

KDN: PP 7766/03/2011 (028011)

Seasonal low for 1QFY11 results

- **HELP International Corp's 1QFY11 net profit was only 11.6% of our full-year forecast; however this is expected as 1Q is a seasonally weak quarter. No dividend was declared in 1QFY11.**
- **1QFY11 net profit increased by 8.3% yoy** driven by revenue increase of 3.4% thanks to rising demand for its home-grown programmes in business, psychology, law and IT. The net profit increase was also helped by net margin expansion due to tighter cost controls in FY11.
- **On quarterly basis, the group's earnings was down by 60%** as 2Q and 4Q are seasonally stronger quarters due to new enrolment intakes; additionally there are semester holidays in 1Q and 3Q for twinning programmes.
- **Prospects.** Apart from leveraging on its home-grown courses, the group is also banking on its Entrepreneurship, Leadership, and Management College, which was launched in Jan 2011. The group will also tie-up with its 19.1%-owned Bridge 2 Think, a corporate search engine provider, which has 70 clients worldwide with 1m users. The partnership will also offer online degree courses in management, leadership and finance for working adults.
- **1QFY11 is already showing yoy improvement in results** and we expect the trend to continue in the coming quarters. Seasonal factors should also see significant results improvement next quarter. Thus we maintain our forecasts on HELP. Consequently our valuation of RM2.61/share based on target PER of 15x FY11 EPS forecast of 17.4sen is also intact. At current level, HELP is fully valued, thus **we maintain HOLD on the counter.**

Investment Data

Bloomberg	HELP. MK
Price	RM2.54
Potential upside	2.8%
Expected yield	0.6%
Expected return	3.4%
Market cap	RM360.8m
Issued shares @ RM1.00 par	142.0m
52 week high/low	RM3.03/ RM1.23
3m avg daily vol	0.1m shares

Stock Rating TP	Old Hold RM2.61	New Hold RM2.61

Major s/holders	%
Selangor Properties	51.0
Acacia Partners	7.2
Other/public	41.8

1-yr consensus	
Buys	3
Holds	0
Sells	0
FY11 EPS	16.5sen
FY12 EPS	19.6sen
KLCI	1,515.55 pts

Financial Summary

FY October (RM m)	2009	2010F	2011F	2012F
Turnover	96.5	114.7	131.5	151.2
EBIT	21.8	25.8	32.9	39.5
Pretax Profit	21.8	25.8	33.0	39.6
Core Net Profit	15.5	18.0	24.7	29.7
EPS(sen)	10.9	12.7	17.4	20.9
EPS Growth (%)	32.5	16.4	37.2	20.1
PER (x)	23.3	14.1	14.6	12.2
P/NTA (x)	2.2	1.9	1.6	1.4
Gross DPS (sen)	1.4	1.4	1.4	1.4
Dividend Yield (%)	0.6	0.6	0.6	0.6
ROE (%)	16.1	16.1	18.3	18.2
Net Gearing (x)	Net cash	Net cash	0.1	0.3

Figure: HELP- 1QFY11 Results

FY Oct (RM m)	2010 1Q	2010 4Q	2011 1Q	YoY % Chg	QoQ % Chg	Comments
Revenue	23.5	27.3	24.3	3.4	-11.0	Quarterly lower due to summer period for courses from institutions in UK, US and Australia
Other operating expense	-20.6	-20.4	-20.8	1.0	2.0	-
Gross profit	2.9	6.9	3.5	20.7	-49.3	-
Other operating income	0.8	1.3	0.9	12.5	-30.8	-
Operating profit/EBIT	3.7	8.2	4.4	18.9	-46.3	-
Finance cost	-	-0.4	-0.4	-	0.0	-
Profit before tax	3.7	7.8	4.0	8.1	-48.7	-
Taxation	-1.3	-1.3	-1.4	7.7	7.7	-
Net profit	2.4	6.5	2.6	8.3	-60.0	-
Net EPS (sen)	1.7	6.2	1.9	11.8	-69.4	-
Gross Profit Margin (%)	12.3	25.3	14.4	16.7	-10.9	-
Pretax Margin (%)	15.7	28.6	16.5	4.5	-12.1	-
Effective Tax Rate (%)	35.1	16.7	35.0	-0.4	18.3	Is higher than the statutory tax rate due to certain expenses that were not deductible for tax purposes and tax losses of subsidiaries
Net Margin (%)	10.2	23.8	10.7	4.8	-13.1	-

Sources: Company's prospectus, Bursa Malaysia, Alliance Research

Recommendation Framework

STOCK RECOMMENDATIONS

- BUY** : The stock's total return is expected to exceed KLCI's total return by 10% or more in the next 12 months.
- HOLD** : The stock's total return is expected to be within +10% or -10% of KLCI's total return.
- SELL** : The stock's total return is expected to be below KLCI's total return by 10% or more in the next 12 months.
- TRADING BUY** : The stock's total return is expected to exceed KLCI's total return by 10% or more within the next 3 months.
- TRADING SELL** : The stock's total return is expected to be below KLCI's total return by 10% or more within the next 3 months.
- NOT RATED** : Stock is not within our regular coverage

SECTOR RECOMMENDATIONS

- OVERWEIGHT** : The industry as defined by the analyst is expected to outperform the KLCI over the 12 months.
- NEUTRAL** : The industry as defined by the analyst is expected to perform in line with KLCI over the 12 months.
- UNDERWEIGHT** : The industry as defined by the analyst is expected to underperform the KLCI over the next 12 months.
- total return** = **capital gain + dividend yield**

Common Abbreviation

Adex = Advertising Expenditure	FCF = Free Cashflow	PEG = PE ratio to growth
bn = billion	FV = Fair Value	PER = PE ratio
BV = Book Value	FY = Financial Year	QoQ = Quarter on Quarter
CF = Cashflow	KLCI = Kuala Lumpur Composite Index	OP = Outperform
CAGR = Compounded Annual Growth rate	m = million	RM = Ringgit
Capex = Capital Expenditure	MoM = month on month	RM bn = RM billion
CY = Calendar Year	MP = Market Perform	RM m = RM million
Div yld = Dividend Yield	NAV = Net Assets Value	ROA = Return on Assets
DCF = Discounted Cashflow	NM = Not Meaningful	ROE = Return on Equity
DPS = Dividend Per Share	NTA = Net Tangible Assets	ROSF = Return on shareholders funds
EBIT = Earnings Before Interest & Tax	NR = Not Rated	TP = Target Price
EBITDA = EBIT before Depreciation and Amortisation	p.a. = per annum	UP = Under Perform
EPS = Earnings per share	PAT = Profit after tax	WACC = Weighted Average Cost of Capital
EV = Enterprise Value	Pretax profit = Profit before tax	YoY = Year on Year
1QFY12/07 = 1 st Quarter for FY Dec 07	PE = Price Earnings Ratio	YTD = Year to date
2HFY12/07 = 2 nd Half for FY Dec 07		

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