

# Malaysia Company Focus

## Sasbadi Holdings Berhad

Bloomberg: SASB MK | Reuters: SAHO.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

29 Jul 2015

### HOLD

Last Traded Price: RM2.67 (KLCI : 1,699.70)

Price Target : RM2.47 (-8% downside) (Prev RM2.25)

Reason for Report : 3QFY15 results

Potential Catalyst: Earnings-accretive acquisitions

Where we differ: We have a HOLD call, vs a bullish call by another house, as we believe the stock is fairly valued

#### Analyst

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#### Result Summary

FY Aug (RM m)	3Q 2015	3Q 2014	2Q 2015	yoy % chg	qoq % chg
<b>P&amp;L Items</b>					
Turnover	18.9	17.9	32.1	5.2	(41.2)
Gross Profit	8.8	8.1	17.4	9.0	(49.2)
Opg Profit	4.3	4.2	11.5	4.0	(62.3)
EBITDA	4.5	4.8	12.8	(6.2)	(64.8)
Net Profit	3.1	3.0	8.3	3.7	(62.5)
<b>Other Data</b>					
Gross Margin (%)	46.9	45.2	54.2		
Opg Margin (%)	23.0	23.2	35.8		
Net Margin (%)	16.5	16.7	25.9		

#### Financial Summary

FY Aug (RM m)	2014A	2015F	2016F	2017F
Turnover	79	87	100	114
Operating Profit	20	24	30	36
EBITDA	23	27	33	40
Net Pft (Pre Ex.)	15	18	22	27
EPS (sen)	9.6	13.8	17.5	21.6
EPS Pre Ex. (sen)	12.2	13.8	17.5	21.6
EPS Gth (%)	(4)	43	27	23
EPS Gth Pre Ex (%)	21	14	27	23
Net DPS (sen)	0.0	6.9	8.8	10.8
BV Per Share (sen)	73.8	80.7	89.5	100.3
PE (X)	27.7	19.3	15.2	12.4
PE Pre Ex. (X)	21.9	19.3	15.2	12.4
EV/EBITDA (X)	13.9	11.5	9.3	7.4
Net Div Yield (%)	0.0	2.6	3.3	4.0
P/Book Value (X)	3.6	3.3	3.0	2.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	13.1	17.1	20.6	22.8

#### At A Glance

Issued Capital (m shrs)	127
Mkt. Cap (RMm/US\$m)	339 / 88.8
3m Avg. Daily Val (US\$m)	0.3

ICB Industry : Consumer Services

ICB Sector: Media

Principal Business: Click here to enter text.

Source: Company, AllianceDBS, Bloomberg Finance L.P.

### Not eager to read

- 9MFY15 earnings formed 75% of our full year earnings
- Deemed to be below expectations since 4QFY15 is traditionally a weak quarter
- Maintain earnings forecasts pending a meeting with management
- Maintain HOLD; TP increased to RM2.47 as we roll over valuation base to FY16

#### Highlights

##### An unexciting 3QFY15

- Sasbadi reported 3QFY15 core earnings of RM3.1m (-62.5% q-o-q, +3.7% y-o-y). This brings 9MFY15 earnings to RM13.1m, accounting 75% of our full year estimate.
- However, there is potential earnings downside risk to our FY15F since 4Q is traditionally its weak quarter. As highlighted in our previous report, 2Q (Dec to Feb) is seasonally the strongest quarter for the group, followed by 3Q (Mar to May).
- In fact, management has stated in its financial notes that the group expects sales for the next financial quarter (June to Aug) to be soft due to the implementation of the GST. We understand that Sasbadi had already experienced slower than expected sales in the current financial quarter and its sales were also lower during the Hari Raya Aidilfitri festive period this month.

#### Outlook

##### Potential downside risk to our earnings forecast

- We had initially believed that the group's business would be relatively resilient, despite the anticipated slowdown in consumer spending following the implementation of GST effective April. Nonetheless, we now foresee downside risk to our earnings forecasts given the uninspiring 3QFY15 results and a potentially soft 4QFY15.

#### Earnings unchanged

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

#### Valuation:

We roll over our valuation base for Sasbadi to FY16 and raise our TP to RM2.47 based on DCF valuation. Our valuation assumes 9.5% cost of equity and 1.5% terminal growth. Maintain HOLD.

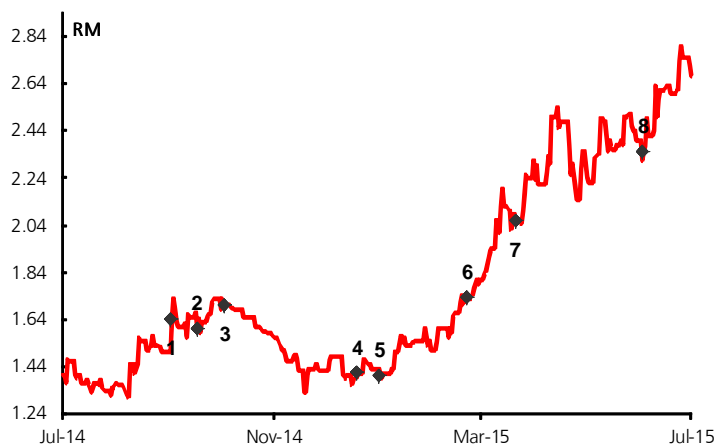
#### Key Risks:

##### Paper cost fluctuation

- A sudden surge in paper cost, which represents 38% of Sasbadi's COGS would hurt earnings.

**Change in education policies**

- Failure to respond timely to changes in education policies could hurt sales and earnings.

**Target Price & Ratings History**

*Note : Share price and Target price are adjusted for corporate actions.*

Source: AllianceDBS

AllianceDBS recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

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