

Sasbadi Holdings (BUY ↔; EPS ↔)

EDUCATION

EARNINGS EVALUATION/ NEWSBREAK

30 October 2014

Price Target: RM2.15 (↔)

Share price: RM1.73

FY14 Results

Results

- Sasbadi's FY14 core PATAMI (excluding RM1.3m listing expenses) of RM13.6m accounted for 92% of HLIB and 91% of streets' estimates. Hence, we consider it to be in line.

Deviations

- None.

Dividends

- None.

Highlights

- In a separate announcement, Sasbadi announced that its wholly-owned subsidiary, Sasbadi Sdn Bhd will be acquiring Penerbitan Multimedia Sdn Bhd (PMSB) at RM1m which will be funded through the proceeds raised from IPO (acquisition of publishing businesses).
- We are favourable on the acquisition for this will create a new revenue stream for Sasbadi as it venture into the teacher education segment which remains untapped for Sasbadi. PMSB provides materials for teachers' training schools on top of educational comics. Note that this is the first acquisition since it was listed in July.
- 4QFY14 review...** Its QoQ revenue dropped slightly by 2% from RM17.9m to RM17.5m. PBT also decreased 53% to RM1.9m (3QFY14: RM4.2m) largely caused by the listing expenses amounting to RM1.3m.
- FY14 review...** Sasbadi's revenue of RM79.5m is in line with ours and consensus estimates at 97% and 101% respectively, with its educational print publishing arm, being the main contributor of about 87% of total revenue. As expected, the bulk of it came from the sales of new educational material based on PT3.
- Managed to report core PAT of RM12.3m despite an underprovision of sales return for past year papers of RM1.3m.
- Outlook...** Remain optimistic on its long term earnings growth. We believe 2015 would be a better year for Sasbadi due to the acquisition of PMSB and License and Services Agreement with the biggest education publisher from Indonesia.

Risks

- Losing the textbook tender from MOE; 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 the stability in their business evidently shown by their positive operating cash flows and net cash position, and their long term catalysts based on the new curriculum for secondary schools from 2017 onwards and potential M&As. Maintain BUY.

Valuation

- Reiterate our **BUY** call with TP unchanged at RM2.15, based on P/E multiple valuation of 15x (implied PEG of 0.86x) CY15 EPS or circa 50% discount to average P/E of the education sector due to Sasbadi's lower market capitalisation.

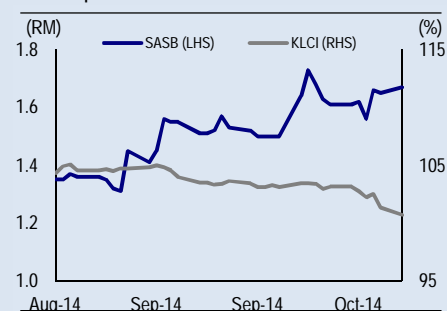
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KLCI	1,839.6
Expected share price return	24.3%
Expected dividend return	2.4%
Expected total return	26.6%

Share price



Information

Bloomberg Ticker	SASB MK
Bursa Code	5252
Issued Shares (m)	127
Market cap (RM m)	220
3-mth avg. volume ('000)	1,086
SC Shariah-compliant	No

Price Performance	1M	3M	12M
Absolute	5.5	23.6	nm
Relative	5.9	26.1	nm

Major shareholders

Law King Hui	20.0%
Lee Swee Hang	10.0%
Lee Eng Sang	5.0%

Summary Earnings Table

FYE Aug (RM m)	2013A	2014A	2015E	2016E
Revenue	77.96	79.48	91.95	103.46
EBITDA	20.34	19.78	25.08	29.42
PATAMI	13.62	12.25	17.19	20.34
EPS (sen)	12.87	10.62	13.54	16.02
Core EPS (sen)	12.87	11.74	13.54	16.02
P/E (x)	13.44	19.97	12.78	10.80
BV /share	0.6	0.8	1.0	1.1
P/BV (x)	2.84	2.13	1.70	1.53
DPS (sen)	-	12.7	4.1	4.8
DY %	-	4.26	2.35	2.78
ROE (%)	17.63	12.6	16.22	16.96
ROA (%)	23.60	10.6	18.23	18.94
HLIB				

Figure #1 Quarterly results comparison

FYE Aug (RM m)	4QFY13	3QFY14	4QFY14	QoQ (%)	YoY (%)	Comments
Revenue	-	17.9	17.5	-2	-	Made up 21% and 22% of ours and consensus estimates.
Sasbadi Sdn Bhd	-	16.1	13.7	-15	-	
Sasbadi Online	-	0.7	0.7	6	-	QoQ: Sales due to new products based on the modified school assessment PT3.
Orbit Buku	-	0.3	0.1	-53	-	
Malaysian Book Promotions	-	0.8	3.0	268	-	QoQ: Coming from Pearson Malaysia Sdn Bhd
GP	-	8.1	7.3	-10	-	Due to lower revenue & higher cost of sales from RM9.8m to RM10.3m.
Expenses		(3.9)	(5.3)	35		
EBITDA	-	4.8	2.6	-47	-	
Operating Profit	-	4.2	1.9	-54	-	Higher than expected expenses and listing expenses of RM1.3m.
Interest Income	-	0.02	0.06	150	-	
Finance Costs	-	(0.2)	(0.1)	-49	-	
Shares of Associates/JCE	-	-	-	-	-	
PBT	-	4.0	1.9	-53	-	Brought down by the listing expenses.
PAT	-	3.0	1.2	-60	-	Effective tax rate of 36%. Higher due to non-deductible expenses.
PATAMI	-	3.0	1.2	-60	-	
Core Earnings	-	3.0	2.5	-16	-	Equates to 17% for both ours and streets' forecasts
Basic EPS (sen)	-	2.84	1.05	-63	-	
GP Margin (%)	-	45%	41%	-8	-	
EBITDA Margin (%)	-	27%	15%	-46	-	
Operating Profit Margin (%)	-	23%	11%	-53	-	
Sasbadi, HLIB						

Figure #2 Cumulative results comparison

FYE Aug (RM m)	FY13	FY14	YoY (%)	Comments
Revenue	-	79.5	-	Made up 97% and 101% of ours and consensus estimates.
Sasbadi Sdn Bhd	-	69.7	-	Contributed 87% of revenue in the current quarter.
Sasbadi Online	-	1.5	-	
Orbit Buku	-	1.1	-	
Malaysian Book Promotions	-	7.1	-	
GP	-	37.0	-	
Expenses	-	(19.9)	-	
EBITDA	-	19.8	-	
Operating Profit	-	17.2	-	
Interest Income	-	0.1	-	
Finance Costs	-	(0.5)	-	
Shares of Associates/JCE	-	-	-	
PBT	-	16.9	-	
PAT	-	12.3	-	Effective tax rate of 27%.
PATAMI	-	12.3	-	
Core Earnings	-	13.6	-	Made up 92% and 91% of both ours and consensus forecasts respectively.
Basic EPS (sen)	-	11.32	-	
GP Margin (%)	-	47%	-	
EBITDA Margin (%)	-	25%	-	
Operating Profit Margin (%)	-	22%	-	
Sasbadi, HLIB				

Figure #3 Consensus vs HLIB

FYE Dec (RM m)	FY14E			FY15E		
	HLIB	Consensus	(%)	HLIB	Consensus	(%)
Revenue	82.1	79.1	+3.8	91.9	89.5	+2.8
PATAMI	14.7	14.9	-1.3	17.2	17.6	-2.3

Bloomberg, HLIB

Financial Projections for Sasbadi Holdings (BUY; TP: RM2.15)

Income Statement

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	64.8	78.0	79.5	91.9	103.5
COS	(37.9)	(45.8)	(42.4)	(53.4)	(59.8)
EBITDA	16.5	20.3	19.8	25.1	29.4
D&A	(1.6)	(1.9)	(2.6)	(2.6)	(2.9)
Net Interest	0.0	0.1	(0.3)	0.4	0.6
Associates/JCE	-	-	-	-	-
Exceptionals	-	-	-	-	-
Profit Before Tax	14.9	18.5	16.9	22.9	27.1
Tax	(4.0)	(4.9)	(4.6)	(5.7)	(6.8)
Minority Interests	-	-	-	-	-
PATAMI	10.9	13.6	12.3	17.2	20.3
Core Earnings	10.9	13.6	10.0	17.2	20.3
Basic Shares (m)	105.8	105.8	115.4	127.0	127.0
Basic EPS (sen)	10.29	12.87	10.62	13.54	16.02
Core EPS (sen)	10.29	12.87	11.74	13.54	16.02

Quarterly Financial Summary

FYE 31 Aug (RM m)	3QFY14	4QFY14
Revenue	17.9	17.5
COGS	(9.831)	(10.270)
Gross Profit	8.110	7.279
Other Income	0.041	-
Expenses	(3.945)	(-5.345)
Operating Profit	4.206	1.934
Interest Income	0.022	0.055
Finance Costs	(0.189)	(0.097)
Associates/JCE	-	-
Profit Before Tax	4.039	1.892
Tax	(1.035)	(0.676)
Profit After Tax	3.004	1.216
MI	-	-
PATAMI	3.004	1.216
Core PATAMI	3.004	2.5
Basic EPS (sen)	2.84	1.05
DPS (sen)	-	-
W. Ave. Shares (m)	105.8	115.4

Balance Sheet

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Fixed Assets	28.6	28.0	30.3	32.9	31.4
Other long-term assets	0.04	0.04	4.99	0.04	0.04
Other short-term assets	2.1	0.7	1.1	0.7	0.7
Working Capital	28.4	29.5	43.9	44.1	49.2
Receivables	12.8	21.0	31.0	20.7	23.2
Payables	(5.9)	(6.5)	(7.4)	(7.3)	(8.1)
Inventory	21.5	15.0	20.3	30.7	34.1
Net cash	11.7	11.5	20.3	26.8	37.4
Cash	12.5	12.0	23.9	27.3	37.9
Total Debt	(0.8)	(0.5)	(3.7)	(0.5)	(0.5)
Shareholders' funds	50.9	64.5	93.7	100.3	114.5
Share capital	2.4	2.4	63.5	39.0	39.0
Reserves	48.5	62.1	30.2	61.3	75.6
Minorities	-	-	-	-	-
Other liabilities	20.0	5.3	6.8	4.2	4.2

Rates and Ratios

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
EPS (sen)	10.3	12.9	11.5	13.5	16.0
PER (x)	0.1	0.1	0.1	0.1	0.1
DPS (sen)	16.7	-	12.7	4.1	4.8
DY %	14.0	-	8.8	2.8	3.3
BVPS (RM)	0.5	0.6	0.7	0.8	0.9
P/B (x)	2.5	2.0	1.7	1.5	1.3
FCF/Share (sen)	0.0	0.1	(0.02)	0.11	0.13
FCF yield %	1.1	10.3	(1.5)	7.3	8.8
ROE	20.9	23.6	19.2	18.2	18.9
ROA	15.2	17.6	16.6	16.2	17.0
Net Gearing (%)	(23.0)	(17.8)	(21.6)	(26.7)	(32.6)

Cashflow Analysis

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
EBITDA	16.5	20.3	19.8	25.1	29.4
WC changes	(7.7)	(1.1)	(10.0)	(4.5)	(5.2)
Taxation	(4.0)	(4.9)	(4.9)	(5.7)	(6.8)
Others	(1.6)	2.9	(1.1)	(0.0)	0.0
Operating cashflow	3.2	17.1	5.5	14.8	17.5
Capex & acquisitions	(1.5)	(1.3)	(8.3)	(1.3)	(1.3)
Free cashflow	1.7	15.8	(2.8)	13.5	16.1
Other inv cashflow	1.0	0.1	0.3	0.4	0.6
New borrowings	0.2	(0.3)	-	-	-
Share issuance	-	-	25.2	-	-
Dividends paid	(1.6)	(16.1)	(16.1)	(5.2)	(6.1)
Other fin cashflow	(0.5)	(0.0)	(0.0)	(0.0)	(0.0)
Net cashflow	0.9	(0.5)	6.6	8.7	10.6

Assumption Metrics

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue Growth (%)	8.1	20.3	1.9	11.3	12.7
PATAMI Growth (%)	14.9	25.0	(10.3)	14.4	17.4
EPS Growth (%)	14.9	25.0	(8.7)	17.3	18.3
EBITDA Margin (%)	25.4	26.1	26.2	27.3	28.4
EBIT Margin (%)	23.0	23.8	23.8	24.9	26.2
PBT Margin (%)	23.0	23.8	23.8	24.9	26.2
PAT Margin (%)	16.8	17.5	17.8	18.7	19.7

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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.
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