STANDARD & POOR'S

Help International Corporation

Recommendation: **BUY**

Stock Code: **7236** | Bloomberg: **HELP MK** | Price: **MYR2.78** | 12-Month Target Price: **MYR3.10** | Date: **June 21, 2010**

Board: Main

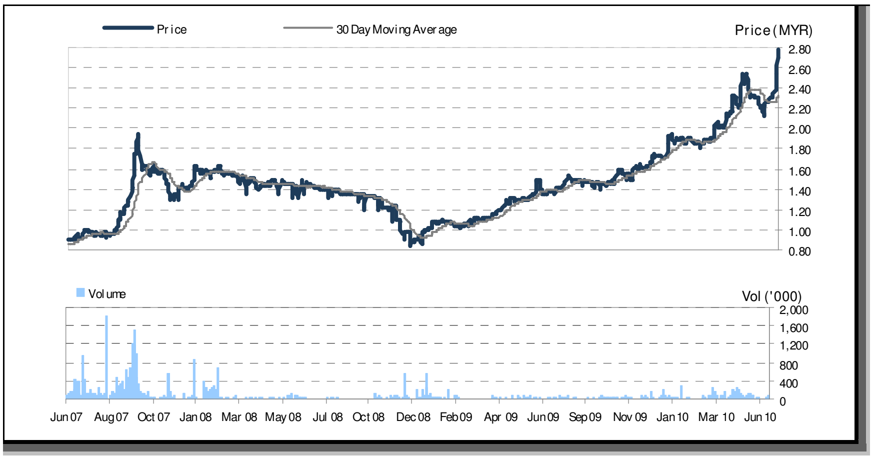
Sector: Trading/Services

GICS: Consumer Discretionary/Education Services

Market Value - Total: MYR246.8 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 2QFY10 (Oct) results were within expectations, with 1HFY10 net profit of MYR9.4 mln reaching 52% of our FY10 estimate.
- 1HFY10 revenue and net profit rose 11% and 31% YoY to MYR54.5 mln and MYR9.4 mln respectively, largely due to higher student enrolments in HIC's own degree programs, which yield better profit margins. In addition, prudent cost management and a lower effective tax rate (32.3% in 1HFY10 vs. 35.7% in 1HFY09) too, contributed to the rise in net profit.
- Sequentially, 2QFY10 revenue was 32% higher at MYR31.0 mln while net profit soared 188% to MYR7.0 mln. The substantial improvement in QoQ performance was expected, as 2Q and 4Q are usually much stronger, with more classes conducted.
- Operations continued to be supported by a strong balance sheet, with NTA/share rising to MYR1.15 in 2QFY10 from MYR1.07 in 1QFY10. HIC also boasts net cash/share of 91 sen as at end-March 2010.
- We leave our FY10 net profit estimate of MYR18.0 mln unchanged, but raise our FY11 net profit projection by 5.5% to MYR21.3 mln, after factoring a higher profit margin in view of the increasing popularity of HIC's own degree programs and additional contribution from its new culinary faculty, slated to start operations in 1QFY11.

Recommendation & Investment Risks

- We maintain our Buy recommendation on HIC with a higher 12-month target price of MYR3.10 (from MYR2.30).
- We derive our target price by ascribing a higher target PER multiple of 13x (from 11x) on FY11 earnings (rolled over from FY10), inclusive of a projected dividend. The higher PER multiple reflects the group's: (i) potential future growth from its China venture, (ii) superior profit margin track record, (iii) consistent double-digit earnings growth since its listing in 2007, (iv) strong balance sheet and (v) clear growth strategy moving forward. Key earnings drivers in the next two years include further growth in its own degree programs, contributions from the new culinary faculty and overseas franchising agreements, while the China venture could underpin its longer term growth prospects.
- On June 17, 2010, HIC announced its joint-venture agreement with AP Land Bhd (APL) (APL MK, MYR0.30, Not Ranked) to explore business opportunities in the education sector. Through the collaboration, HIC plans to operate a campus in Changsu, China by end-2010, which forms part of a commercial project being developed by APL. Additionally, there are also plans for HIC to run a campus in Rawang, which is to be built by APL, in the next two years. However, at this juncture, we have not factored in any contributions from these opportunities, as they have not yet materialized.
- 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)	16.0	13.7
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)	1.35 - 2.78	
Major Shareholders:	%	
Selangor Properties Bhd	51.0	
Acacia Partners LP	7.2	
Datin Low Kam Yoke	2.4	

*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)	25.5	20.9	16.0	13.7
P/Cash Flow (x)	17.8	15.0	12.1	10.5
P/Book Value (x)	3.4	3.0	2.6	2.2
Dividend Yield (%)	1.1	1.1	1.1	1.1
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	2Q10	2Q09	% Change
Reported Revenue	31.0	27.9	10.9
Reported Operating Profit	10.1	7.9	27.9
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	0.0	0.0	NM
Reported Pre-tax Profit	10.1	7.9	28.0
Reported Net Profit	7.0	5.3	30.8
Reported Operating Margin (%)	32.6	28.3	-
Reported Pre-tax Margin (%)	32.6	28.3	-
Reported Net Margin (%)	22.5	19.1	-

Source: Company data

Profit & Loss

FY Oct. / MYR mln	2008	2009	2010E	2011E
Reported Revenue	86.5	96.6	110.7	127.3
Reported Operating Profit	16.1	21.8	24.7	29.4
Depreciation & Amortization	-4.6	-4.9	-5.6	-6.3
Net Interest Income / (Expense)	0.0	0.0	0.0	-0.2
Reported Pre-tax Profit	16.1	21.8	24.7	29.2
Effective Tax Rate (%)	26.7	29.2	27.0	27.0
Reported Net Profit	11.8	15.5	18.0	21.3
Reported Operating Margin (%)	18.6	22.6	22.3	23.1
Reported Pre-tax Margin (%)	18.6	22.6	22.3	23.0
Reported Net Margin (%)	13.6	16.0	16.3	16.8

Source: Company data, S&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.

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Recommendation and Target Price History

Date	Recommendation	Target Price
New	Buy	3.10
25-Mar-10	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