

## Outperform

Unchanged

Price 24½p

Reuters/BBG Index Sector	AEC.L / AEC LN FTSE AIM Education services
Market Cap	£9.7m

## MORNING COMMENT

### AEC Education Plc\*

#### Interim results

#### Strong H1 performance gives confidence for the full year

- AEC is an education training and examinations company. Its two main overseas activities are the provision of classroom and distance learning training courses, largely in business and hospitality spheres, and the management of LCCI vocational examinations in the Far East. In the UK, after the period end, AEC acquired Malvern Group, a London-based provider of English Language Learning courses for foreign students as well as courses in Business Administration, Travel, Tourism, Hospitality and Foreign Languages.
- AEC reports a very strong 2009 first half performance with revenue up 21% organically to £3.208m (H108: £2.65m), profit before tax up 31% to £403,000 (H108: £308,000), after tax up 62%, and basic earnings per share of 1.3p (H108: 1.2p), 1.13p on a fully diluted basis.
- As at 30 June 2009, net cash stood at £3.15m (FY08: £1.96m) following a successfully equity fundraise of £1.63m through the issue of 13,554,967 shares. Part of the funds were used to acquire Malvern Group in July 2009.
- Trading across all AEC's activities in the Far East are reported to be strong, particularly for educational courses, this despite the wider economic difficulties. LCCI examinations growth of 5% is in-line with management expectations. The integration of Malvern House, acquired in July 2009, will be a major focus in the second half, exploiting synergies that exist between the business and the wider Group.
- H2 benefits from the first time contribution of Malvern. We estimate a contribution of c. £280k. Combined with the organic growth momentum seen in H1, we believe AEC to be comfortably on track to meet our full year estimates. Accordingly we reiterate our Outperform stance.

\*WH Ireland acts as Broker and Nomad. This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research.

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Y/E December	H109A	2009E	2010E	2011E
Sales (£m)	3,200	9,449	13,400	14,305
PTP (£m)	403	1,201	1,749	2,038
EPS (p)	1.13	2.3	2.6	3.0
P/E (x)	-	10.7	9.4	8.2
DPS (p)	0.00	0.00	0.60	0.72
Dividend Yield (%)	-	-	2.4	2.9

Source: WH Ireland estimates

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## Disclosures

### WH Ireland Recommendation Definitions

#### Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

#### Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

#### Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

#### Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

#### Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

#### Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

### Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

### Stock Rating Distribution

As at the quarter ending 30 June 2009 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	23	30%	8
Speculative Buy	9	12%	9
Outperform	14	18%	0
Market Perform	25	32%	4
Underperform	5	6%	0
Sell	1	2%	0
<b>Total</b>	<b>77</b>	<b>100%</b>	<b>22</b>

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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