



SEG International Berhad

A Strong Start for 2012

TP: RM1.98 (+15.8%)

Last Traded: RM1.71

HOLD

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Review

- SEG's 1Q12 net profit of RM21.9mn came in within ours and consensus estimate accounting for 21.8% and 22.4% respectively. Net profit was higher on both QoQ (+23.4%) and YoY (+20.8%). Earnings grew at faster pace compared with revenue (+10.2% QoQ, +13.7% YoY) mainly attributable to margin expansion (EBIT: 34.8% vs. 28.3% in 4Q11 and 3.9% in 1Q11). Note that the significant expansion on a QoQ basis was due to additional expenses incurred to upgrade campus building in the preceding quarter.
- The increase in revenue was mainly attributable by the increase in both local and overseas student enrolments. We understand that SEG launched new courses through collaboration with foreign universities as well as its own homegrown programmes.
- No dividend declared for 1Q12. In comparison, the group declared a special dividend of 14 sen/share in the corresponding period last year. We believe the group is refraining from paying out dividend in view of the pending MGO offer by Navis.

Impact

- No change to our earnings estimates at this juncture.

Outlook

- We believe the group will continue to increase its partnership with overseas universities to churn out more programme that targets at local as well as foreign students.
- The active involvement in ETP related projects will prove to be a positive factor for SEG. This can be seen from the collaboration with the Vietnam government which started in Sept 2011. We believe there will be more oversea collaboration in due time.

Valuation

- Since the announcement of the take-over offer towards the end of last month, the stock price has been on a downtrend. To-date, it has been hovering around the RM1.71 band, which matched the offer price by Navis.
- At this juncture, we maintain target price of RM1.98 (FY12 target PER of 13x) for the stock. Though the stock currently has an upside of 15.7%, which should warrant a buy recommendation, we stick to our Hold recommendation until we have clearer picture on the outcome of the offer. Key risk factors include: 1) increased competition from other local educational player and 2) surge in inflow of foreign universities.

SHARE INFO

Bloomberg Code	SYS MK
Bursa Name	SEG
Stock Code	9792
Listing	Main Market
Share Cap (mn)	559.4
Market Cap (RMm)	956.5
Par Value (RM)	0.25
52-wk Hi/Lo (RM)	2.09/1.65
12-mth Avg Daily Vol ('000' shrs)	790.4
Estimated Free Float (%)	34.4
Beta	0.94
Major Shareholders (%)	
	Hii Chii Kok (28.40)
	Pinnacle Heritage Solutions S/B (26.54)
	Rexter Capital Sdn Bhd (5.97)
	SEG International Bhd (4.66)

FORECAST REVISION

	FY12	FY13
Forecast Revision (%)	-	-
Net profit (RMm)	100.4	129.6
Consensus	97.7	119.4
TA/Consensus (%)	102.7	108.6
Previous Rating	HOLD (Maintained)	

FINANCIAL INDICATORS

	FY12	FY13
Net debt/equity (%)	Net Cash	Net Cash
CFPS (sen)	17.6	23.0
P/CFPS (x)	9.7	7.4
ROA (%)	30.1	33.2
NTA/Share (RM)	0.5	0.6
Price/NTA (x)	3.7	3.0

SHARE PERFORMANCE

Price chg (%)	SYS MK	FBMKLCI
1 mths	(2.3)	(2.3)
3 mths	(7.6)	0.7
6 mths	(14.5)	5.7
12 mths	(13.9)	1.6

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



Source: Bloomberg

1Q12 Results Highlight (RMmn)

FYE Dec 31	1Q11	4Q11	1Q12	QoQ(%)	YoY(%)
Revenue	68.5	70.6	77.8	10.2	13.7
EBIT	23.2	20.0	27.1	35.4	16.5
Finance cost	(0.3)	(0.2)	(0.1)	nm	nm
Associates	0.2	0.0	0.0	nm	nm
PBT	23.1	19.8	26.9	35.7	16.5
Tax	(4.9)	(2.4)	(5.2)	117.5	6.4
MI	0.1	(0.3)	(0.1)	nm	nm
Net profit	18.1	17.7	21.9	23.4	20.8
Reported EPS (sen)	7.4	3.4	4.1		
Dividend (sen)	14.0	10.0	0.0		
EBIT margin (%)	33.9	28.3	34.8		
PBT margin (%)	33.8	28.1	34.6		
Net margin (%)	26.5	25.1	28.1		
Effective tax rate (%)	21.0	12.0	19.2		

Earnings Summary (RMmn)

FYE Dec 31	FY10	FY11	FY12E	FY13F	FY14F
Revenue	217.6	278.3	347.4	441.2	538.5
EBITDA	63.1	98.0	132.0	167.7	199.2
EBITDA margin (%)	29.0	35.2	38.0	38.0	37.0
Pretax profit	54.3	88.2	122.5	158.4	190.2
Net profit	43.0	72.3	100.4	129.6	155.9
EPS (sen)	8.7	14.1	18.0	23.2	27.9
EPS growth (%)	187.8	62.2	27.4	29.1	20.3
PER (x)	19.7	12.1	9.5	7.4	6.1
GDPS (sen)	7.0	14.0	15.0	15.0	15.0
Div yield (%)	4.1	8.2	8.8	8.8	8.8
ROE (%)	21.2	30.5	35.0	37.0	36.4

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