SISB Pcl (SISB TB) - BUY, Price Bt9.00, TP Bt12.50

Results Comment

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Stronger-than-expected 4Q results

- SISB posted 4Q21 normalized earnings of Bt26m, down 61% y-y and 43% q-q. The results were better than what we had expected. Its earnings fall year on year and quarter on quarter was due to lower number of students as they temporarily dropped out of schools during the COVID-19 crisis and a full quarter impact of 5-15% tuition fee discounts.
- We expect SISB's strong earnings recovery from 1Q22F onward as dropped-out students have already returned to schools and there are no more tuition fee discounts.
- Besides its strong earnings recovery this year, we maintain a BUY on SISB as we like its fundamental with market share gain from normal private schools and expansions while its profitability is high with over 30% EBITDA margin.
- SISB's revenue fell by 17% y-y in 4Q21 as the school closure for online study in October causing a lack of revenue from food and after-school activities while SISB offered a 5-15% tuition fee discounts for its Term 1 2021/22 (Aug. to Dec. 2021).
- Given its high operating leverage business, its gross margin fell to 42% in 4Q21 from 49% in 4Q20.
- SG&A expenses in 4Q21 also increased by 8% y-y due to the opening of the Thonburi campus's phase 2.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Revenue	288	292	269	255	238
Gross profit	**140**	**144**	**136**	**115**	**101**
SG&A	72	73	66	62	78
Operating profit	68	72	70	53	23
EBITDA	**106**	**109**	**108**	**92**	**61**
Other income	7	5	2	3	10
Other expense	0	0	0	4	0
Interest expense	7	7	6	6	6
Profit before tax	**68**	**70**	**66**	**46**	**26**
Income tax	(0)	0	0	0	0
Equity & invest. income	(0)	0	0	0	(0)
Minority interests	0	0	0	0	0
Extraordinary items	0	0	(0)	0	0
Net profit	**68**	**71**	**65**	**46**	**27**
Normalized profit	**68**	**71**	**66**	**46**	**26**
EPS (Bt)	0.07	0.08	0.07	0.05	0.03
Normalized EPS (Bt)	0.07	0.08	0.07	0.05	0.03

Income Statement			**12M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021A**	**2022F**
Revenue	(7)	(17)	103	1,055	1,206
Gross profit	**(12)**	**(28)**	**108**	**496**	**557**
SG&A	27	8	101	279	289
Operating profit	(58)	(67)	118	218	267
EBITDA	**(34)**	**(43)**	**107**	**370**	**450**
Other income	206	43	127	20	26
Other expense	na	na	na	5	0
Interest expense	(4)	(6)	107	26	22
Profit before tax	**(42)**	**(61)**	**118**	**208**	**271**
Income tax	(73)	na	8	0	3
Equity & invest. income	na	na	37	1	2
Minority interests					
Extraordinary items					
Net profit	**(42)**	**(61)**	**118**	**209**	**271**
Normalized profit	**(43)**	**(61)**	**118**	**209**	**271**
EPS (Bt)	(42)	(61)	118	0.22	0.29
Normalized EPS (Bt)	(43)	(61)	118	0.22	0.29

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Cash & ST investment	512	309	276	193	246
A/C receivable	77	119	7	20	78
Inventory	7	6	6	9	8
Other current assets	502	710	545	660	531
Investment	54	55	55	55	55
Fixed assets	1,556	1,605	1,805	1,875	1,999
Other assets	458	453	447	470	463
Total assets	**3,166**	**3,241**	**3,100**	**3,236**	**3,334**
S-T debt	535	530	261	437	516
A/C payable	77	85	217	77	84
Other current liabilities	14	15	15	16	35
L-T debt	60	60	59	55	58
Other liabilities	604	602	605	664	626
Minority interest	0	0	0	0	0
Shareholders' equity	**1,877**	**1,948**	**1,942**	**1,988**	**2,014**
Working capital	7	40	(204)	(48)	2
Total debt	594	591	320	491	574
Net debt	**82**	**281**	**45**	**299**	**329**

Financial Ratios					
(%)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Sales growth	(0.5)	5.6	21.6	(2.5)	(17.3)
Operating profit growth	19.1	26.8	286.8	84.0	(66.6)
EBITDA growth	18.6	13.7	94.7	30.7	(42.8)
Norm profit growth	3.2	20.0	236.9	60.4	(61.3)
Norm EPS growth	3.2	20.0	236.9	60.4	(61.3)
Gross margin	48.7	49.4	50.5	45.1	42.4
Operating margin	23.6	24.6	26.0	20.9	9.5
EBITDA margin	36.8	37.5	40.0	36.0	25.5
Norm net margin	23.6	24.2	24.4	18.1	11.0
D/E (x)	0.3	0.3	0.2	0.2	0.3
Net D/E (x)	0.0	0.1	0.0	0.2	0.2
Interest coverage (x)	16.2	16.8	16.7	14.4	9.9
Interest rate	4.5	4.4	5.7	6.3	4.6
Effective tax rate	(0.2)	0.0	0.0	0.2	0.1
ROA	8.7	8.8	8.3	5.8	3.2
ROE	14.7	14.8	13.5	9.4	5.3

Sources: Company data, Thanachart estimates

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