



SEG International Bhd

A Strong Head Start In 1Q11

TP: RM5.51 (+38.8%)

Last Traded: RM3.97

BUY

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Review

- SEG's 1Q11 net profit of RM18.1mn came in within our expectations, accounting for 23-26% of our full-year projections and consensus estimates. For dividend, the company has declared and paid 14sen special dividend in 1Q11.
- SEG's net profit grew 90.6% YoY on the back of a 31% growth in revenue. SEG has recorded a student population of approximately 24,000 and this has translated into higher earnings for 1Q11. Also, the increase in student population has improved the group's margin due to economies of scale.
- On the QoQ basis, 1Q11 net profit grew 54.4% largely due to increased student headcount, which led to margin improvement.
- On a separate announcement, SEG has proposed a share split exercise, which involves a subdivision of every one ordinary share into two ordinary shares. Accordingly, the par value will be adjusted downward to RM0.25 from RM0.50. We are positive on this corporate exercise as we expect this to improve the share liquidity.

Impact

- No change to our FY11-13 earnings projections. We project the student population to grow to 28,064 for FY11, 33,667 for FY12 and 38,729 for FY13.

Outlook

- We are positive on the industry outlook underpinned by the favourable demographic structure. In addition, under the economic transformation programme, the government's initiative to improve the skill of our labour force would present business opportunities to education service providers.
- As far as SEG is concerned, the company has participated in the transformation programme by taking up a lead role in one of the EPPs identified for the education industry. We expect this to be earnings-enhancing for the company.

Valuation

- Valuation wise, we maintain our fair value at RM5.51/share based on unchanged 14x CY12 EPS. Given the potential upside of 39%, we reiterate our BUY recommendation on SEG.
- In the case of the proposed share split, our fair value will be adjusted to RM2.76/share.

SHARE INFO

Bloomberg Code	SYS MK
Bursa Name	SEG
Stock Code	9792
Listing	Main Market
Share Cap (m)	254.3
Market Cap @ RM (RMm)	709.6
Par Value (RM)	0.5
52-wk Hi/Lo (RM)	4.00/0.878
12-mth Avg Daily Vol ('000' shrs)	660
Estimated Free Float (%)	44
Beta	1.04
Major Shareholders (%)	
	Hii Chii Kok (30.43)
	Cerashar Sdn Bhd (21.99)
	Segmen Entiti Sdn Bhd (6.42)
	Rexter Capital Sdn Bhd (6.40)

FORECAST REVISION

	FY11	FY12
Forecast Revision (%)	-	-
Net profit (RM'mn)	77.5	110.1
Consensus (RM'mn)	71.2	99.0
TA/Consensus (%)	108.9	111.2
Previous Rating	BUY (Maintained)	

FINANCIAL INDICATOR

	FY11	FY12
Net debt/equity (%)	Net Cash	Net Cash
CFPS (sen)	37.4	51.7
P/CFPS (x)	8.3	6.0
ROA (%)	29.4	37.2
NTA/Share (RM)	0.7	0.9
Price/ NTA (x)	5.4	4.2

Scorecard

	% of FY	
vs TA	23.4	Within
vs Consensus	25.5	Within

SHARE PERFORMANCE

Price chg (%)	SYS MK	FBM KLCI
1 mth	14.41	1.00
3 mth	43.32	0.88
6 mth	96.24	1.97
12 mth	330.59	14.93

(12-Mth) Share Price relative to the **FBM KLCI**



Source: Bloomberg

Earnings Summary (RM'mn)

FYE Dec 31 (RM'mn)	FY09	FY10	FY11F	FY12F	FY13F
Revenue	176.9	217.6	316.4	396.9	477.8
EBITA	22.6	62.5	112.0	164.1	216.2
EBITA margin (%)	12.8	28.7	35.4	41.4	45.3
Pretax profit	14.6	54.3	103.4	156.0	208.5
Net profit	10.0	43.0	77.5	110.1	147.1
EPS (sen)	4.0	17.4	27.7	39.3	52.6
EPS growth (%)	33.3	335.0	59.1	42.1	33.6
PER (x)	78.0	20.8	12.5	8.8	6.6
GDPS (sen)	3.5	7.0	16.0	29.0	38.0
Div yield (%)	1.0	2.0	4.6	8.4	11.0
ROE (%)	5.9	20.8	34.9	41.1	44.0

1QFY11 Result Highlight (RM'mn)

FYE Dec 31	1Q10	4Q10	1Q11	QoQ (%)	YoY (%)
Revenue	52.3	56.4	68.5	21.4	30.9
EBIT	12.6	14.6	23.2	59.6	84.0
Finance cost	-0.4	-0.2	-0.3	29.0	-12.8
Associates	0.9	-0.2	0.2	-183.8	-79.0
PBT	13.2	14.1	23.1	63.9	75.7
Tax	-3.1	-2.6	-4.9	88.6	55.5
MI	-0.5	0.2	-0.1	-167.0	-73.9
Net profit	9.5	11.7	18.1	54.4	90.6
EPS (sen)	3.8	4.8	7.4	53.1	91.4
Dividend (sen)	0.0	7.0	14.0	100.0	nm
EBIT margin (%)	24.2	25.8	33.9	8.1	9.8
PBT margin (%)	25.2	25.0	33.8	8.7	8.6
Net margin (%)	18.2	20.8	26.5	5.7	8.3
Effective tax rate (%)	23.8	18.3	21.0	2.8	-2.7

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