



SEG International Bhd

Maintaining the momentum

TP: RM2.76 (+43%)

Last Traded: RM1.93

BUY

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Review

- SEG's 2H11 net profit of RM36.2mn came in within our expectations, accounting for approximately 47% of our full-year projections and consensus estimates.
- SEG's 2H11 net profit grew 78.5% YoY on the back of a 31.3% growth in revenue. This was generally due to the increase in student enrolments in the group's institutions. This also translated into an increase in net profit margin to 26.3% from 19.4% in the preceding corresponding year.
- QOQ, 2Q11 net profit was flat as compared to 1Q11 given the similar number of student headcount.

Impact

- No change to our FY11-13 earnings projections. We expect the student population to grow to 28,064 for FY11, 33,667 for FY12 and 38,729 for FY13.

Outlook

- We are positive on the industry outlook underpinned by the favourable young demographic structure. In addition, under the economic transformation programme, the government's initiative to improve the skill of our labour force would present business opportunities to education service providers.
- As far as SEG is concerned, the company has participated in the transformation programme by taking up a lead role in several EPPs identified for the education industry. We expect this to be earnings-enhancing for the company.

Valuation

- Valuation wise, we maintain valuation of SEG at RM2.76 based on 14x CY12 EPS. Given the potential upside of 43%, we reiterate our BUY recommendation on SEG.

SHARE INFO

Bloomberg Code	SYS MK
Bursa Name	SEG
Stock Code	9792
Listing	Main Market
Share Cap (mn)	546.9
Market Cap (RMm)	1055.5
Par Value (RM)	0.25
52-wk Hi/Lo (RM)	2.09/0.949
12-mth Avg Daily Vol (000' shrs)	1068.7
Estimated Free Float (%)	37.8
Beta	1.22
Major Shareholders (%)	
	Hii Chii Kok (29.04)
	Cerashar Sdn Bhd (20.99)
	Segmen Entiti Sdn Bhd (6.12)
	Rexter Capital Sdn Bhd (6.10)

FORECAST REVISION

	FY11	FY12
Forecast Revision (%)	-	-
Net profit (RMm)	77.5	110.1
Consensus	77.8	101.3
TA/Consensus (%)	99.7	108.7
Previous Rating	BUY (Maintained)	

FINANCIAL INDICATORS

	FY11	FY12
Net debt/equity (%)	Net Cash	Net Cash
CFPS (sen)	18.7	25.9
P/CFPS (x)	10.3	7.5
ROA (%)	29.4	37.2
NTA/Share (RM)	0.3	0.4
Price/NTA (x)	5.9	4.6

Scorecard

	% of FY
vs TA	46.7 Within
vs Consensus	46.6 Within

SHARE PERFORMANCE

Price chg (%)	SYS MK	FBMKLCI
1 mths	1.0	(1.5)
3 mths	(4.7)	1.1
6 mths	39.4	2.0
12 mths	84.7	14.2

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Earnings Summary

FYE Dec 31 (RM'mn)	FY09	FY10	FY11E	FY12F	FY13F
Revenue	176.9	217.6	316.4	396.9	477.8
EBITA	22.6	62.5	112.0	164.1	216.2
EBIT margin (%)	12.8	28.7	35.4	41.3	45.2
Pretax profit	14.6	54.3	103.4	156.0	208.5
Net profit	10.0	43.0	77.5	110.1	147.1
EPS (sen)	2.0	8.7	13.9	19.7	26.3
EPS growth (%)	33.3	335.0	59.2	41.9	33.8
PER (x)	96.5	22.2	13.9	9.8	7.3
GDPS (sen)	1.8	3.5	8.0	14.5	19.0
Div yield (%)	0.9	1.8	4.1	7.5	9.8
ROE (%)	5.9	20.8	34.9	41.1	44.0

2QFY11 Result Highlight (RM'mn)

FYE Dec 31	2Q10	1Q11	2Q11	QoQ(%)	YoY(%)	6M10	6M11	YoY(%)
Revenue	52.6	68.5	69.2	1.07	31.7	104.9	137.7	31.3
EBIT	17.4	23.2	22.9	-1.47	31.0	30.0	46.1	53.3
Finance cost	-3.3	-0.3	-0.1	-54.67	-95.8	-3.7	-0.4	-88.1
Associates	-0.4	0.2	0.0	-100.00	-100.0	0.5	0.2	-58.5
PBT	13.8	23.1	22.7	-1.64	64.9	27.0	45.8	69.8
Tax	-2.9	-4.9	-4.5	-8.84	52.6	-6.0	-9.4	55.4
MI	0.0	-0.1	0.1	-223.00	156.3	-0.5	0.0	-105.1
Net profit	10.8	18.1	18.1	0.18	67.9	20.3	36.2	78.5
EPS (sen)	3.9	7.4	6.5	-12.41	67.9	7.3	13.0	78.5
Dividend (sen)	0.0	14.0	0.0	-100.00	-	0	14.0	-
EBIT margin (%)	33.2	33.9	33.0	-2.61	-0.5	28.7	33.4	16.7
PBT margin (%)	26.2	33.8	32.8	-2.90	25.2	25.7	33.3	29.3
Net margin (%)	20.5	26.5	26.2	-1.17	27.5	19.4	26.3	35.9
Effective tax rate (%)	21.3	21.0	19.7	-6.38	-7.5	22.3	20.4	-8.5

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