

# Sasbadi Holdings (BUY ↔; EPS ↔)

EDUCATION  
NEWSBREAK

19 May 2016

Price Target: RM1.55 (↔)

Share price: RM1.28

## Second Contract In The Book

### News

- Sasbadi's indirect subsidiary – The Malaya Press S/B (TMP) (wholly owned subsidiary of Sanjung Unggul S/B), has announced that it has signed and accepted the Letter of Acceptance dated 18<sup>th</sup> May 2016 from MOE to publish, print and supply textbook for the subject of Chinese Language for Form 1 of national schools throughout Malaysia.
- The RM1.6m contract will commence from 18<sup>th</sup> May 2016 and end on 31<sup>st</sup> December 2018.
- TMP will deliver its first tranche of textbooks throughout Malaysia in the first quarter of FY17, worth circa RM1.5m.
- To recap, Sasbadi had previously announced TMP was awarded with the contract of publishing and distributing Year 1 Chinese Language and Physical Education and Health Education on 28<sup>th</sup> of April 2016.
- Similar to the previous contract award, earnings from the Form 1 Chinese language textbook contract is expected to kick in FY17 onwards.
- YTD, Sasbadi has secured approximately RM9.4m worth of textbook contract.

### Risks

- 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, high growth rate, its innovativeness in creating products that cater to tech-savvy youth and unique education exposure which is closely linked to the country's education system.

### Valuation

- Reiterate BUY with TP of RM1.55 based on P/E multiple of 18x CY17 EPS. Targeted P/E is based on a discount of 40% to education sector. Valuation is justified in our view, due to Sasbadi's relatively small market capitalisation and low liquidity.

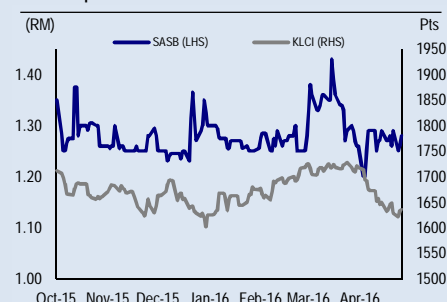
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KLCI	1,635.7
Expected share price return	21.1%
Expected dividend return	3.4%
Expected total return	24.5%

### Share price



### Information

Bloomberg Ticker	SASB MK
Bursa Code	5252
Issued Shares (m)	279
Market cap (RM m)	358
3-mth avg. volume ('000)	387
SC Shariah-compliant	Yes

Price Performance	1M	3M	12M
Absolute	-0.8	2.4	13.8
Relative	3.8	4.9	25.9

### Major shareholders

Law King Hui	18.3%
Karya Kencana	18.2%
Lee Swee Hang	8.5%
EPF	5.1%

### Summary Earnings Table

FYE Aug (RM m)	2014A	2015A	2016E	2017E
Revenue	79.5	88.0	100.5	108.5
Pre-tax Profit	20.2	21.4	27.6	32.1
Rpt. PATAMI	15.5	15.3	20.4	24.1
Nom. PATAMI	15.5	15.3	20.4	24.1
Nom. EPS (sen)	5.6	5.5	7.3	8.6
Nom. P/E (x)	21.6	21.9	16.4	13.9
BV/share (RM)	0.3	0.4	0.6	0.7
P/BV (x)	3.6	3.2	2.1	1.8
Gross DPS (sen)	-	5.0	3.7	4.3
Div. yield (%)	-	4.2	3.0	3.6
ROE (%)	17.7	13.9	12.9	13.2
ROA (%)	14.5	10.9	10.9	11.3

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Figure #1 Regional Peers Comparison

Company	FYE	Price (Local)		Market Cap (m) (Local) (USD)		P/E (x)		P/B (x)		ROE (%)		Gross DY (%)
						2016	2017	2016	2017	2016	2017	2016
Sasbadi	Aug	MYR	1.28	357.6	88.3	17.5	14.9	2.1	1.8	12.9	13.2	2.9
Pelangi Publishing	Sept	MYR	0.56	54.2	13.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Prestariang	Dec	MYR	2.33	1,126.2	278.0	24.3	17.9	5.8	5.3	25.3	30.8	2.6
SEG International	Dec	MYR	1.20	866.1	213.8	26.7	N/A	3.8	N/A	16.1	N/A	1.9
ASIAMET Education	Dec	MYR	0.28	105.3	26.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SMRT	Dec	MYR	0.21	57.0	14.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Average</b>						<b>22.8</b>	<b>16.4</b>	<b>3.9</b>	<b>3.6</b>	<b>18.1</b>	<b>22.0</b>	<b>2.5</b>

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# Sasbadi Holdings (BUY; TP: RM1.55; CP: RM1.28)

## Income Statement

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue	78.0	79.5	88.0	100.5	108.5
EBITDA	19.5	19.8	24.4	31.4	35.3
D&A	1.9	2.6	2.9	3.3	3.4
EBIT	17.6	20.5	21.4	28.1	31.8
Interest income	0.1	(0.3)	(0.0)	(0.5)	0.3
Interest expense	(0.1)	(0.5)	(0.5)	(0.8)	(0.8)
JV & Associates	0.0	0.0	0.0	0.0	0.0
PBT	17.7	20.2	21.4	27.6	32.1
Income Tax Expense	(4.9)	(4.6)	(5.6)	(7.2)	(8.0)
Discontinued op.	0.0	0.0	0.0	0.0	0.0
NCI	0.0	0.0	(0.5)	0.0	0.0
<b>PATAMI</b>	<b>12.8</b>	<b>15.5</b>	<b>15.3</b>	<b>20.4</b>	<b>24.1</b>
Basic shares (m)	279.4	279.4	279.4	279.4	279.4
Basic EPS (sen)	4.6	5.6	5.5	7.3	8.6

## Quarterly Financial Summary

FYE 31 Aug (RM m)	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16
Revenue	32.1	18.9	20.1	21.0	33.9
GP	17.5	8.8	8.3	9.3	17.3
Other Income	0.0	0.1	0.5	0.0	0.0
Expenses	(6.0)	(4.6)	(5.4)	(5.8)	(8.1)
EBIT	11.5	4.3	3.3	3.5	9.3
Interest Income	0.1	0.1	0.1	0.0	0.1
Finance Costs	(0.1)	(0.2)	(0.1)	(0.3)	(0.3)
PBT	11.5	4.3	3.3	3.2	9.0
Tax	(3.1)	(1.2)	(0.6)	(0.9)	(2.4)
PATAMI	8.3	3.1	2.2	2.0	6.6
Basic EPS (sen)	6.6	2.5	1.8	1.6	5.0
Adj Basic EPS (sen)	6.6	2.5	1.8	1.6	5.0

## Balance Sheet

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
Fixed Assets	28.0	30.3	30.9	30.7	30.4
Other long-term assets	0.0	5.0	22.7	40.0	57.4
Other short-term assets	0.9	1.6	1.4	1.4	1.4
<b>Working Capital</b>	<b>28.5</b>	<b>43.4</b>	<b>64.0</b>	<b>68.0</b>	<b>73.0</b>
Receivables	20.0	31.2	40.4	38.6	41.6
Payables	(6.5)	(8.0)	(13.4)	(11.9)	(12.7)
Inventory	15.0	20.2	37.1	41.4	44.1
<b>Net cash</b>	<b>11.5</b>	<b>20.3</b>	<b>(1.1)</b>	<b>26.0</b>	<b>28.1</b>
Cash	12.0	26.3	8.3	35.6	37.7
Total Debt	(0.5)	(6.0)	(9.4)	(9.5)	(9.5)
<b>Shareholders' funds</b>	<b>63.6</b>	<b>93.7</b>	<b>105.2</b>	<b>158.6</b>	<b>182.7</b>
Share capital	2.4	63.5	63.5	95.3	95.3
Reserves	61.2	30.2	41.7	63.3	87.4
Minorities	0.0	0.0	5.1	0.0	0.0
Other liabilities	5.3	6.8	7.6	7.6	7.6

## Rates and Ratios

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
Basic EPS (sen)	4.6	5.6	5.5	7.3	8.6
P/E (x)	26.3	21.6	21.9	16.4	13.9
Gross DPS (sen)	0.0	0.0	5.0	3.7	4.3
Div. yield (%)	0.0	0.0	4.2	3.0	3.6
BV/share (RM)	0.2	0.3	0.4	0.6	0.7
P/B (x)	5.3	3.6	3.2	2.1	1.8
FCF/share (sen)	0.1	0.0	0.1	0.1	0.2
Net Debt/Equity (%)	18.1	21.6	(1.0)	16.4	15.4
Enterprise value	323.8	315.0	341.4	309.3	307.1
EV/EBITDA (x)	16.6	15.9	14.0	9.9	8.7
ROE (%)	20.0	17.7	13.9	12.9	13.2
ROA (%)	16.8	14.5	10.9	10.9	11.3

## Cashflow Analysis

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
EBITDA	19.5	23.1	24.4	31.4	35.3
WC changes	(0.1)	(14.9)	(20.7)	(4.0)	(4.9)
Taxation	(4.9)	(4.6)	(5.6)	(7.2)	(8.0)
Others	2.7	(2.3)	6.4	0.0	0.0
<b>Operating cashflow</b>	<b>17.1</b>	<b>1.3</b>	<b>4.5</b>	<b>20.2</b>	<b>22.3</b>
Capex & acquisitions	(8.8)	(6.8)	(20.5)	(20.5)	(20.5)
<b>Free cashflow</b>	<b>8.3</b>	<b>(5.5)</b>	<b>(16.0)</b>	<b>(0.3)</b>	<b>1.8</b>
Other inv cashflow	7.6	0.0	0.4	0.3	1.1
New borrowings	(0.3)	5.5	3.5	0.0	0.0
Share issuance	0.0	0.0	0.0	31.8	0.0
Dividends paid	0.0	(8.5)	(3.8)	0.0	0.0
Other fin cashflow	(16.2)	17.0	(0.5)	31.0	(0.8)
<b>Net cashflow</b>	<b>(0.5)</b>	<b>8.5</b>	<b>(16.4)</b>	<b>62.7</b>	<b>2.1</b>

## Assumption Metrics

FYE 31 Aug (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue Growth (%)	20.3	2.0	10.6	14.3	7.9
PBT Growth (%)	18.6	14.3	6.1	28.8	16.5
PAT Growth (%)	17.1	21.9	1.5	29.3	18.0
EBITDA Margin (%)	25.0	24.9	27.7	31.2	32.5
EBIT Margin (%)	22.5	25.8	24.4	28.0	29.3
PBT Margin (%)	22.7	25.4	24.3	27.4	29.6
PAT Margin (%)	16.4	19.6	17.9	20.3	22.2

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<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.
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