Money in education

Increasing demand for private schooling bodes well for education stocks, especially Inti Holdings

| By Lee Chui Yu |

Local education stocks are expected to benefit from growing demand for private education both locally and from abroad. Still, analysts say that they are not keen to cover all the education stocks on the Kuala Lumpur Stock Exchange (KLSE).

Among the reasons cited are low stock liquidity and poor management.

"We expect strong demand for education in Malaysia. The dynamics have changed compared to before the [economic] crisis; a lot of Malaysians now can't afford to go overseas for their education needs and this is helping the local sector to grow at a faster pace," explains Dresdner Kleinwort Benson (DKB)'s assistant director of equity research, Alan Inn.

"The private education industry still looks good but (of the listed companies) I'm only looking at Inti Universal Holdings at the moment. It's among the leaders in the sector, while the others are still lagging behind in terms of quality of management, education and facilities," notes an analyst with a foreign stockbroking house.

The analyst is not alone in this thinking. Inti is, by and large, the only education stock covered by the few analysts who look at the education sector. Of the companies listed on the KLSE that have education businesses, only three are involved purely in education — Inti, Stamford College and Systematic Education Group.

There are, however, other listed groups that have their fingers in the education pie. According to research conducted by *The Edge* in August last year, Help Institute is owned by Selangor Properties, while Paramount Corporation owns Kolej Damansara Utama. PK Resources owns Nilai College and Sungei Way Holdings has set up a trust fund that owns Sunway College. More recently, Kumpulan Emas jumped onto the education bandwagon, after taking up stakes in Prime College, Summit International College, MSC (School of Art & Design), the Systematic group of colleges and Kidsports.

Still, Inti is under-researched, and its price is trading at a substantial lag to its global peers, analysts say. It closed on Wednesday at RM3.84.

"Inti's substantial valuation lag to its global peers is unjustified given its strong defensive income stream. Its market-leading position, coupled with a growing education sector, can be expected to drive growth," says DKB's Inn in a report.

The company transferred its listing to the Main Board last Monday. It had raised its share capital to 60 million shares following a 2-for-1 bonus issue.

This may help to increase the company's free float, which was one of the reasons why fund managers avoided the stock, say analysts.

"It would help a bit, particularly since the company has such a high cash flow. My clients would probably be more willing to look at it right now," says the analyst with the foreign stockbroking house.

Inn, who sees some upside to the stock as it should trade up to a fair price earnings ratio (PER) of 11.7 times (or a price target of RM5.40), thinks that the raise in share capital may not be enough to solve the liquidity problem.

"The company still has a relatively small market capitalisation (at around RM245.7 million) and volume is still thin," he explains.

For the two days after its transfer to the Main Board, an average of