STANDARD &POOR'S

Help International Corporation

Recommendation: **BUY**

Stock Code: **7236** | Bloomberg: **HELP MK** | Price: **MYR2.02** | 12-Month Target Price: **MYR2.30** | Date: **March 25, 2010**

Board: Main

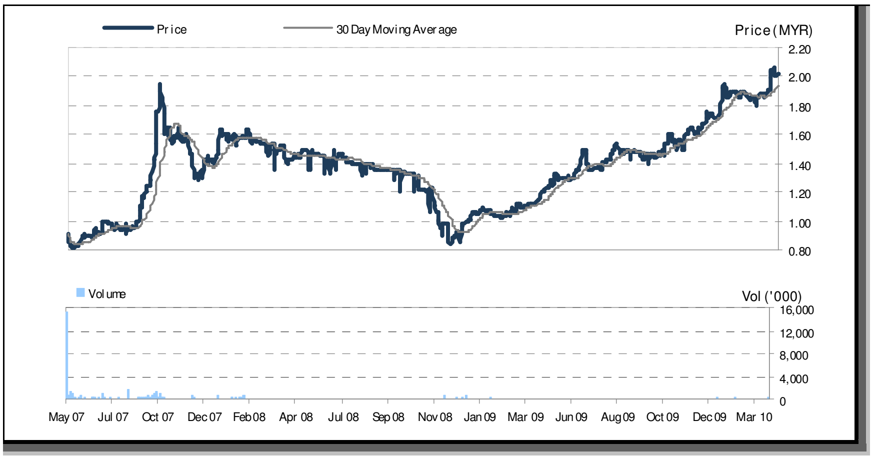
Sector: Trading/Services

GICS: Consumer Discretionary/Education Services

Market Value - Total: MYR179.3 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 reported 1QFY10 (Oct) net profit of MYR2.4 mln, which reached 14% of our previous 2010 estimate. We consider the results above expectations, as 1Q net profit historically accounts for only approximately 7% of full-year earnings, the quarter being a seasonally slower one with fewer classes conducted.
- YoY, the results show remarkable improvement, as 1QFY10 net profit doubled on the back of a 13% increase in revenue to MYR23.5 mln. Management attributed the better performance to higher student enrolment in its own programs, which offers higher profit margins, as well as effective cost management. Additionally, the effective tax rate during the quarter was also lower at 35.7% vs. 46.7% a year earlier.
- HIC's balance sheet also continued to strengthen, with NTA/share rising to MYR1.07 at end-January 2010 from 91 sen in 1QFY09, backed by a net cash/share of 98 sen.
- Given the better-than-expected 1QFY10 results, we raise our FY10 and FY11 net profit estimates by 4% and 5% to MYR18.0 mln and MYR20.2 mln respectively.
- No dividend was declared during the quarter under review (1QFY09: nil).

Recommendation & Investment Risks

- We maintain our Buy recommendation on HIC with a higher 12-month target price of MYR2.30 (from MYR2.00).
- We derive our target price by assigning a target PER multiple of 11x (from 10x) against FY10 earnings, inclusive of a projected dividend. The higher target PER multiple is broadly in line with its 3-year historical average PER and reflects the prospective growth on offer.
- We continue to like HIC for its healthy earnings growth, underpinned by the steady rise in student population (now 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 10x is undemanding when compared to the expected double-digit net profit growth in the next few years, as well as its strong net cash position. The group posted an average 25% growth in net profit over the last four years.
- 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	20.3
PER (x)	11.6	10.0
Dividend/Share (sen)	3.0	3.0
NTA/Share (MYR)	1.05	1.23
Book Value/Share (MYR)	1.09	1.27
No. of Outstanding Shares (mln)	88.8	
52-week Share Price Range (MYR)	1.10 - 2.06	
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	1.27
Cash Flow (sen)	15.6	18.5	22.9	26.6
Reported Earnings (sen)	10.9	13.3	17.4	20.3
Dividend (sen)	3.0	3.0	3.0	3.0
Payout Ratio (%)	20.1	16.9	12.9	11.1
PER (x)	18.5	15.2	11.6	10.0
P/Cash Flow (x)	12.9	10.9	8.8	7.6
P/Book Value (x)	2.5	2.2	1.9	1.6
Dividend Yield (%)	1.5	1.5	1.5	1.5
ROE (%)	14.2	15.1	17.2	17.2
Net Gearing (%)	0.0	0.0	0.0	0.0

Note: FY07 numbers are on proforma basis

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

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Quarterly Performance

FY Oct. / MYR mln	1Q10	1Q09	% Change
Reported Revenue	23.5	20.9	12.7
Reported Operating Profit	3.8	2.3	63.4
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	0.0	0.0	0.0
Reported Pre-tax Profit	3.8	2.3	63.4
Reported Net Profit	2.4	1.2	97.1
Reported Operating Margin (%)	16.0	11.0	-
Reported Pre-tax Margin (%)	16.0	11.0	-
Reported Net Margin (%)	10.3	5.9	-

Source: Company data

Profit & Loss

FY Oct. / MYR mln	2008	2009	2010E	2011E
Reported Revenue	86.5	96.6	110.7	125.5
Reported Operating Profit	16.1	21.8	25.4	29.1
Depreciation & Amortization	-4.6	-4.9	-5.6	-6.3
Net Interest Income / (Expense)	0.0	0.0	-0.7	-1.4
Reported Pre-tax Profit	16.1	21.8	24.7	27.7
Effective Tax Rate (%)	26.7	29.2	27.0	27.0
Reported Net Profit	11.8	15.5	18.0	20.2
Reported Operating Margin (%)	18.6	22.6	22.9	23.2
Reported Pre-tax Margin (%)	18.6	22.6	22.3	22.1
Reported Net Margin (%)	13.6	16.0	16.3	16.1

Source: Company data, S&P Equity Research

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Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
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.
Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

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Recommendation and Target Price History

Date	Recommendation	Target Price
New	Buy	2.30
29-Dec-09	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