

Corporate Highlights

News Update

2 April 2012

SEG International

Emergence of New Substantial Shareholder?

Share Price : RM1.80
 Fair Value : RM2.00
 Recom : **Outperform (Maintained)**

Table 1 : Investment Statistics (SEG; Code: 9792)

Bloomberg: SYS MK

| FYE | Turnover (RMm) | Net | Fully-Diluted | | | C.EPS* (sen) | P/NTA (x) | Net | | |
|-------|----------------|--------------|---------------|------------|---------|--------------|-----------|-------------|---------|---------|
| | | profit (RMm) | EPS (sen) | Growth (%) | PER (x) | | | Gearing (x) | ROE (%) | NDY (%) |
| 2011a | 278.3 | 72.3 | 9.7 | 15.3 | 18.6 | - | 5.0 | Net cash | 32.9 | 6.8 |
| 2012f | 353.8 | 92.7 | 12.4 | 28.3 | 14.5 | 14.0 | 4.2 | Net cash | 36.0 | 4.0 |
| 2013f | 430.0 | 115.6 | 15.4 | 24.6 | 11.7 | 17.0 | 3.4 | Net cash | 37.4 | 4.9 |
| 2014f | 509.3 | 128.8 | 17.2 | 11.5 | 10.5 | 23.0 | 2.7 | Net cash | 34.2 | 5.5 |

Main Market Listing / Non-Trustee Stock / Syariah-Approved Stock By The SC

* Consensus Based On IBES Estimates

◆ **New substantial shareholder?** News has emerged in the Business Times over the weekend that Navis Capital, a private equity firm, has bought a 37.5% stake in SEGi, and are planning to buy more shares this week. This could possibly trigger a general offer (GO) for SEGi's remaining shares, and it was reported that Navis is keen on making a GO. However, based on our checks with the management, the percentage of shares bought by Navis is different than the one reported, hence it is possible that Navis' stake in SEGi could be less than the 33% hurdle rate that could trigger a GO. The company is expected to make an announcement to Bursa today to clarify the matter. We believe Navis bought the shares from SEGi's director, Datu Haji Putit bin Matzen (through his company Cerahsar S/B) as SEGi announced on Friday that 114.8m of shares (representing 21.5% of SEGi's total outstanding shares) and 59.8m of warrants (representing 31.6% of SEGi's total outstanding warrants) were sold off by the director at a price of RM1.71 and RM1.21 respectively.

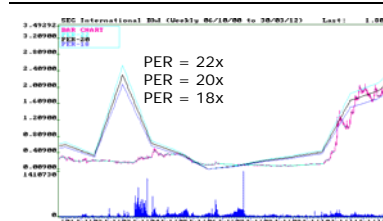
| | |
|---------------------------|-----------|
| Issued Capital (m shares) | 559.2 |
| Market Cap (RMm) | 1,006.5 |
| Daily Trading Vol (m shs) | 0.8 |
| 52wk Price Range (RM) | 1.65-2.09 |

Major Shareholders: (Based on the latest filing to Bloomberg)

| | |
|-----------------------|------|
| Dato' Clement Hii | 28.4 |
| Cerahsar Sdn Bhd | 20.5 |
| Segmen Entiti Sdn Bhd | 6.0 |

| FYE Dec | FY12 | FY13 | FY14 |
|-----------------|--------|-------|--------|
| EPS chg (%) | - | - | - |
| Var to Cons (%) | (11.5) | (9.2) | (25.2) |

PE Band Chart



◆ **Other directors selling their stakes?** SEGi filed an announcement on Friday that it has received a notification on the intentions of its directors, Dato' Sri Clement Hii Chii Kok and Datuk Chee Hong Leong, in dealing during the closed period. Dato' Sri Clement Hii is currently SEGi's largest shareholder with a 29.8% stake, and Datuk Chee is also a substantial shareholder through his company, Segmen Entiti S/B, with a 6.3% stake. However, when asked whether the directors are intending to sell off their stakes, the management believes that it is more likely that the directors will be doing some share trading rather than a total selldown of their stakes.

Relative Performance To FBM KLCI



◆ **Risks.** These include: 1) Change in requirements set by the governing bodies; and 2) A change in policy by the Government might impact the eligibility criteria for students to obtain loans/scholarships; and 3) A change in policy by the Government might impact the eligibility criteria for foreign students to obtain student visas.

◆ **Earnings forecasts.** Unchanged.

◆ **Investment case.** Pending the announcements to Bursa, we reiterate our **Outperform** call on SEGi, with unchanged fair value of RM2.00. We believe that SEGi remains an attractive investment due to: 1) its 3-year EPS CAGR of 22.4%; 2) its decent dividend yield of about 4% p.a.; and 3) the stock's resilience in riding out the current market volatility.

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Please read important disclosures at the end of this report.

Table 2. Earnings Forecasts

| FYE Dec (RMm) | 2011 | 2012f | 2013f | 2014f |
|----------------------------|--------------|--------------|--------------|--------------|
| Turnover | 278.3 | 353.8 | 430.0 | 509.3 |
| <i>Turnover growth (%)</i> | <i>27.9</i> | <i>27.1</i> | <i>21.5</i> | <i>18.5</i> |
| EBIT | 88.8 | 119.4 | 149.0 | 165.9 |
| Net Interest | (0.7) | (0.8) | (0.8) | (0.9) |
| Associates | 0.2 | 0.5 | 0.5 | 0.5 |
| Exceptionals | - | - | - | - |
| Pretax Profit | 88.2 | 116.5 | 145.9 | 162.7 |
| Tax | (16.0) | (23.3) | (29.2) | (32.5) |
| Minorities | 0.1 | (0.5) | (1.2) | (1.3) |
| Net Profit | 72.3 | 92.7 | 115.6 | 128.8 |

Source: Company data, RHBRI estimates

Table 3. Forecast Assumptions

| FYE Dec | 2012f | 2013f | 2014f |
|--|-------------|-------------|-------------|
| Number of students (in '000) | 34.0 | 40.1 | 46.1 |
| <i>% of student growth</i> | <i>23.6</i> | <i>18.0</i> | <i>15.0</i> |
| Average revenue per students (in '000) | 10.4 | 10.7 | 11.0 |
| <i>% of average revenue per student growth</i> | <i>3.8</i> | <i>3.0</i> | <i>3.0</i> |

Source: Company data, RHBRI estimates

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Stock Ratings

Outperform = The stock return is expected to exceed the FBM KLCI benchmark by greater than five percentage points over the next 6-12 months.

Trading Buy = Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 15% or more over a period of three months, but fundamentals are not strong enough to warrant an Outperform call. It is generally for investors who are willing to take on higher risks.

Market Perform = The stock return is expected to be in line with the FBM KLCI benchmark (+/- five percentage points) over the next 6-12 months.

Underperform = The stock return is expected to underperform the FBM KLCI benchmark by more than five percentage points over the next 6-12 months.

Industry/Sector Ratings

Overweight = Industry expected to outperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Neutral = Industry expected to perform in line with the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Underweight = Industry expected to underperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

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