SISB Pcl (SISB TB) - BUY, Price Bt13.40, TP Bt15.50

Results Comment

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2Q22 profit beats our estimates

- SISB posted 2Q22 normalized earnings of Bt78m, up 19% y-y and 24% q-q. The results were higher than what we had expected. Its strong earnings growth was mainly due to higher student number and higher food & after-school revenue due to full-scale onsite study.
- 6M22 earnings make up 50% of our full-year forecast, so we see a potential upside to our projection as we expect SISB's strong earnings growth in 2H22F given continued student growth and tuition fee hike by 5% in August.
- We thus reiterate 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 grew 13% y-y in 2Q22 mainly due to higher student number by 5.5% y-y to 2,731 students and higher food and after-school activity revenue from full-scale onsite study.
- Its gross margin slightly fell to 49% in 2Q22 vs. 51% in 2Q21 mainly due to higher depreciation expenses from its Thonburi phase 2 which opened late last year and higher utility expenses.
- Its SG&A expenses in 2Q22 also increased by 6% y-y following higher revenue.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	269	255	238	285	303
Gross profit	**136**	**115**	**101**	**140**	**148**
SG&A	66	62	78	75	70
Operating profit	70	53	23	65	78
EBITDA	**108**	**92**	**61**	**102**	**118**
Other income	2	3	10	5	5
Other expense	0	4	0	0	0
Interest expense	6	6	6	6	6
Profit before tax	**66**	**46**	**26**	**63**	**77**
Income tax	0	0	0	0	0
Equity & invest. income	0	0	(0)	0	1
Minority interests	0	0	0	0	0
Extraordinary items	(0)	0	0	0	0
Net profit	**65**	**46**	**27**	**63**	**78**
Normalized profit	**66**	**46**	**26**	**63**	**78**
EPS (Bt)	0.07	0.05	0.03	0.07	0.08
Normalized EPS (Bt)	0.07	0.05	0.03	0.07	0.08

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	6	13	47	1,253	1,571
Gross profit	**6**	**9**	**47**	**618**	**777**
SG&A	(7)	6	45	326	393
Operating profit	21	12	49	292	384
EBITDA	**15**	**10**	**48**	**458**	**574**
Other income	11	128	48	20	25
Other expense					
Interest expense	3	(1)	48	26	26
Profit before tax	**23**	**18**	**49**	**286**	**383**
Income tax	2	262	3	3	4
Equity & invest. income	282	639	75	2	2
Minority interests					
Extraordinary items					
Net profit	**24**	**20**	**50**	**285**	**380**
Normalized profit	**24**	**19**	**50**	**285**	**380**
EPS (Bt)	24	20	50	0.30	0.40
Normalized EPS (Bt)	24	19	50	0.30	0.40

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	276	193	246	456	468
A/C receivable	7	20	78	97	307
Inventory	6	9	8	7	6
Other current assets	545	660	531	304	355
Investment	55	55	55	55	57
Fixed assets	1,805	1,875	1,999	2,014	2,072
Other assets	447	470	463	460	455
Total assets	**3,100**	**3,236**	**3,334**	**3,412**	**3,730**
S-T debt	261	437	516	530	794
A/C payable	217	77	84	88	88
Other current liabilities	15	16	35	36	34
L-T debt	59	55	58	62	70
Other liabilities	605	664	626	618	681
Minority interest	0	0	0	0	0
Shareholders' equity	**1,942**	**1,988**	**2,014**	**2,078**	**2,062**
Working capital	(204)	(48)	2	15	225
Total debt	320	491	574	592	865
Net debt	**45**	**299**	**329**	**137**	**396**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	21.6	(2.5)	(17.3)	(2.6)	12.6
Operating profit growth	286.8	84.0	(66.6)	(10.0)	12.2
EBITDA growth	94.7	30.7	(42.8)	(6.4)	9.8
Norm profit growth	236.9	60.4	(61.3)	(10.5)	19.1
Norm EPS growth	236.9	60.4	(61.3)	(10.5)	19.1
Gross margin	50.5	45.1	42.4	49.2	48.9
Operating margin	26.0	20.9	9.5	22.7	25.9
EBITDA margin	40.0	36.0	25.5	36.0	39.0
Norm net margin	24.4	18.1	11.0	22.2	25.9
D/E (x)	0.2	0.2	0.3	0.3	0.4
Net D/E (x)	0.0	0.2	0.2	0.1	0.2
Interest coverage (x)	16.7	14.4	9.9	16.5	18.5
Interest rate	5.7	6.3	4.6	4.3	3.5
Effective tax rate	0.0	0.2	0.1	0.1	0.1
ROA	8.3	5.8	3.2	7.5	8.8
ROE	13.5	9.4	5.3	12.4	15.1

Sources: Company data, Thanachart estimates

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