

## Help International Corporation

Recommendation: **BUY**

Stock Code: 7236

Bloomberg: HELP MK

Price: MYR1.44

12-Month Target Price: MYR1.80

Date: July 1, 2008

Board: Second

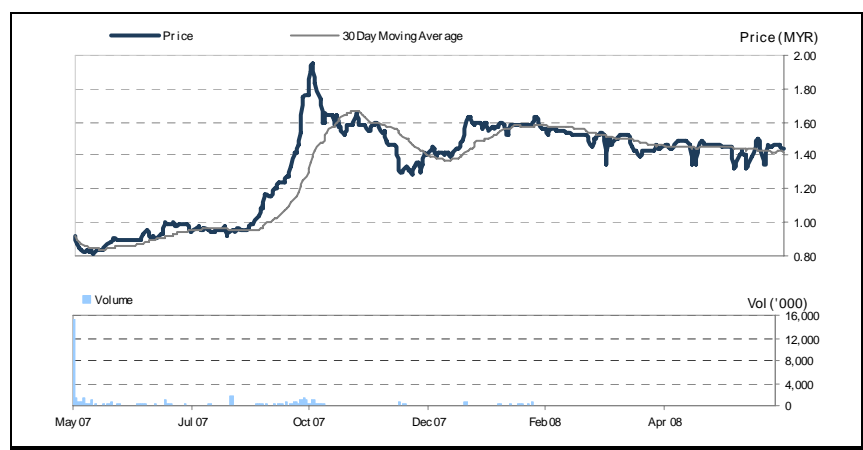
Sector: Trading/Services

GICS: Consumer Discretionary/Education Services

Market Value - Total: MYR127.8 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 &amp; Earnings Outlook

- HIC's 1HFY08 (Oct.) results were broadly in line with our expectations, with net profit of MYR5.2 mln accounting for 46% of our projection of MYR11.3 mln.
- 2QFY08 revenue improved 29% YoY to MYR24.0 mln, attributable to the higher number of classes conducted during the quarter for courses for institutions in both the Northern and Southern Hemisphere, as well as consolidation of results from the HELP International College of Technology (HICT) which was acquired in Nov. 2007. In tandem with the rise in revenue, net profit increased 19% YoY to MYR4.4 mln. Net profit margin however, was slightly lower at 18.2% against 19.6% in 2QFY07, impacted by higher opex and tax expense.
- On cumulative basis, 1HFY08 revenue rose 31.6% YoY to MYR42.1 mln. Net profit, however only improved by 5.2% YoY to MYR5.2 mln. The drag in net profit growth was mainly due to HICT which remains loss-making. Management is in the midst of turning around the college and targets to achieve breakeven by 2009.
- We maintain our current 2009 revenue and net profit projections of MYR77.2 mln and MYR11.3 mln respectively. We expect a softer 3QFY08 results due to seasonal factors although this should be compensated for by a strong 4QFY08.
- No dividend was declared in the quarter under review.

## Key Stock Statistics

FY Oct.	2007	2008E
Reported EPS (sen)	10.9	12.7
PER (x)	13.2	11.3
Dividend/Share (sen)	3.0	3.0
NTA/Share (MYR)	0.82	0.93
Book Value/Share (MYR)	0.82	0.93
No. of Outstanding Shares (mln)	88.8	
52-week Share Price Range (MYR)	0.90 - 1.95	
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.

## Recommendation &amp; Investment Risks

- We maintain our Buy recommendation on HIC with an unchanged 12-month target price of MYR1.80. Our target price includes a projected 3.0 sen dividend.
- We derive our target price by ascribing a target PER of 13.8x (unchanged) to FY08 EPS of 12.7 sen. Our target PER is a 20% premium to SEG International's PER to reflect HIC's track record of achieving higher net profit margins.
- We continue to like HIC as we believe the group offers the best choice for exposure to the education sector with its net profit margin track record and sustainability relative to its peers. We also like its experienced management team who has charted a clear growth plan for HIC.
- Risks to our recommendation and target price include unexpected changes to the policies and regulatory framework by the Ministry of Higher Education that could affect student intake as well as the slower-than-expected turnaround at the HICT.

## Per Share Data

FY Oct.	2005	2006	2007	2008E
Book Value (MYR)	NA	0.71	0.82	0.93
Cash Flow (sen)	12.7	14.1	15.6	19.7
Reported Earnings (sen)	7.4	9.1	10.9	12.7
Dividend (sen)	0.0	0.0	3.0	3.0
Payout Ratio (%)	0.0	0.0	20.1	17.4
PER (x)	19.5	15.9	13.2	11.3
P/Cash Flow (x)	11.4	10.2	9.2	7.3
P/Book Value (x)	NA	2.0	1.7	1.5
Dividend Yield (%)	0.0	0.0	2.1	2.1
ROE (%)	NA	NA	14.2	14.5
Net Gearing (%)	NA	0.0	0.0	0.0

Note: FY05 to FY07 numbers are on proforma basis

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**Quarterly Performance**

FY Oct. / MYR mln	2Q08	2Q07	% Change
Reported Revenue	24.0	18.6	29.1
Reported Operating Profit	6.6	5.4	22.8
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	0.0	0.0	NM
Reported Pre-tax Profit	6.6	5.4	22.8
Reported Net Profit	4.4	3.7	19.4
Reported Operating Margin (%)	27.5	28.9	-
Reported Pre-tax Margin (%)	27.5	28.9	-
Reported Net Margin (%)	18.2	19.6	-

Source: Company data

**Profit & Loss**

FY Oct. / MYR mln	2006	2007	2008E	2009E
Reported Revenue	53.5	61.7	77.2	87.5
Reported Operating Profit	12.0	13.4	15.7	18.9
Depreciation & Amortization	-4.5	-4.2	-6.2	-6.1
Net Interest Income / (Expense)	0.0	0.0	0.0	0.0
Reported Pre-tax Profit	12.0	13.4	15.7	18.9
Effective Tax Rate (%)	32.9	27.9	28.0	28.0
Reported Net Profit	8.1	9.7	11.3	13.6
Reported Operating Margin (%)	22.4	21.7	20.3	21.6
Reported Pre-tax Margin (%)	22.4	21.7	20.3	21.6
Reported Net Margin (%)	15.1	15.7	14.6	15.5

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

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**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.

**S&P 12 Month Target Price** – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

**Shariah-compliant stock** - As defined by the Shariah Advisory Council of Malaysia's Securities Commission

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For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng or Ching Wah Tam.

**Recommendation and Target Price History**

Date	Recommendation	Target Price
26-Mar-08	Buy	1.80
03-Mar-08	Buy	1.93

