



## SEG International Berhad

Still Going Strong

**TP: RM2.51**(+34.9%)

Last Traded: RM1.86

**BUY**

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### Review

- SEG's 9M11 net profit of RM54.6mn came in within ours and consensus' expectations, accounting for approximately 70.5% and 71.9% respectively. This is a 74.2% jump as compared to the corresponding period in 2010. The growth in net profit was mainly due to the increase in revenue.
- For 9M11, revenue rose 28.8% YoY to RM207.7mn. The increase in revenue was mainly due to the increase in student enrolments. As at 3Q11, the student headcount was 26,000. This is about 11.5% higher as compared to 3Q10.
- QoQ wise, net profit was rather consistent with a mere RM0.2mn increase to RM18.3mn from RM18.1mn in 2Q11, which we believe may due to similar number of student headcount. Revenue increased by RM0.8mn to RM70mn from RM69.2mn in the previous quarter.
- SEG also declared a second interim single tier dividend of 10sen per share, bringing year-to-date total dividend to 17sen (adjusted for share split). This is higher than our dividend projection of 7sen per share for FY11.

### Impact

- No change to our FY11-13 earnings projections. We continue to assume that the placement of share, which has been approved by Bursa Malaysia, to take place within this year. However, we revise our dividend projections higher to 17sen (from 7sen previously) for FY11, 13sen (from 9.6sen previously) for FY12 and 15sen (from 12.6sen previously) for FY13.

### Outlook

- We expect the 4Q results to be slightly higher as compared to the current quarter-in-view due to the inflow of foreign students from Vietnam arising from the SkillsMalaysia INVITE Programme.
- 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 actively 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 as well as creating brand awareness among students from the region.

### SHARE INFO

Bloomberg Code	SYS MK
Bursa Name	SEG
Stock Code	9792
Listing	Main Market
Share Cap (mn)	548.5
Market Cap (RMm)	1020.2
Par Value (RM)	0.25
52-wk Hi/Lo (RM)	2.09/0.949
12-mth Avg Daily Vol (000' shrs)	972.8
Estimated Free Float (%)	45.9
Beta	1.15
Major Shareholders (%)	
	Hii Chii Kok (28.96)
	Cerahsar Sdn Bhd (20.93)
	Segmen Entiti Sdn Bhd (6.11)
	Rexter Capital Sdn Bhd (6.09)

### FORECAST REVISION

	FY11	FY12
Forecast Revision (%)	-	-
Net profit (RMm)	77.5	119.4
Consensus	75.9	104.2
TA/Consensus (%)	102.1	114.6
Previous Rating	BUY (Maintained)	

### FINANCIAL INDICATORS

	FY11	FY12
Net debt/equity (%)	Net Cash	Net Cash
CFPS (sen)	11.9	19.8
P/CFPS (x)	15.5	9.3
ROA (%)	25.0	32.7
NTA/Share (RM)	0.4	0.5
Price/NTA (x)	5.0	3.9

### SHARE PERFORMANCE

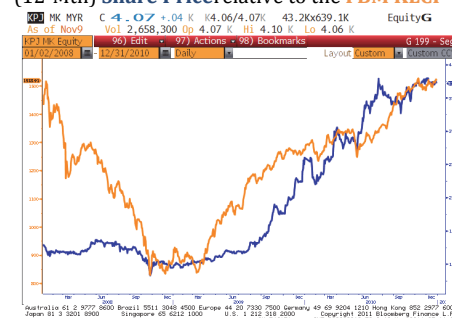
Price chg (%)	SYS MK	FBMKLCI
1 mths	8.8	6.4
3 mths	1.6	1.2
6 mths	(6.5)	(2.0)
12 mths	91.2	(2.4)

- Through budget 2012, the education sector will be further liberalised with the approval for up to 100% foreign equity participation. While it is a positive development to look forward to, the details are still sketchy. It is also too early to determine how many foreign universities would react to this initiative.

#### Valuation

- We maintain valuation of SEG at RM2.51 based on a 13x FY12 EPS. Given the potential upside of 34.9%, we reiterate our BUY recommendation on SEG.

#### (12-Mth) Share Pricerelative to the FBM KLCI



Source: Bloomberg

#### Earnings Summary (RM'mn)

FYE Dec 31	FY09	FY10	FY11E	FY12F	FY13F
Revenue	166.4	217.6	316.4	417.3	526.6
EBITDA	22.6	63.1	111.4	168.1	212.1
EBITDA margin (%)	13.6	29.0	35.2	40.3	40.3
Pretax profit	14.6	54.3	103.4	159.4	203.0
Net profit	10.0	43.0	77.5	119.4	152.1
EPS (sen)	12.1	17.4	12.5	19.3	24.6
EPS growth (%)	33.3	43.9	-28.1	54.2	27.4
PER (x)	15.4	10.7	14.9	9.6	7.6
GDPS (sen)	0.9	3.5	17.0	13.0	15.0
Div yield (%)	0.5	1.9	9.1	7.0	8.1
ROE (%)	5.9	21.2	30.4	37.9	39.2

#### 3Q11 Results Highlight (RM'mn)

FYE Dec 31	3Q10	2Q11	3Q11	QoQ(%)	YoY(%)	9M10	9M11	YoY(%)
Revenue	56.4	69.2	70.0	1.0	24.1	161.2	207.7	28.8
EBIT	13.3	22.9	22.7	(0.8)	70.8	40.4	68.8	70.1
Finance cost	(0.3)	(0.1)	(0.2)	12.5	(51.9)	(1.0)	(0.6)	(40.1)
Associates	0.3	-	-	-	(100.0)	0.8	0.2	(75.8)
PBT	13.3	22.7	22.5	(0.9)	69.8	40.2	68.4	70.1
Tax	(2.4)	(4.5)	(4.3)	(3.9)	76.0	(8.5)	(13.6)	60.4
MI	(0.2)	0.1	(0.1)	(171.5)	(53.4)	0.4	0.2	(55.3)
Net profit	11.0	18.1	18.3	1.0	66.3	31.3	54.6	74.2
EPS (sen)	2.2	7.2	6.5	(8.4)	195.0	10.4	14.5	39.6
Dividend (sen)	-	-	10.0	-	-	-	17.0	-
EBIT margin (%)	23.6	33.9	32.4	(4.4)	37.6	25.1	33.1	32.1
PBT margin (%)	23.5	33.8	32.2	(4.7)	36.8	24.9	32.9	32.0
Net margin (%)	19.5	26.5	26.2	(1.2)	34.0	19.4	26.3	35.3
Effective tax rate (%)	18.4	21.0	19.1	(9.3)	3.6	21.1	19.9	(5.7)

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