

SEG International

More Collaborations

BUY
Price: RM3.48
Target Price: RM3.83
STOCK DATA

Bloomberg Ticker	SYS MK	YTD price chg	62.7%
Market Cap	906.6	YTD KLCI chg	0.6%
Issued shares	260.5	Beta	1.0
52-week range (H)	3.62	Major Shareholders	
52-week range (L)	0.64	Dato' Clement Hii	30.5%
3-mth avg daily volume	713,688	Cerahsar Sdn Bhd	22.1%
Free Float	38.5%	Segment Entiti SB	6.4%

FINANCIAL HIGHLIGHTS

FYE 31 Dec	2008	2009	2010	2011E	2012E
Turnover	127.3	166.4	217.6	280.8	351.0
EBIT	11.1	15.8	55.5	89.3	113.8
Pretax profit	9.9	14.6	54.3	89.5	113.9
Net Profit	7.3	10.0	43.1	66.8	85.0

EBIT margin	8.7%	9.5%	25.5%	31.8%	32.4%
Pretax margin	7.8%	8.8%	25.0%	31.9%	32.4%
Effective tax rate	25.9%	29.9%	20.4%	25.0%	25.0%
ROE	4.7%	6.1%	23.2%	29.5%	31.4%
ROA	2.8%	4.6%	17.9%	22.9%	24.5%
Net Gearing (x)	net cash	net cash	net cash	net cash	net cash

Growth ratios

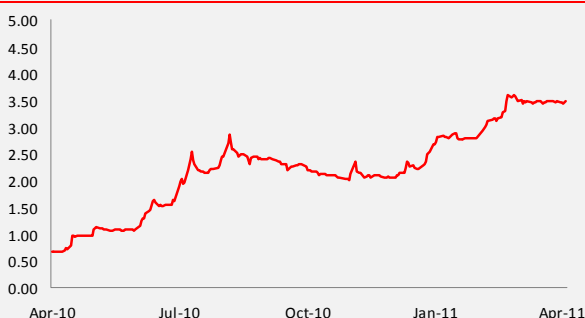
Turnover	47.6%	30.7%	30.8%	29.0%	25.0%
EBIT	24.2%	42.7%	251.5%	60.7%	27.5%
Pretax profit	298.7%	47.8%	271.9%	64.8%	27.2%
Core Net profit	40.9%	37.9%	329.6%	55.2%	27.2%

Per share data

FD EPS (sen)	2.6	3.5	15.2	23.9	28.1
FD EPS growth	40.9%	37.9%	329.6%	57.4%	17.5%
PER (x)	135.6	98.3	22.9	14.5	12.4
Gross DPS (sen)	0.7	3.0	7.0	18.0	21.0
Div. Yield (%)	0.2%	0.9%	2.0%	5.2%	6.0%
NTA/share (RM)	0.49	0.54	0.67	0.85	1.01

Historical price ratio

(X)	2006	2007	2008	2009	2010
Price /Earnings	186.0	20.5	9.3	17.4	72.5
Price /Book	0.5	0.4	0.4	0.5	2.5

SHARE PRICE CHART


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SEGi is partnering South Korea's Chung Cheong University to set up a nursing faculty at its Kota Damansara campus in Selangor. Management expects to get about 300 students from Chung Cheong and this will result in almost RM7m in extra revenue for SEGi in the first year and more in the following year. Maintain BUY with a revised target price of RM3.83. We also like its 50% dividend payout policy.

Welcome news. SEGi has strengthened its international foothold with an academic collaboration with Chung Cheong University. The arrangement between SEGi and the university which is based in Chungbuk city, South Korea will see a joint set-up of a SEGi, Chung Cheong International Nursing Faculty in Malaysia. The said faculty, which will be based at the SEGi University College campus at Kota Damansara will be responsible for providing training and preparation for pre-service and registered nurses and allied health professionals for eventual placement and employment in the destination and host country such as the United States, Canada, London and other countries in Europe. Under the academic arrangement, Chung Cheong University will be responsible for the recruitment and providing pre-service registered nurses and allied health students from Korea to the said nursing faculty.

New market penetration. This strategic tie-up will benefit SEGi as the company will be able to tap into the Korean base of nursing and allied health science professionals, particular graduates of Chung Cheong University who seek greener employment pastures beyond their own shores after completion of their initial studies in their home country.

New income base. Moreover, management has highlighted that this JV will boost SEGi's revenue by RM7m for FY11, and the number is expected to grow bigger in the next financial year. This nursing course is one of the high margin programmes that should translate into better profitability.

Luring international students. Furthermore, the recent tie-up with Xinjiang Language Centre and Linyi Normal University where SEGi will provide expertise and syllabus in Intensive English Programme and Foundation courses should generate additional income for SEGi. Via this tie-up, we also believe that SEGi could be able to lure more international students.

Early Childhood and Childcare Education. SEGi has been appointed by the Government of Malaysia as the Champion for Entry Point Project 2 where it will lead the initiative in training and developing high quality early childhood and childcare practitioners; and coordinating the establishment of teacher training centres that provide pre-service and in-service ECCE courses recognised by the Malaysian Qualifications Agency. Apart from marking another achievement, we reckon that this development is rather positive for SEGi given that Early Childhood and Childcare Education is an untapped market.

Increasing our earnings projection. We are positive on the developments of SEGi as they will bring additional income for the company. Therefore, we increase our FY11 earnings forecast further by 11.5% to RM66.8m and FY12 by 9% to RM85m.

Maintain BUY. Following the earnings revision, we are revising our target price to RM3.83 (RM3.40 previously) based on unchanged PER of 16x over revised FY11 FD EPS of 23.9sen. Together with potential upside of 10% and dividend yield of over 5%, we maintain our **BUY** recommendation on SEGi. To recap, the Group has also recently announced a 50% dividend payout policy.

Earnings Estimates

FYE 31 Dec (RMm)	2008	2009	2010	2011E	2012E
Revenue	127.3	166.4	217.6	280.8	351.0
EBIT	11.1	15.8	55.5	89.3	113.8
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Core Net profit	7.3	10.0	43.1	66.8	85.0
Core FD EPS (sen)	2.6	3.5	15.2	23.9	28.1
FD EPS growth (%)	40.9%	37.9%	329.6%	57.4%	17.5%
DPS (sen)	0.7	3.0	7.0	18.0	21.0
NTA/ share (RM)	0.49	0.54	0.67	0.85	1.01
Net gearing (x)	net cash	net cash	net cash	net cash	net cash
PER (x)	135.6	98.3	22.9	14.5	12.4
P/NTA (x)	7.1	6.4	5.2	4.1	3.4
Net div. yield (%)	0.2%	0.6%	1.5%	3.9%	4.5%
EV/ EBITDA (x)	54.0	40.2	13.4	8.3	6.3
ROE (%)	4.7%	6.1%	23.2%	29.5%	31.4%

Balance Sheet

FYE 31 Dec (RMm)	2008	2009	2010	2011E	2012E
Non Current Assets	125.7	134.8	140.9	154.3	165.4
Current Assets	88.2	84.5	122.2	166.6	208.5
Total Assets	213.9	219.3	263.0	321.0	373.9
Current Liabilities	45.2	34.7	46.2	57.4	69.9
Non Current Liabilities	9.7	14.6	13.3	13.3	13.3
Shareholders' Fund	158.3	169.2	202.6	250.2	290.6
Minority Interests	0.6	0.8	0.9	0.0	0.0
Equity & Liabilities	213.9	219.3	263.0	321.0	373.9

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