

# Sasbadi Holdings (BUY ↔; EPS ↔)

EDUCATION  
NEWSBREAK

17 April 2015

Price Target: RM2.42 (↑)

Share price: RM2.09

## The 'Komsas' Contract

### News

- Sasbadi announced that its wholly-owned subsidiary, Sasbadi Sdn Bhd (SSB) has received a Letter of Acceptance dated 15<sup>th</sup> April 2015 from Ministry of Education (MOE) to publish, print and supply textbooks for literature component of the subject of Bahasa Malaysia for Form 5 ("KOMSAS BM Textbook for Form 5") to national schools throughout Malaysia.
- The RM2.3m contract will commence from 15<sup>th</sup> April 2015 and end on 31<sup>st</sup> December 2017, a period of not more than 3 years.

### Comments

- The positive contribution from the contract will be seen in FY16. Sasbadi is set to deliver the first tranche of KOMSAS BM Textbook in the first quarter of FY16 worth RM1.95m.
- Assuming a gross margin of about 40%-50%, the contract is anticipated to contribute about 2.8%-3.5% to Sasbadi's FY16 bottomline.
- Sasbadi has been receiving contracts from MOE for more than 30 years. The RM2.3m contract is the first contract received for the year. Due to its strong reputation of delivering high quality education materials to its end users, Sasbadi has built a good relationship with MOE and we believe the group will be able to secure more contracts in the future.

### 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 its strong annual FCF, its decent dividend yield and the uniqueness of the company which is closely linked to the country's education system with defensive yet growing earnings base.

### Valuation

- Maintain BUY with higher target price of RM2.42 (+18% from RM2.06 previously) as we rolled forward our valuation based on 15x FY16 EPS or circa 50% discount to average P/E of education sector due to Sasbadi's lower market capitalisation and liquidity. We believe the valuation is justified as Sasbadi has a high growth rate and holds a unique exposure which is closely linked to the country's education system.

Mardhiah Omar

[mardhiah@hlib.hongleong.com.my](mailto:mardhiah@hlib.hongleong.com.my)

(603) 2168 1155

KLCI	1847.9
Expected share price return	15.8%
Expected dividend return	2.7%
Expected total return	18.5%

### Share price



### Information

Bloomberg Ticker	SASB MK
Bursa Code	5252
Issued Shares (m)	127
Market cap (RM m)	265
3-mth avg. volume ('000)	485
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	22.2	48.2	nm
Relative	17.8	39.9	nm

### Major shareholders

Law King Hui	20.2%
Karya Kencana	20.0%
Lee Swee Hang	10.1%
CIMB Principal Asset Mgmt	7.4%

### Summary Earnings Table

FYE Aug (RM m)	2013A	2014A	2015E	2016E
Revenue	77.96	79.51	87.65	99.16
EBITDA	19.48	22.54	23.97	29.50
PATAMI	12.75	15.55	15.96	20.56
EPS (sen)	12.05	14.02	12.57	16.19
Core EPS (sen)	12.05	14.02	12.57	16.19
P/E (x)	17.34	15.59	16.63	12.91
BV /share	0.60	0.87	0.82	0.92
P/BV (x)	3.47	2.41	2.55	2.26
DPS (sen)	-	-	4.40	5.67
DY %	-	-	2.10	2.71
ROE (%)	22.27	22.63	15.87	18.03
ROA (%)	16.61	18.69	13.37	16.13

HLIB

Figure #1 Peers Comparison

Company	Price (RM)	Market Cap (RM m)	P/E (x)		P/B (x)		ROE (%)		Yield (%)
			2015	2016	2015	2016	2015	2016	
Pelangi	0.58	56.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Prestariang	2.61	1263.2	21.22	16.62	6.44	5.33	32.00	35.40	2.91
SEG	1.46	984.5	33.18	26.55	4.87	4.87	13.00	N/A	1.51
<b>Average</b>			<b>27.20</b>	<b>21.58</b>	<b>5.66</b>	<b>5.10</b>	<b>22.50</b>	<b>35.40</b>	<b>2.21</b>
<b>Sasbadi</b>	2.09	265.4	16.39	12.91	2.55	2.26	15.87	18.03	2.11

# Financial Projections for Sasbadi (BUY; TP: RM2.42; CP: RM2.09)

## Income Statement

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	64.8	78.0	79.5	87.6	99.2
COS	(37.9)	(45.8)	(42.8)	(47.0)	(52.2)
EBITDA	16.5	19.5	22.5	24.0	29.5
D&A	(1.6)	(1.9)	(2.0)	(2.7)	(2.6)
Net Interest	0.0	0.1	(0.3)	0.0	0.5
Associates/JCE	-	-	-	-	-
Exceptionals	-	-	-	-	-
Profit Before Tax	14.9	17.7	20.2	21.3	27.4
Tax	(4.0)	(4.9)	(4.6)	(5.3)	(6.9)
Minority Interests	-	-	-	-	-
<b>PATAMI</b>	<b>10.9</b>	<b>12.8</b>	<b>15.5</b>	<b>16.0</b>	<b>20.6</b>
Core Earnings	10.9	12.8	17.8	16.0	20.6
Basic Shares (m)	105.8	105.8	127.0	127.0	127.0
Basic EPS (sen)	10.29	12.05	12.20	12.57	16.19

## Balance Sheet

FYE 31 Aug (RM m)	2012A	2013A	2014E	2015E	2016E
Fixed Assets	28.6	28.0	30.3	28.8	27.5
Other long-term assets	0.04	0.04	4.99	4.99	4.99
Other short-term assets	2.1	0.9	1.6	1.6	1.6
<b>Working Capital</b>	<b>28.4</b>	<b>28.5</b>	<b>43.4</b>	<b>49.4</b>	<b>54.2</b>
Receivables	12.8	20.0	31.2	32.4	35.3
Payables	(5.9)	(6.5)	(8.0)	(8.8)	(9.7)
Inventory	21.5	15.0	20.2	25.8	28.6
<b>Net cash</b>	<b>11.7</b>	<b>11.5</b>	<b>20.3</b>	<b>24.5</b>	<b>32.5</b>
Cash	12.5	12.0	26.3	30.6	32.7
Total Debt	(0.8)	(0.5)	(6.0)	(6.0)	(0.2)
<b>Shareholders' funds</b>	<b>50.9</b>	<b>63.6</b>	<b>93.7</b>	<b>107.4</b>	<b>120.7</b>
Share capital	2.4	2.4	63.5	63.5	63.5
Reserves	48.5	61.2	30.2	43.9	57.2
Minorities	-	-	-	-	-
Other liabilities	20.0	5.3	6.8	5.1	5.1

## Cashflow Analysis

FYE 31 Aug (RM m)	2012A	2013A	2014E	2015E	2016E
EBITDA	16.5	19.5	22.5	24.0	29.5
WC changes	(7.7)	(0.1)	(14.9)	(5.6)	(2.8)
Taxation	(4.0)	(4.9)	(4.6)	(5.3)	(6.9)
Others	(1.6)	2.7	(1.7)	(2.0)	(3.9)
<b>Operating cashflow</b>	<b>3.2</b>	<b>17.1</b>	<b>1.3</b>	<b>11.1</b>	<b>15.9</b>
Capex & acquisitions	(1.5)	(1.3)	(1.3)	(1.3)	(1.3)
<b>Free cashflow</b>	<b>1.7</b>	<b>15.8</b>	<b>0.0</b>	<b>9.8</b>	<b>14.7</b>
Other inv cashflow	1.0	0.1	(5.5)	0.5	0.5
New borrowings	0.2	(0.3)	5.5	-	(5.8)
Share issuance	-	-	25.2	-	-
Dividends paid	(1.6)	(16.1)	(8.5)	(5.6)	(7.2)
Other fin cashflow	(0.5)	(0.0)	(8.2)	(0.5)	(0.0)
<b>Net cashflow</b>	<b>0.9</b>	<b>(0.5)</b>	<b>8.5</b>	<b>4.3</b>	<b>2.2</b>

## Quarterly Financial Summary

FYE 31 Aug (RM m)	3QFY14	4QFY14	1QFY15
Revenue	17.9	17.5	16.3
COGS	(9.831)	(10.270)	(9.392)
Gross Profit	8.110	7.279	6.931
Other Income	0.041	-	0.063
Expenses	(3.945)	(5.345)	(4.725)
Operating Profit	4.206	1.934	2.269
Interest Income	0.022	0.055	0.113
Finance Costs	(0.189)	(0.097)	(0.096)
Associates/JCE	-	-	-
Profit Before Tax	4.039	1.892	2.286
Tax	(1.035)	(0.676)	(0.638)
Profit After Tax	3.004	1.216	1.648
MI	-	-	-
<b>PATAMI</b>	<b>3.004</b>	<b>1.216</b>	<b>1.648</b>
Core PATAMI	3.004	2.5	1.648
Basic EPS (sen)	2.84	1.05	1.30
DPS (sen)	-	-	3.00
W. Ave. Shares (m)	105.8	115.4	127.0

## Rates and Ratios

FYE 31 Aug (RM m)	2012A	2013A	2014E	2015E	2016E
EPS (sen)	10.3	12.1	14.0	12.6	16.2
PER (x)	20.3	17.3	15.6	16.6	12.9
DPS (sen)	16.7	-	-	4.40	5.67
DY %	10.4	-	-	2.10	2.71
BVPS (RM)	0.5	0.6	0.9	0.8	0.9
P/B (x)	4.3	3.5	2.4	2.6	2.3
FCF/Share (sen)	0.0	0.1	0.0	0.1	0.1
FCF yield %	0.8	7.1	0.0	3.7	5.5
ROE	20.9	22.3	22.6	15.9	18.0
ROA	15.2	16.6	18.7	13.4	16.1
Net Debt/Equity (%)	N Cash	N Cash	N Cash	N Cash	N Cash

## Assumption Metrics

FYE 31 Aug (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue Growth (%)	8.1	20.3	3.9	11.3	12.7
PATAMI Growth (%)	14.9	25.0	2.1	14.4	17.4
EPS Growth (%)	14.9	17.1	1.6	2.6	28.8
EBITDA Margin (%)	25.4	25.0	28.3	27.3	29.7
EBIT Margin (%)	23.0	22.7	25.4	24.3	27.6
PBT Margin (%)	23.0	22.7	25.4	24.3	27.6
PAT Margin (%)	16.8	16.4	19.6	18.2	20.7

## 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 17 April 2015, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -.

2. As of 17 April 2015, 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

<b>BUY</b>	Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside.
<b>TRADING BUY</b>	Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity.
<b>HOLD</b>	Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside.
<b>TRADING SELL</b>	Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity.
<b>SELL</b>	Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months.
<b>NOT RATED</b>	No research coverage and report is intended purely for informational purposes.

## Industry rating definitions

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