



**The Research Team**  
(603) 9207 7688  
research2@my.oskgroup.com

## FY12 Results Review

# SEG International

### Sell

### MYR

Target	MYR1.20
Previous	MYR1.75
Price	MYR1.71

### Education

SEGi is one of the largest private tertiary education providers in Malaysia by enrolment with 28k students onboard as of June 2012

### Stock Statistics

Bloomberg Ticker	SYS MK
Market Cap	MYR1,096m USD353m
52 wk H/L price (MYR)	2.15   1.70
3m ADT	MYR0.47m
YTD Returns	-7.6%
Beta (x)	0.64

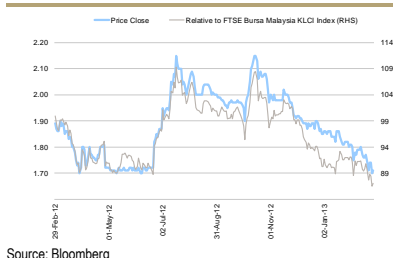
### Major Shareholders (%)

Pinnacle Heritage	41.7
Dato' Seri Clement Hii	24.9
-	

### Share Performance (%)

Month	Absolute	Relative
1m	-6.1	-5.3
3m	-12.3	-13.9
6m	-14.5	-13
12m	-10.5	-14.7

### 6-month Share Price Performance



Source: Bloomberg

## Way Below Expectations

SEGi's FY12 net profit of RM60.3m was below our forecast, making up only 82.2% of our projection. The company reported weaker than expected 4QFY12 results on subdued student growth and higher operating cost. We slash our FY13 and FY14 earnings estimates by 21.8% and 27.3% respectively post the results and downgrade our call to a SELL. Our FV adjusts to RM1.20 based on a revised 14x FY13 PER.

**A huge letdown.** SEGi's FY12 revenue of RM284.9m was a marginal 2.4% higher y-o-y on stronger enrolment. Core earnings, however, were 16.9% lower y-o-y at RM60.3m due to weaker-than-expected new registrations while at the same time, its operating expenses shot up. On a quarterly basis, 4QFY12 numbers contracted sharply, with core earnings shrinking 83.9% q-o-q and 85.7% y-o-y to RM2.5m. This marked its worst ever quarter since 1QFY10.

**Lack of near term catalysts.** The disappointing numbers raises the concern that the company may be breaking under the pressure of increased competition in the industry. Given the lack of re-rating catalysts for now, we continue to anticipate a challenging 1QFY13 due to the mediocre student growth. Even though the Ministry of Higher Education has recently imposed a two-year moratorium on the setting-up of new private learning institutions, we remain doubtful on the near term increment to earnings given that the statuses of several existing tertiary institutions have been upgraded as well.

**Slashing earnings projections for FY13 and FY14.** We revisited our model and slashed our net profit projections further by 21.8% and 27.3% for FY13 and FY14 respectively, factoring in lower student growth and higher opex assumptions over the next two years. We now expect SEGi's enrolment base to reach 27k and 28k (from 30k and 33k previously) by the end of FY13 and FY14 respectively.

**Downgrade to SELL.** In view of the dismal set of results, we are taking a more cautious approach and tweak our assumptions accordingly to reflect the possible earnings disappointment. We now peg our forecast to a lower FY13 PE of 14x (from 16x previously), Our FV adjusts to RM1.20. Downgrade to SELL from NEUTRAL.

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (MYRm)	218	278	285	344	364
Recurring net profit (MYRm)	43.1	72.3	60.3	64.1	67.3
Recurring net profit growth	335.9%	67.9%	(16.6%)	6.3%	5.0%
Core EPS (MYR)	0.25	0.18	0.10	0.09	0.09
Core EPS growth	128.2%	(29.4%)	(44.8%)	(5.2%)	(1.1%)
DPS (MYR)	0.01	0.02	0.10	0.05	0.04
Dividend Yield	0.6%	0.9%	5.9%	2.8%	2.4%
Core P/E (x)	6.8	9.6	17.3	18.3	18.5
Return on average equity	23.2%	37.4%	24.7%	19.4%	17.5%
P/B (x)	2.12	5.20	3.74	3.38	3.11
EV/EBITDA (x)	4.0	6.5	12.5	11.2	10.8
Net debt to equity	net cash	net cash	net cash	net cash	net cash
OSK vs consensus EPS				(31.7%)	(38.3%)

Source: Company data, OSK Research estimates

**Results Table (RMm)**

<b>FYE Dec</b>	<b>4QFY12</b>	<b>3QFY12</b>	<b>Q-o-Q chg</b>	<b>FY12</b>	<b>FY11</b>	<b>Y-o-Y chg</b>	<b>Comments</b>
Revenue	52.7	74.3	-29.1%	284.9	278.3	2.4%	4QFY12 revenue came it registrations and s.
EBIT	-2.7	19.6	-113.7%	68.9	88.8	-22.4%	
Net interest expense	-0.1	-0.1	3.2%	-0.5	-0.7	-37.3%	
Associates	0.0	0.0	-	0.0	0.2	-100.0%	
PBT	-2.8	19.5	-114.2%	68.4	88.2	-22.5%	
Tax	5.3	-3.8	-238.2%	-8.4	-16.0	-47.7%	
MI	0.0	-0.1	-90.4%	-0.3	-0.1	233.7%	
Net profit	2.5	15.8	-83.9%	60.3	72.3	-16.6%	
Core net profit	2.5	15.8	-83.9%	60.3	72.3	-16.6%	Below our estimates, since 1QFY10.
EPS	0.3	2.1		8.1	9.7		
DPS	0.0	4.8		4.8	12.0		
EBIT margin	-5.1%	26.4%		33.5%	25.9%		
NTA/Share	0.00	0.36		0.00	0.28		

## FINANCIAL

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>
Total turnover	218	278	285	344	364
Cost of sales	(57)	(69)	(80)	(86)	(92)
<b>Gross profit</b>	<b>161</b>	<b>209</b>	<b>205</b>	<b>258</b>	<b>272</b>
Gen & admin expenses	(106)	(115)	(124)	(159)	(170)
Selling expenses	(19)	(28)	(30)	(41)	(40)
Other operating costs	18	23	18	24	25
<b>Operating profit</b>	<b>55</b>	<b>89</b>	<b>69</b>	<b>82</b>	<b>87</b>
Operating EBITDA	63	98	79	97	105
Depreciation of fixed assets	(7)	(9)	(10)	(15)	(17)
Amortisation of intangible assets	(0)	(0)	(0)	-	-
<b>Operating EBIT</b>	<b>55</b>	<b>89</b>	<b>69</b>	<b>82</b>	<b>87</b>
Net income from investments	1	0	-	-	-
Interest expense	(1)	(1)	(0)	(2)	(3)
<b>Pre-tax profit</b>	<b>54</b>	<b>88</b>	<b>68</b>	<b>80</b>	<b>84</b>
Taxation	(11)	(16)	(8)	(16)	(17)
Minority interests	(0)	0	0	(0)	(0)
<b>Profit after tax &amp; minorities</b>	<b>43</b>	<b>72</b>	<b>60</b>	<b>64</b>	<b>67</b>
<b>Net income to ord equity</b>	<b>43</b>	<b>72</b>	<b>60</b>	<b>64</b>	<b>67</b>
<b>Recurring net profit</b>	<b>43</b>	<b>72</b>	<b>60</b>	<b>64</b>	<b>67</b>
<b>Balance Sheet (MYRm)</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>
Total cash and equivalents	79	87	108	143	181
Accounts receivable	38	47	61	64	67
<b>Total current assets</b>	<b>122</b>	<b>142</b>	<b>180</b>	<b>218</b>	<b>260</b>
Other current assets	6	8	11	11	11
Tangible fixed assets	100	112	171	196	219
Intangible assets	28	28	28	28	28
Total other assets	13	9	7	7	7
Total non-current assets	141	148	206	231	254
<b>Total assets</b>	<b>263</b>	<b>290</b>	<b>386</b>	<b>449</b>	<b>514</b>
Short-term debt	7	4	3	3	3
Accounts payable	39	38	36	38	40
Other current liabilities	0	55	33	33	33
<b>Total current liabilities</b>	<b>46</b>	<b>96</b>	<b>72</b>	<b>73</b>	<b>76</b>
Total long-term debt	11	5	45	53	61
Other liabilities	2	4	2	2	2
<b>Total non-current liabilities</b>	<b>13</b>	<b>9</b>	<b>47</b>	<b>55</b>	<b>63</b>
<b>Total liabilities</b>	<b>60</b>	<b>106</b>	<b>119</b>	<b>129</b>	<b>139</b>
Share capital	126	140	166	177	187
Retained earnings reserve	77	44	138	181	225
<b>Shareholders' equity</b>	<b>203</b>	<b>184</b>	<b>304</b>	<b>357</b>	<b>412</b>
Minority interests	1	1	0	0	1
Other equity	0	-	(37)	(37)	(37)
<b>Total equity</b>	<b>203</b>	<b>185</b>	<b>267</b>	<b>320</b>	<b>375</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>263</b>	<b>290</b>	<b>386</b>	<b>449</b>	<b>514</b>

<b>Cashflow (MYRm)</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>
<b>Operating profit</b>	<b>55</b>	<b>89</b>	<b>69</b>	<b>82</b>	<b>87</b>
<b>Depreciation &amp; amortisation</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>15</b>	<b>17</b>
<b>Change in working capital</b>	<b>11</b>	<b>(13)</b>	<b>12</b>	<b>(1)</b>	<b>(2)</b>
Other operating cashflow	2	(1)	-	-	-
<b>Operating cashflow</b>	<b>75</b>	<b>84</b>	<b>92</b>	<b>96</b>	<b>103</b>
Interest paid	(1)	(1)	(0)	(2)	(3)
Tax paid	(8)	(15)	(15)	(16)	(17)
<b>Cashflow from operations</b>	<b>65</b>	<b>69</b>	<b>76</b>	<b>78</b>	<b>83</b>
Capex	(10)	(13)	(72)	(40)	(40)
Other investing cashflow	1	3	0	-	-
<b>Cashflow from investing activities</b>	<b>(9)</b>	<b>(10)</b>	<b>(72)</b>	<b>(40)</b>	<b>(40)</b>
Dividends paid to ordinary shareholders	(2)	(44)	(53)	(32)	(34)
Proceeds from issue of shares	2	28	53	21	21
Increase in debt	(3)	(10)	41	8	8
Other financing cashflow	(11)	(25)	(0)	-	-
<b>Cashflow from financing activities</b>	<b>(15)</b>	<b>(50)</b>	<b>41</b>	<b>(3)</b>	<b>(5)</b>
Cash at beginning of period	37	79	87	108	143
<b>Total cash generated</b>	<b>42</b>	<b>8</b>	<b>44</b>	<b>35</b>	<b>38</b>
Forex effects	(0)	-	-	-	-
<b>Implied cash at end of period</b>	<b>79</b>	<b>87</b>	<b>131</b>	<b>143</b>	<b>181</b>

Source : OSK, Bloomberg

## OSK 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:** Stock is not within regular research coverage

## Disclosure & Disclaimer

All research is based on material compiled from data considered to be reliable at the time of writing, but OSK does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness. However, information and opinions expressed will be subject to change at short notice, and no part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst OSK's and its affiliates' clients. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is for the information of addressees only and is not to be taken in substitution for the exercise of judgment by addressees, who should obtain separate legal or financial advice.

OSK, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities. Further, OSK, its affiliates and related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such investment, advisory or other services from any entity mentioned in this research report.

OSK do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report.

The term "OSK" shall denote where applicable, the relevant entity distributing the report in the particular jurisdiction mentioned specifically herein below and shall refer to OSK Investment Bank Berhad, its affiliates, subsidiaries and related companies.

All Rights Reserved. This report is for the use of intended recipients only and may not be reproduced, distributed or published for any purpose without prior consent of OSK.

### Malaysia

This report is published and distributed in Malaysia by OSK Research Sdn Bhd (206591-V), 6th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur, a wholly owned subsidiary of OSK Investment Bank Berhad (OSKIB). This report is printed by Xpress Print (KL) Sdn. Bhd., No. 17, Jalan Lima, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.

As of 28 Feb 2013, OSKIB does not have proprietary positions in the subject companies, except for:

a) -

As of 28 Feb 2013, none of the analysts who covered the stock in this report has an interest in the subject companies covered in this report, except for:

a) -

### Singapore

This report is published and distributed in Singapore by DMG & Partners Research Pte Ltd (Reg. No. 200808705N), a wholly owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between OSK Investment Bank Berhad, Malaysia and Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited.

As of 28 Feb 2013, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd, do not have proprietary positions in the subject companies, except for:

a) -

As of 28 Feb 2013, none of the analysts who covered the stock in this report has an interest in the subject companies covered in this report, except for:

a) -

## Special Distribution by OSK

Where the research report is produced by an OSK entity (excluding DMG & Partners Research Pte Ltd) and distributed in Singapore, it is only distributed to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with this research report, you are to contact our Singapore Office, DMG & Partners Securities Pte Ltd.

## Hong Kong

This report is published and distributed in Hong Kong by OSK Securities Hong Kong Limited (“OSKSHK”), a subsidiary of OSK Investment Bank Berhad, Malaysia (“OSKIB”).

OSKSHK, OSKIB and/or other affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company. OSKSHK, OSKIB and/or other affiliates may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company.

## **Risk Disclosure Statements**

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. OSKSHK does not maintain a predetermined schedule for publication of research and will not necessarily update this report

## Indonesia

This report is published and distributed in Indonesia by PT OSK Nusadana Securities Indonesia, a subsidiary of OSK Investment Bank Berhad, Malaysia.

## Thailand

This report is published and distributed in Thailand by OSK Securities (Thailand) PCL, 10th Floor, Sathorn Square Office Tower, 98, North Sathorn Road, Bangrak, Bangkok, a subsidiary of OSK Investment Bank Berhad, Malaysia.

## Other Jurisdictions

In any other jurisdictions, this report is intended to be distributed to qualified, accredited and professional investors, in compliance with the law and regulations of the jurisdictions.

<b>Kuala Lumpur</b>	<b>Hong Kong</b>	<b>Singapore</b>
<b>Malaysia Research Office</b> OSK Research Sdn. Bhd. 6 <sup>th</sup> Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	<b>OSK Securities Hong Kong Ltd.</b> 12 <sup>th</sup> Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	<b>DMG &amp; Partners Securities Pte. Ltd.</b> 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
<b>Jakarta</b>	<b>Shanghai</b>	<b>Phnom Penh</b>
<b>PT OSK Nusadana Securities Indonesia</b> Plaza CIMB Niaga, 14th Floor, Jl. Jend. Sudirman Kav.25, Jakarta Selatan 12920, Indonesia. Tel : (6221) 2598 6888 Fax : (6221) 2598 6777	<b>OSK (China) Investment Advisory Co. Ltd.</b> Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	<b>OSK Indochina Securities Limited</b> No. 1-3, Street 271, Sangkat Toeuk Thla, Khan Sen Sok, Phnom Penh, Cambodia Tel: (855) 23 969 161 Fax: (855) 23 969 171
<b>Bangkok</b>		
<b>OSK Securities (Thailand) PCL</b> 10th Floor ,Sathorn Square Office Tower, 98, North Sathorn Road,Silom, Bangrak, Bangkok 10500 Thailand Tel: +(66) 862 9999 Fax : +(66) 108 0999		