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**BUY** ↻

**Target** RM3.58  
**Previous Price** RM2.40  
**Price** RM2.78

#### EDUCATION

HELP International is principally involved in the provision of private tertiary and vocational education through its colleges..

#### Stock Statistics

	HELP MK
Bloomberg Ticker	HELP MK
Share Capital (m)	88.8
Market Cap (RMm)	246.8
52 week H L Price (RM)	2.80   1.32
3mth Avg Vol ('000)	59.8
YTD Returns	44.8
Beta (x)	0.67

#### Major Shareholders (%)

Selangor Properties	51.0
Acacia Partners	7.2

#### Share Performance (%)

Month	Absolute	Relative
1m	23.0	23.3
3m	40.8	36.1
6m	62.8	54.0
12m	102.6	65.6

#### 6-month Share Price Performance



## 1HFY10 Results Preview

# HELP International

## An Excellent Mid-Term

The 1HFY10 earnings were within our expectation, accounting for about 51% of our full-year forecast. Y-o-y revenue grew 11.7% while bottomline surged 42.3% on higher student enrolment and fees as well as better margins. We maintain our forecast and BUY recommendation at a higher TP of RM3.58 against RM2.40 previously, on revising upwards our residual income model valuation. Despite the low liquidity in its shares, we are positive on HELP as it is the most profitable listed education stock in Malaysia and one that is backed by a solid management team.

**Within estimates.** The 1QFY10 earnings came in within our and consensus expectation. Revenue grew 11.7% while net profit soared 42.3% y-o-y on higher student enrolment and fees as well as better margins. We believe the margin improvement was largely attributed to prudent cost management and the increasing number of its home-grown courses, which generally command higher margins, as it does not have to pay royalty as in twinning or foreign courses developed by other institutions. As a result, 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.

**Increasing foothold in China.** Although HELP has a presence in China through course collaboration with Chinese education institutions over the last few years, it had recently teamed up with property developer AP Land to form a JV to set up a new campus in Changshu, China which expected to begin operation by October 2010. 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 would set 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.

**Maintain BUY at higher TP.** With the results being in line within our expectation, we maintain our FY10 and FY11 projections. We maintain our BUY recommendation at a higher TP 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.

FYE Oct (RMm)	FY07	FY08	FY09	FY10f	FY11f
Revenue	61.7	86.5	96.6	114.6	135.2
Net Profit	9.7	11.8	15.5	18.5	23.0
% chg y-o-y	20.0	22.1	30.9	19.6	24.4
Consensus				18.7	21.9
EPS (sen)	10.9	13.3	17.4	20.8	25.9
DPS (sen)	3.0	3.0	3.0	3.4	3.9
Dividend yield (%)	1.1	1.1	1.1	1.2	1.4
ROE (%)	15.3	17.4	19.7	20.0	20.9
ROA (%)	9.7	10.4	11.6	11.7	12.1
PER (x)	25.7	21.1	16.1	13.5	10.8
BV/share (RM)	0.71	0.81	0.95	1.13	1.35
P/BV (x)	3.9	3.4	2.9	2.5	2.1

**Results Table (RMm)**

<b>FYE Oct</b>	<b>2Q10</b>	<b>1Q10</b>	<b>Q-o-Q chg</b>	<b>YTD FY10</b>	<b>YTD FY09</b>	<b>Y-o-Y chg</b>	<b>Comments</b>
Revenue	30.98	23.51	31.8	54.49	48.78	11.7	Higher q-o-q due to the summer break in the southern hemisphere in 1QFY10.
EBIT	10.11	3.76	168.7	13.87	10.21	35.9	Higher margins
Net interest expense	0.0	0.0		0.0	0.0		
Associates	0.0	0.0		0.0	0.0		
PBT	10.11	3.76	168.7	13.87	10.20	36.0	
Tax	-3.14	-1.34	133.4	-4.48	-3.65	22.9	
MI	0.00	0.00		0.00	0.00		
Net profit	6.97	2.42	188.4	9.39	6.56	43.2	51% of our FY10 full-year forecast
EPS (sen)	7.85	2.72		10.58	7.39		
DPS (sen)							
EBIT margin	32.6%	16.0%		25.5%	20.9%		Better margins due to increasing number of home-grown courses.
NTA/share (RM)	1.19	1.11		1.19	0.80		

**EARNINGS FORECAST**

<b>FYE Oct (RMm)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09f</b>	<b>FY10f</b>	<b>FY11f</b>
Turnover	61.7	86.5	96.6	114.6	135.2
EBITDA	16.6	19.0	25.2	31.6	39.0
PBT	13.4	16.1	21.8	27.6	33.8
Net Profit	9.7	11.8	15.5	18.5	23.0
EPS (sen)	10.9	13.3	17.4	20.8	25.9
DPS (sen)	3.0	3.0	3.0	3.4	3.9
<b>Margin</b>					
EBITDA (%)	26.9	21.9	26.1	27.6	28.8
PBT (%)	21.7	18.6	22.6	24.1	25.0
Net Profit (%)	15.7	13.6	16.0	16.1	17.0
<b>ROE (%)</b>	15.3	17.4	19.7	20.0	20.9
<b>ROA (%)</b>	9.7	10.4	11.6	11.7	12.1
<b>Balance Sheet</b>					
Fixed Assets	46.3	48.7	49.7	50.7	51.4
Current Assets	58.2	73.6	95.3	121.2	155.9
Total Assets	104.5	122.3	145.0	171.9	207.3
Current Liabilities	40.6	49.7	59.9	71.3	87.2
Net Current Assets	17.6	23.9	35.4	49.9	68.7
LT Liabilities	0.6	0.6	0.6	0.6	0.6
Shareholders Funds	63.2	72.1	84.5	100.0	119.5
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

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