

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Company No. 524989-M)

The Star – 15 May 2012, 2012 (C)

SEGi offer price to be questioned

Shareholders to query at AGM whether the price offered to take company private is fair

PETALING JAYA: It will be an interesting annual general meeting (AGM) for SEG International Bhd (SEGi) today as the company's shareholders will certainly question the reasonableness of the offer to take the company private.

On April 25, private equity firm Navis Capital Investment Ltd and SEGi group managing director Datuk Seri Clement Hii made a general offer to privatise SEGi at RM1.74 per share and RM1.214 per outstanding warrant.

In a recent news report, Navis Capital managing partner Nicholas Bloy had said that he deemed the price to be fair and that the exercise was in line with plans to grow the company.

"We are going to grow the company. It is going to be more capital intensive as we will take on more debt.

"We are simply offering a choice to investors. Sell now with the liquidity or stick around. But do not



Bushon: 'The price should not be less than RM2 as there is a lot of growth potential in the education sector and in this company.'

expect the same dividend profile as we will take on more leverage," he was quoted as saying.

Minority Shareholder Watchdog Group chief executive officer Rita Benoy Bushon however feels other-

wise about the offer price.

"The take-over price firstly is not fair to minority shareholders as it is taking out a good company from the minorities and worse still, is at an unfair offer price of RM1.71.

"Historical average sector PE (price to earnings ratio) is in the region of 14 times and based on the company's historical earnings, the price should not be less than RM2 as there is a lot of growth potential in the education sector and in this company," she told *StarBiz*.

Navis Capital, through its investment firm Pinnacle Heritage Solutions Sdn Bhd (PHS) and Hii jointly hold 57.62% in SEGi. PHS and Hii also hold 137.3 million warrants, which, when exercised, will increase their stake in SEGi to 61.5%.

Navis Capital has said in a statement that the offer allowed shareholders and warrant holders the opportunity to lock in their 57% and 90% gain in value since Jan 1, 2011 to March 29, despite the low trading

volumes.

It also said that the offer represented a price-to-earnings ratio of 17.1 times (on a fully diluted basis), based on SEGi's results for the financial year ended Dec 31, 2011.

OSK Research in a report last month said the offer needed to be priced at a minimum of RM2.10 per share to entice minority shareholders.

"The final offer of RM1.714 per share is on par with Navis Capital's entrance cost but fell short of our expectations and it is at a significant 5.3% discount (instead of premium) to its last closing of RM1.81," it said.

In a news report, Bloy had pointed out that the analysts were the same group of people who rejected Navis Capital's offer to privatise Latexx Partners.

He also questioned their analytical skills.

OSK, meanwhile, said it did not expect SEGi to hit its delisting threshold of 75%.

"While we think the minority shareholders are unlikely to accept the general offer, we took a look at SEGi's shareholding structure among its top 30 shareholders to better determine the potential outcome.

"Excluding the two largest shareholders, the shareholding spread is rather fragmented with stakes ranging from as low as 0.3% to 2% according to SEGi's 2011 annual report.

"Hence, we believe Navis Capital is not likely to garner enough acceptances to reach the 75% threshold from the current 61.5% level to delist SEGi from Bursa Malaysia," it said.

Nevertheless, the research house is maintaining a "buy" call on the stock.

"Having said all that, we continue to like SEGi and we believe the emergence of Navis Capital – which is now the single largest shareholder assuming the full conversion of warrants – would prove beneficial to the company in the long run."