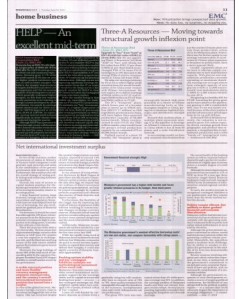


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HELP — An excellent mid-term

HELP International Corporation Bhd (June 21, RM2.90)

Maintain buy at RM2.78 with higher target price of RM3.58 (from RM2.40): The 1QFY10 earnings came in within our and consensus expectation. Revenue grew 11.7% while net profit soared 42.3% year-on-year on higher student enrolment and fees as well as better margins. We believe the margin improvement is largely attributed to prudent cost management and the increasing number of its homegrown courses, which generally command higher margins, as this does not require royalty payments as in twinning or foreign courses developed by other institutions. As a result, its earnings before interest and tax (Ebit) margin in 1HFY10 improved to 25.5% from 20.9% in 1HFY09. As expected, revenue and net profit jumped significantly as more classes were conducted during the quarter.

Although HELP has a presence in China through course collaboration with Chinese education institutions over the last few years, it recently teamed up with property developer AP Land to form a JV to set up a new campus in Changshu, China, which

is expected to begin operation by October. We are definitely positive on the JV as it enables HELP to tap China's enormous education market potential without having to deploy significant capital investment given that HELP's responsibility in JV is to provide the education programmes while AP Land sets up the physical infrastructure. Although we are not expecting significant earnings enhancement from the JV so soon, it would in the long run be a key growth catalyst for HELP in view of China's lucrative and untapped private education market.

With the results being in line within our expectation, we maintain our FY10 and FY11 projections. We maintain our "buy" recommendation at a higher target price of RM3.58 from RM2.40 previously after revising downwards our WACC assumption in our residual income model from 11% to 10% on increasing visibility on its earnings growth and therefore reduced equity risk. We believe its strong and clean balance sheet will enable HELP to comfortably embark on its current and future expansion strategy without straining its balance sheet. — *OSK Investment Research*