

FY Oct 2008 final results

HELP International Corp

- Final results above expectations
- Recession-proof resilient earnings
- Strong growth ahead, overseas expansions
- Reasonably priced at 6.3x 2009 P/E, 1x book

BUY

Price
RM0.95

Market capitalization
RM84 million

Board
Second

Sector
Trading / Services

Stock code
7236

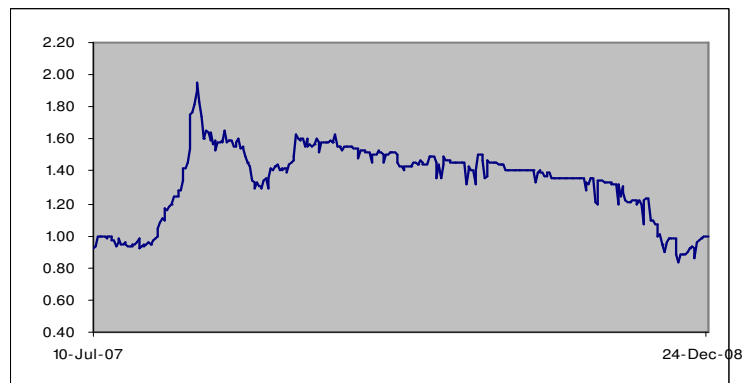
Analyst
Kevin Khoo

Key stock statistics	FY Dec08	FY Dec09E
EPS (sen)	13.3	15.0
P/E (x)	7.2	6.3
DPS (sen)	3.0	3.0
NTA/share (RM)	0.93	1.02
Issued capital (mil)	88.8 (50 sen par)	
52-week price range (RM)	0.82-1.68	

Major shareholders (%)

Selangor Properties	51.0%
Dato' Zakaria Ahmad	14.5%
Tele Suria Resources	4.4%

Share Price Chart



FY Oct 2008 final results highlights:

Year end Oct (RM mil)	2008	2007	% chg
Turnover	86.5	61.7	40.3
Pre-tax profit	16.1	13.4	20.1
Tax	4.3	3.7	14.7
Minority interests	0.0	0.0	-
Net profit	11.8	9.7	21.9
EPS (sen)	13.3	10.9	21.9
Pre-tax profit margin (%)	18.6	21.7	
Net profit margin (%)	13.6	15.7	

HELP International Corp (RM0.95) reported a very good set of FY Oct 2008 final numbers, which showed resilient earnings and continued strong double digit growth. Net profit of RM11.8 million was 15.7% above our forecast of RM10.2 million.

HELP is one of Malaysia's leading providers of education services, offering a wide range of tertiary, pre-university and post-graduate courses.

Its earnings are seasonal, as the company recognizes revenue and profits according to the classes conducted for each student enrolled, rather than pro-rated across the year.

As such, the company traditionally has a weak first and third quarter for its Oct financial year (Nov-Jan and May-Jul) due to the year-end and mid-year holidays, and a very strong second and fourth quarter (Feb-Apr and Aug-Oct) when classes are in full swing.

Reflecting this trend, the company reported strong 4QFY08 numbers but growth was particularly robust with net profit up 42.9% from RM3.4 million to RM5 million. This was partly due to the start of contributions from its overseas operations, as well as lower losses at HELP-ICT.

For the full year, revenue increased 40.3% to RM86.5 million. Pre-tax profit increased 20.1% to RM16.1 million while net profit rose 21.9% to RM11.8 million. The company's balance sheet remains very strong with net cash of RM74 million, up from RM57.7 million. Of this amount, RM18.5 million are from pre-payment of fees by students.

Outlook & recommendation

HELP is highly regarded for its academic quality and innovative products. It was among the first Malaysian institutions to introduce “twinning” and external degree programmes and has established strong collaborative relationships with a number of top international universities.

In 2004, HELP was awarded “University College” status, allowing it to award its own degrees under the HELP University College brand name. The ability to “create” its own courses and degrees has enabled HELP to offer more competitively priced courses, protect margins and expand abroad.

HELP’s international expansion drive is starting to bear fruit, and should drive earnings in 2009 and beyond. The company currently has over 1,000 students studying for its courses in Vietnam and Indonesia, mostly at Vietnam National University.

These students will typically study for a year or two in their home countries before proceeding to complete their studies at HELP in Malaysia for a HELP or overseas accredited degree.

Over the medium term, overseas contributions will increase further with the start of its ventures in Saudi Arabia as well as a venture to establish Edexcel centres throughout Asia.

Back home, HELP-ICT, the former Sepang Institute of Technology acquired in Nov 2007 is starting to turn around. Over the longer term, the new campus in Subang 2 Selangor will provide the platform for growth, application for full University status and create a hub for its overseas expansions.

We like the company’s cash-generating, recession-proof business and strong franchise. The ability to rise well above its peers is a testament to the HELP brand.

We are broadly maintaining our forecasts. We expect earnings to grow 12.8% to RM13.3 million in FY09 as HELP-ICT turns around and the overseas tie-ups feature more strongly.

The company’s shares have fallen to RM0.95 recently due to the market sell-off. P/E valuations are very attractive at 6.3 and 5.9 times FY09-10 earnings, respectively. The stock is also just trading at book value.

These valuations are unjustifiably low for a company with strong balance sheet and brand name, and positive growth prospects.

We maintain our **BUY** recommendation.

Profit & Loss Analysis

Year-end Oct (RM mil)	2006	2007	2008E	2009E
Revenue	53.5	61.7	86.5	88.6
Operating profit	13.4	13.3	15.4	21.3
Depreciation	(4.5)	(3.2)	(4.5)	(4.6)
Interest & other income	3.1	3.2	5.2	1.3
Pre-tax profit	12.0	13.4	16.1	18.0
Tax	(3.9)	(3.7)	(4.3)	(4.7)
Minority interests	0.0	0.0	(0.0)	-
Net profit	8.1	9.7	11.8	13.3
Operating margin (%)	25.1%	21.6%	17.8%	24.0%
Pre-tax margin (%)	22.4%	21.7%	18.6%	20.3%
Net margin (%)	15.1%	15.7%	13.6%	15.0%
Effective tax rate (%)	-32.9%	-27.9%	-26.7%	-26.0%

Per Share Data

Year-end Oct	2006	2007	2008E	2009E
EPS (sen)	9.1	10.9	13.3	15.0
P/E (x)	10.5	8.7	7.2	6.3
Dividend (sen)	-	3.0	3.0	3.0
Dividend Yield (%)	-	3.2	3.2	3.2
Payout ratio (%)	0%	20%	23%	20%
NTA (RM)	0.60	0.82	0.93	1.05
P/ Book value (x)	1.57	1.15	1.02	0.91
Cash flow / share (sen)	14.1	14.5	18.4	20.2
P/ Cash flow (x)	6.7	6.6	5.2	4.7
Net gearing (%)	net cash	net cash	net cash	net cash
ROE (%)	15.0%	13.2%	14.3%	14.3%



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