

Help International Corporation

Recommendation: **BUY**Stock Code: **7236**Bloomberg: **HELP MK**Price: **MYR1.74**12-Month Target Price: **MYR2.00**Date: **December 29, 2009****Board:** Main**Sector:** Trading/Services**GICS:** Consumer Discretionary/Education Services**Market Value - Total:** MYR154.5 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 turned in better-than-expected results with 4QFY09 (Oct) net profit rising 20% YoY and 105% QoQ. FY09 net profit of MYR15.5 mln exceeded our previous projection of MYR13.9 mln.
- 4Q performance is seasonally stronger, with more classes conducted for courses from institutions in United Kingdom and United States.
- FY09 revenue and net profit were 12% and 31% higher YoY at MYR96.6 mln and MYR15.5 mln, driven by growth in both student population and number of programs offered, as well as better cost management. Consequently, FY09 net profit margin rose to 16.0% vs. 13.6% in FY08. We note that this was the highest net profit margin achieved since HIC's listing.
- Meanwhile, the group's balance sheet remains robust, with NTA/share increasing to MYR1.05 as at end-October compared to MYR0.90 a year earlier. Similarly, net cash/share too strengthened to MYR0.99 in FY09 from MYR0.83 in FY08.
- Given the solid results and positive outlook, we upgrade our FY10 earnings estimate by 13% to MYR17.3 mln. We also introduce our FY11 net profit projection of MYR19.1 mln, which assumes modest 4% and 8% growth in student population and tuition fees respectively.

Recommendation & Investment Risks

- We maintain our Buy recommendation and raise our 12-month target price to MYR2.00 (from MYR1.60).
- We derive our target price by assigning a target PER multiple of 10x (from 9x) against FY10 earnings (unchanged), inclusive of a projected dividend. The higher target PER multiple, a 25% premium over its closest peer, SEG International Bhd (SYS MK, MYR0.95, Not Ranked), is justified, in our opinion, given HIC's superior profit track record.
- We continue to like HIC for its healthy earnings growth, underpinned by the steady rise in student population (approximately 12,000) and programs offered, as well as its overseas expansion via franchise and licensing arrangements. We believe HIC's prospective FY10 PER of 8.9x is undemanding when compared to the expected double-digit net profit growth in the next few years. The group posted an average 25% growth in net profit over the last four years.
- On Dec. 28, 2009, HIC proposed to acquire 1,112 sq m of freehold land, together with the erected building known as HELP Residence, for a cash consideration of MYR50 mln. HIC shall pay the vendor in half-yearly installments over five years. We do not expect any funding issue, given the group's high cash holdings and positive cashflow generation from its operations.
- 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.

Key Stock Statistics

FY Oct.	2009	2010E
Reported EPS (sen)	17.4	19.5
PER (x)	10.0	8.9
Dividend/Share (sen)	3.0	3.0
NTA/Share (MYR)	1.05	1.22
Book Value/Share (MYR)	1.09	1.26
No. of Outstanding Shares (mln)	88.8	
52-week Share Price Range (MYR)	1.01 - 1.75	
Major Shareholders:	%	
Selangor Properties Bhd	51.0	
Acacia Partners LP	7.2	
Dato' Dr. Zakaria Bin Ahmad	5.3	

*Stock deemed Shariah compliant by the Securities Commission.

Per Share Data

FY Oct.	2007	2008	2009	2010E
Book Value (MYR)	0.82	0.93	1.09	1.26
Cash Flow (sen)	15.6	18.5	17.4	26.7
Reported Earnings (sen)	10.9	13.3	17.4	19.5
Dividend (sen)	3.0	3.0	3.0	3.0
Payout Ratio (%)	20.1	16.9	12.9	11.5
PER (x)	16.0	13.1	10.0	8.9
P/Cash Flow (x)	11.1	9.4	10.0	6.5
P/Book Value (x)	2.1	1.9	1.6	1.4
Dividend Yield (%)	1.7	1.7	1.7	1.7
ROE (%)	14.2	15.1	17.2	16.6
Net Gearing (%)	0.0	0.0	0.0	0.0

Note: FY07 numbers are on proforma basis

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FY Oct. / MYR mln	4Q09	4Q08	% Change
Reported Revenue	26.2	26.2	0.2
Reported Operating Profit	7.4	5.4	35.7
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	0.0	0.0	>100
Reported Pre-tax Profit	7.4	5.4	35.5
Reported Net Profit	6.0	5.0	19.7
Reported Operating Margin (%)	28.1	20.8	-
Reported Pre-tax Margin (%)	28.1	20.8	-
Reported Net Margin (%)	22.8	19.1	-

Source: Company data

Profit & Loss

FY Oct. / MYR mln	2008	2009	2010E	2011E
Reported Revenue	86.5	96.6	110.7	124.3
Reported Operating Profit	16.1	21.8	24.6	27.6
Depreciation & Amortization	-4.6	0.0	-6.4	-7.0
Net Interest Income / (Expense)	0.0	0.0	-0.9	-1.4
Reported Pre-tax Profit	16.1	21.8	23.7	26.2
Effective Tax Rate (%)	26.7	29.2	27.0	27.0
Reported Net Profit	11.8	15.5	17.3	19.1
Reported Operating Margin (%)	18.6	22.6	22.2	22.2
Reported Pre-tax Margin (%)	18.6	22.6	21.4	21.0
Reported Net Margin (%)	13.6	16.0	15.6	15.4

Source: Company data, S&P Equity Research

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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	2.00
2-Jul-09	Buy	1.60
23-Dec-08	Buy	1.30
26-Mar-08	Buy	1.80
3-Mar-08	Buy	1.93

