



Norfauzi Nasron
+60 (3) 9207 7644
norfauzi.nasron@my.oskgroup.com

1QFY10 Results Review

HELP International

Seasonally Lower

The 1QFY10 earnings came in within our expectations although HELP only recorded a net profit of RM2.42m, or about 13% of our full-year forecast. This is due to seasonal factors where the 1Q typically accounts for around 10%-15% of full year earnings. Y-o-y revenue grew 12.7% while bottomline jumped by around 97% on higher student enrolment and fees as well as better margins. We maintain our forecast and BUY recommendation at a higher TP of RM2.40 from RM1.95 previously after revising up our residual income model. Despite the low liquidity in its shares, we are positive on HELP as it is the most profitable listed education stock in Malaysia backed by a solid management team.

Within expectation. The 1QFY10 earnings came in within our expectation. Revenue grew by 12.7% while the net profit nearly doubled from a year earlier on higher student enrolment and fees as well as better margins. We believe the improvement in margins was largely attributed to prudent costs management and increasing number of its home-grown courses which generally command higher margins as it does not have to pay for royalty as compared to twinning or foreign courses developed by other institutions. As a result EBIT margin in 1QFY10 improved to 16% as compared 11% in the 1QFY09.

Seasonally lower. As expected revenue and net profit dropped significantly q-o-q due to seasonal factors as fewer classes were conducted owing to the summer holiday for courses conducted in collaboration with institutions in the southern hemisphere particularly Australia. Q-o-q, revenue dropped by 10.3% while net profit plunged by almost 60% in the 1QFY10 due to the nature of the business that incurred high fixed costs where contraction in revenue will result in bigger contraction in profitability. Moving forward, for the 2QFY10 results we expect significant jump q-o-q basis as more classes will be conducted during the period as well as the start of new semester for its courses conducted in collaboration with institutions in southern hemisphere.

Maintain BUY at a higher TP. We maintain our FY10 and FY11 projections and our BUY recommendation at a higher TP of RM2.40 from RM1.95 previously after revising up our residual income model. Despite the low liquidity of its shares, we are positive on HELP as it is the most profitable listed education group in Malaysia supported by a solid management team coupled with the well planned expansion strategies both locally and abroad. We believe the strong and clean balance sheet will enable HELP to embark on its current and future expansion strategy comfortably without straining its balance sheet.

BUY ↻

Target RM2.40
Previous Price RM1.95
Price RM2.03

EDUCATION

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

Stock Statistics

Bloomberg Ticker	HELP MK
Share Capital (m)	88.8
Market Cap (RMm)	180.2
52 week H L Price (RM)	2.29 1.00
3mth Avg Vol ('000)	34.2
YTD Returns	5.7
Beta (x)	0.57

Major Shareholders (%)

Selangor Properties	51.0
Acacia Partners	7.2

Share Performance (%)

Month	Absolute	Relative
1m	9.2	4.8
3m	17.4	13.9
6m	38.4	31.1
12m	87.9	23.7

6-month Share Price Performance



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				16.9	21.1
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 (%)	1.5	1.5	1.5	1.7	1.9
ROE (%)	15.3	17.4	19.7	20.0	20.9
ROA (%)	9.7	10.4	11.6	11.7	12.1
PER (x)	18.6	15.3	11.7	9.8	7.8
BV/share (RM)	0.71	0.81	0.95	1.13	1.35
P/BV (x)	2.8	2.5	2.1	1.8	1.5

Results Table (RMm)

FYE Oct	1Q10	4Q09	Q-o-Q chg	YTD FY10	YTD FY09	Y-o-Y chg	Comments
Revenue	23.51	26.20	-10.3%	23.51	20.86	12.7%	Lower q-o-q due to summer break in northern hemisphere.
EBIT	3.76	7.37	-48.9%	3.76	2.30	63.4%	Higher margins
Net interest expense	0.0	0.0		0.0	0.0		
Associates	0.0	0.0		0.0	0.0		
PBT	3.76	7.36	-48.9%	3.76	2.30	63.4%	
Tax	-1.34	-1.39	-3.0%	-1.34	-1.08	25.0%	
MI	0.00	0.00		0.00	0.00		
Net profit	2.42	5.97	-59.5%	2.42	1.23	97.1%	
EPS (sen)	2.72	6.73		2.72	1.38		
DPS (sen)							
EBIT margin	16.0%	28.1%		16.0%	11.0%		Better margins due increasing number of home-grown courses.
NTA/share (RM)	1.11	1.09		1.02	0.80		

EARNINGS FORECAST

FYE Oct (RMm)	FY07	FY08	FY09	FY10f	FY11f
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
Margin					
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
ROE (%)	15.3	17.4	19.7	20.0	20.9
ROA (%)	9.7	10.4	11.6	11.7	12.1
Balance Sheet					
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

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated (NR): Stock is not within regular research coverage

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Published and printed by :-

OSK RESEARCH SDN. BHD. (206591-V)

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Chris Eng

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Research Office OSK Research Sdn. Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	Hong Kong Office OSK Securities Hong Kong Ltd. 12 th Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	Singapore Office DMG & Partners Securities Pte. Ltd. 20 Raffles Place #22-01 Ocean Towers Singapore 048620 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211	Jakarta Office PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 th Floor, Jln. Jend. Sudirman Kav 25, Jakarta 12920 Indonesia Tel : +(6221) 520 4599 Fax : +(6221) 520 4598	Shanghai Office OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No.1266, West Nan Jing Road 200040 Shanghai China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633