

## HELP International Corporation

Recommendation: **BUY**Stock Code: **7236**Bloomberg: **HELP MK**Price: **MYR1.00**12-Month Target Price: **MYR1.30**Date: **December 23, 2008****Board:** Second**Sector:** Trading/Services**GICS:** Consumer Discretionary/Education Services**Market Value - Total:** MYR88.8 mln

**Summary:** HELP International (HIC), through its subsidiaries, is primarily in the education field. Its HELP University College is one of the leading private colleges in Malaysia offering its own degrees as well as twinning programs with other leading universities. The group also provides professional and executive education and training.

**Analyst:** Alexander Chia, ACA

## Results Review & Earnings Outlook

- HIC's FY08 (Oct) results were within our expectations with net profit of MYR11.8 mln compared with our projection of MYR11.9 mln.
- 4QFY08 revenue and net profit rose 43% QoQ and 207% QoQ to MYR26.2 mln and MYR5.0 mln respectively due to the higher number of classes conducted compared to 3Q, which was during summer holidays for courses from institutions in the northern hemisphere. We note that 2Q and 4Q are usually much stronger quarters for the group.
- Meanwhile, FY08 revenue was 40% higher YoY following an increase in student enrolments. FY08 net profit too, surged 22% YoY. The smaller increase in net profit was due to its loss-making HELP International College of Technology (HICT), which was acquired in November 2007. Management is still in the process of turning around HICT, and aims to achieve this by 2009. HICT lost MYR2.3 mln in FY08.
- HIC continues to be supported by its healthy balance sheet, with a NTA/share of 90 sen, negligible borrowings and net cash per share of 83 sen.
- We maintain our FY09 net profit forecast of MYR13.8 mln, and introduce our FY10 net profit projection of MYR15.2 mln which assumes a moderate 6%-8% growth in student population and tuition fees.
- HIC has proposed a first and final dividend of 3 sen less tax for FY08, subject to shareholders' approval.

## Recommendation & Investment Risks

- We maintain a Buy recommendation on HIC but lower our 12-month target price to MYR1.30 (from MYR1.80).
- We continue to value HIC using relative PER valuation, by ascribing a lower target PER of 8x (from 11.5x) to its FY09 EPS, including our projected dividend. The lower target PER is in line with the lower peer and market valuation in view of the weak equity market and uncertain global macroeconomic environment.
- HIC's share price has fallen approximately 40% over the past six months, in tandem with the drop in the broader KLCI index. However, we believe the group's outlook remains positive, backed by solid fundamentals. We expect demand for education to remain fairly inelastic. In fact, more school leavers may opt for local tertiary education vs. going overseas during the current economic slowdown, given the cheaper tuition fees and accommodation expenses. Under HIC's hands-on and experienced management, the group is also going regional by expanding into Vietnam, Indonesia, Cambodia and the African countries via franchise and partnership arrangements, which should bode well for HIC in the longer horizon.
- Risks to our recommendation and target price include unexpected changes to the policies and regulatory framework by the Ministry of Higher Education which could affect student intake as well as a slower-than-expected turnaround at the HICT. The thinly-traded volume (historical 12-month daily average of 38,000 shares) could also subject the share price to unusual fluctuations, in our opinion.

### Key Stock Statistics

| FY Oct.                         | 2008        | 2009E |
|---------------------------------|-------------|-------|
| Reported EPS (sen)              | 13.3        | 15.6  |
| PER (x)                         | 7.5         | 6.4   |
| Dividend/Share (sen)            | 3.0         | 3.0   |
| NTA/Share (MYR)                 | 0.90        | 1.03  |
| Book Value/Share (MYR)          | 0.93        | 1.07  |
| No. of Outstanding Shares (mln) | 88.8        |       |
| 52-week Share Price Range (MYR) | 0.84 - 1.63 |       |
| Major Shareholders:             | %           |       |
| Selangor Properties Bhd         | 51.0        |       |
| Hanajaya Sdn Bhd                | 7.2         |       |
| Acacia Partners LP              | 7.2         |       |

\*Stock deemed Shariah compliant by the Securities Commission.

### Per Share Data

| FY Oct.                 | 2006 | 2007 | 2008 | 2009E |
|-------------------------|------|------|------|-------|
| Book Value (MYR)        | 0.71 | 0.82 | 0.93 | 1.07  |
| Cash Flow (sen)         | 14.1 | 15.6 | 13.3 | 21.9  |
| Reported Earnings (sen) | 9.1  | 10.9 | 13.3 | 15.6  |
| Dividend (sen)          | 0.0  | 3.0  | 3.0  | 3.0   |
| Payout Ratio (%)        | 0.0  | 20.1 | 16.9 | 14.4  |
| PER (x)                 | 11.0 | 9.2  | 7.5  | 6.4   |
| P/Cash Flow (x)         | 7.1  | 6.4  | 7.5  | 4.6   |
| P/Book Value (x)        | 1.4  | 1.2  | 1.1  | 0.9   |
| Dividend Yield (%)      | 0.0  | 3.0  | 3.0  | 3.0   |
| ROE (%)                 | 12.7 | 14.2 | 15.1 | 15.6  |
| Net Gearing (%)         | 0.0  | 0.0  | 0.0  | 0.0   |

Note: FY06 to FY07 numbers are on proforma basis

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| FY Oct. / MYR mln               | 4Q08 | 4Q07 | % Change |
|---------------------------------|------|------|----------|
| Reported Revenue                | 26.2 | 17.6 | 49.0     |
| Reported Operating Profit       | 5.4  | 4.2  | 29.6     |
| Depreciation & Amortization     | NA   | NA   | NA       |
| Net Interest Income / (Expense) | 0.0  | 0.0  | NM       |
| Reported Pre-tax Profit         | 5.4  | 4.2  | 29.6     |
| Reported Net Profit             | 5.0  | 3.4  | 45.3     |
| Reported Operating Margin (%)   | 20.8 | 23.9 | -        |
| Reported Pre-tax Margin (%)     | 20.8 | 23.9 | -        |
| Reported Net Margin (%)         | 19.1 | 19.6 | -        |

Source: Company data

**Profit & Loss**

| FY Oct. / MYR mln               | 2007 | 2008 | 2009E | 2010E |
|---------------------------------|------|------|-------|-------|
| Reported Revenue                | 61.7 | 86.5 | 96.7  | 110.7 |
| Reported Operating Profit       | 13.4 | 16.1 | 19.2  | 21.8  |
| Depreciation & Amortization     | -4.2 | 0.0  | -5.6  | -6.4  |
| Net Interest Income / (Expense) | 0.0  | 0.0  | -0.3  | -1.0  |
| Reported Pre-tax Profit         | 13.4 | 16.1 | 19.0  | 20.9  |
| Effective Tax Rate (%)          | 27.9 | 26.7 | 27.0  | 27.0  |
| Reported Net Profit             | 9.7  | 11.8 | 13.8  | 15.2  |
| Reported Operating Margin (%)   | 21.7 | 18.6 | 19.9  | 19.7  |
| Reported Pre-tax Margin (%)     | 21.7 | 18.6 | 19.6  | 18.8  |
| Reported Net Margin (%)         | 15.7 | 13.6 | 14.3  | 13.8  |

Source: Company data, S&amp;P Equity Research

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**Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

**Hold:** Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

**Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

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**Recommendation and Target Price History**

| Date      | Recommendation | Target Price |
|-----------|----------------|--------------|
| New       | Buy            | 1.30         |
| 26-Mar-08 | Buy            | 1.80         |
| 3-Mar-08  | Buy            | 1.93         |

