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NEUTRAL

Fair Value **RM2.09**
Previous Price **RM2.52**
RM2.00

EDUCATION

SEGi is one of the largest private tertiary education providers in Malaysia by enrolment with 23k students onboard as of end-FY10.

Stock Statistics

Bloomberg Ticker	SYS MK
Share Capital (m)	664.7
Market Cap	1,329.3
52 week H L Price	2.16 1.69
3mth Avg Vol (000)	203.0
YTD Returns	11.1
Beta (x)	0.76
Shariah Compliant	YES

Major Shareholders (%)

Pinnacle Heritage	41.5
Dato' Seri Clement Hii	24.9

Share Performance (%)

Month	Absolute	Relative
1m	2.0	1.1
3m	-2.9	-6.3
6m	16.3	10.4
12m	20.5	-0.8

6-month Share Price Performance

9MFY12 Results Review
SEG International
Disappointing Quarter

SEGi's 9MFY12 net profit of RM57.8m was below both consensus and our forecasts, making up only 60.8% and 63.4% of both full-year estimates respectively. The 3QFY12 numbers were weaker than we previously expected owing to higher opex following its status upgrade as well as sub-par new enrolments during the period. Downgrade to NEUTRAL, with our FV reverted to RM2.09, pegged at a lower 16x FY13 PE on our revised forecasts.

A letdown quarter. SEGi's 9MFY12 revenue jumped up 11.8% y-o-y to RM232.3m while core earnings were 5.9% higher at RM57.8m owing to an enlarged enrolment base of 28k as of September 2012. Nonetheless, the numbers were below our estimates as its students growth slowed down during the quarter. Meanwhile, its 3QFY12 revenue of RM74.3m was 6.2% higher y-o-y but 7.4% lower q-o-q as a higher number of students graduated during the quarter. Correspondingly, the company's core earnings came in at RM15.8m, shedding over 21.6% y-o-y and 13.8% q-o-q as profits plunged, dragged down by higher opex. We attribute this to escalated personnel costs following its upgrade to a full-fledged university in September.

Dividend the sole consolation. Despite the subpar quarterly performance, the company still declared a first interim DPS of 5.0 sen. This implies a payout ratio of 61.5% YTD.

Slashing earnings projections. Given the poor set of results, we are revisiting our model and slashing our net profit forecasts by 8.8% for FY12, 6.7% for FY13 and 3.5% for FY14 by factoring in higher staffing costs as well as lower student growth over the next three years. We now expect SEGi's enrolment base to reach 29k by end-FY12, 32k by end-FY13, and 34k by end-FY14 vis-à-vis our previous forecasts for 30k, 33k, and 35k respectively.

Downgrade to NEUTRAL. Since we initiated coverage on the stock in July 2011, SEGi's share price has yielded a decent return of over 20% to-date. Nonetheless, we are taking a more cautious approach at this juncture in view of the dismal results, which marks its first earnings disappointment since we initiated coverage. Hence, following our earnings revision, we are pegging a lower FY13 PE of 16x (from 18x previously), with our FV settling at RM2.09. Given the limited price upside, we are downgrading our call to NEUTRAL.

FYE Dec (RMm)	FY10	FY11	FY12f	FY13f	FY14f
Revenue	217.6	278.3	315.5	360.4	397.7
Net Profit	43.1	72.3	83.1	97.8	110.3
% chg y-o-y	330.6	67.9	14.9	17.7	12.7
Consensus			95.1	115.8	124.7
EPS (sen)	5.8	9.7	11.1	13.1	14.7
DPS (sen)	1.2	12.0	5.0	6.4	8.0
Dividend yield (%)	0.6	6.0	2.5	3.2	4.0
ROE (%)	23.2	37.4	38.0	33.5	29.7
ROA (%)	17.9	26.1	27.6	27.7	25.1
PER (x)	34.8	20.7	18.0	15.3	13.6
BV/share (RM)	0.27	0.25	0.34	0.44	0.55
P/BV (x)	7.4	8.1	5.9	4.5	3.6
EV/EBITDA (x)	22.9	14.5	12.3	9.9	8.3

Results Table (RMm)

FYE Dec (RMm)	3Q12	2Q12	Q-o-Q chg	YTD FY12	YTD FY11	Y-o-Y chg	Comments
Revenue	74.3	80.2	-7.4%	232.3	207.7	11.8%	9MFY12 numbers improved y-o-y but still fell below our expectations due to escalated opex as well as weaker-than-expected students growth
EBIT	19.6	24.9	-21.3%	71.5	68.8	4.0%	
Net interest expense	-0.1	-0.1	-29.9%	-0.4	-0.6	-37.8%	
Associates	0.0	0.0	-	0.0	0.2	-100.0%	
PBT	19.5	24.7	-21.2%	71.2	68.4	4.1%	
Tax	-3.8	-4.7	-17.8%	-13.7	-13.6	0.3%	
MI	-0.1	0.0	175.5%	-0.3	0.2	-281.5%	
Net profit	15.8	20.1	-21.6%	57.8	54.6	5.9%	3QFY12 was a major letdown as net profit fell y-o-y and q-o-q despite being in the seasonally stronger 2H12
EPS (sen)	2.1	2.7		7.7	7.3		
DPS (sen)	4.8	0.0		4.8	12.0		
EBIT margin	26.4%	31.0%		30.8%	33.1%		Margins also shrank during the quarter owing to higher personnel costs
NTA/Share (RM)	0.36	0.33		0.36	0.25		

EARNINGS FORECASTS

FYE Dec (RMm)	FY10	FY11	FY12f	FY13f	FY14f
Turnover	217.6	278.3	315.5	360.4	397.7
EBITDA	62.6	97.8	115.2	135.9	153.6
PBT	54.3	88.2	104.1	122.5	138.1
Net Profit	43.1	72.3	83.1	97.8	110.3
EPS (sen)	5.8	9.7	11.1	13.1	14.7
DPS (sen)	1.2	12.0	5.0	6.4	8.0
Margin					
EBITDA (%)	28.8	35.1	36.5	37.7	38.6
PBT (%)	25.0	31.7	33.0	34.0	34.7
Net Profit (%)	19.8	26.0	26.3	27.1	27.7
ROE (%)	23.2	37.4	38.0	33.5	29.7
ROA (%)	17.9	26.1	27.6	27.7	25.1
Balance Sheet					
Fixed Assets	140.9	148.2	158.2	166.9	174.3
Current Assets	122.2	141.9	153.8	228.5	308.1
Total Assets	263.0	290.1	311.9	395.4	482.4
Current Liabilities	46.2	96.3	48.1	54.2	59.3
Net Current Assets	75.9	45.6	105.7	174.3	248.9
LT Liabilities	13.3	9.3	9.3	9.3	9.3
Shareholders Funds	202.6	183.8	253.6	330.7	412.5
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

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