OSK

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1QFY11 Results Review

HELP International

On a Summer Break

BUY

Fair Value	**RM2.82**
Previous	**RM2.59**
Price	**RM2.54**

EDUCATION

HELP International is principally involved in the provision of private tertiary and vocational education through its colleges.

Stock Statistics

Bloomberg Ticker	HELP MK
Share Capital (m)	142.0
Market Cap (RMm)	360.8
52 week H│L Price (RM)	3.04│ 1.26
3mth Avg Vol ('000)	50.4
YTD Returns	12.9
Beta (x)	0.74

Major Shareholders (%)

Selangor Properties	51.0
Acacia Partners	7.2

Share Performance (%)

Month	Absolute	Relative
1m	12.9	11.1
3m	10.9	17.2
6m	-7.4	-14.5
12m	103.8	75.5

6-month Share Price Performance

The 1QFY11 earnings were within our expectations although HELP only recorded a net profit of RM2.73m, or about 11.9% of our full-year forecast. This was due to seasonal factors whereby 1Q typically accounts for about 10%-15% of the company's full-year earnings. Y-o-y revenue ticked up by 3.3% while net profit rose by some 12.7% on better margins arising from an increase in its home-grown courses. We maintain our forecast and BUY call at a higher FV of RM2.82 from RM2.59 previously after rolling over our EPS from FY11 to FY12 at 14x PER, plus its net cash per share of RM0.32 as at end-FY10. HELP is a sustainable growth story in defensive sector driven by a strong and focused management team with a proven track record.

Within expectation. The 1QFY11 earnings were within our expectations although accounting for only some 11.9% of our full-year forecast due to seasonal factors related to its twinning courses conducted in collaboration with foreign institutions. Revenue grew marginally by 3.3% y-o-y while net profit was up by 12.7%, supported by improved margins. We believe the better margins was largely attributed to prudent cost management and the increasing number of its home-grown courses, which generally command higher margins as the company does not have to pay royalty for them compared to twinning or foreign courses developed by other institutions. As a result, EBIT margin in 1QFY11 improved to 18.5% from 16% in 1QFY10.

Seasonally lower. As the company's revenue and net profit were significantly lower q-o-q due to seasonality given that fewer classes were conducted owing to the summer holidays associated with courses conducted in collaboration with institutions in the southern hemisphere, particularly Australia and New Zealand. Q-o-q, revenue dropped by 11.1% while net profit plunged by 57.9% in 1QFY11. This is due to the nature of the business whereby the company continues to incur high fixed costs, thus causing a bigger contraction in profitability when revenue falls. Moving forward, we expect the 2QFY11 results to be significantly better q-o-q as more classes are conducted during this period and as the new semester for its Australian and New Zealand courses commences.

Maintain BUY at a higher FV. We maintain our forecast and **BUY** recommendation at a higher FV of **RM2.82** from RM2.59 previously after rolling over our EPS from FY11 to FY12 at 14x PER, plus its net cash of RM0.32 per share as at end-FY10. We believe the company's robust and clean books, as well as solid management will stand it in good stead in expanding comfortably without straining its balance sheet.

FYE Oct (RMm)	FY08	FY09	FY10	FY11f	FY12f
Revenue	86.5	96.6	105.2	135.2	155.4
Net Profit	11.8	15.5	19.1	23.0	25.5
% chg y-o-y	22.1	30.9	23.6	20.3	10.8
Consensus				23.9	27.6
EPS (sen)	8.3	10.9	13.4	16.2	17.9
DPS (sen)	3.0	3.0	2.0	2.4	3.6
Dividend yield (%)	1.2	1.2	0.8	1.0	0.0
ROE (%)	17.4	18.3	18.2	19.1	19.0
ROA (%)	10.4	11.3	10.7	10.3	9.9
PER (x)	30.6	23.4	18.9	15.7	14.2
BV/share (RM)	0.51	0.68	0.80	0.89	0.99
P/BV (x)	5.0	3.7	3.2	2.8	2.6

Results Table (RMm)

FYE Oct	1Q11	4Q10	Q-o-Q chg	YTD FY11	YTD FY10	Y-o-Y chg	Comments
Revenue	24.30	27.33	-11.1%	24.30	23.51	3.3%	Lower q-o-q due to the summer break in the southern hemisphere.
EBIT	4.50	8.22	-45.3%	4.50	3.76	19.5%	
Net interest expense	-0.4	-0.4		-0.4	0.0		
Associates	0.0	0.0		0.0	0.0		
PBT	4.14	7.82	-47.1%	4.14	3.76	10.0%	
Tax	-1.41	-1.34	5.1%	-1.41	-1.34	5.1%	
MI	0.00	0.00		0.00	0.00		
Net profit	2.73	6.47	-57.9%	2.73	2.42	12.7%	
EPS (sen)	1.92	4.56		1.92	1.70		
DPS (sen)							
EBIT margin	18.5%	30.1%		18.5%	16.0%		Better margins due to increasing number of home-grown courses.
NTA/share (RM)	0.82	0.80		0.82	0.68		

EARNINGS FORECAST

FYE Oct (RMm)	FY08	FY09	FY10	FY11f	FY12f
Turnover	86.5	96.6	105.2	135.2	155.4
EBITDA	19.0	25.2	32.6	39.0	42.7
PBT	16.1	21.8	26.7	33.8	37.4
Net Profit	11.8	15.5	19.1	23.0	25.5
EPS (sen)	8.3	10.9	13.4	16.2	17.9
DPS (sen)	3.0	3.0	2.0	2.4	3.6
Margin					
EBITDA (%)	21.9	26.1	31.0	28.8	27.5
PBT (%)	18.6	22.6	25.4	25.0	24.1
Net Profit (%)	13.6	16.0	18.2	17.0	16.4
ROE (%)	17.4	18.3	18.2	19.1	19.0
ROA (%)	10.4	11.3	10.7	10.3	9.9
Balance Sheet					
Fixed Assets	48.7	51.1	126.6	136.6	136.6
Current Assets	73.6	98.9	78.9	105.3	137.5
Total Assets	122.3	150.0	205.4	241.9	274.1
Current Liabilities	49.7	50.0	61.3	87.2	105.2
Net Current Assets	23.9	49.0	17.6	18.1	32.4
LT Liabilities	0.6	3.6	30.8	27.6	27.6
Shareholders Funds	72.1	96.5	113.4	127.1	141.3
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated (NR): Stock is not within regular research coverage

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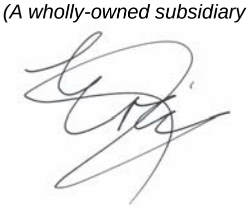

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