

**Company Name** : Sasbadi Holdings Berhad  
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## New products to complement Sasbadi's FY15 revenue

BY SUPRIYA SURENDRAN

KUALA LUMPUR: Education solutions provider Sasbadi Holdings Bhd, which currently derives more than 80% of its turnover from syllabus-based publications, is looking to complement its revenue stream for its financial year ending August 2015 (FY15) with its new products which were launched late last month. These products, according to Sasbadi (fundamental: 2.25; valuation: 0.3) group managing director Law King Hui, will focus on its dynamic learning division, and will include those that incorporate technological advancements with conventional learning methods, such as interactive bookmarks.

"We will increase [revenue] growth from digital products in FY15, as we are all aware that the digital era is encroaching on the schooling environment, and the Ministry of Education [encourages] all schools to leverage technological advancements," he told *The Edge Financial Daily* in an interview. Law added that its new products include an electronic tablet designed especially for teacher training colleges.

Last October, Sasbadi acquired all the rights, title and interest in the

publishing list of Penerbitan Multimedia Sdn Bhd (PMSB) relating to learning and educational materials, which included 240 titles on teacher training as well as the PMSB trademark for RM1 million.

"There will be 93 [book] titles preloaded into the tablet which will be used as an aid for the teacher trainees," said Law.

The group is also anticipating revenue contribution from its licence and service agreement (LSA) with Indonesian company PT Penerbit Erlangga. The LSA, inked in October last year between the group's wholly-owned subsidiary Sasbadi Online Sdn Bhd and Penerbit Erlangga, will generate US\$300,000 (RM 1.11 million) in one-off non-refundable income for Sasbadi Online in FY15.

The LSA allows Penerbit Erlangga to use Sasbadi's interactive online learning system i-Learn. "They (Penerbit Erlangga) are using [Sasbadi's] i-Learn as a platform for their contents, which will be based on the Indonesian syllabus. Once they launch their products this month, we are entitled to 8% royalty from products sold using our i-Learn platform," said Law.

The group also ventured into the the Malaysian Higher School Certificate (STPM) market in 2013 when

it signed an IP Rights Assignment Agreement for RM5.5 million with Pearson Malaysia Sdn Bhd, which gave it access to the publication of STPM material.

Sasbadi has been in the education business for 30 years, but was only listed on the Main Market of Bursa Malaysia in July last year. On the dynamics of the business since its listing, Low said being a public-listed company has accelerated the growth of its operations. "Being a public-listed entity has changed the profile of the company in the sense that it makes us look at things from an investor's perspective, and it certainly has given the company more exposure in the market, as well as driven the morale of our staff," he said.

He said Sasbadi's focus as an education solutions provider is to look at publishing activity as contents development rather than mere book publishing. "We do not look at our books as our end product... we look at contents as our end product," he said.

On future mergers and acquisitions (M&A), Low said the group will be acquiring a Chinese-based syllabus publisher catering to Chinese medium schools in the country.

"Our acquisition strategy is not to cannibalise ourselves by participat-

ing in M&A activities with companies that are similar to us; we target those companies that are in different market segments; in this instance, the Chinese medium school market," said Law. He did not divulge further details on the acquisition, only that the group plans to close the deal within FY15. The group has set aside RM10.5 million out of its RM25.2 million initial public offering (IPO) proceeds for the acquisition of publishing businesses.

There are also plans to utilise RMI million of its IPO proceeds for the establishment of two applied learning centres to provide training and education to young children. "The first centre will be in Kota Damansara, Selangor, and it will be a science, technology, engineering and mathematics centre aimed at developing potential 21st century skills for children from preschool age and above, and is targeted to commence in the first half of the year," said Law.

Sasbadi reported a net profit of RM12.25 million on the back of RM79.51 million revenue for its FY ended August 2014. Its net profit in FY14 was 3.94% lower than a year earlier, mainly due to RM1.33 million listing expenses incurred. For its first quarter ended November 2014

(1QFY15), Sasbadi reported a net profit of RM1.65 million on revenue of RM16.32 million.

"The first quarter and 4Q are generally our weaker quarters as they are the school holiday season, but our 4QFY14 performance actually improved due to the purchase of IP from Pearson that caters to the Form 6 market. Moving forward, we also expect 1Q results to be stronger as we have revenue coming in from Indonesia, as its school term starts in July," said Law. He added with these new developments, Sasbadi hopes to have a more even revenue contribution for the four quarters, thus eliminating the seasonality of its business.

Sasbadi shares closed two sen or 1.21% higher to RM1.67 last Friday, with a market capitalisation of RM209.55 million.

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