

Research | Emerging Companies | Education

December 21, 2012

Academies Australasia Group

First Take

Rating	Valuation	ASX code
Buy	\$0.88	AKG
Last close:	\$0.72	

Setting a Benchmark

Academies Australasia (ASX code: AKG) has confirmed that it does not FY13 operating earnings to be below the previous corresponding period.

Key Points:

- AKG said FY13 earnings before tax and non-controlling interests “will not be below” FY12.
- It updated the performance of 51%-owned Benchmark - that it will contribute \$0.4m to \$0.5m EBITDA to the group in FY12 (we assume that is on a consolidated basis).
- When Benchmark was purchased in May 2011 it was thought to be generating \$2.8m annual EBITDA.
- But the FY13 guidance for Benchmark is not out of alignment with our expectations.

Comments:

While the broader AKG education segment is focused on full-fee-paying international students, Benchmark is a business focused on government-funded domestic training programs. As we stated in our initial note last month, there had been a government pull-back on training funding in FY12 and that our base case was for an improvement in 2H13.

As AKG does not ordinarily split out individual college’s earnings, we have not done so ourselves. But essentially we see no surprise here: the guidance AKG has provided for Benchmark is consistent with the contribution to group enrolments we had assumed for Benchmark.

We expect AKG to continue to grow the top-line at double-digit rates in FY13 and FY14, flowing through to EPS. Our FY13 forecast is that AKG will generate \$38m revenue (up 14%) for \$5.8m EBITDA and a net profit of \$3.1m. That translates to EPS of \$0.065, compared to \$0.053 in FY11 (up 22.9%).

As noted previously, earnings should be aided by recent acquisitions, stabilisation in the international student market and some margin expansion for the Education segment.

We retain our Buy rating. AKG is priced on 13.6x FY12 EPS and 11x our FY13f. This compares with a forward P/E of for the far larger (& significantly more liquid) tertiary education group Navitas on 21.5x FY13f consensus EPS, Singapore’s Raffles Education on 31x and NYSE-listed New Oriental Education & Technology on 21x.

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