

# Corporate Highlights

## News Update

# SEG International

INVITE-ing More Foreign Students



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

22 July 2011

Share Price : RM1.94  
Fair Value : RM2.40  
Recom : **Outperform  
(Maintained)**

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

Bloomberg: SYS MK

FYE Dec	Turnover (RMm)	Net			PER (x)	C.EPS* (sen)	P/NTA (x)	Net		
		profit (RMm)	EPS (sen)	Growth (%)				Gearing (x)	ROE (%)	GDY (%)
2010a	217.6	43.1	8.4	0.0	23.0	-	5.7	Net cash	21.3	2.8
2011f	280.8	72.1	9.6	15.0	20.1	11.0	2.3	Net cash	31.3	4.4
2012f	385.0	100.6	13.4	39.5	14.4	15.0	1.7	Net cash	33.9	5.8
2013f	469.3	126.5	16.9	25.7	11.5	16.0	1.3	Net cash	32.9	7.7

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

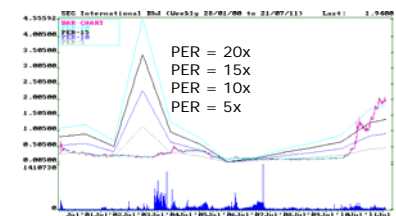
\* Consensus Based On IBES Estimates

- ◆ **SkillsMalaysia INVITE initiative.** SEGi announced yesterday that it has been appointed by the Government as Project Leader for a new initiative known as the SkillsMalaysia International Technical Education & Vocational Training Programme ("SkillsMalaysia INVITE"). SkillsMalaysia INVITE is part of the Education National Key Economic Area, with a special focus on the scaling up of private skills training provision and championing Malaysia's international education brand. The project is expected to begin in 2012.
- ◆ **Focus is on foreign trainees.** The objective of SkillsMalaysia INVITE is to create and provide a new dimension of learning skills to non-academically inclined foreign school leavers and adult learners to pursue their training in Malaysia. The programme will also equip trainees with entrepreneurial and other soft skills to assist them in gaining employment in their home countries or anywhere else globally. The trainees under the programme will have a choice from four special INVITE packages featuring 76 courses in a multitude of disciplines, with the courses spanning between 1-2 years. Upon completion, the trainees will be awarded an internationally recognised qualification from United Kingdom or Australia, as well as certification from the Malaysian Government.
- ◆ **Expansion plans.** SEGi is targeting for 3,000 international trainees to be recruited under this programme in 2012. SEGi will upgrade its existing five accredited training centres, set up fully-integrated SkillsMalaysia INVITE training hubs as well as establish several INVITE one-stop marketing and recruitment offices overseas in order to raise awareness on the programme.
- ◆ **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 foreign students to obtain student visas.
- ◆ **Forecasts.** No change to our FY11 net profit forecasts, but we are revising our earnings forecasts upwards for FY12 and FY13 by 5.7% and 4.8% respectively after factoring in the potential increase in the number of students under the new programme.
- ◆ **Investment case.** We reiterate our **Outperform** call on the stock, with a revised fair value of RM 2.40 (from RM2.30), which is based on the revised FY12 EPS of 13.4 sen and an unchanged target 18x FY12 PER. We believe that SEGi's appointment as Project Leader for SkillsMalaysia INVITE further cements SEGi's position as one of the leaders in Malaysia's private education sector.

Issued Capital (m shares)	546.0
Market Cap (RMm)	1,059.3
Daily Trading Vol (m shs)	1.2
52wk Price Range (RM)	0.95 – 2.09
<b>Major Shareholders:</b>	<b>(%)</b>
Dato' Clement Hii	29.0
Cerahsar Sdn Bhd	21.0
Segmen Entiti Sdn Bhd	6.1

FYE Dec	FY11	FY12	FY13
EPS chg (%)	0.0	5.7	4.8
Var to Cons (%)	(12.4)	(10.4)	5.6

### PE Band Chart



### Relative Performance To FBM KLCI



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**Table 2. Earnings Forecasts**

FYE Dec (RMm)	FY10a	FY11F	FY12F	FY13F
<b>Turnover</b>	<b>217.6</b>	<b>280.8</b>	<b>385.0</b>	<b>469.3</b>
<i>Turnover growth (%)</i>	<i>30.8</i>	<i>29.0</i>	<i>37.1</i>	<i>21.9</i>
<b>EBIT</b>	<b>55.0</b>	<b>91.3</b>	<b>127.0</b>	<b>159.6</b>
Net Interest	(1.2)	(1.2)	(1.2)	(1.2)
Associates	0.5	0.5	0.5	0.5
Exceptionals	-	-	-	-
<b>Pretax Profit</b>	<b>54.3</b>	<b>90.6</b>	<b>126.4</b>	<b>158.9</b>
Tax	(11.1)	(18.1)	(25.3)	(31.8)
Minorities	(0.2)	(0.4)	(0.5)	(0.6)
<b>Net Profit</b>	<b>43.1</b>	<b>72.1</b>	<b>100.6</b>	<b>126.5</b>

*Source: Company data, RHBRI estimates*

**Table 3. Forecast Assumptions**

FYE Dec	FY11F	FY12F	FY13F
Number of students (in '000)	28.0	37.0	44.0
% of student growth	21.7	32.1	18.9
Average revenue per students (in '000)	10.0	10.4	10.7
% of average revenue per student growth	6.0	3.8	2.5

*Source: Company data, RHBRI estimates*

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The recommendation framework for stocks and sectors are as follows : -

### 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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