

Malaysia Company Flash Note

Sasbadi Holdings Berhad

Bloomberg: SASB MK | Reuters: SAHO.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

10 Aug 2015

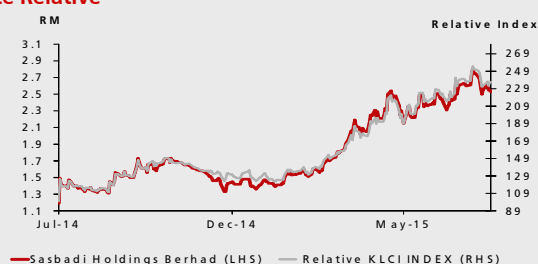
HOLD RM2.53 KLCI : 1,682.65

Price Target : 12-Month RM 2.47 (-2% downside)

Analyst

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Price Relative



Forecasts and Valuation

FY Aug (RM m)	2014A	2015F	2016F	2017F
Revenue	79	87	100	114
EBITDA	23	27	33	40
Pre-tax Profit	17	24	30	37
Net Profit	12	18	22	27
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
Diluted EPS (sen)	12.2	13.8	17.5	21.6
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)	26.2	18.3	14.4	11.7
PE Pre Ex. (X)	20.8	18.3	14.4	11.7
P/Cash Flow (X)	250.0	11.1	15.2	12.5
EV/EBITDA (X)	13.1	10.9	8.7	7.0
Net Div Yield (%)	0.0	2.7	3.5	4.3
P/Book Value (X)	3.4	3.1	2.8	2.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	13.1	17.1	20.6	22.8

Source of all data: Company, AllianceDBS, Bloomberg Finance L.P

Venturing into Chinese publishing market

- **Acquiring 70% stake in a Chinese publishing company for RM21m**
- **Acquisition price deemed fair**
- **Maintain earnings forecasts pending a meeting with management**
- **Maintain HOLD with RM2.47 TP**

Acquisition of 70% stake in a publisher. Sasbadi Holdings Berhad (Sasbadi) has entered into a sale and purchase agreement (SPA) to acquire a 70% stake in Sanjung Unggul Sdn Bhd (SUSB) for a purchase consideration of RM21m. The purchase consideration is financed via IPO proceeds (83%) and bank borrowings (17%). The proposed acquisition is expected to be completed before the end of FY15 (FYE Aug).

Venturing into the Chinese publishing market. Through its subsidiaries, SUSB is principally involved in publishing books and educational materials for students in national type Chinese schools (Sekolah Jenis Kebangsaan China). SUSB's intellectual property consists of about 1,300 book titles.

Revision to its IPO proceeds. Sasbadi also announced that there is a revision to the utilisation of its IPO proceeds, where the RM7m initially slated to be used for acquisition of an office cum warehouse building will instead be used to partly finance its proposed acquisition of publishing businesses.

Fair price to pay. The proposed acquisition was not a surprise since management has in the past indicated their intention to venture into the Chinese publishing business. We also deem the purchase consideration of RM21m, which represents 12x PE and 2.2x P/adjusted BV for FY ended 31 Aug 2014, to be fair.

Maintaining our earnings forecasts for now. We have already included potential earnings contributions from such an acquisition into our earnings model. Nonetheless, we do foresee downside risk to our FY15 earnings forecasts given the uninspiring 3QFY15 results recently reported and a potentially soft 4QFY15. We are keeping our earnings unchanged pending a meeting with management.

Valuation. We maintain our HOLD recommendation for the group with an unchanged TP of RM2.47 based on DCF valuation. Our valuation assumes 9.5% cost of equity and 1.5% terminal growth.

Target Price & Ratings History



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

S.No.	Date	Closing Price	Target Price	Rating
1:	29 Sep 14	1.64	2.25	Buy
2:	14 Oct 14	1.60	2.25	Buy
3:	30 Oct 14	1.70	2.25	Buy
4:	15 Jan 15	1.41	2.25	Buy
5:	28 Jan 15	1.40	2.25	Buy
6:	20 Mar 15	1.73	2.25	Buy
7:	17 Apr 15	2.06	2.25	Hold
8:	30 Jun 15	2.35	2.25	Hold

Source: AllianceDBS

AllianceDBS recommendations are based on 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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