

SISB SISB TB
THAILAND / PROFESSIONAL SERVICE

BUY

คุณภาพในราคาที่จับต้องได้

- โรงเรียนแรกในประเทศไทยที่ใช้หลักสูตรการศึกษาของสิงคโปร์ซึ่งมีชื่อเสียงในด้านคณิตศาสตร์ วิทยาศาสตร์และการเรียนการสอน 3 ภาษา
- SISB น่าจะมีการเติบโตอยู่ในเกณฑ์ดีต่อเนื่องจากการขยายความสามารถในการรับนักเรียนโดยคาดการณ์การเติบโตที่ 23% CAGR ในช่วงปี 2023-25
- คงแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 30 บาท

TARGET PRICE	THB30.00
CLOSE	THB26.50
UP/DOWNSIDE	+13.2%
TP vs CONSENSUS	+18.4%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	1,319	1,719	2,122	2,490
Net profit	369	607	765	918
EPS (THB)	0.39	0.65	0.81	0.98
vs Consensus (%)	-	20.4	10.5	-
EBITDA	551	804	987	1,155
Core net profit	369	607	765	918
Core EPS (THB)	0.39	0.65	0.81	0.98
EPS growth (%)	73.1	64.5	25.9	20.0

Core P/E (x)	67.5	41.0	32.6	27.1
Dividend yield (%)	0.4	1.0	1.2	1.5
EV/EBITDA (x)	44.6	30.5	24.8	21.1
Price/book (x)	10.9	9.4	8.0	7.3
Net debt/Equity (%)	(15.4)	(14.2)	(14.4)	(15.8)
ROE (%)	17.2	24.6	26.5	28.2

หนึ่งในโรงเรียนนานาชาติชั้นนำของไทย

Singapore International School of Bangkok (SISB) เป็นโรงเรียนแรกในประเทศไทยที่ใช้หลักสูตรการศึกษาของสิงคโปร์อันมีชื่อเสียงในด้านคณิตศาสตร์และวิทยาศาสตร์ นอกจากนี้ภาษายังเป็นหนึ่งในจุดแข็งของ SISB โดยนักเรียนจะเรียนเป็นภาษาอังกฤษ จีนและไทย ปัจจุบัน SISB เปิดดำเนินการ 4 โรงเรียนนานาชาติโดยมี 3 แห่งในกรุงเทพฯ และอีก 1 แห่งในเชียงใหม่ ณ. สิ้นปี 2022 SISB มีจำนวนนักเรียนรวม 3,114 คนคิดเป็น 67% ของความสามารถในการรองรับนักเรียน

การขยายธุรกิจอย่างต่อเนื่อง

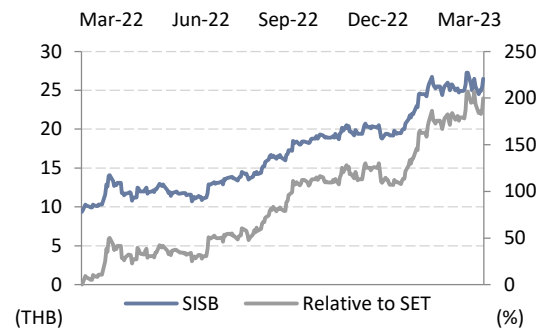
SISB จะเปิดโรงเรียนแห่งที่ 5 และ 6 ในจังหวัดนนทบุรีและระยองในเดือน ส.ค. 2023 จากความต้องการที่อยู่ในระดับสูง บริษัทฯ วางแผนขยายความสามารถในการรองรับนักเรียนของโรงเรียนในปัจจุบันโดยจะเพิ่มความสามารถในการรองรับนักเรียนอีก 300 คนในวิทยาเขตประชาอุทิศ, 700 คนในธนบุรีและอีก 325 คนในเชียงใหม่ในช่วงปี 2024-25 เมื่อสำเร็จ SISB จะมีความสามารถในการรองรับนักเรียนรวม 8,000 คนซึ่งจะทำให้บริษัทฯ เป็นหนึ่งในโรงเรียนนานาชาติที่ใหญ่ที่สุดในโลก

กำไรยังอยู่ในช่วงของการเติบโต

เราเชื่อว่า SISB น่าจะมีการเติบโตอยู่ในเกณฑ์ดีอย่างต่อเนื่องจากการขยายความสามารถในการรองรับนักเรียน เราปรับเพิ่มประมาณการกำไรสุทธิปี 2023-25 อีก 11%/11%/18% ส่วนมากจากตัวเลขใบสมัครที่เพิ่มขึ้นตามความต้องการที่อยู่ในระดับสูง การขยายความสามารถในการรองรับนักเรียนและข้อมูลของนักเรียนที่เปลี่ยนไปเนื่องจากการศึกษาที่สูงขึ้นจะทำให้บริษัทฯ สามารถเก็บค่าบำรุงการศึกษาได้เพิ่มขึ้น ปัจจุบันนักเรียนของ SISB ส่วนมากอยู่ในชั้นประถมและมีแนวโน้มที่จะศึกษาต่อในชั้นที่สูงขึ้นไป เราคาดว่ากำไรสุทธิจะโต 64%/26%/20% ในปี 2023-25 คิดเป็นอัตราการเติบโตที่ 23% CAGR

คงแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 30 บาท

เราปรับเพิ่มราคาเป้าหมายเป็น 30 บาท (8.2% WACC, 3.5% LTG) จาก 24 บาท ราคาเป้าหมายใหม่ของเราซึ่งคิดเป็น 46.6x ของค่า 2023E P/E น่าจะลดลงเหลือ 26.5x ในปี 2026 เมื่อบริษัทฯ ประสบความสำเร็จในการขยายความสามารถในการรองรับนักเรียน ในฐานะที่เป็นหนึ่งในโรงเรียนที่ดีที่สุดใภูมิภาคและเป็นบริษัทที่ยังอยู่ในช่วงของการเติบโตอย่างชัดเจน เราคิดว่าอัตรากำไรขั้นต้นและอัตรากำไรสุทธิของ SISB น่าจะปรับเพิ่มต่อเนื่องเป็น 57.7% และ 37.5% ตามลำดับ ด้วยเหตุดังกล่าวเราคงแนะนำซื้อ SISB.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.9	41.0	188.0
Relative to country (%)	5.6	43.2	204.2
Mkt cap (USD m)	730		
3m avg. daily turnover (USD m)	1.3		
Free float (%)	22		
Major shareholder	Mr. Yew Hock Koh (33%)		
12m high/low (THB)	27.50/9.10		
Issued shares (m)	940.00		

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amornthum

jitra.a@fssia.com
+66 2646 9966

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 27 มีนาคม 2023

Investment thesis

International education has seen rapid growth in Thailand. Smaller family sizes have resulted in parents considering an international education a priority and a worthy investment in their children's future. SISB provides the Singapore curriculum, renowned for mathematics and science with a strong trilingual focus. With growing enrolment on every campus and plans to add a fifth and sixth campus in 2023, SISB is one of the top-ranked international schools in the country with 3,114 students in 2022. Its earnings are still in a growth stage with net profit expected to rise at a 23% CAGR during 2023-25. Longer-term, SISB plans to tap new demand in suburban areas with its proposed lower-cost 'Halving' project.

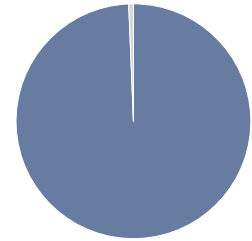
Company profile

The company operates international schools under its own brand. SISB provides the Singapore curriculum which is ranked highest in the world for mathematics and science. Its unique strength is its trilingual focus that includes English, Chinese, and Thai. Besides the Singapore curriculum, SISB also provides Cambridge IGCSE A and AS Levels, as well as the International Baccalaureate programme.

www.sisb.ac.th

Principal activities (revenue, 2022)

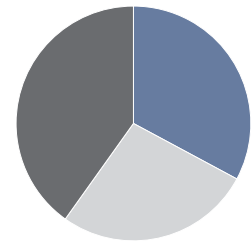
- Tuition fees and service income - 99.4 %
- Education equipment revenue - 0.6 %



Source: SISB

Major shareholders

- Mr. Yew Hock Koh - 32.8 %
- Ms. Wilawan Kaewkanokvijit - 27.0 %
- Others - 40.1 %



Source: SISB

Catalysts

Key potential catalysts include 1) capacity expansion; 2) stronger demand from both Thai and foreign families; and 3) more SISB students accepted at top universities.

Risks to our call

Downside risks to our DCF-based TP include 1) intensified competition; 2) less demand from China; 3) staff shortages; and 4) risks from legal requirements and government policies relating to the business of private schools.

Event calendar

Date	Event
Apr 2023	Annual General Meeting
May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Students, all campuses (no.)	3,748	4,333	4,808
Tuition fee (THB/year/student)	520,000	540,000	570,000
Revenue (THB m)	1,719	2,122	2,490
Growth (%)	30.4	23.6	17.4
Gross margin (%)	55.4	56.6	57.2
EBITDA margin (%)	47.2	46.8	46.7
SG&A to sales (%)	20.4	20.8	20.7

Source: FSSIA estimates

Earnings sensitivity

- For every 100-student change in enrolment, we project SISB's 2023 net profit to change by 3%, all else being equal.
- For every 1% change in gross margin, we project SISB's 2023 net profit to change by 3%, all else being equal.
- For every 1% change in SG&A expenses, we project SISB's 2023 net profit to change by 2%, all else being equal.

Source: FSSIA estimates

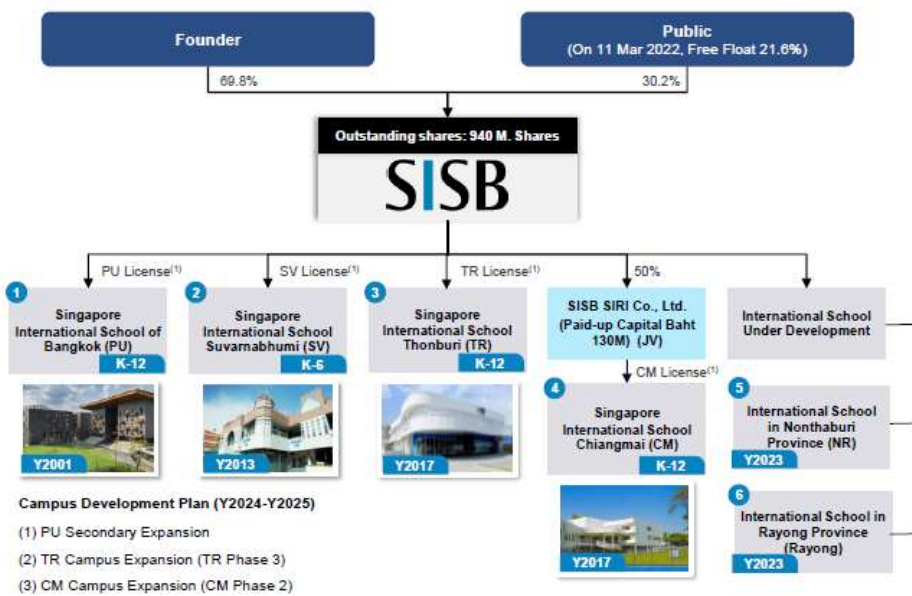
The first Singapore-style international school in Thailand

SISB was established in June 2001 with THB8m of initial registered capital from Thai and Singaporean parents who recognised the importance of education focused on mathematics and science, as well as proficiency in English and Chinese. The company was licensed by the Office of the Private Education Commission in August 2001 and became the first international school in Thailand to adopt the Singapore curriculum, which is renowned for mathematics and science. One of SISB's strengths lies in its English, Chinese, and Thai language instruction.

In addition to its adoption of the Singapore curriculum, SISB was certified as an IB World School in October 2019 by the International Baccalaureate Organisation, which allows it to provide International Baccalaureate Diploma (IBDP) courses as an alternative stream for secondary school students in Grades 11 and 12.

Currently, the company has four international schools providing pre-primary to higher secondary education for up to 4,675 students. The three international schools whose licenses are directly held by the company are 1) Singapore International School of Bangkok (PU); 2) Singapore International School Suvarnabhumi (SV); and 3) Singapore International School Thonburi (TR). The fourth, SISB-SIRI, is a joint venture that holds the license for Singapore International School Chiangmai, which is the first international school in Chiangmai. Two international schools located in Nonthaburi and Rayong province are currently under construction.

Exhibit 1: SISB's corporate structure



Source: SISB

Exhibit 2: Educational curriculum of schools in the SISB group



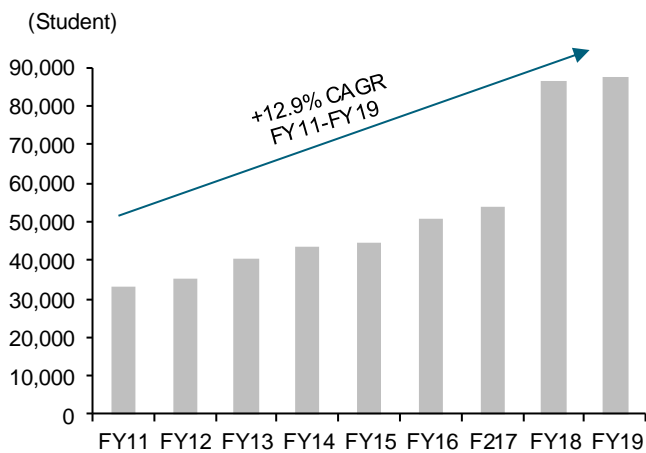
Source: SISB

The company also provides extra-curricular activities to make constructive use of students' free time after school, such as Extra Academic Support (EAS), English Language Support (ELS), Chinese Language Support (CLS), and non-academic activities such as swimming, gymnastics, football, ballet, computer club, music club, and mechanisms and robotics. SISB provides other services in support of school operations such as student dormitories, food and beverages, textbooks and education materials, and training and examinations. SISB is also accredited for the entry exams of many leading institutions such as the International Primary School Leaving Examination (iPSLE), IGCSE, AS/A, HSK, and SAT.

Growing interest in international schools in Thailand

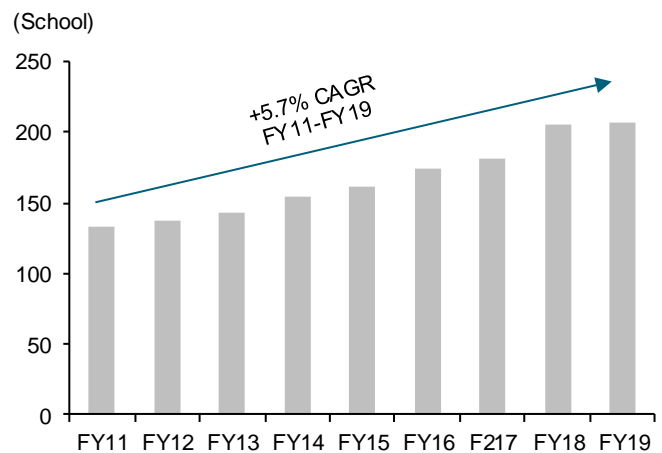
Education in Thailand is governed by the Ministry of Education in accordance with the National Education Act, B.E. 1999, which mandates a free basic education for at least 12 years with nine years of compulsory schooling for all students in public schools. To provide more choices for parents and students and improve quality through a more competitive environment, the state allows the private sector to participate via formal private schools. Currently, there are three types of formal private schools: 1) general education at the pre-primary, primary, and secondary (lower-secondary and upper-secondary) levels; 2) vocational education which provides certificates and technical diplomas; and 3) international education based on international curricula using foreign languages.

Exhibit 3: Number of students in international schools



Note: The numbers exclude vocational education students
Source: Office of the Private Education Commission

Exhibit 4: Number of international schools in Thailand



Source: Office of the Private Education Commission

Thailand has seen a rapid rise in international education. In the past, international schools in Thailand generally served only the children of expats and foreign officials. Nowadays, with more Thai parents realising the benefits of foreign languages, relations with multicultural communities, and greater opportunities for international careers, many are choosing to send their children to international schools. In addition, the trend toward smaller families means parents can invest more per child in education.

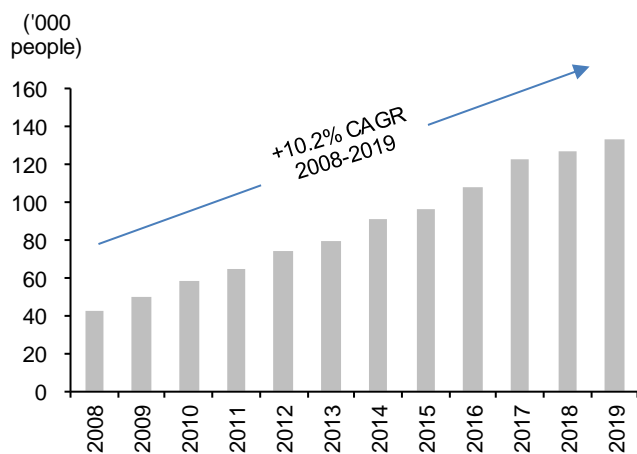
The number of international schools in Thailand rose at a 6% CAGR from 175 schools in FY16 to 207 schools in FY19. International school enrolment in FY19 accounted for 4% of the total number of students in formal private schools, or 87,343 students, up from 2% or 50,958 students in FY16. This represented a 20% CAGR during FY16-FY19 – the highest growth rate in international schools in Southeast Asia.

Why international school?

International education has emerged as a growth industry globally, and demand in Thailand has surged rapidly with an increasing number of new campuses. There are several factors influencing this trend, which are as follows:

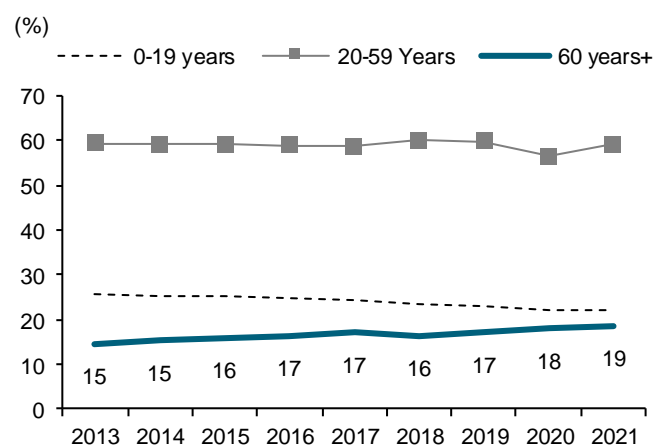
- 1. Rising income.** GDP per capita in Thailand grew at a 4.6% CAGR from THB171,000 per year in 2011 to THB244,000 per year in 2019 before plunging amid the Covid-19 pandemic in 2020-21. Moreover, the number of high-net-worth individuals (HNWIs) with net assets of at least THB30m in Thailand increased at a 10% CAGR during 2008-20, according to World Wealth Report. In 2019, Thailand saw its number of HNWIs grow by 5.5% y-y, higher than the world average of 0.8%. This reflects Thailand's growing high-income population who are the international schools' target group.
- 2. Demographic change.** Thailand's elderly population is growing rapidly. Already an aging society since 2005, with over 10% of the total population aged 60 and over, Thailand is expected to become a super-aged society in 2031 when those aged 60 and over make up 28% of the total population, according to The Office of the National Economic and Social Development Council. This has forced the government to focus on education as a means of creating high-quality human capital. Moreover, with Thai families becoming smaller, education is considered a priority for those who can afford it.

Exhibit 5: High-net-worth individuals in Thailand



Source: World Wealth Report

Exhibit 6: Demographic change



Source: The Office of the National Economic and Social Development Council

- 3. Demand growth from foreign families in Thailand.** There were 137,778 registered expatriate workers (those with a work permit) in Thailand in 2021, down 18% from 2019 due to the pandemic. We believe this figure will continue to rise in line with government initiatives to promote investment in the Eastern Economic Corridor (EEC). In our view, the increasing number of expatriate workers should result in growing demand for international schools.

Strengths of SISB

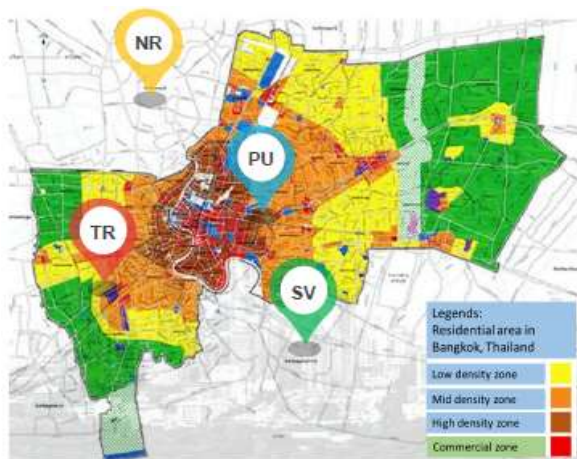
1. Continued expansion

Currently, SISB operates four international schools: three in Bangkok and one in Chiangmai province in northern Thailand. The three campuses in Bangkok are in Pracha Uthit (PU), a residential area with many well-known international schools; Suvarnabhumi (SV), a suburb 28 km from Suvarnabhumi Airport; and Thonburi (TR), a densely populated area with several general schools but few international schools. Chiangmai campus is operated under a joint venture in which SISB holds 50%. It is the first Singapore-style international school in the province.

At end-2022, SISB had 3,114 total students at all campuses, or a 67% utilisation rate. The company will open two more schools, one in Nonthaburi and one in Rayong, in August 2023. Nonthaburi is a province located on the outskirts of Bangkok, and its capital is one of the most populous cities in Thailand. Rayong, a province in eastern Thailand, is the centre of the country’s EEC. Rayong’s provincial capital, which has the same name, is host to many expatriate families and has no international school.

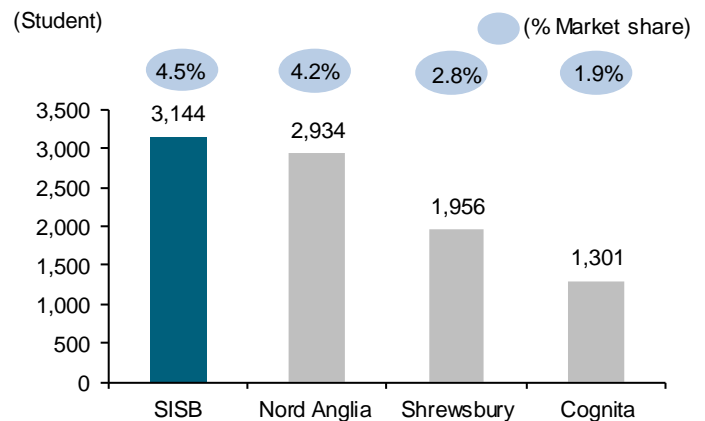
Due to solid demand, the company also plans to expand the capacity of its existing campuses by adding 300 additional seats at PU, 700 seats at TR, and 325 seats at CM in 2024-25. Once the expansion is complete, SISB will have a total enrolment capacity of 8,000 students, making it one of the largest international schools in the country.

Exhibit 7: Campus locations in Greater Bangkok



Source: SISB

Exhibit 8: Thailand’s top four international schools (as of 4Q22)



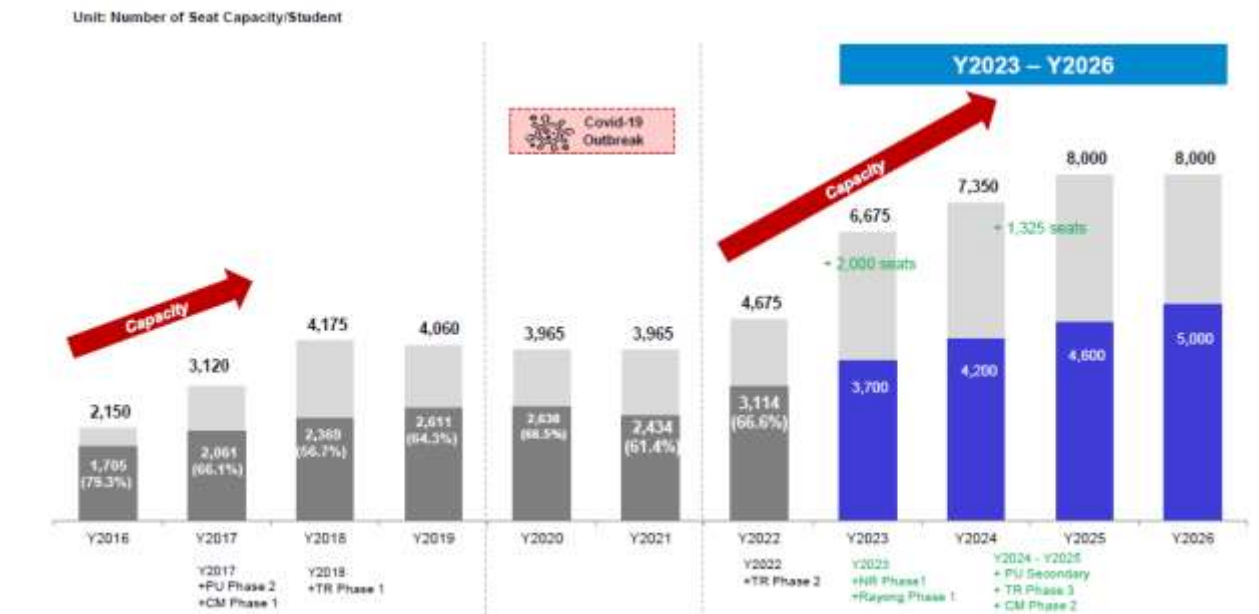
Note: Market share compared to Ministry of Education data as of 2022.
Source: SISB

Exhibit 9: SISB’s student numbers as of 31 December 2022

Schools	Available levels	Capacity	Number of students
		(no.)	(no.)
Singapore International School of Bangkok	Pre-kindergarten – Grade 12	2,175	1,499
Singapore International School Suvarnabhumi	Pre-kindergarten – Grade 6	510	254
Singapore International School Thonburi	Pre-kindergarten – Grade 9	1,590	1,109
Singapore International School Chiangmai	Pre-kindergarten – Grade 9	400	252
Total		4,675	3,114

Source: SISB

Exhibit 10: Seat capacity expansion and student enrolment



Source: SISB

2. Strong academic foundation and instruction in three languages

There are currently over 200 international schools in Thailand providing different international curricula such as those offered in the UK, the US, Singapore, the IB program, and others. SISB, which uses the Singapore curriculum, is renowned for its strength in mathematics and science and its unique trilingual learning environment offering English, Chinese, and Thai. There are only a few international schools in the world that use the Singapore curriculum.

After more than 20 years in operation, SISB’s reputation is well-established among parents and students. In 2020-22, SISB students were accepted at some of the top 100 universities in the world such as Imperial College London, University of Cambridge, University of California Berkeley, Tsinghua University, and Chulalongkorn University, to name a few.

3. Affordable price

SISB’s yearly tuition fee starts from THB350,000 at the nursery level to approximately THB700,000 at the Grade 12 level, which is within the mid-price range among its peers in the industry. While bilingual and English programs are offered by public and private schools providing the Thai curriculum at a lower cost, the bilingual schools’ academic offerings are less intense. Compared with other international schools in the higher-price range, SISB’s strength lies in its academic and trilingual foundation.

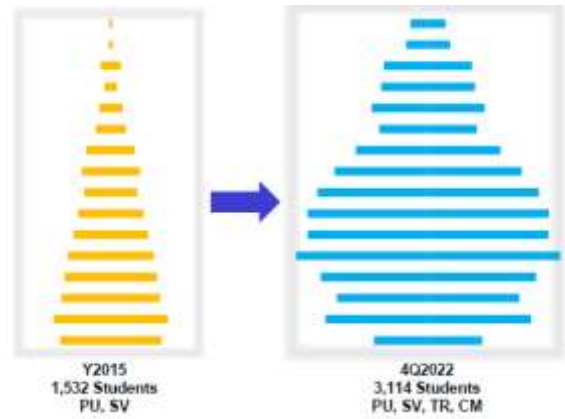
While the company’s margins are supported by its ability to increase school fees at the beginning of each academic year (August), the student demographic also affects SISB’s revenue. The higher the academic year, the more SISB charges. Presently, the majority of SISB’s students are in the primary classes, and most will continue to the secondary level in the future.

Exhibit 11: Affordable and competitive pricing



Source: SISB

Exhibit 12: SISB's student distribution (demographic)



Source: SISB

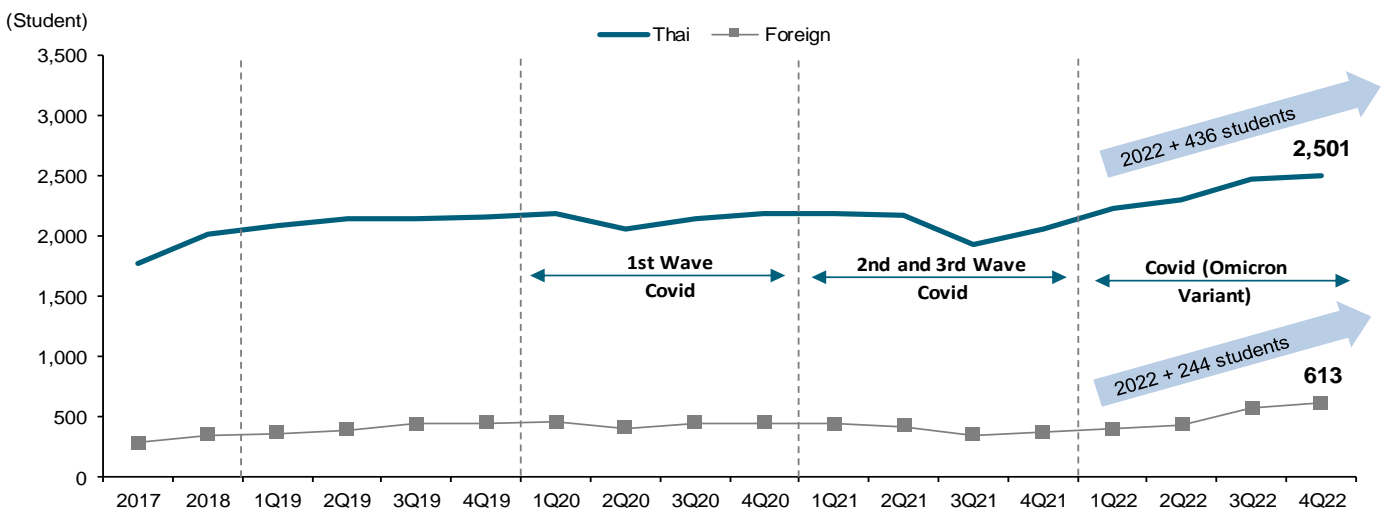
4. Rising demand locally and internationally, especially from Chinese families

Before the Covid pandemic, SISB's net new enrolment per year averaged 300 students in 2017-19. Like other schools, SISB was hit hard during 2020-21. School closures due to the impact of Covid-19 resulted in a net addition of only 27 students in 2020 and a net decrease of 204 students in 2021.

In 2022, after restrictions were eased, net new enrolments jumped by 710 students, reaching a record of 3,114 students at all campuses. The number of foreign students soared to 20% of total, from 244 to 613 (+66% y-y). Thai students increased 21% y-y, with 436 additional students out of a total of 2,501, or 80% of total enrolment.

Moreover, a growing number of Chinese families are choosing to enrol their children in Southeast Asian schools. Thailand is one of the most popular destinations due to the quality of its education and cheaper tuition fees compared to schools in China, as well as lower living costs and better air quality. Due to its trilingual instruction model, SISB is a popular choice for Chinese families.

Exhibit 13: SISB student enrolment by nationality



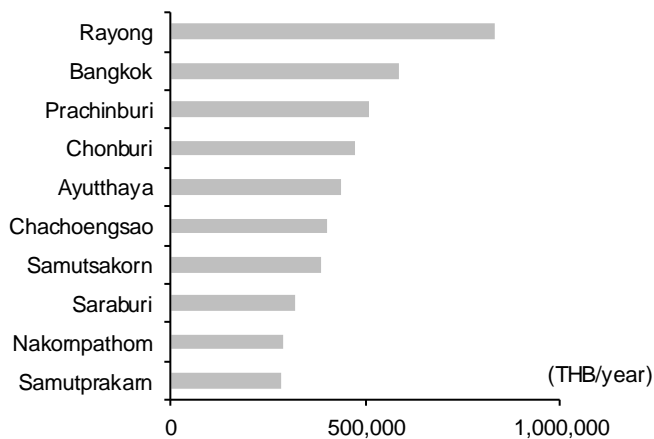
Source: SISB

More opportunities in untapped markets

We believe there is untapped demand for international schools in suburban areas as a growing number of families can now afford to send their children to private schools. While Bangkok’s 200 international schools accounted for only 1% of student enrolment in Thailand in 2019, their numbers are growing and SISB is well-positioned to capture additional market share. Private schools, which accounted for 27% of the total market or 2.5m students, are another potential market for SISB, particularly for its English language programs.

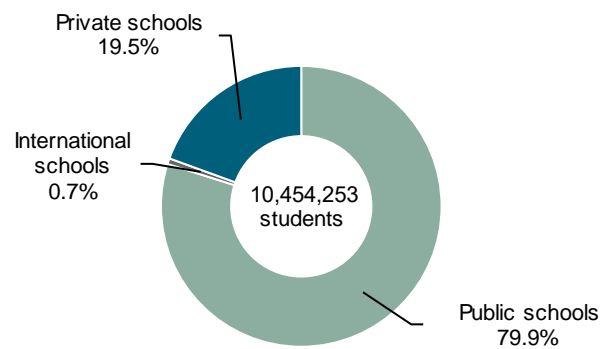
SISB’s management has initiated the Halving project which aims to provide an alternative for families seeking quality education at an affordable price in accordance with the company’s vision of being “the leading education provider, making quality education accessible to all”. The company plans to expand upcountry and tap into a new target group, leveraging SISB’s strengths in the future.

Exhibit 14: Top 10 provinces by GPP per capita in 2020



Source: Office of the National Economic and Social Development Council

Exhibit 15: Number of students in Thailand in 2022

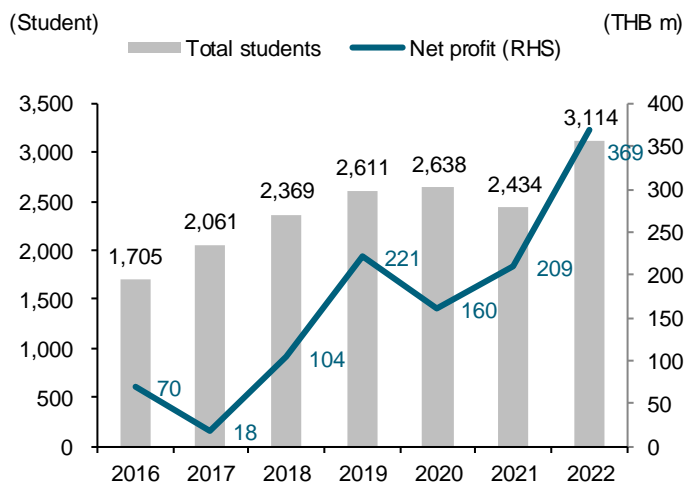


Sources: Office of the Private Education Commission; Ministry of Education

Net profit to grow at an impressive 23% CAGR

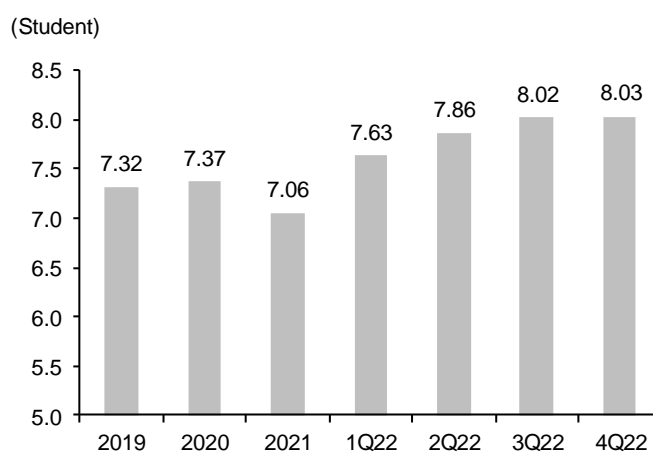
SISB continuously expanded its capacity from 2,150 seats in 2016 to 4,675 seats in 2022. The total number of students at all campuses rose from 1,705 in 2016 to 3,114 in 2022. During 2016-22, the company's revenue rose at a 14% CAGR while net profit soared at a 32% CAGR. However, net profit plunged in 2020 due to school tuition discounts during the Covid pandemic. On the cost side, staff salaries, including teachers, accounted for 47-48% of total costs. Given its steady student-to-teacher ratio of one teacher for every 7-8 students, SISB's operating leverage resulted in a significant gross margin expansion from 39.2% in 2016 to 50.5% in 2022.

Exhibit 16: SISB's enrolment and net profit



Source: SISB

Exhibit 17: SISB's student-to-teacher ratio



Source: SISB

We believe SISB's impressive growth will continue due to its capacity expansion. We revise up our 2023-25 net profit forecasts by 11%/11%/18% mainly due to the expected higher student numbers and solid demand, the capacity expansion, and the demographic changes at its schools. We project net profit to grow by 64%/26%/20% in 2023-25, or a 23% CAGR. Our new assumptions are as follows:

- We estimate SISB will gain 150 students from each of its two new campuses in Nonthaburi and Rayong, plus 334 net student additions from its four existing campuses. Therefore, we expect SISB to enrol 634 additional students in 2023 for a total of 3,748 students in 2023 vs management's target of 3,700. Before the pandemic, the average number of students added was 302 students per year. In 2Q18, when SISB Thonburi was opened, the school successfully added 364 students in just one quarter. We believe that our projected 634 net new students in 2023 is possible.
- We expect the number of students to increase to 5,203 students in 2026, ahead of management's target of 5,000.
- We anticipate that annual tuition fees should increase by 5% per year. Furthermore, the average tuition fee income growth rate per student should rise continuously owing to the student demographic trend into higher grades.
- We assume SISB's gross margin will expand by 490 bps to 55.4% in 2023 and to 57.7% in 2026 due to the economies of scale, based on the projected student-to-teacher ratio of 7.5-7.6.
- The total investment cost of its Nonthaburi and Rayong campuses is THB850m. With our assumption of additional depreciation costs of only THB48m per year, we expect the two new campuses to break even within their first year of operation.

Exhibit 18: Changes in key assumptions

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Revenue from tuition and services	1,719	2,122	2,490	1,644	1,946	2,189	4.5	9.15	13.7
Growth (%)	30.4	23.6	17.4	25.4	18.4	12.5	5.0	5.2	4.9
Gross profit	952	1,201	1,425	914	1,127	1,273	4.1	6.5	11.9
Growth (%)	42.9	26.2	18.7	37.2	23.3	13.0	5.7	2.9	5.7
EBITDA	810	993	1,162	752	907	1,015	7.8	9.5	14.5
Growth (%)	45.7	22.6	17.0	35.2	20.6	11.9	10.5	2.0	5.1
Net profit	607	765	918	549	687	778	10.6	11.3	18.0
Growth (%)	64.5	25.9	20.0	48.7	25.1	13.2	15.8	0.8	6.8
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Gross profit margin	55.4	56.6	57.2	55.3	57.6	57.8	0.1	(1.0)	(0.6)
EBITDA margin	47.2	46.8	46.7	45.5	46.3	46.1	1.69	0.5	0.5
Net profit margin	35.3	36.0	36.9	33.2	35.1	35.3	2.1	0.9	1.5
Key assumptions									
Students, all campuses	3,748	4,333	4,808	3,600	3,900	4,200	4.1	11.1	14.5
Net student additions	634	585	475	486	300	300	30.5	95.0	58.3
Annual tuition fee (THB m/student)	0.52	0.54	0.57	0.50	0.53	0.55	3.7	3.7	3.7

Source: FSSIA estimates

Exhibit 19: Fifth international school in Nonthaburi on 18.5 rai



Source: SISB

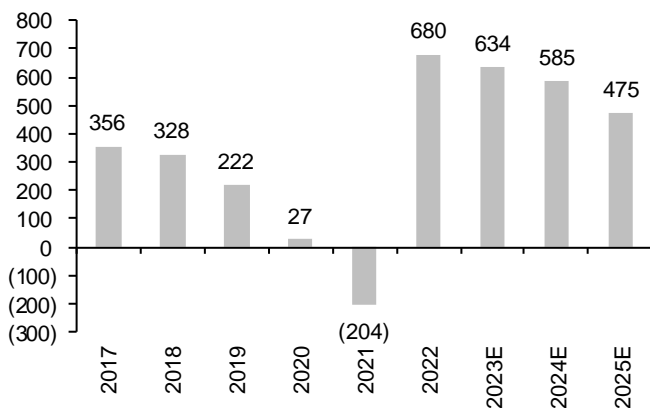
Exhibit 20: Sixth international school in Rayong on 28.5 rai



Source: SISB

Exhibit 21: Net student additions at all campuses

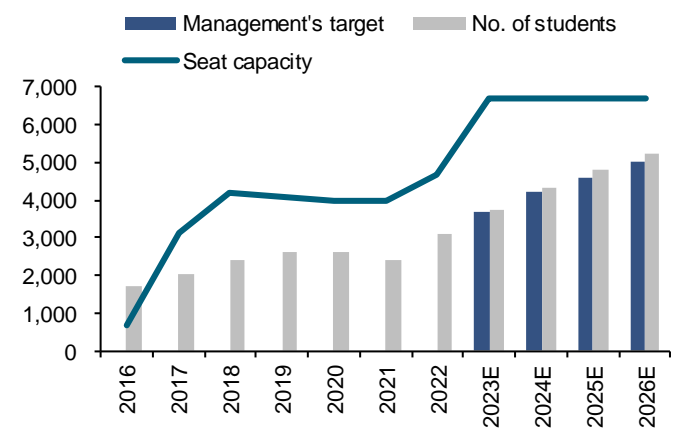
(Student)



Sources: SISB, FSSIA estimates

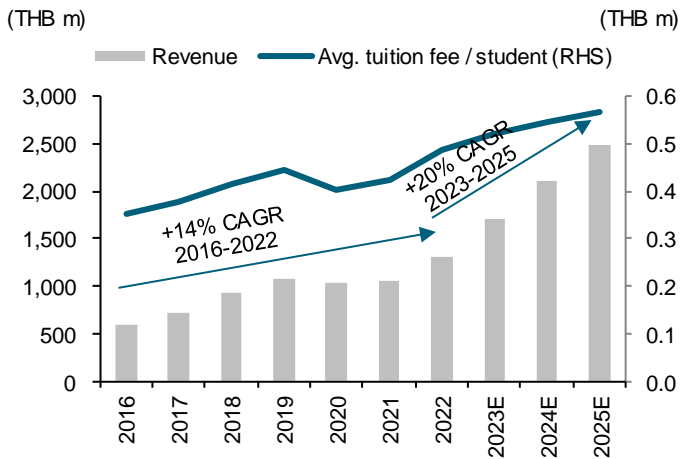
Exhibit 21: Seat capacity and enrolment projections

(Student)



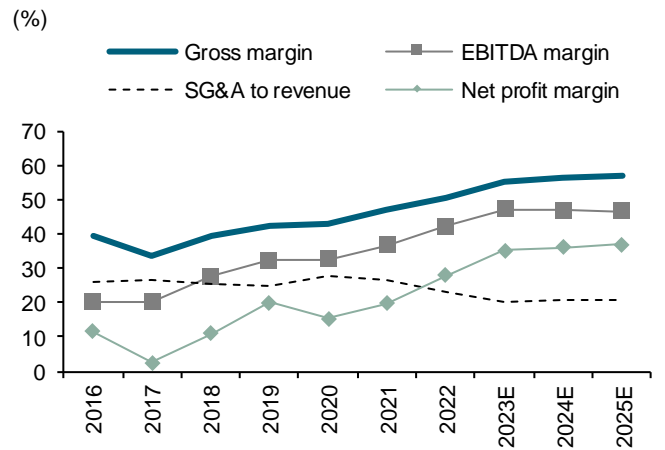
Sources: SISB, FSSIA estimates

Exhibit 23: Revenue from tuition and services



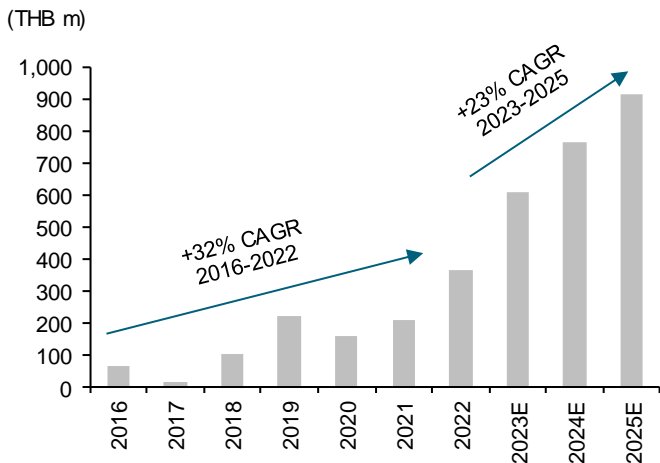
Sources: SISB, FSSIA estimates

Exhibit 22: Margins



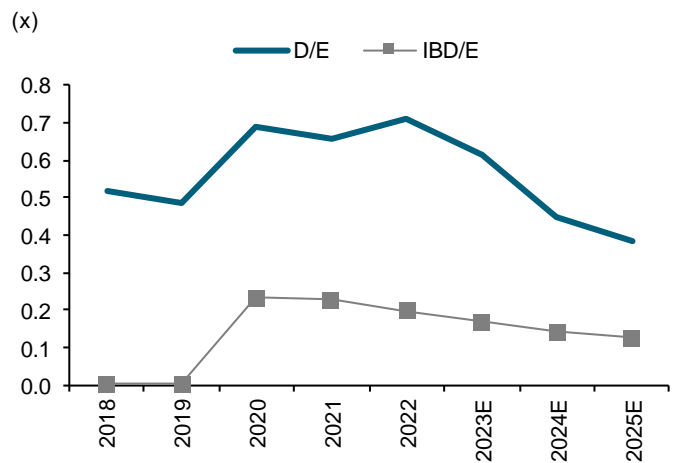
Sources: SISB, FSSIA estimates

Exhibit 23: Net profit



Sources: SISB, FSSIA estimates

Exhibit 24: D/E and IBD/E ratios



Sources: SISB, FSSIA estimates

Maintain BUY with a new TP of THB30

We increase our DCF-based TP to THB30 (8.2% WACC, 3.5% LTG) from THB24. Our new TP which implies 46.6x 2023E P/E should decline to 26.5x in 2026 when the capacity expansion is completed. SISB is clearly in a growth stage. As one of the best schools in the region, its gross and net profit margins should keep rising to as high as 57.7% and 37.5%, respectively, in our view. Therefore, we retain our BUY call on SISB.

Exhibit 25: DCF-based valuation

Cost of equity assumption	(%)	Cost of debt assumption	(%)
Risk free rate	3.0	Pre-tax cost of debt	4.0
Market risk premium	8.0	Tax rate	0.0
Stock beta	1.0		
Cost of equity, Ke	10.8	Cost of debt, Kd	1.5
Weight applied	62.0	Weight applied	38.0
WACC	8.2		
Terminal growth	3.5		
	(THB)		
Sum of PV of FCF	6,730		
PV of Terminal value	21,069		
Enterprise value	27,799		
Net debt	391		
Equity value	28,191		
No. of shares	940		
Equity value per share	29.99		

Sources: SISB, FSSIA estimates

Financial Statements

SISB

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	1,055	1,319	1,719	2,122	2,490
Cost of goods sold	(407)	(493)	(589)	(716)	(844)
Gross profit	648	827	1,130	1,406	1,646
Other operating income	20	25	25	22	24
Operating costs	(279)	(301)	(351)	(441)	(515)
Operating EBITDA	390	551	804	987	1,155
Depreciation	(152)	(161)	(178)	(205)	(221)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	238	390	626	782	933
Net financing costs	(26)	(25)	(24)	(22)	(21)
Associates	1	5	6	7	7
Recurring non-operating income	1	5	6	7	7
Non-recurring items	0	0	0	0	0
Profit before tax	213	370	608	766	919
Tax	0	(1)	(1)	(1)	(2)
Profit after tax	213	369	607	765	918
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	213	369	605	765	918
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	213	369	605	765	918
Per share (THB)					
Recurring EPS *	0.23	0.39	0.64	0.81	0.98
Reported EPS	0.23	0.39	0.64	0.81	0.98
DPS	0.08	0.10	0.26	0.33	0.39
Diluted shares (used to calculate per share data)	940	940	940	940	940
Growth					
Revenue (%)	0.6	25.1	30.3	23.5	17.3
Operating EBITDA (%)	14.4	41.3	46.0	22.7	17.0
Operating EBIT (%)	28.8	63.8	60.5	24.8	19.4
Recurring EPS (%)	33.2	73.1	64.5	25.9	20.0
Reported EPS (%)	33.2	73.1	64.545	25.9	20.0
Operating performance					
Gross margin inc. depreciation (%)	47.1	50.5	55.4	56.6	57.2
Gross margin of key business (%)	47.1	50.5	55.4	56.6	57.2
Operating EBITDA margin (%)	37.0	41.7	46.8	46.5	46.4
Operating EBIT margin (%)	22.6	29.6	36.4	36.8	37.5
Net margin (%)	20.2	28.0	35.3	36.0	36.9
Effective tax rate (%)	0.1	0.2	0.2	0.2	0.2
Dividend payout on recurring profit (%)	33.5	25.5	40.0	40.0	40.0
Interest cover (X)	9.4	15.6	26.6	35.1	44.4
Inventory days	6.7	5.7	4.6	4.0	3.6
Debtor days	25.3	22.6	20.9	23.8	27.7
Creditor days	72.2	86.3	90.4	73.7	44.3
Operating ROIC (%)	19.5	23.8	32.0	33.3	(0.4)
ROIC (%)	13.7	18.6	25.6	27.5	(0.3)
ROE (%)	11.0	17.2	24.6	26.5	28.2
ROA (%)	7.3	10.9	15.4	17.9	19.9
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Tuition fees and service income	1,050	1,311	1,709	2,112	2,479
Education equipment revenue	5	9	9	10	11

Sources: SISB; FSSIA estimates

Financial Statements

SISB

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	213	369	607	765	918
Depreciation	152	161	178	205	221
Associates & minorities	(1)	(5)	(6)	(7)	(7)
Other non-cash items	0	0	0	0	0
Change in working capital	22	198	(14)	(258)	(137)
Cash flow from operations	386	723	765	705	995
Capex - maintenance	-	-	-	-	-
Capex - new investment	(591)	(452)	(439)	(253)	(237)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	0	0	0	0	0
Cash flow from investing	(591)	(452)	(439)	(253)	(237)
Dividends paid	(71)	(94)	(243)	(306)	(367)
Equity finance	0	0	0	0	0
Debt finance	(33)	(36)	15	38	50
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(104)	(130)	(227)	(268)	(317)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	65	0	0	0	0
Net other adjustments	65	(96)	(83)	(121)	(357)
Movement in cash	(244)	46	15	63	83
Free cash flow to firm (FCFF)	(179.69)	296.58	349.74	474.06	778.68
Free cash flow to equity (FCFE)	(172.72)	139.69	258.19	368.50	449.84

Per share (THB)

FCFF per share	(0.19)	0.32	0.37	0.50	0.83
FCFE per share	(0.18)	0.15	0.27	0.39	0.48
Recurring cash flow per share	0.39	0.56	0.83	1.02	1.20

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	2,697	3,327	3,827	4,127	4,427
Less: Accumulated depreciation	(697)	(833)	(1,012)	(1,217)	(1,438)
Tangible fixed assets (net)	1,999	2,493	2,815	2,910	2,988
Intangible fixed assets (net)	8	1	10	10	10
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	55	60	60	60	60
Cash & equivalents	764	810	825	888	970
A/C receivable	70	93	103	174	204
Inventories	8	7	8	8	8
Other current assets	21	15	16	16	16
Current assets	863	926	951	1,085	1,199
Other assets	408	434	442	451	460
Total assets	3,334	3,914	4,279	4,516	4,718
Common equity	2,014	2,290	2,654	3,113	3,402
Minorities etc.	0	0	0	0	0
Total shareholders' equity	2,014	2,290	2,654	3,113	3,402
Long term debt	445	442	434	425	416
Other long-term liabilities	239	323	348	394	452
Long-term liabilities	684	766	781	819	869
A/C payable	84	149	143	146	58
Short term debt	12	14	16	15	16
Other current liabilities	539	696	685	423	372
Current liabilities	635	858	844	585	447
Total liabilities and shareholders' equity	3,334	3,914	4,279	4,516	4,718
Net working capital	(524)	(728)	(702)	(372)	(202)
Invested capital	1,947	2,260	2,626	3,059	3,317

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	2.14	2.44	2.82	3.31	3.62
Tangible book value per share	2.13	2.43	2.81	3.30	3.61

Financial strength

Net debt/equity (%)	(15.2)	(15.4)	(14.2)	(14.4)	(15.8)
Net debt/total assets (%)	(9.2)	(9.0)	(8.8)	(9.9)	(11.4)
Current ratio (x)	1.4	1.1	1.1	1.9	2.7
CF interest cover (x)	17.4	24.4	30.4	28.7	33.4

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	116.8	67.5	41.0	32.6	27.1
Recurring P/E @ target price (x) *	132.2	76.4	46.4	36.9	30.7
Reported P/E (x)	116.8	67.5	41.0	32.6	27.1
Dividend yield (%)	0.3	0.4	1.0	1.2	1.5
Price/book (x)	12.4	10.9	9.4	8.0	7.3
Price/tangible book (x)	12.4	10.9	9.4	8.0	7.3
EV/EBITDA (x) **	63.1	44.6	30.5	24.8	21.1
EV/EBITDA @ target price (x) **	71.5	50.6	34.6	28.1	24.0
EV/invested capital (x)	12.6	10.9	9.3	8.0	7.3

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: SISB; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
SISB	SISB TB	THB 26.50	BUY	Downside risks to our DCF-based TP include 1) intensified competition; 2) less demand from China; 3) staff shortages; and 4) risks from legal requirements and government policies relating to the business of private schools.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 24-Mar-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.