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# HELP's growth continues to accelerate

**H**ELP International Corp's (RM1.55) earnings continue to gather momentum, with growth accelerating further in the latest third quarter of its October 2009 financial year. Its consistent double-digit growth is a testament to the company's strong branding and business model.

As market conditions turn more cautious after the strong multi-month rally, we like HELP's defensive, recession-proof earnings. Despite the defensive nature, its earnings also offer consistent double-digit growth prospects. HELP's shares are backed by a strong cash-rich balance sheet, with significant net cash of 86 sen per share.

HELP is one of Malaysia's leading providers of education services and is highly regarded for its academic quality and innovative products. It was among the first Malaysian institutions to introduce "twinning" programmes in the 1980s and has established strong collaborative relationships with a number of top international universities.

The company reported a strong set of results for the third quarter (3QFY) October 2009 (May-July 2009), which is traditionally a weak quarter. Revenue and profits continued to grow at a robust double-digit clip, with year-on-year (y-o-y) net profit growth accelerating from 22% in 2QFY09 to 80% in 3QFY09.

Its earnings are highly seasonal, as revenue and profits are recognised according to the classes conducted for each student, rather than on pro-rated across the year. As such, earnings are traditionally weak for the first and third quarters for its October financial year (November-January and May-July) due to the year-end and mid-year holidays. Earnings are very strong in the second and fourth quarters (February-April and August-October) when classes are in full swing.

## Strong 3QFY09 results

For 3QFY09, HELP's revenue increased 18.2% y-o-y to RM21.6 million. Pre-tax profit increased 61.9% y-o-y to RM4.3 million while net profit rose 79.5% y-o-y to RM2.9 million.

For the first nine months of FY09, revenue rose 16.5% y-o-y to RM70.4

million. Pre-tax profit increased 35.8% y-o-y to RM14.5 million and net profit rose 39.1% y-o-y to RM9.5 million. Pre-tax profit margins averaged 20.6% for the period, compared with 17.6% a year ago.

These numbers accounted for 66% of our full-year net profit forecast, which is within expectations as the final quarter is traditionally very strong. In FY08, the first nine months' net profit had accounted for 58% of the full-year total.

The growth in turnover and profits reflects increasing student enrolments and earlier fee increases, which will be felt over several years, plus a higher proportion of students studying for home-grown degrees. The company also managed its costs well in preparation for the recession.

The company currently has about 11,500 students enrolled, including those in HELP-ICT (the former Sepang Institute of Technology), acquired in November 2007, but excluding students studying for its degrees overseas, which number well over 1,000 in Vietnam, Indonesia and China.

Profit margins have also been improving due to a higher proportion of home-grown courses conducted — ie those awarded under the "HELP University College" banner, which reduced payments to external universities.

HELP's balance sheet is very strong. Net cash totalled RM72.4 million in July 2009, almost unchanged from RM74.6 million in April 2009. This is equivalent to a significant 82 sen per share — or 56% of the current share price.

The sum includes RM17.9 million for fees paid in advance, but excludes the RM20.3 million allocated for the purchase of 23.3 acres of land for its new campus in Subang 2, Sungei Buloh, which is pending completion.

## Positive outlook ahead

HELP should be on track to comfortably achieve our full-year forecasts given that the final quarter is traditionally a very strong one. The company's strong branding has helped to expand its student population base, extend its presence overseas and increase the appeal of its own home-grown degrees awarded under the "HELP University College" banner.

From just 8,600 students in October 2007, HELP now has about 11,500 students, including 1,500 from HELP-ICT.

This excludes over 1,000 students studying for HELP accredited courses overseas in Vietnam, Indonesia and China through franchising arrangements.

The company has been growing its student base through acquisitions and new branch campuses, organic growth and overseas tie-ups that are now featuring more strongly. A major growth catalyst will be the addition of two new campuses over the next few years, starting with the Fraser Business Park campus in Kuala Lumpur early next year and later on, the flagship 23-acre Subang 2 campus. We will take a closer look at HELP's expansion plans next week.

## Reasonable valuations

We expect net profit to rise 21.1% to RM14.3 million in FY09, driven by rising student numbers and rising overseas income. We like HELP's cash-generating, fairly recession-proof business and strong business franchise.

At RM1.55, price-to-earnings (P/E) valuations are very low at 9.6 and 8.8 times FY09-10 earnings. These valuations are very attractive for a company with strong fundamentals, balance sheet and branding, and favourable growth prospects.

The stock's underlying valuations are much lower if we subtract its sizeable cash reserves of RM72.4 million, although much of that will later be invested in the new campus. The company's net cash of 86 sen per share accounts for a significant 55% of the share price and 80% of NTA.

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## Earnings forecast

YE Oct (RM m)	2007	2008	2009E	2010E
Turnover	61.7	86.5	91.1	102.0
Pre-tax profit	13.4	16.1	19.3	21.1
Net profit	9.7	11.8	14.3	15.6
EPS (sen)	10.9	13.3	16.1	17.6
P/E (x)	14.2	11.7	9.6	8.8
Dividend (sen)	3.0	3.0	3.0	3.0
Dividend yield (%)	1.9	1.9	1.9	1.9
Book value (RM)	0.82	0.93	1.06	1.20
Price/Book value (x)	1.88	1.67	1.47	1.29

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