



SEG International Berhad

Looking Forward to Stronger 2H

TP: RM2.52 (+24.8%)

Last Traded: RM2.02

Buy

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Review

- SEG's 1H12 net profit of RM42mn (+15.9% YoY) came in within ours and consensus expectation, accounting for 42% and 43% of FY12 estimates respectively. This is mainly attributable to the higher revenue (+14.7% YoY) thanks to the increase in student headcount (both locally and overseas).
- In addition, the company also launched a number of new courses via partnership with overseas university as well as own homegrown programmes. Note that for 1H12, net profit expanded more than revenue, which was attributable to lower effective tax rate of 19% compared with 20.4% in 1H11.
- On a QoQ basis, net profit dipped by 8% though revenue increased slightly by 3%. This may due to higher mix of external programmes, as opposed to homegrown programmes, which commands lower margin.

Impact

- No change to our earnings estimates.

Outlook

- The group has begun its expansion plan to become an integrated education player via the building of an international school. We are positive on the move due to overwhelming demand of international school especially for local students who are well off. Upon completion and opening of its enrollment in early 2015, we expect the school to further boost the group's bottomline.
- In the short term, we look forward for a stronger 2H12 due to higher influx of students, especially foreign students following the implementation of 'SkillsMalaysia Invite' initiative. Though currently these students mainly come from Vietnam, management expects more countries in the Asean region to participate in this initiative going forward.

Valuation

- We maintain target price of RM2.52 (FY13 target PER of 14x) for the stock. Bearing a potential capital upside of 24.8%, we maintain our Buy recommendation on the stocks. 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)	663.4
Market Cap (RMm)	1,340
Par Value (RM)	0.25
52-wk Hi/Lo (RM)	2.16/1.65
12-mth Avg Daily Vol (000' shrs)	805.0
Estimated Free Float (%)	31.1
Beta	0.75
Major Shareholders (%)	

Hii Chii Kok (39.89)

Pinnacle Heritage Solutions S/B (23.94)

Rexter Capital Sdn Bhd (5.03)

FORECAST REVISION

	FY12	FY13
Forecast Revision (%)	-	-
Net profit (RMm)	100.2	119.6
Consensus	97.2	116.8
TA/Consensus (%)	103.1	102.4
Previous Rating	Buy(Maintained)	

FINANCIAL INDICATORS

	FY12	FY13
Net debt/equity (%)	Net Cash	Net Cash
CFPS (sen)	17.6	21.2
P/CFPS (x)	11.5	9.5
ROA (%)	29.4	29.5
NTA/Share (RM)	0.4	0.5
Price/ NTA (x)	5.2	4.3

SHARE PERFORMANCE

Price chg (%)	SYS MK	FBMKLCI
1 mths	8.0	2.1
3 mths	17.4	3.9
6 mths	5.2	7.3
12 mths	4.7	5.4

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



Source: Bloomberg

2Q12 Results Highlight (RMmn)

FYE Dec 31	2Q11	1Q12	2Q12	QoQ(%)	YoY(%)	FY11	FY12	YoY(%)
Revenue	69.2	77.8	80.2	3.0	15.8	137.7	158.0	14.7
EBIT	22.9	27.1	24.9	(8.2)	8.8	46.1	52.0	12.7
Finance cost	(0.3)	(0.1)	(0.1)	nm	nm	(0.4)	(0.3)	nm
Associates	-	-	-	nm	nm	0.2	-	nm
PBT	22.7	26.9	24.7	(8.2)	8.9	45.8	51.7	12.7
Tax	(4.5)	(5.2)	(4.7)	nm	nm	(9.3)	(9.8)	nm
MI	0.1	(0.1)	(0.0)	nm	nm	0.3	(0.2)	nm
Net profit	18.1	21.9	20.1	(8.1)	11.0	36.3	42.0	15.9
Reported EPS (sen)	3.6	4.1	3.6			7.3	7.7	
EBIT margin (%)	33.0	34.8	31.0			33.5	32.9	
PBT margin (%)	32.8	34.6	30.8			33.3	32.7	
Net margin (%)	26.2	28.1	25.1			26.3	26.6	
Effective tax rate (%)	19.7	19.2	18.8			20.4	19.0	

Earnings Summary (RMmn)

FYE Dec 31	FY10	FY11	FY12E	FY13F	FY14F
Revenue	217.6	278.3	347.4	412.2	479.8
EBITDA	63.1	98.0	132.0	156.7	177.5
EBITDA margin (%)	29.0	35.2	38.0	38.0	37.0
Pretax profit	54.3	88.2	122.2	146.1	166.2
Net profit	43.0	72.3	100.2	119.6	136.3
EPS (sen)	8.7	14.1	15.1	18.0	20.5
EPS growth (%)	187.8	62.2	7.0	19.3	14.0
PER (x)	23.2	14.3	13.4	11.2	9.8
GDPS (sen)	3.5	7.0	7.6	9.0	10.3
Div yield (%)	1.7	3.5	3.7	4.5	5.1
ROE (%)	21.2	30.5	34.9	34.5	32.8

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