SISB Pcl (SISB TB) - BUY, Price Bt10.80, TP Bt14.50

Results Comment

Saksid Phadthananarak | Email: saksid.pha@thanachartsec.co.th

1Q22 earnings in line

- SISB posted 1Q22 normalized earnings of Bt63m, down 10% y-y but up 140% q-q. The results were in line with what we had expected. Its earnings fall y-y was due to lower food & after-school activity revenue due to hybrid learning (onsite and online study) while its earnings growth q-q was due to higher student number and no tuition fee discounts.
- We expect SISB's earnings to continue to grow in 2Q22F onward given higher student number, no tuition fee discounts, and full-scale onsite study.
- We thus maintain our BUY call on SISB given its strong earnings recovery this year with strong growth in 2023-24F, driven by the opening of new schools, tuition fee hike, and economies of scale. We also like its fundamental with market share gain from normal private schools via expansions while its profitability is high with over 30% EBITDA margin.
- SISB's revenue fell by 3% y-y in 1Q22 mainly due to lower food and after-school activity revenue from hybrid learning.
- Despite that, its gross margin recovered back to 49% in 1Q22 vs. 49% in 1Q21.
- Its SG&A expenses in 1Q22 also increased by 4% y-y due to the opening of the Thonburi campus's phase 2.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	292	269	255	238	285
Gross profit	**144**	**136**	**115**	**101**	**140**
SG&A	73	66	62	78	75
Operating profit	72	70	53	23	65
EBITDA	**109**	**108**	**92**	**61**	**102**
Other income	5	2	3	10	5
Other expense	0	0	4	0	0
Interest expense	7	6	6	6	6
Profit before tax	**70**	**66**	**46**	**26**	**63**
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	**71**	**65**	**46**	**27**	**63**
Normalized profit	**71**	**66**	**46**	**26**	**63**
EPS (Bt)	0.08	0.07	0.05	0.03	0.07
Normalized EPS (Bt)	0.08	0.07	0.05	0.03	0.07

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	19	(3)	23	1,253	1,502
Gross profit	**38**	**(3)**	**23**	**616**	**745**
SG&A	(4)	4	23	326	376
Operating profit	185	(10)	22	290	370
EBITDA	**69**	**(6)**	**22**	**458**	**558**
Other income	(55)	(6)	23	20	25
Other expense	1	83	na	0	0
Interest expense	1	(5)	26	24	22
Profit before tax	**138**	**(10)**	**22**	**287**	**373**
Income tax	109	59	1	3	4
Equity & invest. income	na	(38)	16	2	2
Minority interests					
Extraordinary items					
Net profit	**138**	**(10)**	**22**	**285**	**371**
Normalized profit	**140**	**(10)**	**22**	**285**	**371**
EPS (Bt)	138	(10)	22	0.30	0.39
Normalized EPS (Bt)	140	(10)	22	0.30	0.39

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	309	276	193	246	456
A/C receivable	119	7	20	78	97
Inventory	6	6	9	8	7
Other current assets	710	545	660	531	304
Investment	55	55	55	55	55
Fixed assets	1,605	1,805	1,875	1,999	2,014
Other assets	453	447	470	463	460
Total assets	**3,241**	**3,100**	**3,236**	**3,334**	**3,412**
S-T debt	530	261	437	516	530
A/C payable	85	217	77	84	88
Other current liabilities	15	15	16	35	36
L-T debt	60	59	55	58	62
Other liabilities	602	605	664	626	618
Minority interest	0	0	0	0	0
Shareholders' equity	**1,948**	**1,942**	**1,988**	**2,014**	**2,078**
Working capital	40	(204)	(48)	2	15
Total debt	591	320	491	574	592
Net debt	**281**	**45**	**299**	**329**	**137**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	5.6	21.6	(2.5)	(17.3)	(2.6)
Operating profit growth	26.8	286.8	84.0	(66.6)	(10.0)
EBITDA growth	13.7	94.7	30.7	(42.8)	(6.4)
Norm profit growth	20.0	236.9	60.4	(61.3)	(10.5)
Norm EPS growth	20.0	236.9	60.4	(61.3)	(10.5)
Gross margin	49.4	50.5	45.1	42.4	49.2
Operating margin	24.6	26.0	20.9	9.5	22.7
EBITDA margin	37.5	40.0	36.0	25.5	36.0
Norm net margin	24.2	24.4	18.1	11.0	22.2
D/E (x)	0.3	0.2	0.2	0.3	0.3
Net D/E (x)	0.1	0.0	0.2	0.2	0.1
Interest coverage (x)	16.8	16.7	14.4	9.9	16.5
Interest rate	4.4	5.7	6.3	4.6	4.3
Effective tax rate	0.0	0.0	0.2	0.1	0.1
ROA	8.8	8.3	5.8	3.2	7.5
ROE	14.8	13.5	9.4	5.3	12.4

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 76 Derivative Warrants which are AMAT16C2206A, AOT16C2206A, AWC16C2207A, BAM16C2206A, BAM16C2207A, BANP16C2205A, BANP16C2207A, BCH16C2207A, BEC16C2207A, BGRI16C2205A, BLA16C2205A, BLA16C2208A, CBG16C2205A, CBG16C2207A, CHG16C2207A, COM716C2205A, COM716C2208A, COM716C2209A, CPF16C2205A, DOHO16C2207A, EA16C2205A, EA16C2206A, EA16C2207A, EA16C2209A, GPSC16C2205A, GPSC16C2206A, GPSC16C2207A, GPSC16C2209A, GULF16C2205A, GULF16C2207A, GUNK16C2205A, GUNK16C2206A, GUNK16C2207A, GUNK16C2209A, HANA16C2205A, HANA16C2207A, HANA16C2209A, INTU16C2205A, IRPC16C2205A, IVL16C2206A, JMAR16C2205A, JMAR16C2206A, JMT16C2205A, JMT16C2207A, KBAN16C2206A, KBAN16C2208A, KBAN16C2209A, KCE16C2205A, KCE16C2205B, KCE16C2208A, KCE16C2209A, MEGA16C2207A, MINT16C2207A, OR16C2205A, PTG16C2209A, PTT16C2205A, PTTE16C2209A, PTTG16C2207A, RBF16C2209A, RCL16C2205A, RCL16C2208A, RS16C2205A, S5016C2206A, S5016C2209A, S5016P2206A, S5016P2206B, S5016P2209A, SAWA16C2205A, SCB16C2208A, SPRC16C2209A, SYNE16C2206A, TOP16C2206A, TRUE16C2205A, TRUE16C2205B, TTA16C2207A, TTA16C2208A (underlying securities are AMATA, AOT, AWC, BAM, BANPU, BCH, BEC, BGRIM, BLA, CBG, CHG, COM7, CPF, DOHOME, EA, GPSC, GULF, GUNKUL, HANA, INTUCH, IRPC, IVL, JMART, JMT, KBANK, KCE, MEGA, MINT, OR, PTG, PTT, PTTEP, PTTGC, RBF, RCL, RS, SET50, SAWAD, SCB, SPRC, SYNEX, TOP, TRUE, TTA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: SCG Packaging Pcl (SCGP TB)