


Company Note

Malaysia

ADD (no change)

Consensus ratings*: Buy 2 Hold 1 Sell 0

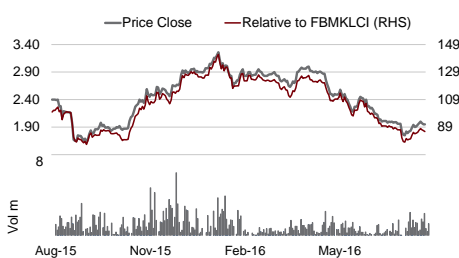
Current price: RM1.95
 Target price:  RM2.82
 Previous target: RM2.82
 Up/downside: 44.6%
 CIMB / Consensus: 0.5%

Reuters: PSTG.KL
 Bloomberg: PRES MK
 Market cap: US\$231.5m
 RM941.3m
 Average daily turnover: US\$0.34m
 RM1.39m
 Current shares o/s: 484.0m
 Free float: 51.3%

* Source: Bloomberg

Key changes in this note

 None.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2	-22	-18.8
Relative (%)	-3.2	-21.5	-15.4

Major shareholders	% held
Dr.Abu Hasan	27.4
KWAP	11.9
AIA	9.4

Analyst(s)



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Prestariang

All about SKIN

- Met management for an update on its operations and latest about SKIN.
- SKIN took a little-longer-than expected to finalise, government looking to cut cost while maintain project IRR.
- All issue on SKIN ironed out, approvals likely in the next 1-2 months.
- Company also working on new Polytechnic Premier 2.0 project.
- Maintain Add, finalizing SKIN and PP2.0 project should catalyse the stock

Update on operations

We recently met up with Prestariang's management for an update on its operations, particularly on the developments about the National Immigration Control System (SKIN) project. SKIN involves a total revamp of the Immigration Department's IT infrastructure and is likely to be a concession project.

There is a need for SKIN

The Immigration Department is currently facing problems, such as an insider syndicate in the department that has sabotaged its computer system and a shortage of passports. The Immigration Department IT system is close to 20 years old and we believe that there is a need to revamp the country's IT infrastructure through SKIN. An upgrade is not enough.

SKIN to be finalised soon

SKIN project was supposed to be finalised in end-Mar but negotiations are taking a little longer-than-expected. One of the issue was cutting the costs down for the SKIN project, while maintaining the project required internal rate of return (IRR) for SKIN.

All issues ironed out

Management indicated that most of SKIN's financial and technical issues have been dealt with and it is confident SKIN will be approved by the government in the next 1-2 months. The company shared with us that there are no other third parties involved in SKIN. There were other parties lobbying the government and proposing similar projects to SKIN but only SKIN has the proper approvals from the Cabinet and other government bodies. All due process has already been fulfilled by Prestariang.

New PPP project, Polytechnic Premier 2.0

Other than SKIN, the company is also working another public private partnership (PPP) project, to provide IT infrastructure and technical support for two polytechnics, offering marine engineering and digital creative design. Total capex is more than RM200m for these two polytechnics and concession is over 15 years. This project is expected to start in one year. We are excited about the long term potential for this PPP project but due to the lack of financial details, we have not assumed any potential earnings from this project.

Maintain Add

We maintain our EPS forecasts and target price, still based on 2017F 19.2x P/E, a 20% premium to the education sector P/E valuation. We see the recent share price weakness as a good opportunity to accumulate the stock. Potential re-rating catalysts are finalisation of the SKIN and the Polytechnic 2.0 projects. Risks is further delays in SKIN approvals.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (RMm)	78.9	115.5	282.0	374.1	445.2
Operating EBITDA (RMm)	20.90	18.60	53.06	70.09	81.41
Net Profit (RMm)	20.30	17.00	54.30	71.10	81.90
Core EPS (RM)	0.04	0.04	0.11	0.15	0.17
Core EPS Growth	(54%)	(20%)	219%	31%	15%
FD Core P/E (x)	44.38	55.52	17.38	13.27	11.52
DPS (RM)	0.04	0.04	0.07	0.09	0.10
Dividend Yield	2.10%	2.05%	3.44%	4.62%	5.18%
EV/EBITDA (x)	36.58	42.30	14.47	10.58	8.73
P/FCFE (x)	48.70	30.06	18.78	13.74	11.80
Net Gearing	(80.7%)	(89.3%)	(89.0%)	(89.4%)	(89.7%)
P/BV (x)	5.58	5.37	4.78	4.18	3.64
ROE	15.3%	9.9%	29.1%	33.6%	33.7%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.30	1.22	1.21

SOURCE: COMPANY DATA, CIMB FORECASTS

Start of a new medium-term uptrend? ▶

Prestariang’s weekly chart found support at the trendline and its share price has also overcome its resistance trendline, which is medium-term positive. Weekly MACD has flattened while weekly RSI is looking to challenge its resistance trendline. RSI breakout of the resistance trendline would strengthen our confidence a new medium term uptrend has started.

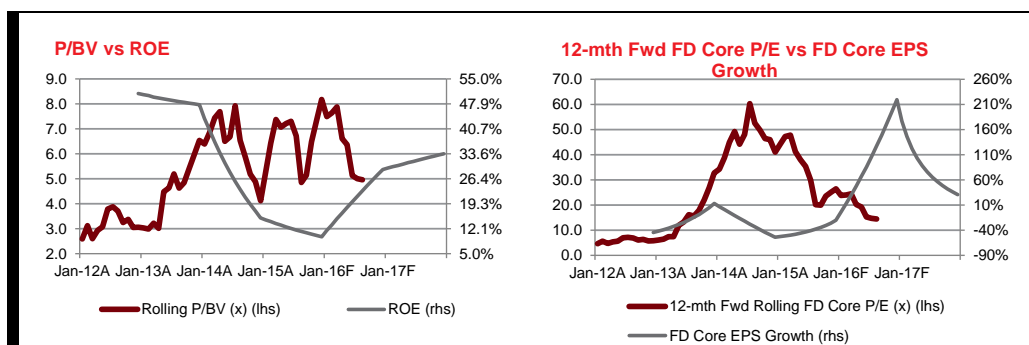


Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Reco m.	Target Price		Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)	Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local)		CY2016	CY2017			CY2016	CY2017	CY2016	CY2017	CY2016	CY2017
Prestariang	PRES MK	Add	RM1.95	RM2.82	231	25.5	13.0	67.6%	4.78	28.0%	33.6%	14.7	10.4	3.3%	4.5%
Overseas Education Ltd	OEL SP	Hold	RM0.44	RM0.42	134	17.1	13.8	-0.1%	1.15	6.7%	8.2%	8.3	7.2	4.5%	5.7%
China Maple Leaf Educational	1317 HK	Add	RM6.65	RM8.32	1,166	26.5	21.3	22.6%	3.79	15.0%	17.0%	21.6	16.5	1.8%	2.3%
Sector average					511	23.0	16.0	30.0%	3.2	16.6%	19.6%	14.9	11.3	3.2%	4.2%

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	78.90	115.50	282.00	374.10	445.20
Gross Profit	32.50	37.98	98.85	130.89	154.17
Operating EBITDA	20.90	18.60	53.06	70.09	81.41
Depreciation And Amortisation	(1.70)	(1.80)	(2.16)	(2.59)	(3.11)
Operating EBIT	19.20	16.80	50.90	67.50	78.30
Financial Income/(Expense)	1.20	5.60	4.30	4.50	4.50
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	20.40	22.40	55.20	72.00	82.80
Exceptional Items					
Pre-tax Profit	20.40	22.40	55.20	72.00	82.80
Taxation	(0.10)	(5.40)	(0.90)	(0.90)	(0.90)
Exceptional Income - post-tax					
Profit After Tax	20.30	17.00	54.30	71.10	81.90
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	20.30	17.00	54.30	71.10	81.90
Recurring Net Profit	20.30	17.00	54.30	71.10	81.90
Fully Diluted Recurring Net Profit	20.30	17.00	54.30	71.10	81.90

Cash Flow

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	20.90	18.60	53.06	70.09	81.41
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(3.10)	17.00	0.00	0.00	0.00
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	0.30	0.10	(1.20)	0.00	0.00
Net Interest (Paid)/Received	1.20	5.60	4.30	4.50	4.50
Tax Paid	(0.10)	(5.40)	(0.90)	(0.90)	(0.90)
Cashflow From Operations	19.20	35.90	55.26	73.69	85.01
Capex	(3.60)	(5.00)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	(0.10)	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	3.40	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	(0.30)	(5.00)	(5.00)	(5.00)	(5.00)
Debt Raised/(repaid)	(0.40)	0.50	0.00	0.00	0.00
Proceeds From Issue Of Shares	75.70	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(26.30)	(10.26)	(32.58)	(42.66)	(49.14)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow					
Cash Flow From Financing	49.00	(9.76)	(32.58)	(42.66)	(49.14)
Total Cash Generated	67.90	21.14	17.68	26.03	30.87
Free Cashflow To Equity	18.50	31.40	50.26	68.69	80.01
Free Cashflow To Firm	18.90	30.90	50.26	68.69	80.01

BY THE NUMBERS

Balance Sheet

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	137.5	158.6	177.5	203.6	234.3
Total Debtors	24.2	11.6	28.2	37.4	44.5
Inventories	1.0	3.0	3.0	3.0	3.0
Total Other Current Assets	0.4	0.4	0.4	0.4	0.4
Total Current Assets	163.1	173.6	209.1	244.4	282.2
Fixed Assets	16.5	19.7	22.5	24.9	26.8
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	16.5	19.7	22.5	24.9	26.8
Short-term Debt	0.3	0.3	0.3	0.3	0.3
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	5.2	11.6	28.2	37.4	44.5
Other Current Liabilities	4.3	4.3	4.3	4.3	4.3
Total Current Liabilities	9.8	16.2	32.8	42.0	49.1
Total Long-term Debt	0.8	1.3	1.3	1.3	1.3
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	0.8	1.3	1.3	1.3	1.3
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	10.6	17.5	34.1	43.3	50.4
Shareholders' Equity	169.0	175.8	197.6	226.0	259.5
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	169.0	175.8	197.6	226.0	259.5

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	(34%)	46%	144%	33%	19%
Operating EBITDA Growth	(50%)	(11%)	185%	32%	16%
Operating EBITDA Margin	26.5%	16.1%	18.8%	18.7%	18.3%
Net Cash Per Share (RM)	0.28	0.32	0.36	0.42	0.48
BVPS (RM)	0.35	0.36	0.41	0.47	0.54
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	0.5%	24.1%	1.6%	1.3%	1.1%
Net Dividend Payout Ratio	129%	46%	59%	59%	59%
Accounts Receivables Days	114.3	56.5	25.8	32.0	33.6
Inventory Days	11.41	9.42	6.00	4.50	3.76
Accounts Payables Days	53.10	39.43	39.72	49.23	51.38
ROIC (%)	53%	39%	203%	234%	244%
ROCE (%)	15.2%	12.9%	29.3%	33.7%	33.9%
Return On Average Assets	13.2%	9.8%	24.5%	27.4%	27.5%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Growth In Number Of Students (%)	2.0%	2.0%	2.0%	2.0%	2.0%
Average Student Fee Change (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Campus Utilisation Rates (%)	30.0%	60.0%	100.0%	100.0%	100.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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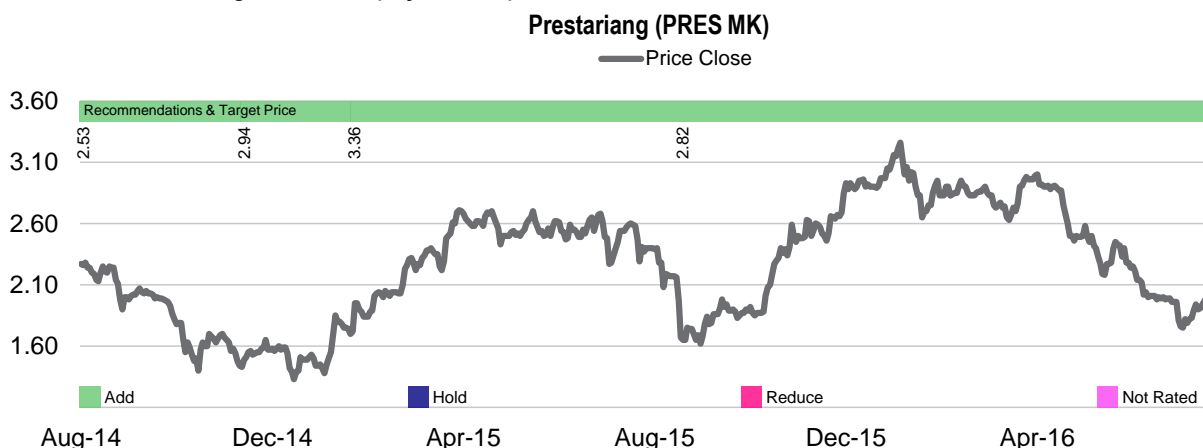
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2016		
1574 companies under coverage for quarter ended on 30 June 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	56.5%	7.1%
Hold	32.2%	2.9%
Reduce	9.8%	0.6%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP - Excellent, 5, BEM – not available, no progress, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC - Good, 3B, BH - Good, 2, BIGC - Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, 1, BTS - Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN - Excellent, 5, DELTA – Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO - Excellent, 4, EPG – not available, 3B, GFPT - Very Good, 3A, GLOBAL – Very Good, 2, GLOW - Good, 3A, GPSC – not available, 3B, GRAMMY - Excellent, 3B, GUNKUL – Very Good, 1, HANA - Excellent, 4, HMPRO - Excellent, 3A, ICHI – Very Good, 3A, INTUCH - Excellent, 4, ITD – Good, 1, IVL - Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK - Excellent, 4, KCE - Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB - Excellent, 4, KTC – Very Good, 3A, LH - Very Good, 3B, LPN – Excellent, 3A, M - Good, 2, MAJOR - Good, 1, MAKRO – Good, 3A, MALEE – not available, 2, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT - Excellent, 3A, MTLN – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL - Excellent, 4, PTT - Excellent, 5, PTTEP - Excellent, 4, PTTGC - Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SMART - Excellent, 3B, SAPPE - Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB - Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCN – Good, 1, SCCC - Good, 3A, SIM - Excellent, 3B, SIRI - Good, 1, SPALI - Excellent, 3A, SPRC – not available, no progress, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO - Excellent, 4, TK – Very Good, 3B, TKN – not available, no progress, TMB - Excellent, 4, TPCH – Good, 3B, TOP - Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, UNIQ – not available, 2, VGI – Excellent, 3A, WHA – Good, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

CIMB Recommendation Framework

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Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.