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Corporate News Flash

SEG International

Offer Extended to 20 June

THE BUZZ

SEG International (SEGi) announced that the closing date for the acceptance of its major shareholder Navis Capital's privatization offer at RM1.714/share and RM1.214/warrant has been extended from 6 to 20 June.

EDUCATION

BUY ↔

Fair Value **RM2.19**

Previous **RM2.19**

Price **RM1.72**

Shariah Compliant **YES**

OUR TAKE

Reject the offer. In our previous report, we stated that the final offer of RM1.714/share is on par with Navis Capital's entry cost but falls short of our expectations as it offers zero premium over the stock's last closing price of RM1.72. Given the unappealing valuation, which translates into 14.0x FY12 PER and 12.2x FY13 PER based on a fully enlarged share base vis-à-vis our FV of RM2.19 at 18x FY12 PER, we continue to advise minority shareholders to reject the offer.

Low existing acceptance. Taking a brief look at SEGi's latest shareholding structure, Navis Capital and Dato' Sri Clement Hii hold a combined 64.7% stake of the company's outstanding shares and 80.6% of its existing warrants. Assuming full conversion of the latter, both parties would hold a combined 67.1% stake in SEGi's fully enlarged share base from 61.5% registered prior to the offer. Given the low level of acceptance, we are not entirely surprised with the extension of the offer period and continue to believe that the two parties are unlikely to garner enough shareholders acceptance to reach the unconditional takeover threshold of 90%.

BUY. Having said that, we continue to like SEGi and believe that the emergence of Navis Capital, which is now the single largest shareholder, will stir up trading interest in the company. Hence, we maintain BUY, at an unchanged FV of RM2.19, based on 18x FY12 PER, and a fully enlarged share base of 748.4m shares, assuming full conversion of the company's outstanding warrants.

OSK Research Guide to Investment Ratings**Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated (NR):** Stock is not within regular research coverage

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Published by OSK Research Sdn. Bhd., 6th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur
Printed by Xpress Print (KL) Sdn. Bhd., No. 17, Jalan Lima, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur

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