MALAYSIA EQUITY
Investment Research
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OSK

EDUCATION

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3QFY07 Results Review

Private Circulation Only

HELP International Corp

BUY	**Maintain**
Price	**RM1.46**
Target	**RM1.81**

Smooth Sailing Ahead…

Results were within our expectations. Despite HELP's 64% run up since our previous report, we believe more upside remains to be reaped. Given its sanguine prospects, HELP remains our top pick for the education sector. Maintain BUY.

Within expectations. YTD 3Q revenue and earnings came in at 72% and 65% of our full year forecast. This does not come in as a surprise given that 1Q and 3Q are the weaker quarters for HELP as it is the holiday season (summer break) for its courses from the United Kingdom, United States and Australia. Historically, YTD 3Q earnings make up 60% to 65% of full year earnings.

Student population growth remains intact. We are confident that our estimate of 15% growth in new enrolments for FY07 will be met. A jump in student numbers during the 4Q is expected due to the "autumn intake" for UK linked courses. As such, after incorporating the leaving students, we estimate a total student population of 9,300 by the end of FY07.

New courses under development. The new specialist courses that HELP intends to offer are currently under development. These courses include security management, business psychology, video games and applied medical sciences. We expect some of these programmes to be rolled out by 2008.

Budget 08 to boost postgraduate students? Budget 2008's tax rebates up to RM5,000 for those undertaking postgraduate courses bodes well with HELP's plans to boost its postgraduate student numbers that currently comprises only 6% of its student population.

Expansion on the way. Last month, HELP entered into a conditional Share Acquisition Agreement to acquire SIT International College. The RM2m acquisition will be financed via internal funds. While we have not factored the potential increase in student number as a result of the proposed acquisition, we are optimistic on its prospects given HELP's prudent and focused management.

Maintain BUY. We derive HELP's target price of RM1.81 based on the residual income model over a 7 year forecast horizon. Given the 24% upside to our target price, we maintain our BUY call.

FYE Oct (RMm)	FY04	FY05	FY06	FY07f	FY08f
Turnover	44.9	48.0	53.5	61.5	74.2
EBITDA	13.1	14.7	16.5	18.8	22.9
Net Profit	5.7	6.6	8.1	9.6	12.4
% chg YoY	-	15.1%	22.9%	19.4%	28.7%
Consensus					
EPS (sen)	6.4	7.4	9.1	10.8	14.0
DPS (sen)^	-	-	-	-	1.40
Div Yield ^	0.0%	0.0%	0.0%	0.0%	1.0%
ROE	-	11.9%	13.2%	15.2%	18.0%
ROA	-	8.1%	8.9%	9.6%	10.9%
PER (x)	22.7	19.8	16.1	13.5	10.5
P/BV (x)	2.5	2.2	2.0	2.1	1.7

Stock Profile/Statistics

Bloomberg Ticker	HELP MK
KLCI	1320.89
Issued Share Capital (m)	88.78
Market Capitalisation (RMm)	129.61
52 week H | L Price (RM)	1.47 | 0.80
Average Volume (3m) '000	219.18
YTD Returns (%)	#N/A N.A.
Net gearing (x)	-0.40
Altman Z-Score	N.A.
ROCE/WACC	N.A.
Beta (x)	N.A.
Book Value/share (RM)	N.A.

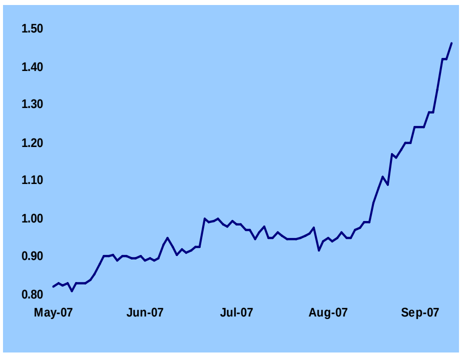
Major Shareholders (%)

Selangor Properties Bhd	51.0%
Dato Zakaria Bin Ahmad	14.5%
Tele Suria Resources SB	4.4%

Share Performance (%)

Month	Absolute	Relative
1m	49.47	48.17
3m	59.55	68.82
6m	NA	NA
12m	NA	NA

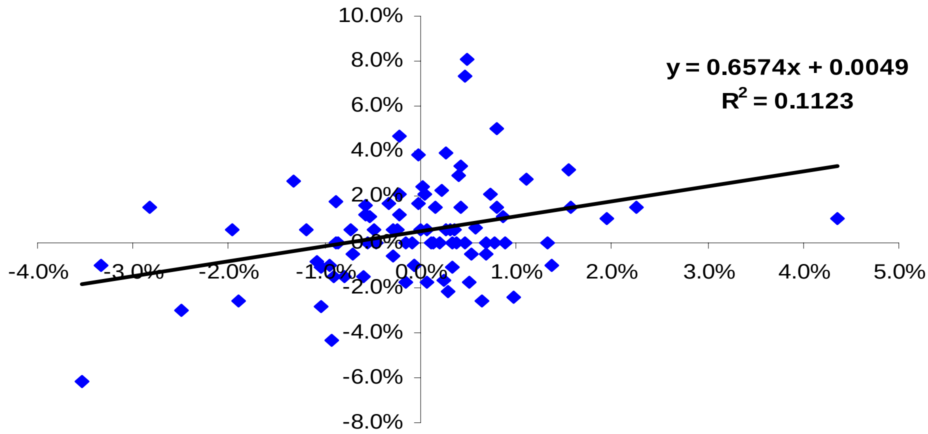
6-month Share Price Performance



KEY HIGHLIGHTS

Not as risky as we thought. With more trading days available since our initiating coverage report on HELP, we are now able to better estimate its beta using historical price movements. Using a sample of 88 trading days since its listing we derive a beta of 0.66x, which is much lower than our previous estimate using an unlevered industry average of 0.89x. Consequently, our cost of equity has been reduced from 14.2% to 11.6%. We maintain our risk free rate at 4.1% and market risk premium at 12%.

Figure 1: Estimating HELP's beta



Note: Vertical axis shows the daily returns of HELP and the horizontal axis shows that of the KLCI

Source: OSK Research, Bloomberg

Valuation method. We continue to use the residual income model to value HELP and derive a target price of RM1.81. The rise in our target price was driven by

- Actual beta was lower than our initial estimate, reducing the cost of equity
- Extending our forecast horizon from 5 years to 7 years, but reducing our terminal growth assumption from 2% to 1.5%
- A rise in HELP's actual BV per share since our last report

Figure 2: Valuation parameters

Component	Value	Comments
PV of residual income stream	0.37	7 year horizon
PV of terminal value	0.65	1.5% terminal growth
Current BV per share	0.79	The certainty component
Fair Value	**1.81**	**24% Upside!**

Source: OSK Research

BUY maintained. At its current price, HELP is trading at 13.5x and 10.5x on FY07 and FY08 earnings respectively. Still cheep if we consider the recent price offered for Inti Universal Holdings (IUH MK, not rated) implying a PER of 34x on its annualised FY07 earnings. Regional education stocks are trading at an average of 24.3x its forward earnings. **Given the 24% upside to our target price of RM1.81, we maintain our BUY call on HELP.**

Figure 3: Regional education stocks

Company	Country	PER (x)	ROE
Raffles Education Corp	Singapore	32.8	49.8%
Megastudy Co Ltd	Korea	40.8	25.7%
Cerdu Corp	Korea	37.4	21.1%
Meiko Network Japan	Japan	14.6	21.0%
IBT Education Ltd	Australia	17.8	27.8%
SEG International Bhd	Malaysia	14.4	1.4%
HELP International Corp	**Malaysia**	**13.5**	**15.2%**
China Education Ltd	China	29.7	14.2%
Oriental Century Ltd	China	17.7	29.3%
Average		24.3	22.8%

Note: PER represents a forward PER based on consensus earnings forecast.

Source: Bloomberg, OSK Research

Quarter Results Table

FYE Oct (RMm)	3QFY06	3QFY07	% chg	YTD FY07	YTD FY06	% chg
Turnover	-	18.62	-	44.14	-	-
EBITDA^	-	6.54	-	12.69	-	-
Depreciation	-	(1.16)	-	(3.49)	-	-
Net interest expense	-	-	-	-	-	-
Associates	-	-	-	-	-	-
PBT before EI	-	5.38	-	9.21	-	-
EI	-	-	-	-	-	-
PBT	-	5.38	-	9.21	-	-
Tax	-	1.74	-	(3.00)	-	-
MI & Others*	-	0.01	-	0.03	-	-
Reported Net Profit	-	3.66	-	6.23	-	-
Core Net Profit	-	3.66	-	6.23	-	-
Core EPS (sen)	-		-	0.07	-	-
DPS (sen)	-		-	-	-	-
EBITDA margin	-		-	28.7%	-	-
NTA/share (RM)	-		-	0.79	-	-

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PBT	8.3	10.0	12.0	14.2	18.2
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EPS (sen)	6.4	7.4	9.1	10.8	14.0
DPS (sen)	-	-	-	-	1.4
Margin					
EBITDA	29.1%	30.6%	30.8%	30.6%	30.9%
PBT	18.5%	20.9%	22.4%	23.0%	24.6%
Net Profit	12.7%	13.7%	15.1%	15.6%	16.7%
ROE	-	11.9%	13.2%	15.2%	18.0%
ROA	-	8.1%	8.9%	9.6%	10.9%
Balance Sheet					
Fixed Assets	49.9	47.7	44.7	46.3	48.7
Current Assets	27.9	37.6	50.7	58.2	74.9
Total Assets	77.8	85.2	95.4	104.4	123.6
Current Liabilities	24.5	25.9	31.3	40.6	48.6
Net Current Assets	3.3	11.6	19.5	17.5	26.2
LT Liabilities	1.3	0.7	0.7	0.6	0.6
Shareholders Funds	52.0	58.5	63.4	63.2	74.4
Net Gearing (x)	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: Stock is not within regular research coverage

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