

Help International Corporation

Recommendation: **BUY**Stock Code: **7236**Bloomberg: **HELP MK**Price: **MYR1.44**12-Month Target Price: **MYR1.60**Date: **September 28, 2009****Board:** Main**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 & Earnings Outlook**

- HIC's 3QFY09 (Oct) revenue and net profit declined 23% and 45% QoQ to MYR21.6 mln and MYR2.9 mln, respectively. Nonetheless, we consider 9MFY09 net profit of MYR9.5 mln to be broadly within our expectations. Despite reaching only 68% of our FY09 estimate 3Q is a seasonally softer quarter due to fewer classes conducted. A stronger 4QFY09 performance is expected when the frequency of classes increases.
- On a YoY comparison, 9MFY09 revenue rose 17% to MYR70.4 mln due to the increase in student enrolment and number of programs offered. Meanwhile, lower operating costs and effective tax rates have pushed net profit higher by 39% YoY, boosting net profit margin to 13.5% from 11.5% in 9MFY08.
- The group's balance sheet remains strong, with NTA/share strengthening to 98 sen at end-July 2009 from 84 sen a year earlier. Similarly, its net cash/share grew to 82 sen from 69 sen at end-July 2008.
- We leave our respective FY09 and FY10 net profit estimates of MYR13.9 mln and MYR15.3 mln unchanged.
- No dividend was declared during the quarter under review (3QFY08: nil).

Recommendation & Investment Risks

- We maintain our Buy recommendation on HIC with an unchanged 12-month target price of MYR1.60.
- We continue to derive our target price by ascribing a target PER multiple of 9x (unchanged) against FY10 earnings, inclusive of a 3 sen projected dividend. Our target PER multiple is at a 10% premium to its peers, to reflect its higher net profit margin and strong balance sheet.
- We remain upbeat on HIC, its positive outlook underpinned by a steady growth in its student population and programs offered, as well as its overseas expansions via franchise and licensing arrangements. The education business has largely been shielded from the economic downturn. On the contrary, the group stands to benefit with more students opting to pursue tertiary education locally due to the more affordable tuition fees. In addition, HIC's track record as a quality education provider has also attracted a pool of approximately 2,500 international students (20% of HIC's total student population).
- 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	15.7
PER (x)	10.8	9.2
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 - 1.54	
Major Shareholders:	%	
Selangor Properties Bhd	51.0	
Acacia Partners LP	7.2	
Dato' Dr. Zakaria Bin Ahmad	5.3	

*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	18.5	22.0
Reported Earnings (sen)	9.1	10.9	13.3	15.7
Dividend (sen)	0.0	3.0	3.0	3.0
Payout Ratio (%)	0.0	20.1	16.9	14.4
PER (x)	15.9	13.2	10.8	9.2
P/Cash Flow (x)	10.2	9.2	7.8	6.5
P/Book Value (x)	2.0	1.7	1.5	1.3
Dividend Yield (%)	0.0	2.1	2.1	2.1
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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FY Oct. / MYR mln	3Q09	3Q08	% Change
Reported Revenue	21.6	18.3	18.2
Reported Operating Profit	4.3	2.6	61.8
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	0.0	0.0	0.0
Reported Pre-tax Profit	4.3	2.6	61.9
Reported Net Profit	2.9	1.6	79.5
Reported Operating Margin (%)	19.8	14.4	-
Reported Pre-tax Margin (%)	19.8	14.4	-
Reported Net Margin (%)	13.5	8.9	-

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	-4.6	-5.6	-6.4
Net Interest Income / (Expense)	0.0	0.0	-0.2	-0.9
Reported Pre-tax Profit	13.4	16.1	19.1	20.9
Effective Tax Rate (%)	27.9	26.7	27.0	27.0
Reported Net Profit	9.7	11.8	13.9	15.3
Reported Operating Margin (%)	21.7	18.6	19.9	19.7
Reported Pre-tax Margin (%)	21.7	18.6	19.7	18.9
Reported Net Margin (%)	15.7	13.6	14.4	13.8

Source: Company data, S&P Equity Research

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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.

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Recommendation and Target Price History

Date	Recommendation	Target Price
2-Jul-09	Buy	1.60
23-Dec-08	Buy	1.30
26-Mar-08	Buy	1.80
3-Mar-08	Buy	1.93

