

Help International Corporation

Recommendation: **BUY**

Stock Code: 7236

Bloomberg: HELP MK

Price: MYR1.10

12-Month Target Price: MYR1.30

Date: March 26, 2009

Board: Second

Sector: Trading/Services

GICS: Consumer Discretionary/Education Services

Market Value - Total: MYR97.7 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 a net profit of MYR1.2 mln (+50% YoY) in 1QFY09 (Oct). Although it only reached 9% of our MYR13.8 mln net profit projection for FY09, we consider the results to be broadly within our expectations as 1Q is a seasonally slow quarter due to lower number of classes conducted. In comparison, HIC's 1QFY08 net profit contributed only 7% to its FY08 earnings.
- 1QFY09 revenue and net profit were 15% and 50% higher YoY at MYR20.9 and MYR1.2 mln, respectively. Management attributed the growth to an increase in student enrolment and number of programs offered. In addition, it also paid lower fees to its foreign university counterparts as more students signed up for HIC's own degree programs.
- We note that the group's effective tax rate remained high (47% in 1QFY09 vs. 41% in 1QFY08), as a result of certain non-tax deductible expenses and some tax losses of subsidiaries that were not available for group relief.
- We are leaving our FY09 net profit estimate of MYR13.8 mln unchanged at this juncture as we expect a much stronger performance in subsequent quarters to compensate for the soft 1QFY09 results, due to the higher number of classes conducted during these periods.
- No dividend was declared during the quarter under review.

Recommendation & Investment Risks

- We maintain our Buy recommendation on HIC with an unchanged 12-month target price of MYR1.30.
- We continue to derive our target price by ascribing a peer-benchmarked target PER multiple of 8x (unchanged) against its FY09 earnings estimate, inclusive of a 3 sen projected dividend.
- While the current downturn in economy poses a challenge to the group's performance, we believe the education sector is relatively more resilient than others. With the recent weakening in our currency and cutback in earnings power, there is a higher tendency for parents to send their children to local tertiary institutions. Furthermore, it is also more attractive for foreign students from the regional countries to study in Malaysia. This bodes well for the group given its proven track record and reputation. Meanwhile, HIC is also continuing its efforts to grow its franchise programs in Vietnam and Indonesia.
- In terms of financial strength, HIC is backed by a strong balance sheet with a net cash per of 83 sen, which would help the group weather the current economic downturn.
- 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. The thinly-traded volume could also subject the share price to unusual fluctuations, in our opinion.

Key Stock Statistics

FY Oct.	2008	2009E
Reported EPS (sen)	13.3	15.6
PER (x)	8.3	7.1
Dividend/Share (sen)	3.0	3.0
NTA/Share (MYR)	0.90	1.03
Book Value/Share (MYR)	0.93	1.07
No. of Outstanding Shares (mln)	88.8	
52-week Share Price Range (MYR)	0.84 - 1.52	
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.

Per Share Data

FY Oct.	2006	2007	2008	2009E
Book Value (MYR)	0.71	0.82	0.93	1.07
Cash Flow (sen)	14.1	15.6	13.3	21.9
Reported Earnings (sen)	9.1	10.9	13.3	15.6
Dividend (sen)	0.0	3.0	3.0	3.0
Payout Ratio (%)	0.0	20.1	16.9	14.4
PER (x)	12.1	10.1	8.3	7.1
P/Cash Flow (x)	7.8	7.0	8.3	5.0
P/Book Value (x)	1.5	1.3	1.2	1.0
Dividend Yield (%)	0.0	2.7	2.7	2.7
ROE (%)	12.7	14.2	15.1	15.6
Net Gearing (%)	0.0	0.0	0.0	0.0

Note: FY06 to FY07 numbers are on proforma basis

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Quarterly Performance

FY Oct. / MYR mln	1Q09	1Q08	% Change
Reported Revenue	20.9	18.1	15.4
Reported Operating Profit	2.3	1.4	63.1
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	0.0	0.0	0.0
Reported Pre-tax Profit	2.3	1.4	63.1
Reported Net Profit	1.2	0.8	49.8
Reported Operating Margin (%)	11.0	7.8	-
Reported Pre-tax Margin (%)	11.0	7.8	-
Reported Net Margin (%)	5.9	4.5	-

Source: Company data

Profit & Loss

FY Oct. / MYR mln	2007	2008	2009E	2010E
Reported Revenue	61.7	86.5	96.7	110.7
Reported Operating Profit	13.4	16.1	19.2	21.8
Depreciation & Amortization	-4.2	0.0	-5.6	-6.4
Net Interest Income / (Expense)	0.0	0.0	-0.3	-1.0
Reported Pre-tax Profit	13.4	16.1	19.0	20.9
Effective Tax Rate (%)	27.9	26.7	27.0	27.0
Reported Net Profit	9.7	11.8	13.8	15.2
Reported Operating Margin (%)	21.7	18.6	19.9	19.7
Reported Pre-tax Margin (%)	21.7	18.6	19.6	18.8
Reported Net Margin (%)	15.7	13.6	14.3	13.8

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.

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
23-Dec-08	Buy	1.30
26-Mar-08	Buy	1.80
3-Mar-08	Buy	1.93

