

# Corporate Highlights



**RHB Research Institute Sdn Bhd**  
A member of the RHB Banking Group  
Company No: 233327 -M

## News Update

27 June 2012

# SEG International

Buying Land for Construction of International School

Share Price : RM1.84  
Fair Value : RM2.25  
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	19.0	10.6	5.2	Net cash	33.7	6.9
2012f	353.8	92.7	12.4	28.3	14.8	14.0	4.1	Net cash	36.8	4.1
2013f	430.0	115.6	15.4	24.6	11.9	17.0	3.3	Net cash	37.4	5.1
2014f	509.3	128.8	17.2	11.5	10.7	23.0	2.7	Net cash	34.2	5.6

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

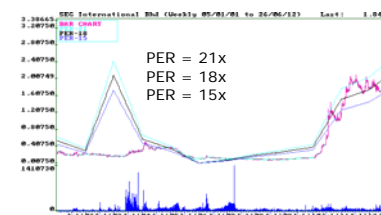
\* Consensus Based On IBES Estimates

- ◆ **Proposed acquisition of land in Setia Alam.** SEGi announced that it is proposing to acquire a 12-acre land parcel situated in Setia Alam, Selangor for a purchase consideration of RM52.3m. The land is situated approximately 15 km from the Shah Alam City Centre and 8 km from the Klang town centre. The purchase of the land will be funded through cash and/or borrowings, but the breakdown is yet to be ascertained. The acquisition is expected to be completed in 4Q2012.
- ◆ **Land to be used for the construction of its international school.** SEGi has stated in the announcement that it is proposing to use the land to build an international school. This comes as no surprise, as this is in line with SEGi's strategy to move into the primary and secondary segments as part of its long-term expansion plans. Management believes that the land is in a strategic location, given that it is located within the Setia Alam township and is accessible to Kuala Lumpur and the surrounding areas via the highways. As the acquisition is still in its preliminary stages, no details were given on the construction timeline or earnings projections for the international school. Given an estimated construction period of 18-24 months and assuming there are no delays in the land acquisition, it is likely that the school will only commence operations in FY15.
- ◆ **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, as we expect earnings contribution from the school to only begin in FY15, and this is beyond our forecast horizon.
- ◆ **Investment case.** We reiterate our **Outperform** call on SEGi. We have also raised our fair value to RM2.25 (from RM2.00) after rolling-over our valuation basis to FY13. We value SEGi at 14.6x FY13 fully-diluted EPS (from 16x FY12 fully-diluted EPS), which is in line with RHBRI's target market PE of 14.6x one-year forward earnings. We believe that SEGi remains an attractive investment due to: 1) its 3-year EPS CAGR of 22.4%; and 2) its decent dividend yield of about 4% p.a.. We note that the response from shareholders on the recently concluded joint takeover offer by Pinnacle Heritage Solutions (as a representative of Navis Capital) and Dato' Sri Clement Hii has been lacklustre, with an acceptance level of only 1.88% for its shares and 29.53% for its warrants. However, after adjusting for the conversion of warrants into shares, SEGi's two major shareholders now hold 66.45% of SEGi's shares and 69.01% of its total warrants.

Issued Capital (m shares)	663.5
Market Cap (RMm)	1,220.5
Daily Trading Vol (m shs)	0.8
52wk Price Range (RM)	1.65-2.09
<b>Major Shareholders: (%)</b>	
Pinnacle Heritage Solutions	41.5
Dato' Clement Hii	24.9
Rexter Capital Sdn Bhd	5.0

FYE Dec	FY12	FY13	FY14
EPS chg (%)	-	-	-
Var to Cons (%)	(11.5)	(14.2)	(25.2)

### PE Band Chart



### Relative Performance To FBM KLCI



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

*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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