



SEG International Bhd

Strategic Tie-Up

TP: RM4.26 (+23.6%)

Last Traded: RM3.45

BUY

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SEG International Bhd (SEG) is teaming up with Chung Cheong University in South Korea to train and place nurses and allied health professionals in the US, Canada and Europe.

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 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 recruitment and providing pre-service registered nurses and allied health students from Korea to the said nursing faculty.

According to the announcement, the academic collaboration is expected to draw about 300 students from Chung Cheong and is expected to contribute to additional revenue of close to RM7mn to SEG within the first year of operations. The figure is set to grow exponentially in the second year as the programmes are gradually introduced to Chung Cheong's alumni members.

Impact

We are positive on the above-mentioned collaboration. We raise our earnings projections for SEG by approximately 2.5%-4.6% for FY11-FY13 to reflect the potential increase in earning contribution arising from this.

Our revised key assumptions are as follows:-

	2011F	2012F	2013F
Student No.	28,064	33,677	38,729
Average revenue per student	11,025	11,576	12,155
PAT Margin	24.53%	27.31%	30.49%

Valuation

We are positive on the positive news flow coming in recently. As such, we continue to attach a 10% premium to our target PER of 14x for the education sector and derive a new target price of RM4.26/share for SEG. Given the potential total return of 28.2% from potential capital upside and potential dividend yield, we maintain **Buy** on SEG. Key risk factors to our view are: 1) Lower than expected no. of student enrolled; 2) Potential variation to our profit forecast; 3) Changes in requirements of professional bodies could influence recognition and demand for SEG's courses; and 4) Competition from local and foreign education provider.

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)	3.60 / 0.53
12-mth Avg Daily Vol (000' shrs)	640
Estimated Free Float (%)	44
Beta	0.74
Major Shareholders (%)	

Hii Chii Kok (32.44)

Cerashar Sdn Bhd (22.4)

SEG International Bhd (9.16)

Segmen Entiti Sdn Bhd (6.78)

FORECAST REVISION

	FY11	FY12
Forecast Revision (%)	4.6	3.7
Net profit (RMm)	77.5	110.1
Consensus	59.6	77.4
TA/Consensus (%)	130	142
Previous Rating	BUY	

FINANCIAL INDICATORS

	FY11	FY12
Net debt/equity (%)	Net Cash	Net Cash
CFPS (sen)	24.0	31.1
P/CFPS (x)	14.4	11.1
ROA (%)	28.4	34.5
NTA/Share (RM)	0.7	0.8
Price/ NTA (x)	5.2	4.1

SHARE PERFORMANCE

Price chg (%)	SYS MK	FBMKLCI
1 mth	0.3	2.81
3 mth	27.0	(2.81)
6 mth	65.0	2.41
12 mth	439.1	13.97

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



Source: Bloomberg

Earnings Summary

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

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