

Kong Heng Siong
+60 (3) 9207 7666
hengsiong.kong@my.oskgroup.com

Corporate News Flash

SEG International

Imminent GO For SEGi?

THE BUZZ

The Star reported that a general offer (GO) for SEG International (SEGi) may be announced as early as the end of next week by Navis Capital, its second largest shareholder with a 26.5% stake. The latter could potentially partner with SEGi's existing single largest shareholder, Datuk Seri Clement Hii, who holds a 28.4% stake.

EDUCATION

BUY ↔

Fair Value **RM2.17**

Previous **RM2.17**

Price **RM1.73**

Shariah Compliant **YES**

OUR TAKE

Joint offer likely. From the daily's interview with Datuk Seri Clement Hii and reading between the lines, we opine that SEGi's existing major shareholder-cum-MD is likely to partner with Navis Capital to launch a GO. Although our previous assumption that a GO might not take place at this juncture could turn out to be wrong, the latest speculation still matches our view that Datuk Seri Hii is unlikely to cash out on his 28.4% stake (or 31.4% upon full conversion of his interest in warrants) in SEGi at this juncture, based on the understanding that this is his core business focus for now.

Potential pricing. To entice the minority shareholders, we believe the potential GO has to be priced at a minimum of RM2.10/share (as opposed to Navis Capital's existing cost of RM1.71/share), which would then translate into FY12 and FY13 PERs of 16.6x and 15.0x respectively. We would deem such a pricing fair considering SEGi's sizeable student base, which justifies the premium that it should command over its peers. At RM2.10/share, SEGi's valuation would be at some 25% premium over HELP (NEUTRAL, FV: RM1.55) and a 80% premium over Masterskill (SELL, FV: RM0.84).

Combined 54.9% stake now. Taking a brief look at SEGi's existing shareholding spread, the two parties hold a combined 54.9% stake in SEGi, or an effective stake of 59.4% upon the full conversion of their respective warrants. To take the company private, the pair would have to fork out some RM600m to buy out the minorities based on RM2.10/share, which we see as not much of an issue given Navis Capital's huge assets under management of some USD3bn.

BUY. We expect to see more developments on this unfold in the next 2 weeks and hence, maintain our BUY call on SEGi, at an unchanged FV of RM2.17, based on 18x FY12 PER and a fully enlarged share base of 748.4m. A re-rating on the sector as a whole is possible but not likely, given the specific factors underlying each of the education counters under our coverage.

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Kuala Lumpur	Hong Kong	Singapore
Malaysia Research Office OSK Research Sdn. Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	OSK Securities Hong Kong Ltd. 12 th Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	DMG & Partners Securities Pte. Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	Shanghai	Phnom Penh
PT OSK Nusadana Securities Indonesia Plaza CIMB Niaga, 14 th Floor, Jl. Jend. Sudirman Kav. 25, Jakarta Selatan 12920 Indonesia Tel : (6221) 2598 6888 Fax : (6221) 2598 6777	OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No.1266, West Nan Jing Road 200040 Shanghai China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	OSK Indochina Securities Limited No. 1-3, Street 271, Sangkat Toeuk Thla, Khan Sen Sok, Phnom Penh, Cambodia Tel: (855) 23 969 161 Fax: (855) 23 969 171
Bangkok		
OSK Securities (Thailand) PCL 10 th Floor, Sathorn Square Office Tower, 98, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand Tel: +(66) 862 9999 Fax : +(66) 108 0999		