

Company Note

I Malaysia

ADD (no change)

Consensus ratings*: Buy 4 Hold 0 Sell 0

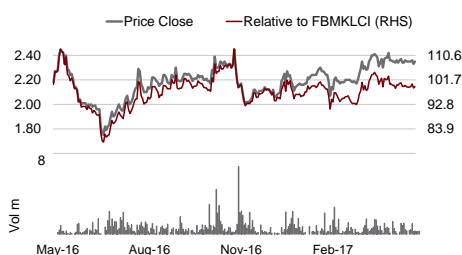
Current price: RM2.35
 Target price: RM3.00
 Previous target: RM3.00
 Up/downside: 27.7%
 CIMB / Consensus: 8.7%

Reuters: PSTG.KL
 Bloomberg: PRES MK
 Market cap: US\$263.5m
 RM1,134m
 Average daily turnover: US\$0.31m
 RM1.37m
 Current shares o/s: 484.0m
 Free float: 51.3%

*Source: Bloomberg

Key changes in this note

► FY17F EPS cut by 51.2%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.3	4.9	7.3
Relative (%)	-2.4	1	-1.7

Major shareholders	% held
Dr.Abu Hasan	27.4
KWAP	12.5
AIA	9.4

Analyst(s)



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Prestariang

1Q17: Still waiting for SKIN

- At only 5% of our full-year forecast, Prestariang's 1QFY17 net profit was below market and our expectations, mainly due to delays in finalising the SKIN project.
- We believe the SKIN concession will be finalised by end-2Q17.
- The group targets to roll out Educloud nationwide in Sep.
- We cut FY17 EPS by 51.2% to reflect delays in finalising SKIN and a major government project.
- Remains an Add; finalising SKIN concession would be a major boost for the stock.

1Q17 net profit up 6.7% yoy

1Q17 revenue was up 7.9% yoy at RM43.9m while net profit saw 6.7% yoy growth, mainly due to lower investments and interest income in 1Q17. We were expecting RM7m-8m construction profits from SKIN every quarter but the project has yet to be finalised. The company declared a first interim DPS of 0.75 sen, which was below our expectation.

SKIN taking a little longer than expected to finalise

We expected the Sistem Kawalan Imigresen Nasional (SKIN) project to be finalised by end-1Q17 but there have been some delays. However, it plans to sign the agreement with Thales as a technology partner in Apr, and we believe the SKIN concession should be signed by end-2Q17. We forecast 10% pretax margin for SKIN on an estimated RM900m capex over a 3-year period. Hence, we estimate that it will recognise around RM30m pretax profit annually from SKIN's construction over the next three years.

UniMY to make a small profit this year?

UniMY recorded a RM1.4m loss in 1Q17, which was not a surprise. On a positive note, the current student base is close to 400 students (which is its breakeven level) after 200 new students enrolled in the Apr intake. In Aug, there should be another 200-300 new students, which could enable UniMY to squeeze a small profit for FY17.

Educloud launch targeted for Sep

In Jan, Prestariang signed an MOU with Conversant and Alibaba Cloud to build an integrated education platform known as "Educloud". We understand that the company is actively engaged in implementing the framework and is aiming for a nationwide pilot rollout this Sep. The company may need to raise equity funding for this project.

Balance sheet of RM90m net cash

Prestariang's net cash balance sheet was at RM90m or 19 sen net cash per share as at end-Mar. We do not believe the company is planning a rights issue; thus equity funding would likely be from investors buying a direct stake in SKIN.

Remains an Add

We cut our FY17 EPS forecasts by 51.2% to reflect delays in finalising both SKIN and a major education project by end-Jun. Our target price remains based on a 20% discount to SOP (the discount reflects Prestariang's small market cap). The stock remains an Add as we like SKIN's long-term recurring income potential. Rating catalysts are finalising the SKIN concession and securing approval for a major government project. Risks are further delays in finalising the SKIN concession.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	115.5	132.1	320.0	524.4	537.8
Operating EBITDA (RMm)	18.60	10.70	32.04	80.45	83.94
Net Profit (RMm)	17.00	9.00	33.60	81.60	84.60
Core EPS (RM)	0.04	0.02	0.07	0.17	0.17
Core EPS Growth	(20%)	(47%)	273%	143%	4%
FD Core P/E (x)	66.9	126.4	33.9	13.9	13.4
DPS (RM)	0.04	0.03	0.09	0.10	0.10
Dividend Yield	1.70%	1.28%	3.83%	4.30%	4.30%
EV/EBITDA (x)	52.7	100.5	40.1	19.0	21.5
P/FCFE (x)	36.22	NA	NA	13.98	22.60
Net Gearing	(89%)	(38%)	84%	161%	243%
P/BV (x)	6.47	7.04	6.50	4.72	4.14
ROE	9.9%	5.3%	20.0%	39.2%	32.8%
% Change In Core EPS Estimates			(51.2%)	0.0%	0.0%
CIMB/consensus EPS (x)			0.74	1.33	1.27

SOURCE: COMPANY DATA, CIMB FORECASTS

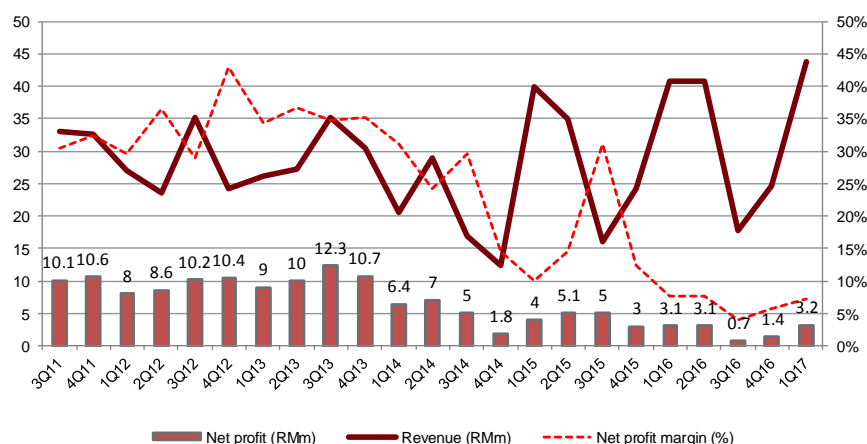
1Q17: still waiting for SKIN

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY17	1QFY16	yoy % chg	qoq % chg	yoy % chg	Prev. FY17F	Comments
Revenue	43.9	40.7	7.9	77.7	17.8	505.0	Below, higher MLA2.0 sales but delay in SKIN construction revenue
Operating costs	(40.3)	(37.4)	1.2	(14.1)	26.9	(437.5)	
EBITDA	3.6	3.3	9.1	63.6	(31.5)	67.5	Below, UniMY 1Q17 RM1.4m loss
EBITDA margin (%)	8.2	8.1	1.1	81.9	(41.8)	13.4	
Depn & amort.	(0.4)	(0.4)	0.0	(580.8)	(7.7)	(2.2)	
EBIT	3.2	2.9	10.3	100.0	(33.8)	65.3	Below, also slow numbers for oil&gas training school
Interest expense	(0.1)	(0.1)	-	nm	nm	-	In line, RM90m net cash or RM0.19 net cash/share
Interest & invt inc	0.7	1.2	(41.7)	40.0	(27.3)	4.5	
Pretax profit	3.8	4.0	(5.0)	123.5	(34.7)	69.8	Below, also delay in securing a major education project
Tax	(0.6)	(1.0)	-	500.0	-	(0.9)	
Tax rate (%)	15.8%	25.0%	-	nm	-	-	
Minority interests	-	-	-	nm	-	-	
Net profit	3.2	3.0	6.7	128.6	(59.5)	68.9	Below, no new government jobs
EPS (sen)	0.1	1.0	(90.0)	(65.4)	(48.3)	14.2	Below, but SKIN concession expected to finalise in June

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Prestariang quarterly revenue and net profit (RMm)



SOURCES: CIMB, COMPANY REPORTS

Figure 3: Earnings revision

YE Dec (RMm)	Old			New		
	FY17	FY18	FY19	FY17	FY18	FY19
Revenue	505	524.4	537.8	320.0	524.4	537.8
EBITDA	67.3	80.4	83.9	32.0	80.4	83.9
PBT	69.8	82.5	85.5	34.5	82.5	85.5
Net profit	68.9	81.6	84.6	33.6	81.6	84.6

SOURCES: CIMB, COMPANY REPORTS

Figure 4: Prestariang SOP/share (RM/share)

Details	Value (RMm)	Comment
SKIN project DCF	390	WACC at 6%
Net cash	120	As at end-June
2018 projected net profit (RMm)	1,306	At education sector target 16x P/E
SOP	1,816	
Issued shares (m)	484	
SOP/share (RM)	3.75	
SOP at 20% discount (RM)	3.00	

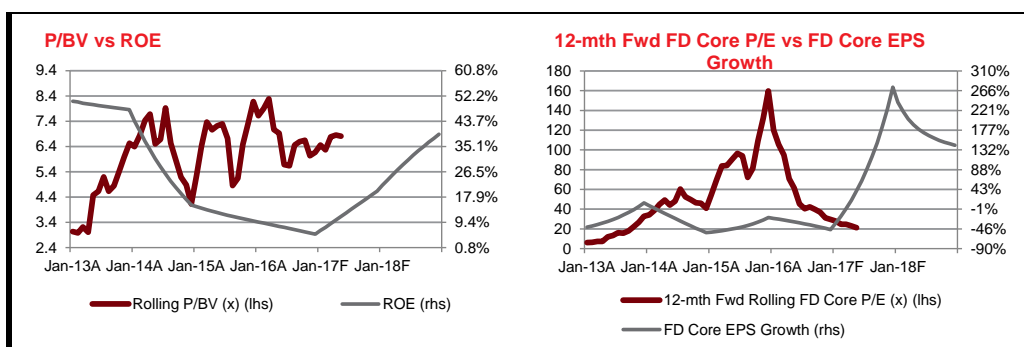
SOURCES: CIMB, COMPANY REPORTS

Figure 5: Sector Comparisons

Company	Bloomberg Ticker	Reco m.	Shr px (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)	Recurring ROE (%)		EV/EBI TDA (x)	Dividend Yield (%)	
						CY2017	CY2018			CY2017	CY2018		CY2017	CY2018
Prestariang	PRES MK	Add	RM2.35	RM3.00	262	21.6	12.0	61.4%	6.02	39.0%	37.9%	19.4	3.6%	4.3%
Overseas Education Ltd	OEL SP	Hold	RM0.39	RM0.42	117	25.5	21.2	-20.9%	1.09	4.2%	5.2%	9.2	5.8%	6.4%
China Maple	1317 HK	Add	RM6.97	RM8.00	1,235	21.3	17.2	20.5%	3.55	17.7%	19.6%	17.8	2.2%	2.6%
Sasbadi Holdings	SASB MK	Add	RM1.48	RM2.82	96	10.8	5.8	60.5%	2.42	24.3%	37.9%	6.9	4.7%	8.7%
Sector average					428	19.8	14.0	30.4%	3.3	21.3%	25.2%	13.3	4.1%	5.5%

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	115.5	132.1	320.0	524.4	537.8
Gross Profit	38.0	35.0	89.6	169.2	174.7
Operating EBITDA	18.6	10.7	32.0	80.4	83.9
Depreciation And Amortisation	(1.8)	(1.7)	(2.0)	(2.4)	(2.9)
Operating EBIT	16.8	9.0	30.0	78.0	81.0
Financial Income/(Expense)	5.6	2.5	4.5	4.5	4.5
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	22.4	11.5	34.5	82.5	85.5
Exceptional Items					
Pre-tax Profit	22.4	11.5	34.5	82.5	85.5
Taxation	(5.4)	(2.5)	(0.9)	(0.9)	(0.9)
Exceptional Income - post-tax					
Profit After Tax	17.0	9.0	33.6	81.6	84.6
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17.0	9.0	33.6	81.6	84.6
Recurring Net Profit	17.0	9.0	33.6	81.6	84.6
Fully Diluted Recurring Net Profit	17.0	9.0	33.6	81.6	84.6

Cash Flow

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	18.60	10.70	32.04	80.45	83.94
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	17.00	(7.00)	15.80	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	0.10	(1.20)	0.00	(1.60)	0.00
Net Interest (Paid)/Received	5.60	2.50	4.50	4.50	4.50
Tax Paid	(5.40)	(2.50)	(0.90)	(0.90)	(0.90)
Cashflow From Operations	35.90	2.50	51.44	82.45	87.54
Capex	(5.00)	(2.90)	(305.00)	(310.00)	(315.00)
Disposals Of FAs/subsidiaries	0.00	0.30	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	(4.00)	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	(5.00)	(6.60)	(305.00)	(310.00)	(315.00)
Debt Raised/(repaid)	0.50	0.00	242.30	308.90	277.80
Proceeds From Issue Of Shares	0.00	(1.40)	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(10.26)	(15.70)	(20.16)	(48.96)	(50.76)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow					
Cash Flow From Financing	(9.76)	(17.10)	222.14	259.94	227.04
Total Cash Generated	21.14	(21.20)	(31.42)	32.39	(0.42)
Free Cashflow To Equity	31.40	(4.10)	(11.26)	81.35	50.34
Free Cashflow To Firm	30.90	(4.10)	(253.56)	(227.55)	(227.46)

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	158.0	61.7	95.0	162.0	162.0
Total Debtors	11.6	31.7	32.0	52.4	53.8
Inventories	3.0	2.5	3.0	3.0	3.0
Total Other Current Assets	0.4	80.2	0.4	0.4	0.4
Total Current Assets	173.0	176.1	130.4	217.8	219.2
Fixed Assets	19.7	20.2	323.2	630.7	942.8
Total Investments	0.0	1.2	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	19.7	21.4	323.2	630.7	942.8
Short-term Debt	0.3	0.0	0.3	0.3	0.3
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	11.6	15.4	32.0	52.4	53.8
Other Current Liabilities	4.3	19.0	4.3	4.3	4.3
Total Current Liabilities	16.2	34.4	36.6	57.0	58.4
Total Long-term Debt	1.3	0.0	242.0	550.9	828.7
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.0	1.5	0.0	0.0	0.0
Total Non-current Liabilities	1.3	1.5	242.0	550.9	828.7
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	17.5	35.9	278.6	607.9	887.1
Shareholders' Equity	175.8	161.5	174.9	241.1	275.0
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	175.8	161.5	174.9	241.1	275.0

Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	46%	14%	142%	64%	3%
Operating EBITDA Growth	(11%)	(42%)	199%	151%	4%
Operating EBITDA Margin	16.1%	8.1%	10.0%	15.3%	15.6%
Net Cash Per Share (RM)	0.32	0.13	(0.30)	(0.80)	(1.38)
BVPS (RM)	0.36	0.33	0.36	0.50	0.57
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	24.1%	21.7%	2.6%	1.1%	1.1%
Net Dividend Payout Ratio	46%	137%	58%	59%	59%
Accounts Receivables Days	56.49	59.91	36.33	29.39	36.05
Inventory Days	9.42	10.36	4.36	3.08	3.02
Accounts Payables Days	39.43	50.78	37.55	43.39	53.39
ROIC (%)	38.7%	35.9%	22.5%	18.2%	9.6%
ROCE (%)	12.9%	6.8%	11.9%	13.6%	9.0%
Return On Average Assets	9.8%	4.9%	9.6%	12.2%	8.2%

Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
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 (%)	60.0%	100.0%	100.0%	100.0%	100.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

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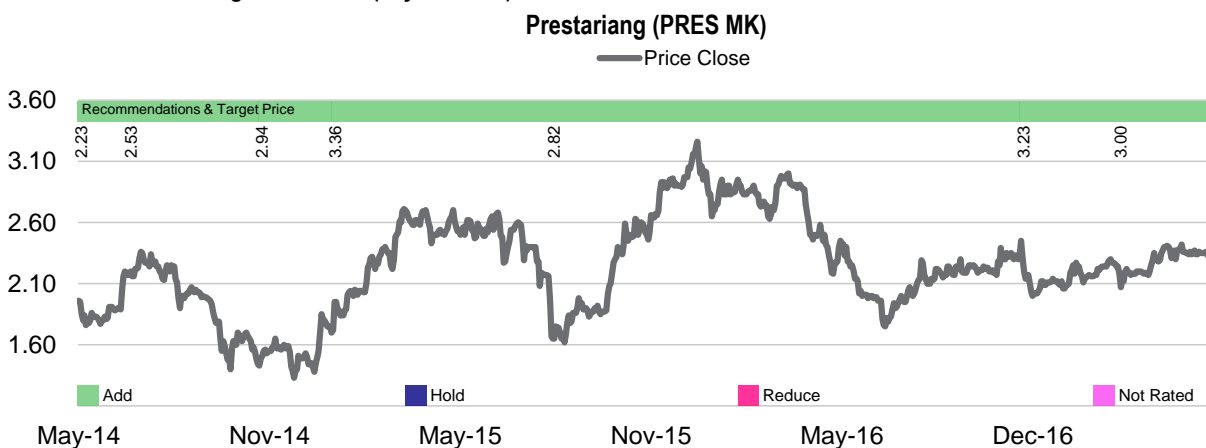
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1244 companies under coverage for quarter ended on 31 March 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	55.9%	5.2%
Hold	30.0%	1.6%
Reduce	10.4%	0.3%

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 2016, Anti-Corruption 2016.

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- Companies certified by CAC

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

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Definition:

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- 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.

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