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BUY ↔

Fair Value

RM2.19

Previous

RM2.17

Price

RM1.72

EDUCATION

SEGi is one of the largest private tertiary education providers in Malaysia by enrolment with 23k students onboard as of end-FY10.

Stock Statistics

Bloomberg Ticker	SYS MK
Share Capital (m)	559.4
Market Cap	962.1
52 week H L Price	2.09 1.65
3mth Avg Vol (000)	1,045.1
YTD Returns	-4.4
Beta (x)	0.94

Shariah Compliant YES

Major Shareholders (%)

Dato' Seri Clement Hii	29.8
Navis Capital	27.8

Share Performance (%)

Month	Absolute	Relative
1m	-1.7	0.6
3m	-8.5	-7.7
6m	-9.3	-18.6
12m	-8.6	-12.9

6-month Share Price Performance

1QFY12 Results Review
SEG International
Within Expectations

SEG International's (SEGi) 1QFY12 core earnings of RM21.9m were in line with both our and consensus forecasts, at 24.3% and 22.6% of the annual projections respectively. Going forward, we continue to see strength in the company's fundamentals as it introduces new homegrown programs, which would enhance margins. This will further propel growth in its existing 27k student base. Maintain BUY, at a revised FV of RM2.19, based on an unchanged 18x FY12 PER.

Within estimates. SEGi's 1QFY11 revenue of RM77.8m (+10.2% q-o-q; +13.7% y-o-y) were in line with both our and consensus estimates, comprising 24.3% and 23.0% of the annual forecasts respectively. We attribute the decent performance to further growth in its student base, which we understand had reached 27k by end-1QFY12. Owing to introduction of more homegrown programs as well as higher share of international students (at approx. 3k in total) who typically pay higher administrative fees, margins also improved, with EBIT closing the quarter at RM27.1m (+35.4% q-o-q; +16.5% y-o-y). Correspondingly, the company's 1QFY12 core earnings jumped 20.8% y-o-y, or 23.4% q-o-q, to close at RM21.9m.

Revising forecasts. While we make no major changes to our core assumptions given that the 1QFY12 results were in line with our expectations, we are revisiting our model following the release of the company's 2011 Annual Report. After making retrospective adjustments based on FY11 financial details, our net profit forecasts are marginally revised higher by 1.0% in FY12 and 5.4% in FY13 respectively.

BUY. In our previous report, we advised minority shareholders to reject the takeover offer initiated by Navis Capital at RM1.714/share given the unappealing valuation attached to the offer price, which translates into a 14.2x FY12 PER and 12.9x FY13 PER based on a fully enlarged share base. Having said that, we continue to like SEGi and believe that the emergence of Navis Capital – which would become the single largest shareholder assuming the full conversion of warrants – would stir up trading interest in the company. Hence, we maintain BUY, at a revised FV of RM2.19, based on an unchanged 18x FY12 PER, and a fully enlarged share base of 748.4m shares, assuming full conversion of the company's outstanding warrants.

FYE Dec (RMm)	FY09	FY10	FY11	FY12f	FY13f
Revenue	166.4	217.6	278.3	334.0	375.7
Net Profit	10.0	43.1	72.3	91.1	104.9
% chg y-o-y	37.6	330.6	67.9	26.0	15.1
Consensus				96.7	118.2
EPS (sen)	1.3	5.8	9.7	12.2	14.0
DPS (sen)	0.4	1.2	12.0	5.1	6.4
Dividend yield (%)	0.2	0.7	7.0	2.9	3.7
ROE (%)	6.1	23.2	37.4	41.0	34.6
ROA (%)	4.6	17.9	26.1	29.8	28.6
PER (x)	128.7	29.9	17.8	14.1	12.3
BV/share	0.23	0.27	0.25	0.35	0.46
P/BV (x)	7.6	6.4	7.0	4.9	3.7
EV/EBITDA (x)	57.9	19.6	12.4	9.6	7.8

Results Table (RMm)

FYE Dec	1Q12	4Q11	Q-o-Q chg	YTD FY12	YTD FY11	Y-o-Y chg	Comments
Revenue	77.8	70.6	10.2%	77.8	68.5	13.7%	Decent improvement due to continued growth in its student base, which stood at 27k as of end-1QFY12
EBIT	27.1	20.0	35.4%	27.1	23.2	16.5%	
Net interest expense	-0.1	-0.2	-4.7%	-0.1	-0.3	-53.4%	
Associates	0.0	0.0	-	0.0	0.2	-100.0%	
PBT	26.9	19.8	35.7%	26.9	23.1	16.5%	Margins also improved on the introduction of homegrown courses as well as higher share of international students, who typically pay more admin fees
Tax	-5.2	-2.4	117.5%	-5.2	-4.9	6.4%	
MI	-0.1	-0.3	-52.0%	-0.1	0.1	-194.2%	
Net profit	21.9	17.7	23.4%	21.9	18.1	20.8%	All in, the 1QFY12 earnings were within our expectations
EPS (sen)	2.9	2.4		2.9	2.4		
DPS (sen)	0.0	0.0		0.0	4.7		
EBIT margin	34.8%	28.3%		33.5%	25.9%		
NTA/Share	0.24	0.28		0.24	0.22		

EARNINGS FORECAST

FYE Dec (RMm)	FY09	FY10	FY11	FY12f	FY13f
Turnover	166.4	217.6	278.3	334.0	375.7
EBITDA	21.9	62.6	97.8	125.2	144.7
PBT	14.5	54.3	88.2	114.2	131.4
Net Profit	10.0	43.1	72.3	91.1	104.9
EPS (sen)	1.3	5.8	9.7	12.2	14.0
DPS (sen)	0.4	1.2	12.0	5.1	6.4
Margin					
EBITDA (%)	13.2	28.8	35.1	37.5	38.5
PBT (%)	8.7	25.0	31.7	34.2	35.0
Net Profit (%)	6.0	19.8	26.0	27.3	27.9
ROE (%)	6.1	23.2	37.4	41.0	34.6
ROA (%)	4.6	17.9	26.1	29.8	28.6
Balance Sheet					
Fixed Assets	134.5	140.9	148.2	158.2	166.9
Current Assets	84.5	122.2	141.9	163.6	244.9
Total Assets	219.0	263.0	290.1	321.8	411.7
Current Liabilities	34.7	46.2	96.3	50.6	56.3
Net Current Assets	49.8	75.9	45.6	113.1	188.6
LT Liabilities	14.4	13.3	9.3	9.3	9.3
Shareholders Funds	169.2	202.6	183.8	260.9	345.0
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

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