

Company Name : Sasbadi Holdings Bhd
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 Source : The Edge Financial Daily

Sasbadi looks to acquire one company per year

Sasbadi Holdings Bhd (Nov 3, RM2.75)

Maintain buy with a higher target price of RM2.80: We met Sasbadi last Friday to get more information post financial year 2015 ended Aug 31, 2015 (FY15) results. We left feeling optimistic about the group's future growth.

The lukewarm results were due to higher expenses as the group increased staff headcount for business expansion. Also, despite being in a recession-proof business, earnings were slightly affected by lower spending power.

Note that for the fourth quarter of FY14 (4QFY14), the bulk of its revenue came from sales of new educational materials based on the Form Three Assessment. Hence, 4QFY15 showed a normalisation in earnings.

The company launched a new version of iLearn in September. We believe a change in the ministry of education's (MoE) policy with regard to e-learning is needed in order for its digital segment to achieve significant growth.

Apart from mergers and acquisitions, a new syllabus and organic growth, FY16 will also be underpinned by full contribution from its 70%-owned Sanjung Unggul Sdn Bhd. Sanjung Unggul currently controls about 40% to 50% of Chinese publisher market share in Malaysia.

The MoE recently announced

Sasbadi Holdings Bhd

FYE AUG (RM MIL)	2014A	2015A	2016E	2017E
Revenue	79.5	87.4	103.1	110.7
Pre-tax profit	20.2	21.4	29.0	32.1
Rpt Patami	15.5	15.3	21.5	24.1
Nom Patami	15.5	15.3	21.5	24.1
Nom EPS (sen)	12.2	12.1	16.9	18.9
Nom PER (x)	20.8	21.1	15.1	13.5
BV/share (RM)	0.7	0.8	1.0	1.2
P/BV (x)	3.5	3.1	2.5	2.1
Gross DPS (sen)	-	5.0	6.8	7.6
Div yield (%)	-	2.0	2.7	3.0
ROE (%)	17.7	13.9	16.8	15.8
ROA (%)	14.5	10.6	13.4	13.0

Source: HLIB

several tenders for the Primary School Standard Curriculum and Secondary School Standard Curriculum (the latter is the new syllabus for secondary schools in 2017).

The tendering process should end in mid-2016, with delivery by end-2016. Thus, earnings shall be recognised from FY17.

Rather than dividing textbook distribution into three zones, the winning tender will be able to distribute textbooks nationally — winning one textbook tender now would be equivalent to three textbook tenders previously.

For the next two to three years, the management is looking at acquiring at least one company per

year. The group is looking at companies with low price-earnings (PE) multiples that can complement its current business model.

Earnings increased marginally by 0.2% to 0.3%, based on the deviations stated above and the inclusion of Sanjung Unggul.

Our positive rating is premised on Sasbadi's high growth rate and unique education exposure, which is closely linked to the country's education system.

The target PE is based on a 55% discount to the education sector's average, in view of its relatively small market capitalisation and low liquidity. — *Hong Leong IB Research, Nov 3*