

Malaysia Flash Note

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DBS Group Research . Equity

9 Mar 2018

Sasbadi Holdings Berhad (SASB MK) : **BUY**

Mkt. Cap: US\$54.3m | **3m Avg. Daily Val:** US\$0.23m

Last Traded Price (8 Mar 2018): RM0.51

Price Target 12-mth: RM0.95 (89% upside) (Prev RM1.05)

Analyst

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KADS1M replaces book voucher assistance

- Book voucher assistance announced in Budget 2018 to be replaced by KADS1M
- A negative development for the publishing industry and Sasbadi as funds disbursed under KADS1M can also be utilised for non-book items
- Cut earnings by 9-10%
- Lower TP to RM0.95. Maintain BUY

Forecasts and Valuation

FY Aug (RMm)	2017A	2018F	2019F	2020F
Revenue	93.1	116	132	142
EBITDA	18.7	31.3	40.6	43.5
Pre-tax Profit	11.5	25.2	34.7	37.7
Net Profit	8.04	18.8	26.1	28.4
Net Pft (Pre Ex.)	9.00	18.8	26.1	28.4
Net Pft Gth (Pre-ex) (%)	(24.1)	108.8	39.1	8.8
EPS (sen)	1.92	4.48	6.24	6.79
EPS Pre Ex. (sen)	2.15	4.48	6.24	6.79
EPS Gth Pre Ex (%)	(24)	109	39	9
Diluted EPS (sen)	1.92	4.48	6.24	6.79
Net DPS (sen)	1.50	2.24	2.24	2.31
BV Per Share (sen)	34.7	36.9	42.2	46.7
PE (X)	26.3	11.3	8.1	7.4
PE Pre Ex. (X)	23.5	11.3	8.1	7.4
P/Cash Flow (X)	118.6	14.7	13.0	9.1
EV/EBITDA (X)	12.7	7.4	5.5	4.9
Net Div Yield (%)	3.0	4.4	4.4	4.6
P/Book Value (X)	1.5	1.4	1.2	1.1
Net Debt/Equity (X)	0.2	0.1	0.1	CASH
ROAE (%)	5.5	12.5	15.8	15.3

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

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

- According to a news portal, the Minister of Higher Education Datuk Seri Idris Jusoh has announced that public and private university students can expect to receive RM250 each through 1Malaysia Student Discount Card (KADS1M) from 15 March 2018 onwards.
- He said the ministry has allocated RM300m for KADS1M 2018, which will benefit more than 1.2m undergraduates.
- Students may use this card to buy books, stationery, computer equipment, Internet access or withdraw money directly from an ATM as it functions like any other debit card.

Our view

In the Budget 2018 announcement back in October 2017, the RM300m allocation was initially planned to be disbursed through RM250 book voucher assistance for each undergraduate student.

The book voucher will then be used to purchase mainly books and/or stationery-related products, which we were optimistic that it would (1) help to drive the growth of domestic printing and publishing industry, and (2) serve as one of the earnings drivers for Sasbadi Holdings Bhd (Sasbadi), being the industry proxy.

Flash Note

With the change in disbursement method from book voucher to KADS1M, where the students will be able to spend the money on wider range of products other than just books and stationery-related products, we believe that the eventual funds flowing to the domestic printing and publishing industry may not be as strong as if the book voucher assistance is implemented.

Given that Sasbadi serves as a proxy to the domestic printing and publishing industry, the change of fund disbursement method to KADS1M is also not expected to boost its earnings outlook, compared to implementation of book voucher, in our opinion. As such, we believe that this is a negative development for both Sasbadi and the industry.

Although we believe that it is still too early to accurately gauge the financial impact of such a change in the fund disbursement method on Sasbadi, we have conservatively cut our FY18-20F earnings forecasts for the group by 9-10% after inputting a lower FY18-20F growth rate assumption of 5%/8%/3% (previously 12%/9%/3%) for its print publishing business.

Valuation

Post earnings adjustments, we lower our TP for Sasbadi to RM0.95 (from RM1.05) pegging on an unchanged forward PER of 19x. Maintain BUY as we believe that the recent price weakness has largely priced in most negative news.

Target Price & Ratings History



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

Source: AllianceDBS

Analyst: CHEAH King Yoong

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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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