



## SEG International Berhad

Higher Enrollment Boosted Earnings

TP: RM2.34(+23%)

Last Traded: RM1.90

BUY

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### Review

- SEG's FY11 net profit came in at RM72.3mn, which represented a growth of 67.9% (FY10 RM43.1mn). This is supported by a 27.9% growth in net revenue of RM278.3mn. Nonetheless, the results came in below our expectation, accounting for 93% of our full year forecast.
- The increase in both local as well as overseas student enrolments led to the surge in net profit. The company also increased its programme offering with the launches of number of new courses with overseas partner universities as well as its own homegrown programmes. The higher number of students and the inclusion of own homegrown programmes have contributed to healthier EBIT margin of 31.9% from 25.3% previously, in our view.
- Its QoQ EBIT margin, however, was lower at 28.3% (3Q11: 33.9%) due to additional expenses incurred for the upgrade of the campus building. This led to a slightly lower net profit of RM17.7mn (-3.2%) for the quarter in view, although revenue remains flat at RM70mn.
- No dividend was declared for the quarter in review. Nonetheless, the company declared a total dividend of 14sen/share for FY11, which is doubled that of FY10.

### Impact

- We tweaked downward our FY12 and FY13 earnings estimate by 19% and 17%, respectively to take into account lower number of students. We have imputed a more conservative student base as we expect stiffer competition arising from both existing local players and liberalisation of the education sector as announced in the Budget 2012.

### 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 overseas collaboration in due time.

### Valuation

- Following the revision in our earnings estimate, we revised downward SEG target price to RM2.34 based on FY12 target PER of 13x. Key risk includes: 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)	559.1
Market Cap (RMm)	1062.3
Par Value (RM)	0.25
52-wk Hi/Lo (RM)	2.09/1.565
12-mth Avg Daily Vol ('000' shrs)	846.5
Estimated Free Float (%)	39.1
Beta	1.07
Major Shareholders (%)	
	Hii Chii Kok (28.41)
	Cerahsar Sdn Bhd (20.53)
	Segmen Entiti Sdn Bhd (5.99)
	Rexter Capital Sdn Bhd (5.97)

### FORECAST REVISION

	FY12	FY13
Forecast Revision (%)	-19	-17
Net profit (RMm)	100.4	129.8
Consensus	102.5	132.7
TA/Consensus (%)	98.0	97.9
Previous Rating	BUY (Maintained)	

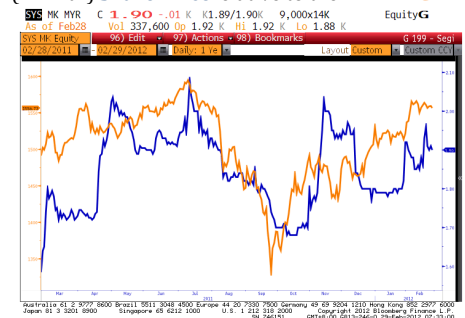
### FINANCIAL INDICATORS

	FY12	FY13
Net debt/equity (%)	Net Cash	Net Cash
CFPS (sen)	17.6	23.0
P/CFPS (x)	10.8	8.2
ROA (%)	30.1	33.3
NTA/Share (RM)	0.5	0.6
Price/NTA (x)	4.1	3.3

### SHARE PERFORMANCE

Price chg (%)	SYS MK	FBMKLCI
1 mths	(1.0)	2.3
3 mths	(1.6)	5.7
6 mths	4.4	7.6
12 mths	19.9	4.4

### (12-Mth) Share Pricerelative to the FBM KLCI



Source: Bloomberg

**Earnings Summary (RM'mn)**

<b>FYE Dec 31</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12E</b>	<b>FY13F</b>	<b>FY14F</b>
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	129.8	155.9
EPS (sen)	8.7	14.1	18.0	23.2	27.9
EPS growth (%)	187.8	62.2	27.4	29.3	20.1
PER (x)	21.8	13.5	10.6	8.2	6.8
GDPS (sen)	7.0	14.0	15.0	15.0	15.0
Div yield (%)	3.7	7.4	7.9	7.9	7.9
ROE (%)	21.2	30.5	35.0	37.1	36.4

**4Q11 Results Highlight (RM'mn)**

<b>FYE Dec 31</b>	<b>4Q10</b>	<b>3Q11</b>	<b>4Q11</b>	<b>QoQ(%)</b>	<b>YoY(%)</b>	<b>FY10</b>	<b>FY11</b>	<b>YoY(%)</b>
Revenue	56.4	70.0	70.6	1.0	25.3	217.6	278.3	27.9
EBIT	14.6	22.7	20.0	(11.8)	37.3	55.0	88.8	61.4
Finance cost	(0.2)	(0.2)	(0.2)	(2.0)	(37.0)	(1.2)	(0.7)	(39.5)
Associates	(0.2)	-	-	nm	nm	0.5	0.2	(66.0)
PBT	14.1	22.5	19.8	(11.9)	40.7	54.3	88.2	62.4
Tax	(2.6)	(4.3)	(2.4)	(44.6)	(7.8)	(11.1)	(16.0)	44.5
MI	(0.2)	(0.1)	(0.3)	208.0	31.6	0.2	0.1	(45.9)
Net profit	11.7	18.3	17.7	(3.2)	51.2	43.1	72.3	67.9
EPS (sen)	2.4	7.2	3.4	(52.9)	40.4	8.7	14.1	62.2
Dividend (sen)	7.0	-	-	nm	nm	7.0	14.0	100.0
EBIT margin (%)	25.8	33.9	28.3	(16.5)	9.6	25.3	31.9	26.2
PBT margin (%)	25.0	33.8	28.1	(16.9)	12.3	25.0	31.7	27.0
Net margin (%)	20.8	26.5	25.1	(5.2)	20.7	19.8	26.0	31.3
Effective tax rate (%)	18.3	21.0	12.0	(42.9)	(34.4)	20.4	18.1	(11.0)

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