest quarter is usually the financial fourth quarter (Jun-Aug). However, 1QFY17 should be stronger than usual as Sasbadi starts to recognise revenue from the sale of the Chinese textbook orders and earnings contribution from iL-Ace.

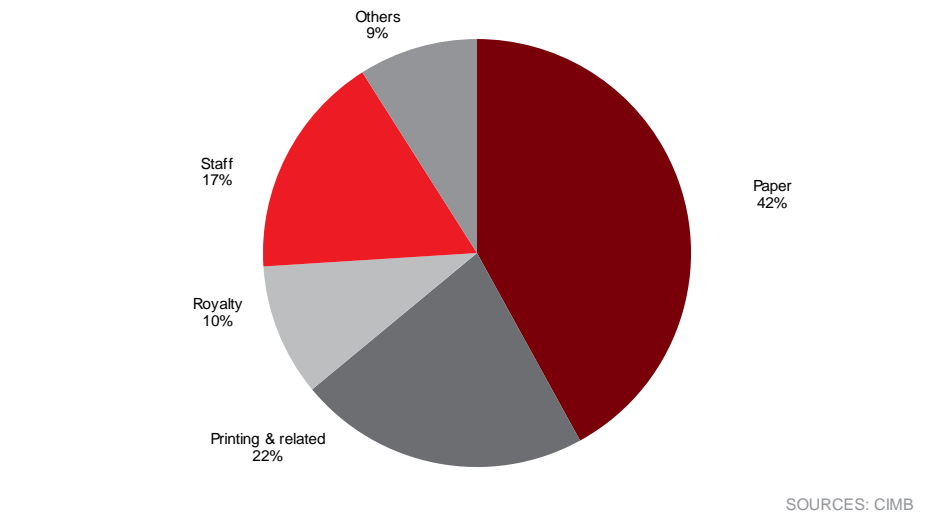
Figure 46: Sasbadi quarterly revenue and net profit (RMm)



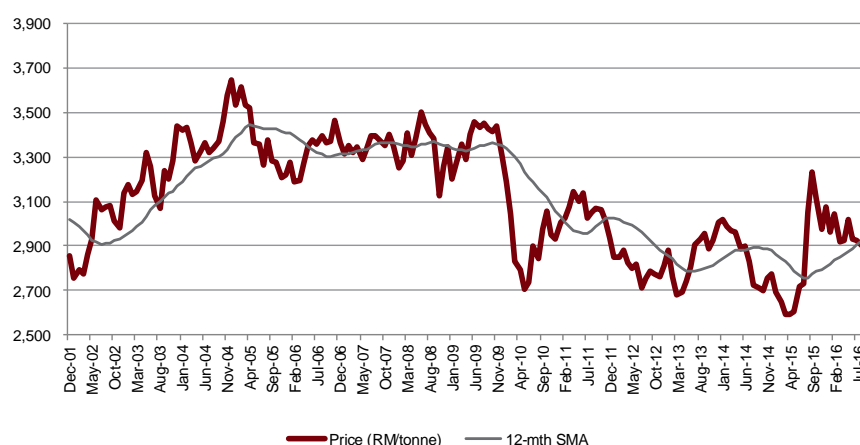
Paper is its largest operating cost component ➤

Analysis of Sasbadi’s operating costs shows that paper and printing-related costs (in total making up around 60% operating costs) are the company’s largest operating cost components. Fortunately for the company, paper prices have been trending down since 2011. Royalties paid are to external writers who write books for Sasbadi.

Figure 47: Sasbadi’s estimated operating cost breakdown (%)



Since 2010, coated woodfree white paper prices have been mostly moving sideways, trading at between RM2,700 and RM3,000/tonne. The current price is around RM2,900/tonne. The spike in paper prices in mid-2015 was mainly due to the weak ringgit. Staff costs make up around 17% of operating costs. The company currently has 420 staff.

Figure 48: Woodfree white paper prices (RM/tonne)

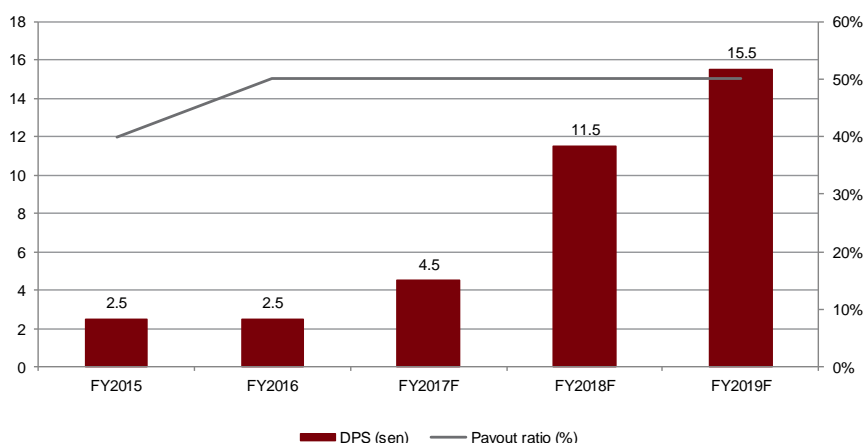
SOURCES: CIMB, BLOOMBERG

Net cash balance sheet

As at end-May 2016, Sasbadi's balance sheet showed a net cash of RM21.4m. The net cash balance was mainly due to the private placement of 12.7m shares done at RM2.49/share in Jan 2016 (before the 1-for-2 share split exercise), which raised RM31.6m in gross proceeds. The net cash balance sheet gives Sasbadi the option to fund M&As, which the company targets for at least once a year.

To pay out up to 50% of net profit

The company's dividend policy is to pay up to 50% of its net profit annually. For FY2016F, we estimate the company to payout 2.5sen DPS, equivalent to a 50% net dividend payout ratio. Over the next few years, Sasbadi's net DPS (sen) should gradually rise, in our view. By FY2018F, we expect an 11.5 sen DPS, equivalent to a 50% net dividend payout ratio. Dividend yield would be attractive at 8%-9%, based on its current share price.

Figure 49: Sasbadi expected DPS (sen) and dividend payout ratio (%)

SOURCES: CIMB

Our Dupont analysis on Sasbadi's ROE shows asset turnover should be stable, around 0.6x-0.7x, only rising to 1x in FY2018 as Group revenue rises sharply, mainly due to higher contributions from iL-ACe. Also, due to iL-Ace's higher profit margin mix compared to its traditional publishing business, EBIT margin should rise steadily in FY2017F and much higher in FY2018F, leading to higher ROEs in both FY2017F and FY2018F.

Figure 50: Du Pont analysis for Sasbadi

	FY14	FY15	FY16F	FY17F	FY18F	FY19F
ROE (%)	13.1%	14.5%	9.8%	16.1%	28.7%	37.1%
Tax and MI retention (%)	72.6%	71.7%	71.2%	72.0%	72.9%	73.1%
Interest burden (%)	98%	100%	100%	100%	100%	100%
EBIT margin (%)	21.6%	24.3%	22.4%	28.3%	37.2%	39.2%
Asset turnover (x)	0.8	0.7	0.6	0.6	1.1	1.2
Equity multiplier (x)	1.1	1.2	1.1	1.2	1.1	1.1
Check	13.1%	14.5%	9.8%	16.1%	28.7%	37.1%

SOURCES: CIMB

SENSITIVITY ANALYSIS

Against the US\$ and iL-Ace's sales ➤

We look at the sensitivity of the US\$ vs. RM. The biggest cost component in US\$ is paper, which is around 40% of its operating costs. Our sensitivity analysis shows us that every RM0.40/US\$ change in the currency affects Sasbadi's FY16 EPS by 8.0%. However, its impact on for FY18-19F EPS should be less, at only 2.5-3.0%, as earnings from iL-Ace kick in. In addition, the company can also raise selling prices of the books to offset the hike in paper costs.

Figure 51: Sasbadi's EPS sensitivity analysis against the US\$

FY-Aug	FY2017F	FY2018F	FY2019F
EPS (base case) at RM4.10/US\$ rate	9.0	23.2	30.6
RM3.70/US\$	8.0%	3.0%	2.5%
RM4.10/US\$	unchg	unchg	unchg
RM4.50/US\$	-8.1%	-3.1%	-2.4%
RM4.90/US\$	-15.9%	-6.1%	-4.7%

SOURCES: CIMB

Our sensitivity analysis tells us that a RM10m decline in iL-Ace sales in our base-case in FY2017F should lead to a 13.5% EPS decline and vice versa. In FY2018F, we project iL-Ace's sales reaching RM140m and a RM10m sales decline below our base-case should see EPS falling by a lower 5.3% and vice versa.

Figure 52: Sasbadi's EPS sensitivity analysis to changes in iL-Ace's sales

FY-Aug	FY2017F	FY2018F	FY2019F
iLA sales - base case	RM20m	RM140m	RM200m
EPS (sen)	9.0	23.2	30.6
Change in iL- Ace (RMm)			
- RM10m	-13.5%	-5.3%	-4.0%
+ RM10m	13.5%	5.3%	4.0%
+ RM20m	27.1%	10.5%	7.9%
+ RM40m	54.2%	21.0%	15.9%

SOURCES: CIMB,

VALUATION AND RECOMMENDATION

Not actively covered by research houses ➤

The company has been listed for more than two over years but the stock is not actively covered by research houses. There are currently only two small research houses that have active coverage on the stock. We believe this is because the stock is still a smallcap, with current market capitalisation at around RM380m (US\$90m).

All should change with iL-Ace ➤

However, we believe more research houses will look at the company over the next few quarters as earnings from iL-Ace gain momentum, particularly in 2018. Supported by expected iL-Ace future earnings, we are looking at 82% 3-year EPS CAGR in FY17-19F for the company.

Valuation is cheap, dividend play in FY2018F ➤

The stock looks attractive at a 2017F 12x P/E, falling to 6x in FY2018F. In addition, the stock could also be an attractive dividend stock in FY2018F. In FY2018F, we expect an 11.5 sen DPS, equivalent to a 50% net dividend payout ratio. Dividend yield would be an attractive 8%-9% at current share price levels.

The best defence is a good offence ➤

Sasbadi's stock is defensive as the company is involved in both education and direct selling sectors. This stock should outperform in bearish market conditions. We are initiating coverage on Sasbadi with an Add recommendation. Our target price is RM2.82, based on a 20% discount to the 2018F 16x P/E target for the education sector. The discount reflects Sasbadi's small market cap. Potential catalysts include stronger-than-expected sales from iL-Ace over the next few quarters and new M&As. Risks are weaker iL-Ace sales.

Figure 1: Sector Comparisons

Company	Bloomberg Ticker	Reco m.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)	Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2016	CY2017		CY2017	CY2016	CY2017	CY2016	CY2017	CY2016	CY2017
Sasbadi Holdings	SASB MK	Add	RM1.35	RM2.82	91	20.0	12.0	82.0%	2.4	11.3%	16.7%	15.3	12.0	1.9%	3.3%
China Maple Leaf Educational	1317 HK	Add	HK\$5.66	HK\$8.32	993	23.0	18.5	22.6%	3.0	15.0%	17.0%	17.7	13.3	2.1%	2.7%
Overseas Education Ltd	OEL SP	Hold	S\$0.45	S\$0.42	134	17.7	14.3	0.4%	1.2	6.6%	8.2%	8.3	7.1	4.3%	5.6%
Prestariang	PRES MK	Add	RM2.17	RM2.82	252	32.6	14.8	67.0%	4.8	17.1%	35.0%	28.4	11.8	1.8%	4.1%

SOURCES: CIMB, COMPANY REPORTS

TECHNICAL ANALYSIS

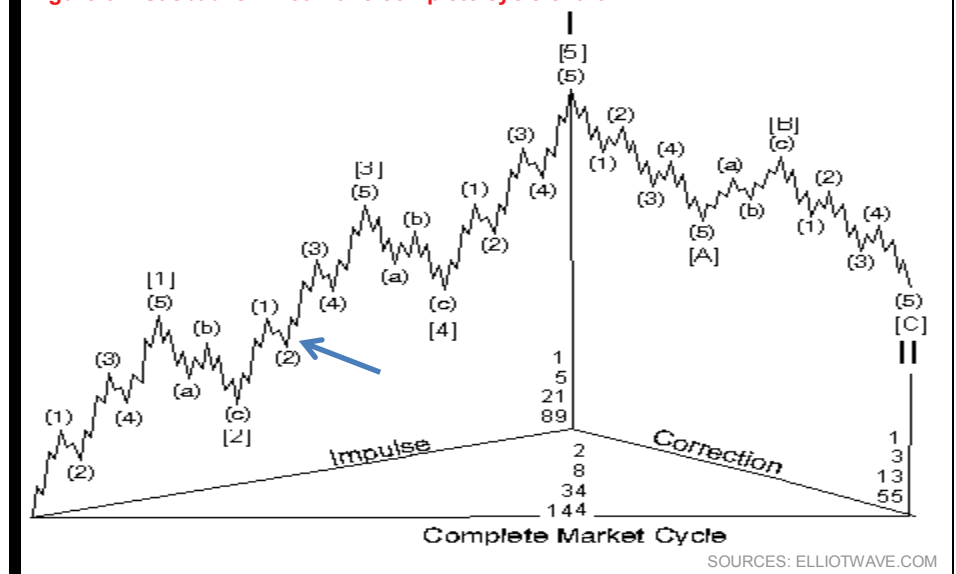
Bullish wave three has started? ➤

An analysis of the wave count of Sasbadi's share price tells us the major wave 1 completed in Apr 2016 when the stock experienced a new year high. Major wave 2 correction should have completed two months ago, when the stock fell to a low of RM1.02, which is just above the 50% retracement of major wave 1. If we are right, the major wave 3 would have just started, and the stock should surpass the Apr 2016 RM1.44 high over the next few months. The blue arrow in Fig 54 shows where we think the stock is currently in the Elliot wave cycle.

Figure 53: Sasbadi's weekly chart (RM1.26)



Figure 54: Sasbadi's Elliot Wave complete cycle chart



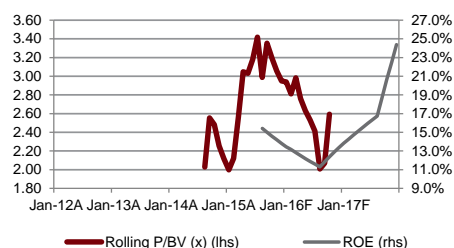
Traditional technical analysis also tells us the stock overcame its major resistance trendline two weeks ago. As the weekly MACD also broke past its resistance trendline, this usually means a bullish medium term signal for the stock. Sasbadi's monthly charts shows MACD on the verge of confirming its bullish "golden cross", while monthly RSI is holding above its support trendline, another long-term positive signal.

Figure 55: Sasbadi's monthly price chart (RM1.35)

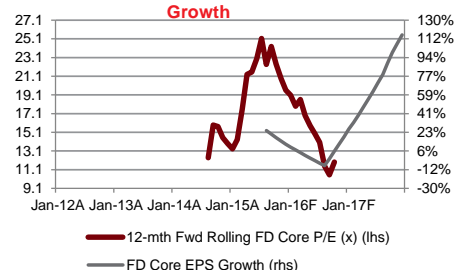


BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Contribution from iL-Ace

Profit & Loss

(RMm)	Aug-14A	Aug-15A	Aug-16F	Aug-17F	Aug-18F
Total Net Revenues	79.51	88.00	96.00	123.00	238.80
Gross Profit	38.96	43.12	47.04	69.00	118.80
Operating EBITDA	19.81	24.33	23.60	39.00	93.40
Depreciation And Amortisation	(2.60)	(2.90)	(3.80)	(4.20)	(4.60)
Operating EBIT	17.21	21.43	19.80	34.80	88.80
Financial Income/(Expense)	(0.32)	(0.03)	0.00	0.00	0.00
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	16.89	21.40	19.80	34.80	88.80
Exceptional Items					
Pre-tax Profit	16.89	21.40	19.80	34.80	88.80
Taxation	(4.63)	(5.56)	(5.15)	(9.05)	(23.09)
Exceptional Income - post-tax	0.00				
Profit After Tax	12.25	15.84	14.65	25.75	65.71
Minority Interests	0.00	(0.50)	(0.60)	(0.70)	(1.00)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12.25	15.34	14.05	25.05	64.71
Recurring Net Profit	12.25	15.34	14.05	25.05	64.71
Fully Diluted Recurring Net Profit	12.25	15.34	14.05	25.05	64.71

Private placement of new shares

Cash Flow

(RMm)	Aug-14A	Aug-15A	Aug-16F	Aug-17F	Aug-18F
EBITDA	19.81	24.33	23.60	39.00	93.40
Cash Flow from Inv. & Assoc.	19.81	24.33	23.60	39.00	93.40
Change In Working Capital	(15.20)	(15.40)	(12.46)	4.50	(2.50)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	(4.90)	(5.56)	(5.15)	(9.05)	(23.09)
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(4.90)	(5.56)	(5.15)	(9.05)	(23.09)
Cashflow From Operations	14.62	22.12	24.44	64.40	138.12
Capex	(6.30)	(22.00)	(12.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.40	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	(6.30)	(22.00)	(11.60)	(10.00)	(10.00)
Debt Raised/(repaid)	0.00	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	25.20	0.00	31.30	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(8.50)	(3.80)	(7.03)	(12.53)	(32.36)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	(2.50)	0.00	0.00	0.00	0.00
Cash Flow From Financing	14.20	(3.80)	24.27	(12.53)	(32.36)
Total Cash Generated	22.52	(3.68)	37.12	41.88	95.77
Free Cashflow To Equity	8.32	0.12	12.84	54.40	128.12
Free Cashflow To Firm	8.32	0.12	12.84	54.40	128.12

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Net cash balance sheet

Balance Sheet

(RMm)	Aug-14A	Aug-15A	Aug-16F	Aug-17F	Aug-18F
Total Cash And Equivalents	26.29	8.34	29.30	41.60	67.10
Total Debtors	31.16	40.42	49.20	47.00	48.00
Inventories	20.22	37.06	42.40	41.00	43.00
Total Other Current Assets	1.63	1.39	2.70	2.70	2.70
Total Current Assets	79.29	87.20	123.60	132.30	160.80
Fixed Assets	30.20	30.90	37.90	43.70	49.10
Total Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	4.95	22.33	21.30	21.30	21.30
Total Other Non-Current Assets	0.00	0.41	0.40	0.40	0.40
Total Non-current Assets	35.15	53.63	59.60	65.40	70.80
Short-term Debt	5.83	9.33	2.60	3.00	3.00
Current Portion of Long-Term Debt	0.00	0.00	0.00	0.00	0.00
Total Creditors	8.00	13.44	15.10	16.00	16.50
Other Current Liabilities	2.47	1.56	5.40	5.40	5.40
Total Current Liabilities	16.30	24.33	23.10	24.40	24.90
Total Long-term Debt	0.20	0.10	5.90	5.90	5.90
Hybrid Debt - Debt Component	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Liabilities	4.33	6.09	5.70	5.80	5.80
Total Non-current Liabilities	4.53	6.19	11.60	11.70	11.70
Total Provisions	0.00	0.00	0.00	0.00	0.00
Total Liabilities	20.83	30.52	34.70	36.10	36.60
Shareholders' Equity	93.71	105.23	143.40	155.93	188.28
Minority Interests	0.00	5.06	5.66	6.36	7.36
Total Equity	93.71	110.29	149.06	162.29	195.64

iL-Ace higher profit margin compared to existing business

Key Ratios

	Aug-14A	Aug-15A	Aug-16F	Aug-17F	Aug-18F
Revenue Growth	N/A	10.7%	9.1%	28.1%	94.1%
Operating EBITDA Growth	N/A	23%	(3%)	65%	139%
Operating EBITDA Margin	24.9%	27.6%	24.6%	31.7%	39.1%
Net Cash Per Share (RM)	0.07	(0.00)	0.07	0.12	0.21
BVPS (RM)	0.34	0.38	0.51	0.56	0.67
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	27.4%	26.0%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	NA	50.0%	50.0%	50.0%	50.0%
Accounts Receivables Days	166.0	148.4	170.8	142.7	72.6
Inventory Days	280.0	232.9	297.0	281.9	127.8
Accounts Payables Days	105.0	87.2	106.7	105.1	49.4
ROIC (%)	N/A	27.6%	16.9%	26.1%	65.9%
ROCE (%)	N/A	19.5%	14.3%	21.2%	47.3%
Return On Average Assets	N/A	12.4%	9.0%	13.5%	30.6%

Key Drivers

	Aug-14A	Aug-15A	Aug-16F	Aug-17F	Aug-18F
Growth In Number Of Students (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Average Student Fee Change (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Campus Utilisation Rates (%)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Description:	Excellent	Very Good	Good	N/A	

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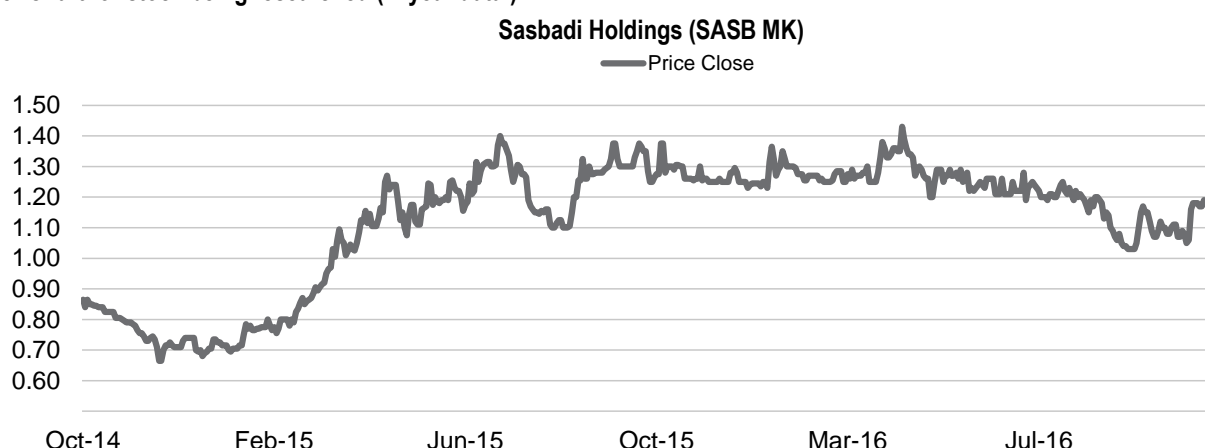
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2016		
1598 companies under coverage for quarter ended on 30 September 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.7%	7.5%
Hold	31.7%	2.8%
Reduce	9.8%	0.6%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP – Excellent, 5, BEM – not available, no progress, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC – Good, 3B, BH – Good, 2, BIGC – Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, 1, BTS – Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN – Excellent, 5, DELTA – Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO – Excellent, 4, EPG – not available, 3B, GFPT – Very Good, 3A, GLOBAL – Very Good, 2, GLOW – Good, 3A, GPSC – not available, 3B, GRAMMY – Excellent, 3B, GUNKUL – Very Good, 1, HANA – Excellent, 4, HMPRO – Excellent, 3A, ICHI – Very Good, 3A, INTUCH – Excellent, 4, ITD – Good, 1, IVL – Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK – Excellent, 4, KCE – Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB – Excellent, 4, KTC – Very Good, 3A, LH – Very Good, 3B, LPN – Excellent, 3A, M – Good, 2, MAJOR – Good, 1, MAKRO – Good, 3A, MALEE – not available, 2, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT – Excellent, 3A, MTLS – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL – Excellent, 4, PTT – Excellent, 5, PTTEP – Excellent, 4, PTTGC – Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SAMART – Excellent, 3B, SAPPE – Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB – Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCN – Good, 1, SCCC – Good, 3A, SIM – Excellent, 3B, SIRI – Good, 1, SPALI – Excellent, 3A, SPRC – not available, no progress, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO – Excellent, 4, TK – Very Good, 3B, TKN – not available, no progress, TMB – Excellent, 4, TPCH – Good, 3B, TOP – Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, UNIQ – not available, 2, VGI – Excellent, 3A, WHA – Good, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.