

SISB SISB TB

THAILAND / PROFESSIONAL SERVICE

BUY

UNCHANGED

Demand keeps rising

- Management believes that the previous guidance for students numbering 3,700 at end-2023 has an upside of 8-10%.
- Nonthaburi campus' construction has reached 100% completion, whereas Rayong campus has reached nearly 90%.
- Revise up 2023-25E profit by 17%/23%/26% and TP to THB45.

Demand keeps rising

The overall tone from the analyst meeting on 6 June 2023 was positive, particularly on the demand side. Management believes that the previous guidance for students numbering 3,700 at end-2023 has an upside of 8-10%. Based on numerous inquiries from parents regarding the two new campuses, the school in Nonthaburi province might have 200-250 students once the school opens in August 2023, while the school in Rayong province could reach 100-150 students at its opening. These numbers are larger than management's previous guidance.

Chinese student numbers have grown rapidly

Total students at all campuses reached 3,284 at end-1Q23, comprising 78% Thai and 22% foreign students. Out of 715 foreign students in 1Q23, 68% were Chinese. Chinese student numbers have grown rapidly at an average rate of 23% q-q during the past four quarters. Parents in search of a multinational education for their children have gone elsewhere because of China's restrictions on the Western school system. SISB is among the popular choices due to its trilingual educational model.

Expansion of existing campuses on the way

Thonburi campus is the fastest growing school among its four campuses. The Thonburi campus had a total of 1,145 students at end-1Q23; a 72% utilisation rate, with some classes exceeding capacity. Pracha Uthit campus and Chiangmai campus are facing the same situation, leading to expansions. The total budget for NR and Rayong campuses is THB850m. The capex for its PU, TR, and CM campuses is not yet finalised. Based on our projected EBITDA of THB909m in 2023 with a 24% CAGR during 2023-25, SISB's internal cash flow is sufficient to fund these expansions.

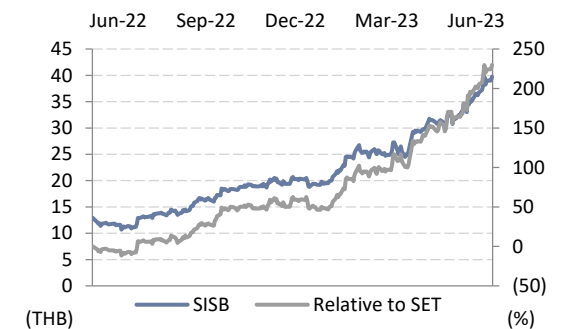
Maintain BUY with a new TP of THB45

We revise up our 2023-25 net profit forecasts by 17%/23%/26% largely due to the higher expected student numbers and solid demand. We now project net profit to rise by 93%/32%/23% in 2023-25, or at a 28% CAGR. We increase our DCF-based TP to THB45 (7.7% WACC, 4% LTG) from THB30 (8.2% WACC, 3.5% LTG). Our new TP implies 59.5x 2023E P/E, which should decline to 32.0x in 2026 when the capacity expansion is completed. We retain our BUY call on SISB.

| | |
|-----------------|----------|
| TARGET PRICE | THB45.00 |
| CLOSE | THB39.75 |
| UP/DOWNSIDE | +13.2% |
| PRIOR TP | THB30.00 |
| CHANGE IN TP | +50.0% |
| TP vs CONSENSUS | +17.8% |

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|----------------------|--------|--------|--------|--------|
| Revenue | 1,319 | 1,813 | 2,290 | 2,672 |
| Net profit | 369 | 711 | 938 | 1,157 |
| EPS (THB) | 0.39 | 0.76 | 1.00 | 1.23 |
| vs Consensus (%) | - | 1.1 | 3.3 | (3.4) |
| EBITDA | 551 | 909 | 1,165 | 1,399 |
| Core net profit | 369 | 711 | 938 | 1,157 |
| Core EPS (THB) | 0.39 | 0.76 | 1.00 | 1.23 |
| Chg. In EPS est. (%) | - | 17.0 | 22.7 | 26.1 |
| EPS growth (%) | 73.1 | 92.5 | 32.0 | 23.3 |
| Core P/E (x) | 101.2 | 52.6 | 39.8 | 32.3 |
| Dividend yield (%) | 0.3 | 0.8 | 1.0 | 1.2 |
| EV/EBITDA (x) | 67.2 | 40.7 | 31.8 | 26.4 |
| Price/book (x) | 16.3 | 13.8 | 11.4 | 10.0 |
| Net debt/Equity (%) | (15.4) | (14.0) | (10.9) | (10.8) |
| ROE (%) | 17.2 | 28.4 | 31.3 | 33.1 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|------------------------|---------|----------|
| Absolute (%) | 25.2 | 59.0 | 210.5 |
| Relative to country (%) | 27.6 | 67.2 | 231.5 |
| Mkt cap (USD m) | 1,076 | | |
| 3m avg. daily turnover (USD m) | 2.3 | | |
| Free float (%) | 29 | | |
| Major shareholder | Mr. Yew Hock Koh (33%) | | |
| 12m high/low (THB) | 40.00/10.50 | | |
| Issued shares (m) | 940.00 | | |

Sources: Bloomberg consensus; FSSIA estimates



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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 3,284 students in 1Q23. Its earnings are still in a growth stage with net profit expected to rise at a 28% CAGR during 2023-25. Longer-term, SISB plans to tap new demand in suburban areas with its proposed lower-cost 'Halving' project.

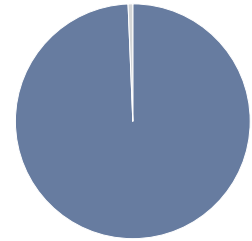
Company profile

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)

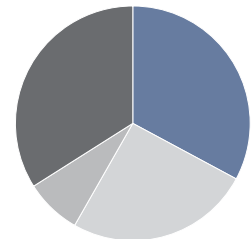
- Tuition fees and service income - 99.4 %
- Education equipment revenue - 0.6 %



Source: SISB

Major shareholders

- Mr. Yew Hock Koh - 32.8 %
- Ms. Wilawan Kaewkanokvijit - 25.4 %
- Mr. Prayong Vanichsuwan - 7.8 %
- Others - 34.0 %



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 |
|---------------|--|
| August 2023 | 2Q23 results announcement Nonthaburi and Rayong campuses open |
| November 2023 | 3Q23 results announcement |

Key assumptions

| | 2023E | 2024E | 2025E |
|---------------------------------|---------|---------|---------|
| Students, all campuses | 4,014 | 4,609 | 5,104 |
| Tuition fees (THB/year/student) | 530,000 | 550,000 | 570,000 |
| Revenue (THB m) | 1,813 | 2,290 | 2,672 |
| <i>Growth (%)</i> | 30.3 | 26.3 | 16.7 |
| Gross margin (%) | 58.9 | 61.4 | 63.6 |
| EBITDA margin (%) | 50.5 | 51.2 | 52.7 |
| SG&A to sales (%) | 20.1 | 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

Demand keeps rising

The overall tone from the analyst meeting on 6 June 2023 was positive, particularly on the demand side. Management believes that the previous guidance for students numbering 3,700 at end-2023 has an upside of 8-10%. The continued strong demand is driving upbeat sentiment. Based on numerous inquiries from parents regarding the two new campuses, the school in Nonthaburi province might have 200-250 students once the school opens in August 2023, while the school in Rayong province could reach 100-150 students at its opening. These numbers are larger than management's previous guidance of 300 students from the two campuses combined. Currently, Nonthaburi campus' (NR) construction is 100% complete, whereas Rayong campus has reached nearly 90%. Both schools' capacity can facilitate up to 1,000 students each for phase 1.

Exhibit 1: SISB 5th international school in Nonthaburi province (NR) phase 1 on 18.5 rai



Source: SISB

Exhibit 2: SISB 6th international school in Rayong province phase 1 on 28.5 rai

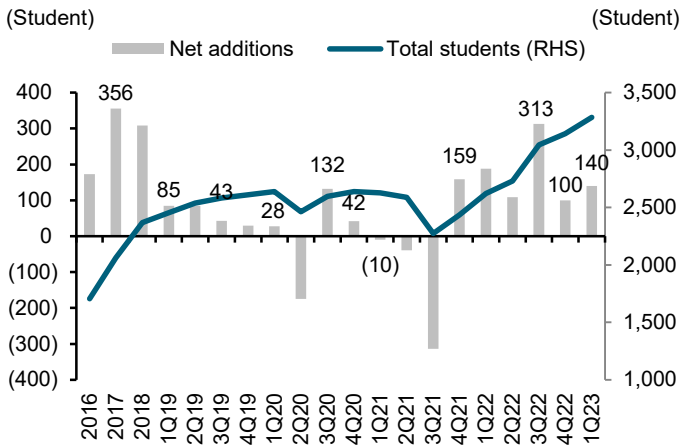


Note: Construction update, April 2023

Source: SISB

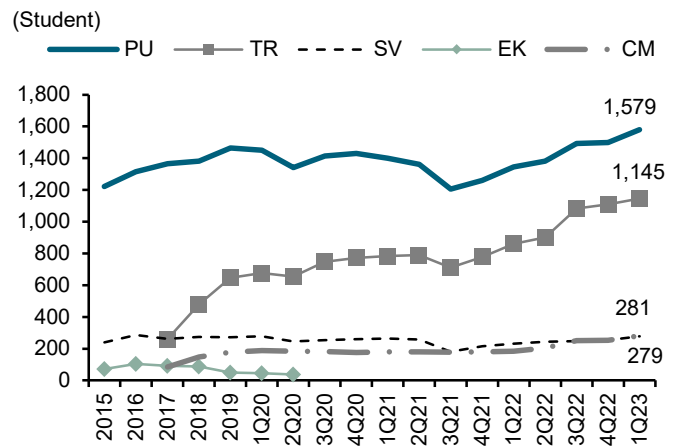
In 1Q23, SISB had net new enrolments of 140 students, 60% which were foreign. Total students at all campuses reached 3,284 at end-1Q23, comprising 78% Thai and 22% foreign students. Out of 715 foreign students in 1Q23, 68% were Chinese. Chinese student numbers have grown rapidly at an average rate of 23% q-q during the past four quarters as compared to the single-digit q-q growth rate for Thai students. Parents in search of a multinational education for their children have gone elsewhere because of China's restrictions on the Western school system. Thailand is one of the most popular destinations for the quality of its education and cheaper tuition fees, as well as lower living costs. SISB is among the popular choices for Chinese families due to its trilingual educational model.

Exhibit 3: Total student numbers



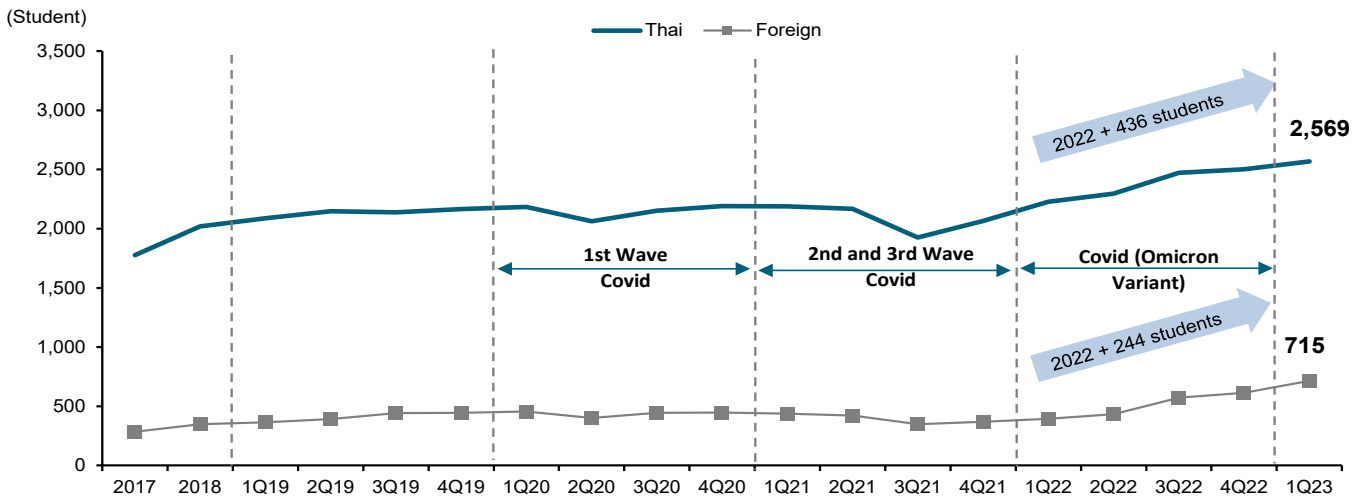
Sources: SISB

Exhibit 4: Student numbers by campus



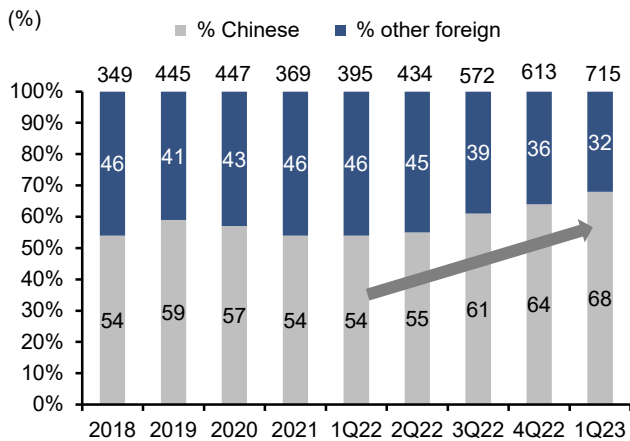
Sources: SISB

Exhibit 5: Student enrolment by nationality



Source: SISB

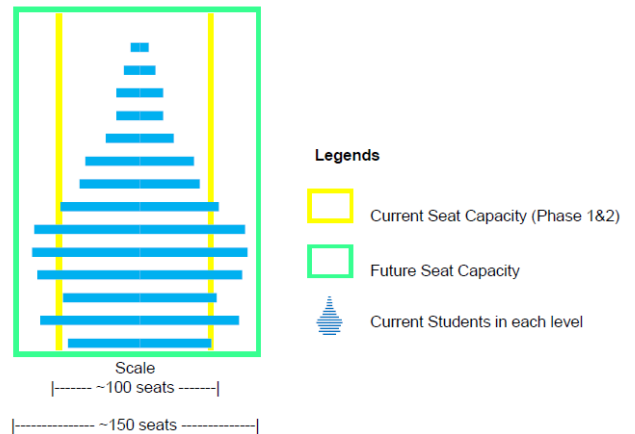
Exhibit 6: % Chinese students to total foreign students



Source: SISB

Exhibit 7: Singapore International School Thonburi (TR)

Since 2017, K-12 International School, 1,145 student (As of Mar 2023)



Source: SISB

Expansion of existing campuses on the way

SISB’s plan to expand the capacity of its existing campuses in 2024-25 is due to solid demand. Thonburi campus (TR) is the fastest growing school among its four campuses. It first launched in 2017 with a capacity of 900 seats and expanded in phase two with a maximum capacity of 1,590 seats in 2021. TR had a total of 1,145 students at end-1Q23; a 72% utilisation rate, with some classes exceeding capacity. SISB is planning the phase three expansion at TR with an additional capacity of 700 seats in 2024-25. Pracha Uthit campus (PU) and Chiangmai campus (CM) are facing the same situation, leading to additional capacities of 300 seats and 325 seats, respectively. Once completed, SISB will have a total enrolment capacity of 8,000 students. The total budget for NR and Rayong campuses is THB850m. The capex for its PU, TR, and CM campuses is not yet finalised, but we expect the budget will range around only THB200m-300m. Based on our projected EBITDA of THB909m in 2023 with a 24% CAGR during 2023-25, SISB’s internal cash flow is sufficient to fund these expansions.

Exhibit 8: Singapore International School Thonburi (TR)



Source: SISB

Exhibit 9: Singapore International School Chiangmai (CM)



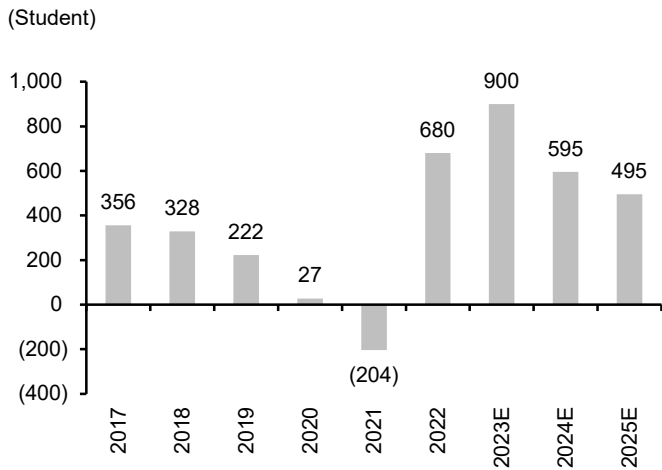
Source: SISB

Projection and TP revisions

We revise up our 2023-25 net profit forecasts by 17%/23%/26% largely due to the higher expected student numbers and solid demand going forward. We now project net profit to rise by 93%/32%/23% in 2023-25, or at a 28% CAGR.

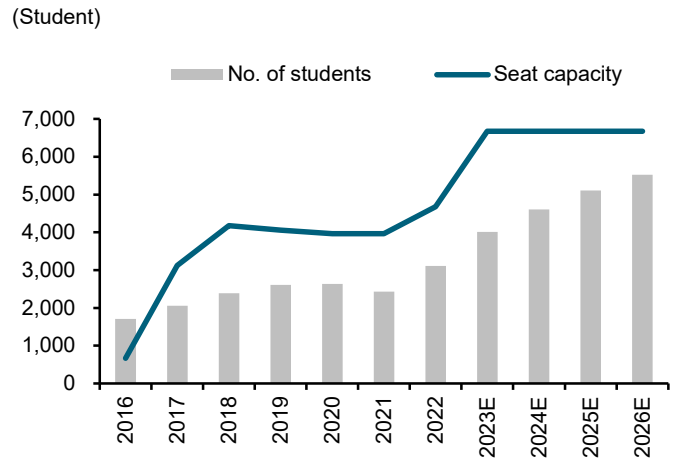
We increase our DCF-based TP to THB45 (7.7% WACC, 4% LTG) from THB30 (8.2% WACC, 3.5% LTG). Our new TP implies 59.5x 2023E P/E, which should decline to 32.0x in 2026 when the capacity expansion is completed. As one of the best schools in the region, we believe its gross and net profit margins will keep rising to as high as 58.9% and 39.2% in 2023 and 63.6% and 43.3% in 2025, respectively. We, therefore, retain our BUY call on SISB.

Exhibit 10: Net student additions at all campuses



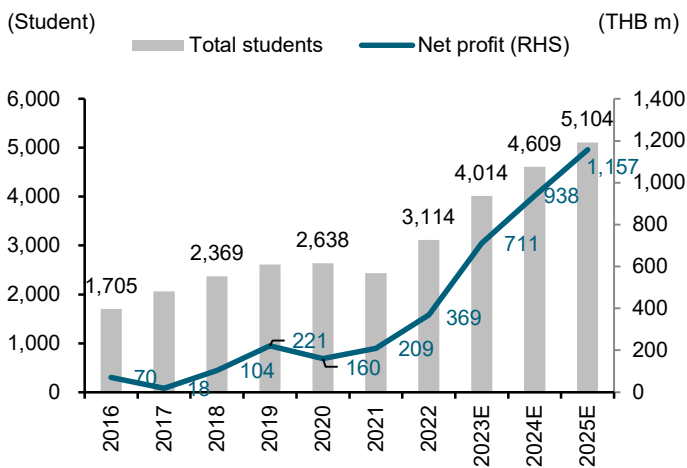
Sources: SISB, FSSIA estimates

Exhibit 11: Seat capacity and our enrolment projections



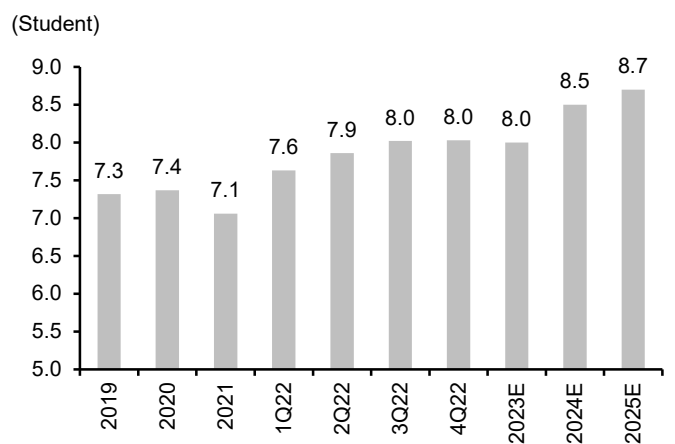
Sources: SISB, FSSIA estimates

Exhibit 12: SISB's enrolment and net profit



Sources: SISB, FSSIA estimates

Exhibit 13: Student-to-teacher ratio



Sources: SISB, FSSIA estimates

Exhibit 14: Changes in key assumptions

| | Current | | | Previous | | | Change | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------|--------------|--------------|
| | 2023E (THB m) | 2024E (THB m) | 2025E (THB m) | 2023E (THB m) | 2024E (THB m) | 2025E (THB m) | 2023E (%) | 2024E (%) | 2025E (%) |
| Revenue from tuition and services | 1,813 | 2,290 | 2,672 | 1,719 | 2,122 | 2,490 | 5.5 | 7.9 | 7.3 |
| <i>Growth (%)</i> | 37.6 | 26.4 | 16.7 | 30.4 | 23.6 | 17.4 | 7.2 | 2.9 | -0.7 |
| Gross profit | 1,067 | 1,407 | 1,700 | 952 | 1,201 | 1,425 | 12.1 | 17.2 | 19.3 |
| <i>Growth (%)</i> | 60.2 | 31.9 | 20.8 | 42.9 | 26.2 | 18.7 | 17.3 | 5.7 | 2.1 |
| EBITDA | 909 | 1,165 | 1,399 | 810 | 993 | 1,162 | 12.9 | 18.0 | 21.1 |
| <i>Growth (%)</i> | 64.6 | 28.1 | 20.0 | 45.7 | 22.6 | 17.0 | 18.8 | 5.6 | 3.1 |
| Net profit | 711 | 938 | 1,157 | 607 | 765 | 918 | 17.0 | 22.7 | 26.1 |
| <i>Growth (%)</i> | 92.5 | 32.0 | 23.3 | 64.5 | 25.9 | 20.0 | 28.0 | 6.2 | 3.3 |
| Key ratios | (%) | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (ppt) |
| Gross margin | 58.9 | 61.4 | 63.6 | 55.4 | 56.6 | 57.2 | 3.5 | 4.9 | 6.4 |
| EBITDA margin | 50.5 | 51.2 | 52.7 | 47.2 | 46.8 | 46.7 | 3.3 | 4.4 | 6.0 |
| Net profit margin | 39.2 | 41.0 | 43.3 | 35.3 | 36.0 | 36.9 | 3.9 | 5.0 | 6.5 |
| Key assumptions | | | | | | | | | |
| Students, all campuses (students) | 4,014 | 4,609 | 5,104 | 3,748 | 4,333 | 4,808 | 7.1 | 6.4 | 6.2 |
| Net additions (students) | 900 | 595 | 495 | 634 | 585 | 475 | 42.0 | 1.7 | 4.2 |
| Annual tuition fee (THB m/student) | 0.53 | 0.55 | 0.57 | 0.52 | 0.54 | 0.57 | 1.5 | 1.5 | 1.5 |

Sources: SISB, FSSIA estimates

Exhibit 15: DCF-based valuation

| Cost of equity assumption | (%) | Cost of debt assumption | (%) |
|-------------------------------|--------------|-------------------------|------|
| Risk-free rate | 2.7 | Pre-tax cost of debt | 3.0 |
| Market risk premium | 8.0 | Tax rate | 0.0 |
| Stock beta | 1.0 | | |
| Cost of equity, Ke | 10.5 | Cost of debt, Kd | 1.1 |
| Weight applied | 61.9 | Weight applied | 38.1 |
| WACC | 7.7 | | |
| Terminal growth | 4 | | |
| | (THB) | | |
| Sum of PV of FCF | 5,936 | | |
| PV of Terminal value | 36,171 | | |
| Enterprise value | 42,107 | | |
| Net debt | 212 | | |
| Equity value | 42,319 | | |
| No. of shares | 940 | | |
| Equity value per share | 45.02 | | |

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 | 1,813 | 2,290 | 2,672 |
| Cost of goods sold | (558) | (653) | (746) | (883) | (972) |
| Gross profit | 496 | 666 | 1,067 | 1,407 | 1,700 |
| Other operating income | 20 | 25 | 26 | 24 | 25 |
| Operating costs | (279) | (301) | (364) | (476) | (553) |
| Operating EBITDA | 390 | 551 | 909 | 1,165 | 1,399 |
| Depreciation | (152) | (161) | (180) | (211) | (227) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 238 | 390 | 729 | 955 | 1,172 |
| Net financing costs | (26) | (25) | (23) | (22) | (21) |
| Associates | 1 | 5 | 6 | 7 | 8 |
| Recurring non-operating income | 1 | 5 | 6 | 7 | 8 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 213 | 370 | 712 | 940 | 1,159 |
| Tax | 0 | (1) | (1) | (2) | (2) |
| Profit after tax | 213 | 369 | 711 | 938 | 1,157 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 213 | 369 | 711 | 938 | 1,157 |
| Non-recurring items & goodwill (net) | 0 | 0 | 0 | 0 | 0 |
| Recurring net profit | 213 | 369 | 711 | 938 | 1,157 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.23 | 0.39 | 0.76 | 1.00 | 1.23 |
| Reported EPS | 0.23 | 0.39 | 0.76 | 1.00 | 1.23 |
| DPS | 0.08 | 0.10 | 0.30 | 0.40 | 0.49 |
| Diluted shares (used to calculate per share data) | 940 | 940 | 940 | 940 | 940 |
| Growth | | | | | |
| Revenue (%) | 0.6 | 25.1 | 37.4 | 26.3 | 16.7 |
| Operating EBITDA (%) | 14.4 | 41.3 | 65.0 | 28.2 | 20.1 |
| Operating EBIT (%) | 28.8 | 63.8 | 86.9 | 31.0 | 22.7 |
| Recurring EPS (%) | 33.2 | 73.1 | 92.5 | 32.0 | 23.3 |
| Reported EPS (%) | 33.2 | 73.1 | 92.5 | 32.0 | 23.3 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 47.1 | 50.5 | 58.9 | 61.4 | 63.6 |
| Gross margin exc. depreciation (%) | 61.4 | 62.7 | 68.8 | 70.6 | 72.1 |
| Operating EBITDA margin (%) | 37.0 | 41.7 | 50.1 | 50.9 | 52.4 |
| Operating EBIT margin (%) | 22.6 | 29.6 | 40.2 | 41.7 | 43.9 |
| Net margin (%) | 20.2 | 28.0 | 39.2 | 41.0 | 43.3 |
| 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 | 31.5 | 43.7 | 56.8 |
| Inventory days | 6.7 | 5.7 | 4.8 | 4.3 | 4.0 |
| Debtor days | 25.3 | 22.6 | 20.4 | 23.6 | 27.7 |
| Creditor days | 72.2 | 86.3 | 92.8 | 75.8 | 47.4 |
| Operating ROIC (%) | 19.5 | 23.8 | 36.5 | 37.8 | (0.4) |
| ROIC (%) | 13.7 | 18.6 | 29.4 | 31.5 | (0.3) |
| ROE (%) | 11.0 | 17.2 | 28.4 | 31.3 | 33.1 |
| ROA (%) | 7.3 | 10.9 | 17.7 | 21.1 | 23.6 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Tuition fees and service income | 1,050 | 1,311 | 1,803 | 2,280 | 2,660 |
| 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 | 711 | 938 | 1,157 |
| Depreciation | 152 | 161 | 180 | 211 | 227 |
| Associates & minorities | (1) | (5) | (6) | (7) | (8) |
| Other non-cash items | 0 | 0 | 0 | 0 | 0 |
| Change in working capital | 22 | 198 | 313 | (265) | (142) |
| Cash flow from operations | 386 | 723 | 1,197 | 876 | 1,234 |
| Capex - maintenance | - | - | - | - | - |
| Capex - new investment | (591) | (452) | (538) | (448) | (432) |
| Net acquisitions & disposals | - | - | - | - | - |
| Other investments (net) | 0 | 0 | 0 | 0 | 0 |
| Cash flow from investing | (591) | (452) | (538) | (448) | (432) |
| Dividends paid | (71) | (94) | (284) | (375) | (463) |
| Equity finance | 0 | 0 | 0 | 0 | 0 |
| Debt finance | (33) | (36) | 30 | 48 | 52 |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from financing | (104) | (130) | (254) | (328) | (411) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 65 | 0 | 0 | 0 | 0 |
| Net other adjustments | 65 | (96) | (386) | (134) | (353) |
| Movement in cash | (244) | 46 | 20 | (33) | 39 |
| Free cash flow to firm (FCFF) | (179.69) | 296.58 | 682.76 | 450.37 | 823.51 |
| Free cash flow to equity (FCFE) | (172.72) | 139.69 | 304.09 | 342.22 | 501.51 |

Per share (THB)

| | | | | | |
|-------------------------------|--------|------|------|------|------|
| FCFF per share | (0.19) | 0.32 | 0.73 | 0.48 | 0.88 |
| FCFE per share | (0.18) | 0.15 | 0.32 | 0.36 | 0.53 |
| Recurring cash flow per share | 0.39 | 0.56 | 0.94 | 1.21 | 1.46 |

| Balance Sheet (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|--------------|--------------|--------------|--------------|--------------|
| Tangible fixed assets (gross) | 2,697 | 3,327 | 3,927 | 4,427 | 4,927 |
| Less: Accumulated depreciation | (697) | (833) | (1,013) | (1,224) | (1,451) |
| Tangible fixed assets (net) | 1,999 | 2,493 | 2,913 | 3,203 | 3,475 |
| 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 | 829 | 796 | 835 |
| A/C receivable | 70 | 93 | 109 | 187 | 219 |
| Inventories | 8 | 7 | 8 | 8 | 8 |
| Other current assets | 21 | 15 | 16 | 16 | 16 |
| Current assets | 863 | 926 | 962 | 1,008 | 1,078 |
| Other assets | 408 | 434 | 442 | 451 | 460 |
| Total assets | 3,334 | 3,914 | 4,388 | 4,732 | 5,084 |
| Common equity | 2,014 | 2,290 | 2,716 | 3,279 | 3,723 |
| Minorities etc. | 0 | 0 | 0 | 0 | 0 |
| Total shareholders' equity | 2,014 | 2,290 | 2,716 | 3,279 | 3,723 |
| Long term debt | 445 | 442 | 434 | 425 | 416 |
| Other long-term liabilities | 239 | 323 | 362 | 419 | 479 |
| Long-term liabilities | 684 | 766 | 796 | 844 | 896 |
| A/C payable | 84 | 149 | 139 | 140 | 53 |
| Short term debt | 12 | 14 | 16 | 15 | 16 |
| Other current liabilities | 539 | 696 | 721 | 453 | 396 |
| Current liabilities | 635 | 858 | 876 | 609 | 465 |
| Total liabilities and shareholders' equity | 3,334 | 3,914 | 4,388 | 4,732 | 5,084 |
| Net working capital | (524) | (728) | (728) | (382) | (206) |
| Invested capital | 1,947 | 2,260 | 2,698 | 3,342 | 3,800 |

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

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| Book value per share | 2.14 | 2.44 | 2.89 | 3.49 | 3.96 |
| Tangible book value per share | 2.13 | 2.43 | 2.88 | 3.48 | 3.95 |

Financial strength

| | | | | | |
|---------------------------|--------|--------|--------|--------|--------|
| Net debt/equity (%) | (15.2) | (15.4) | (14.0) | (10.9) | (10.8) |
| Net debt/total assets (%) | (9.2) | (9.0) | (8.7) | (7.5) | (7.9) |
| Current ratio (x) | 1.4 | 1.1 | 1.1 | 1.7 | 2.3 |
| CF interest cover (x) | 17.4 | 24.4 | 37.1 | 36.9 | 46.0 |

| Valuation | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|--------------|--------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 175.2 | 101.2 | 52.6 | 39.8 | 32.3 |
| Recurring P/E @ target price (x) * | 198.3 | 114.5 | 59.5 | 45.1 | 36.6 |
| Reported P/E (x) | 175.2 | 101.2 | 52.6 | 39.8 | 32.3 |
| Dividend yield (%) | 0.2 | 0.3 | 0.8 | 1.0 | 1.2 |
| Price/book (x) | 18.5 | 16.3 | 13.8 | 11.4 | 10.0 |
| Price/tangible book (x) | 18.6 | 16.3 | 13.8 | 11.4 | 10.1 |
| EV/EBITDA (x) ** | 95.0 | 67.2 | 40.7 | 31.8 | 26.4 |
| EV/EBITDA @ target price (x) ** | 107.7 | 76.2 | 46.1 | 36.0 | 29.9 |
| EV/invested capital (x) | 19.0 | 16.4 | 13.7 | 11.1 | 9.7 |

* 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

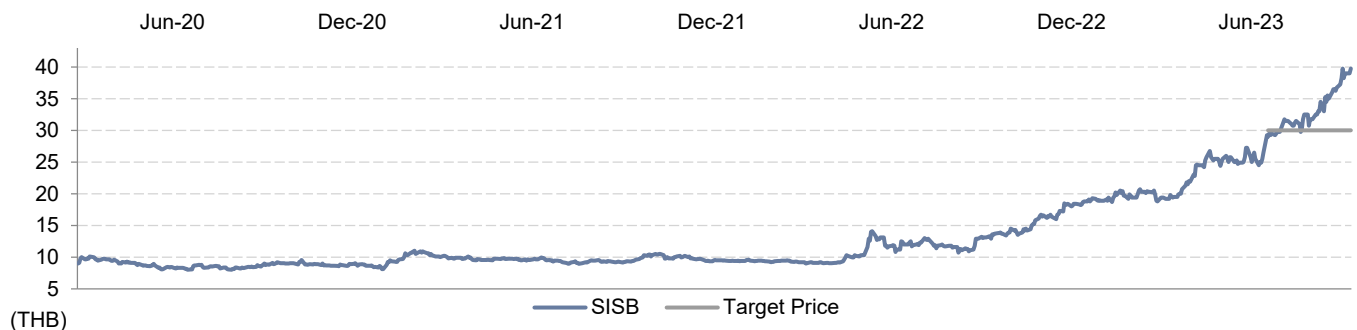
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History of change in investment rating and/or target price

SISB (SISB TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|------|--------|--------------|------|--------|--------------|
| 27-Mar-2023 | BUY | 30.00 | - | - | - | - | - | - |

Jitra Amornthum started covering this stock from 27-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|---------|---------|-----------|--------|---|
| SISB | SISB TB | THB 39.75 | 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

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All share prices are as at market close on 07-Jun-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.