

**BUY** (Unchanged)**TP: Bt 26.00**

(From: Bt 20.00)

Change in Numbers

Upside : 18.7%

**20 JANUARY 2023****SISB Pcl** (SISB TB)**Gaining momentum**

Given SISB's strong student growth momentum, higher-than-expected tuition fee hike, and the operating leverage effect, we raise our TP to Bt26. We reaffirm BUY on SISB as a high-quality growth stock with a 38% EPS CAGR, 43-45% EBITDA margin and 24-30% ROE in 2023-25F. It is also in a net-cash position.

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**Raising our TP to Bt26; BUY**

SISB's continued strong growth in student numbers, higher-than-expected tuition fee increases, and operating leverage benefits (see Exhibit 1) cause us to lift our earnings estimates by 8-28% in 2022-24F and our DCF-based 12-month TP (2023F base year) to Bt26 (from Bt20). We reaffirm our BUY call not only due to its fast earnings recovery last year but also a 38% earnings CAGR over the next three years, driven by **1)** continued record-high students from market share gains and new capacity, **2)** annual tuition fee hikes and a higher proportion of high-tuition-fee students, **3)** operating leverage benefits, and **4)** large room for growth at 57% occupancy with a net-cash position for future expansion.

**Continued record-high students**

After the COVID-19 crisis, SISB's students recovered strongly to a record high of 3,100 at the end of 2022 vs. a stagnant level of 2,434 at the end of 2021. They grew to 3,200 in January. We believe the strong growth was due to **1)** pent-up demand from both Thai and foreign students (19% are foreign students, mostly from China), **2)** strong brand recognition given Singaporean and British curriculums teaching in English, Chinese and Thai, and **3)** its target for mid-to-high income families whose demand for international schools for their kids is growing with the strategy of offering affordable prices and expanding to outer Bangkok locations where they live. With the planned opening of the Nonthaburi and Rayong campuses in August this year, we expect its student numbers to rise to 3,822 and 4,219 by end-2023-24F.

**Continued tuition fee hikes**

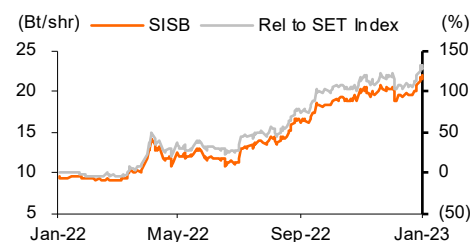
It is normal practice for international schools, including SISB, in Thailand to increase their tuition fees by around 5% a year. However, SISB's tuition fees rose by 8% a year on average during the pre-COVID 2017-19 and increased by 9% in 2022F compared to 2019's level. We believe this was due to a higher proportion of high-tuition-fee students as the higher the academic year, the higher the tuition fee SISB charges (see Exhibits 3-4). As the majority of its students are currently in primary classes and we expect them to continue to secondary classes, we foresee its tuition fees continuing to increase by 8/7/6% in 2023-25F.

**38% earnings CAGR in 2023-25F**

With its operating leverage benefits, we estimate SISB's earnings growth at 59/30/27% in 2023-25F. Along with 43-45% EBITDA margins in 2023-25F, 24-30% ROE, and a net-cash position, we believe SISB's valuation is still attractive at 36x PE this year before falling to 28/22x in 2024-25F vs. vs. its four-year average of 36x in 2019-22.

**COMPANY VALUATION**

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	1,055	1,311	1,774	2,221
Net profit	209	360	573	745
Consensus NP	—	343	482	620
Diff frm cons (%)	—	4.8	18.9	20.1
Norm profit	209	360	573	745
Prev. Norm profit	—	332	465	581
Chg frm prev (%)	—	8.3	23.3	28.1
Norm EPS (Bt)	0.2	0.4	0.6	0.8
Norm EPS grw (%)	19.2	72.4	59.2	30.0
Norm PE (x)	98.6	57.2	35.9	27.6
EV/EBITDA (x)	53.8	38.7	26.4	20.5
P/BV (x)	10.2	9.2	7.9	6.7
Div yield (%)	0.5	0.8	1.3	1.6
ROE (%)	10.7	16.9	23.6	26.3
Net D/E (%)	(34.1)	(24.2)	(24.7)	(39.1)

**PRICE PERFORMANCE****COMPANY INFORMATION**

Price as of 20-Jan-23 (Bt)	21.90
Market cap (US\$ m)	627.4
Listed shares (m shares)	940.0
Free float (%)	21.6
Avg daily turnover (US\$ m)	1.7
12M price H/L (Bt)	22.00/9.00
Sector	Professional services
Major shareholder	Mr. Yew Hook Koh 32.8%

Sources: Bloomberg, Company data, Thanachart estimates

**ESG Summary Report ..... P8**

## Raising our TP to Bt26; still a BUY

**We raise our earnings for SISB by 8-28% in 2022-24F and our TP to Bt26**

SISB Pcl's (SISB) earnings growth outlook now looks to be getting stronger with continued robust growth in student numbers after China's reopening allowed Chinese students to return to its schools, higher-than-expected average tuition fee hikes driven by annual increases and a higher proportion of high-tuition fee students, and operating leverage benefits. Given the changes in our assumptions as shown in Exhibit 1, we raise our earnings estimates by 8-28% in 2022-24F and our DCF-based 12-month TP (2023F base year) to Bt26 (from Bt20). We reaffirm our BUY call on shares of SISB.

### Ex 1: Key Assumption Changes

	2020	2021	2022F	2023F	2024F
<b>Students (students)</b>					
New	2,638	2,434	3,095	3,822	4,219
Old			3,041	3,618	3,966
Change (%)			1.8	5.6	6.4
<b>Tuition fee &amp; service income (Bt/student)</b>					
New	400,817	421,633	484,878	523,668	560,325
Old			467,941	490,413	514,165
Change (pp)			3.6	6.8	9.0
<b>Gross margin (%)</b>					
New	42.7	47.1	49.5	53.3	54.2
Old			49.4	50.4	50.9
Change (pp)			0.1	2.9	3.3
<b>Normalized earnings (Bt m)</b>					
New	175	209	360	573	745
Old			332	465	581
Change (%)			8.4	23.3	28.1

Sources: Company data, Thanachart estimates

## 38% earnings CAGR

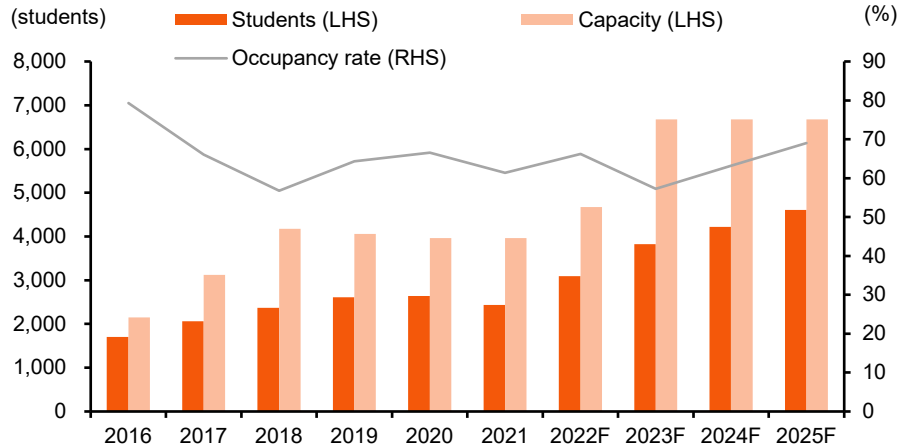
**We now estimate a 38% earnings CAGR in 2023-25F, driven by...**

**...continued strong student growth...**

We now estimate SISB's earnings growth at 59/30/27% in 2023-25F, driven by;

**First, strong demand for international schools continuing to drive its student growth:** The number of SISB's students grew by 15% a year on average during 2017-19 to 2,611 at the end of 2019 before the COVID-19 lockdown measures caused some to drop out of school and the number fell to 2,434 at end 2021. Then, pent-up demand after the easing of COVID restrictions saw them rise to a record high of around 3,100 at the end of last year with the number growing to 3,200 at present. With the planned opening of the new Nonthaburi and Rayong campuses in August this year, we expect the number of SISB's students to continue to increase to 3,822/4,219/4,609 at end 2023-25F. Note that even though the new campuses are still being built, SISB already has 105 students whose parents have paid the booking fees for the Nonthaburi campus and 25 students for the Rayong campus.

**Ex 2: SISB's Students Vs. Capacity**

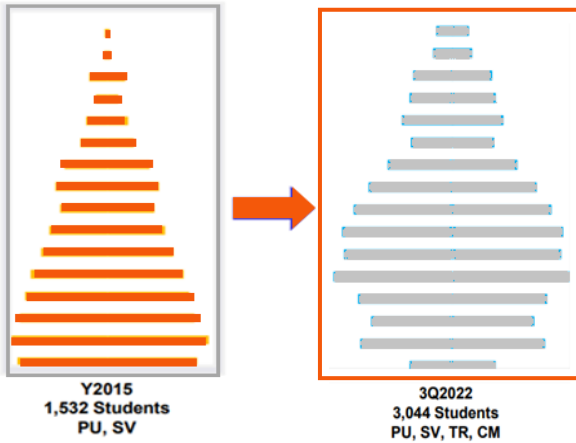


Sources: Company data, Thanachart estimates

...higher average tuition fee hikes and...

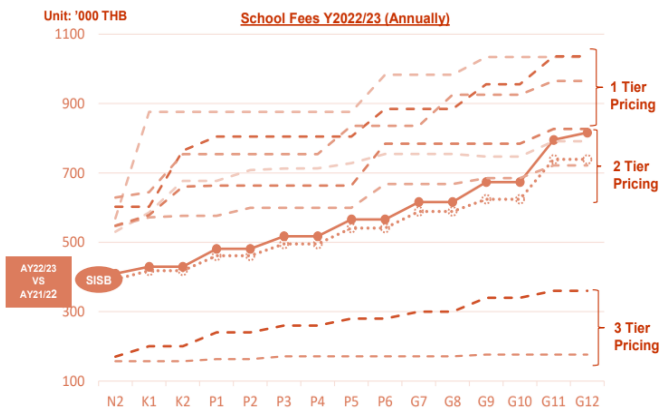
**Second, its higher average tuition fee hikes than the industry's:** It is normal practice for international schools to increase their annual tuition fees by around 5% a year. However, SISB's average tuition fee rose by 8% a year in 2017-19 and increased by 9% in 2022F compared to the level in 2019. Besides the 5% annual fee hike, SISB also benefits from a higher proportion of high-tuition-fee students as the higher the academic year, the higher the tuition fee that SISB charges. As most of its students are in primary classes and we expect the majority of them to continue into secondary classes, we estimate SISB's average tuition fee hike of 8/7/6% in 2023-25F.

**Ex 3: SISB's Student Distribution**



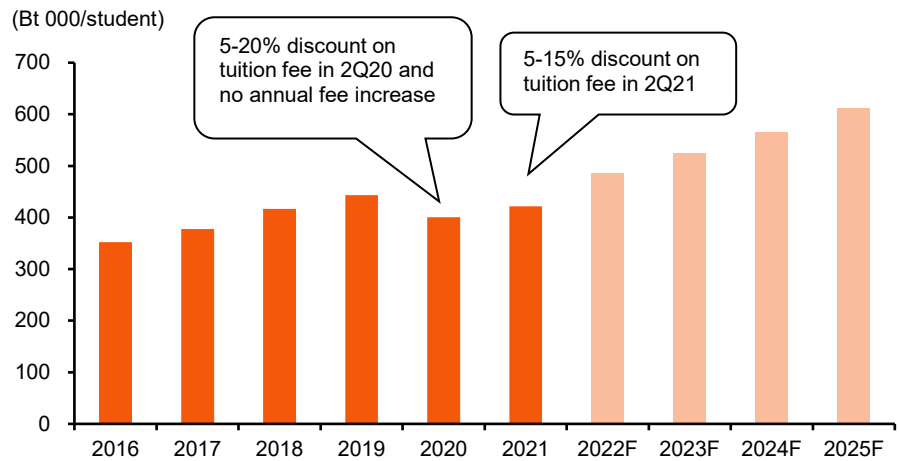
Source: Company data

**Ex 4: SISB's Affordable And Competitive Pricing**



Source: Company data

**Ex 5: SISB's Average Tuition Fee Per Student**

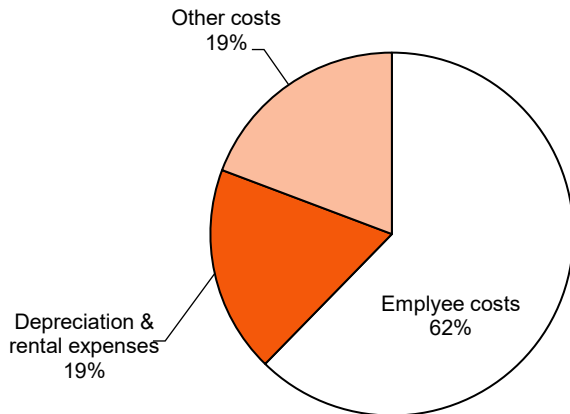


Sources: Company data, Thanachart estimates

**...operating leverage benefits**

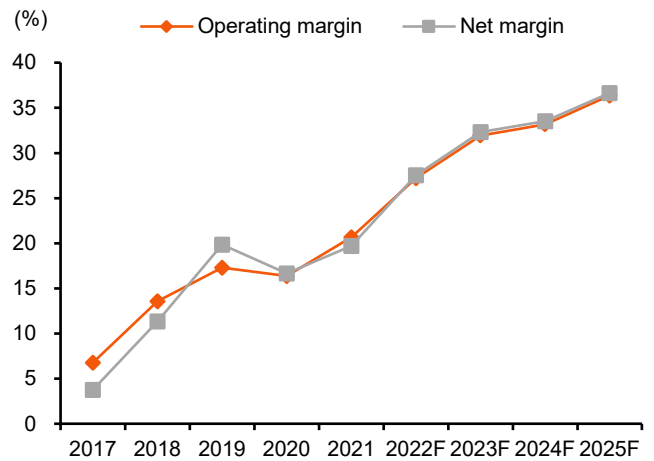
**Third, its operating leverage benefits:** Some 62% of SISB's total operating costs in 2021 were employee expenses while 19% comprised depreciation expenses. While SISB's revenue increased by 9% a year on average in 2017-21, its operating costs rose by 5% a year. This drove its operating margin to widen from 7% in 2017 to 21% in 2021. The school business in Thailand is also tax exempt. This helped drive SISB's net margin up from 4% in 2017 to 20% in 2021. We now expect SISB's operating margin to continue to rise to 27/32/33/36% in 2022-25F and its net margin to 27/32/33/36%.

**Ex 6: SISB's Operating Cost Breakdown in 2021**



Sources: Company data

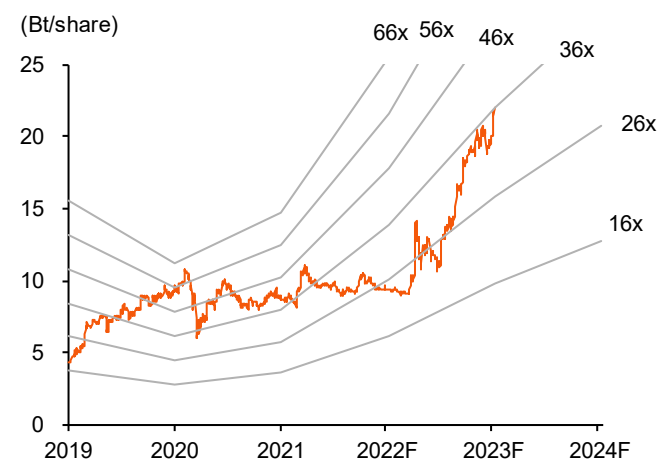
**Ex 7: SISB's Operating And Net Margin**



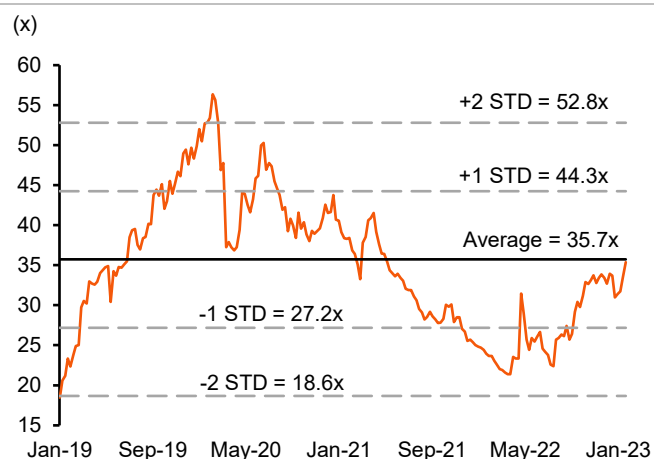
Sources: Company data, Thanachart estimates

**Valuation is still attractive in our view**

With 43-45% EBITDA margins in 2023-25F, 24-30% ROE, and plenty of room for growth with its current 57% occupancy rate and net-cash position for future expansion, we believe SISB's valuation is still attractive at 36x PE this year before falling to 28/22x in 2023-25F vs. its four-year average of 36x in 2019-22.

**Ex 8: SISB's PE Band**

Sources: Company data, Thanachart estimates

**Ex 9: SISB's PE Standard Deviation**

Sources: Bloomberg, Thanachart estimates

**Ex 10: 12-month DCF-based TP Calculation Using A Base Year Of 2023F**

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA	755	946	1,154	1,373	1,613	1,808	2,024	2,255	2,506	2,775	3,050	—
Free cash flow	238	781	982	1,199	1,432	1,630	1,594	2,072	2,318	2,584	2,855	38,834
PV of free cash flow	237	663	758	849	931	972	872	1,040	1,024	1,042	1,052	14,304
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.8											
WACC (%)	8.5											
Terminal growth (%)	2.0											
Enterprise value - add investments	23,743											
Net debt (2022F)	(543)											
Minority interest	0											
Equity value	24,286											
# of shares (m)	940											
<b>Target price/share (Bt)</b>	<b>26</b>											

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 11: Valuation Comparison With Regional Peers

Name	BBG code	Country	—EPS growth—		— PE —		— P/BV —		EV/EBITDA		— Div yield —	
			22F (%)	23F (%)	22F (x)	23F (x)	22F (x)	23F (x)	22F (x)	23F (x)	22F (%)	23F (%)
NIIT Ltd	NIIT IN	India	(24.0)	37.1	24.1	17.5	2.6	2.4	12.0	9.1	2.0	2.4
China New Higher Edu.	2001 HK	Hong Kong	16.5	13.0	8.0	7.1	1.6	1.4	6.5	5.9	6.3	7.1
Minsheng Education	1569 HK	Hong Kong	25.1	8.3	2.6	2.4	0.4	0.4	1.6	1.5	11.5	12.2
Edvantage Group	382 HK	Hong Kong	10.6	8.8	6.1	5.6	1.1	1.0	5.0	4.5	5.1	5.5
SISB Pcl	SISB TB	Thailand	72.4	59.2	57.2	35.9	9.2	7.9	38.7	26.4	0.8	1.3
<b>Average</b>			<b>20.1</b>	<b>25.3</b>	<b>19.6</b>	<b>13.7</b>	<b>3.0</b>	<b>2.6</b>	<b>12.8</b>	<b>9.5</b>	<b>5.1</b>	<b>5.7</b>

Sources: Company data, Thanachart estimates

Note: \* Thanachart estimates, using normalized EPS

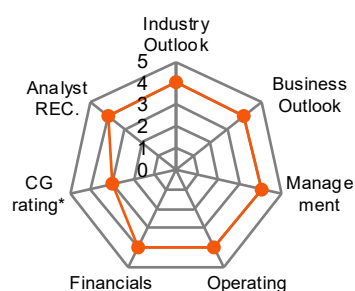
Based on 20-Jan-2023 closing prices

## COMPANY DESCRIPTION

SISB Public Company Limited (SISB) provides educational services in Thailand. The school offers various subjects such as languages, sciences, social studies, and maths, as well as music, dance, art, and sports. With four campuses in Bangkok, Samutprakarn and Chiangmai and more than 2,600 students, it is one of the biggest school groups in Thailand.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Very Strong</b>	<b>5</b>
<b>Strong</b>	<b>4</b>
<b>Good</b>	<b>3</b>
<b>Fair</b>	<b>2</b>
<b>Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG Rating No rating.

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Solid brand perception and awareness.
- Economies of scale allow it to offer mid-range tuition fees and broaden targeted households.
- Robust financial status.

### O — Opportunity

- Growing demand for international schools in Thailand.
- Opportunities to expand in AEC markets.
- Business diversification.

### W — Weakness

- Three out of four campuses are located on leased land, so there is a risk pertaining to lease contract extensions.
- Teachers are the key to its success, so a shortage of teachers presents a risk.

### T — Threat

- Intense competition.
- Ageing society trend.
- Laws and regulations for operating schools.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	23.73	26.00	10%
<b>Net profit 22F (Bt m)</b>	343	360	5%
<b>Net profit 23F (Bt m)</b>	482	573	19%
<b>Consensus REC</b>	<b>BUY: 4</b>	<b>HOLD: 0</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings estimates for 2022-23F are 5-19% higher than the Bloomberg consensus numbers, which we attribute to us assuming more aggressive student growth and tuition fee hikes over the period.
- Our DCF-based TP is also 10% higher than the Street's following our higher earnings forecasts.

Sources: Bloomberg consensus, Thanachart estimates

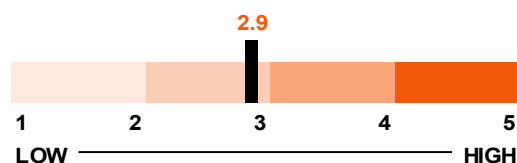
## RISKS TO OUR INVESTMENT CASE

- A weak economic situation in Thailand would represent the key downside risk to our student and tuition fee growth assumptions.
- A continuation of the COVID-19 crisis would also represent a secondary downside risk to our student and tuition-fee-growth assumptions.
- If the company can't increase its tuition fees to offset rising teacher costs, this would negatively impact our gross-margin assumptions and therefore our net-profit forecasts.
- To comply with the government's strict regulations, the company may incur extra costs, which would negatively impact our gross-margin assumptions and our net-profit forecasts. This is a secondary downside risk to our call.

Source: Thanachart

SISB runs four school campuses, of which three are in Bangkok and one (50% owned) is in Chiang Mai province. It is currently the second-largest international school operator in Thailand with around 3,000 students. Our ESG score for SISB is moderate at 2.9 reflecting the nature of its business that doesn't produce much greenhouse gas but still lacks clear targets and plans for ESG issues.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
SISB	-	-	-	-	-	-	-	-	3.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)  
 Note: Please see third party on "term of use" in the following back page.

Factors	Our Comments
<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>Environmental Policies &amp; Guidelines</li> <li>Energy Management</li> <li>Carbon Management</li> <li>Water Management</li> <li>Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>Running a school business doesn't produce much greenhouse gas (GHG). In 2021, SISB had direct GHG emissions of 226 tonnes of CO2 equivalent and indirect emissions of 1,573 tonnes, as measured by EY Office Limited.</li> <li>SISB has an environmentally friendly approach to reduce pollution and preserve energy in improving its buildings and creating learning environment by designing its buildings to allow good ventilation and using LED light bulbs to save on energy costs.</li> <li>SISB arranges green spaces around its buildings and encourages students to be aware of the environment and take part in preserving and improving it.</li> </ul>
<p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>Human Rights</li> <li>Staff Management</li> <li>Health &amp; Safety</li> <li>Product Safety &amp; Quality</li> <li>Social Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>SISB says it has policies to treat all employees with fairness and ensure a safe working environment.</li> <li>SISB provides training to develop its employees' professional skills. In addition to life insurance, it also offers health and accident insurance for employees.</li> <li>SISB has continuously supported the development of communities and society by organizing social and public benefit projects such as teaching English and donating computers, IT equipment, COVID-19 testing kits, etc.</li> </ul>
<p><b>GOVERNANCE &amp; SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>Board</li> <li>Ethics &amp; Transparency</li> <li>Business Sustainability</li> <li>Risk Management</li> <li>Innovation</li> </ul>	<ul style="list-style-type: none"> <li>We believe SISB has a good board of directors (BOD) structure. It is an eight-member BOD which we consider an appropriate size for the size and scope of its business. The chairman is an independent director. Of the eight members, four are independent directors. There are three female board members.</li> <li>There are two directors who hold over 25% stakes in SISB. However, SISB has appointed an Audit Committee to audit, review and scrutinize transactions to ensure transparency and no conflicts of interests.</li> <li>SISB has engaged P&amp;L Internal Audit Company Limited, an outsourced service provider, to audit its internal control system while EY Company Limited, the auditor of the group, did not have any observations related to the company's internal control system.</li> </ul>

Source: Thanachart

## INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	1,048	1,055	1,311	1,774	2,221
Cost of sales	601	558	662	828	1,017
<b>Gross profit</b>	<b>447</b>	<b>496</b>	<b>649</b>	<b>947</b>	<b>1,204</b>
% gross margin	42.7%	47.1%	49.5%	53.3%	54.2%
Selling & administration expenses	276	279	295	381	466
<b>Operating profit</b>	<b>172</b>	<b>218</b>	<b>354</b>	<b>565</b>	<b>737</b>
% operating margin	16.4%	20.7%	27.0%	31.8%	33.2%
Depreciation & amortization	156	152	164	190	208
<b>EBITDA</b>	<b>328</b>	<b>370</b>	<b>518</b>	<b>755</b>	<b>946</b>
% EBITDA margin	31.3%	35.0%	39.5%	42.6%	42.6%
Non-operating income	28	20	35	40	40
Non-operating expenses	(0)	(5)	0	0	0
Interest expense	(26)	(26)	(27)	(28)	(27)
<b>Pre-tax profit</b>	<b>174</b>	<b>208</b>	<b>362</b>	<b>577</b>	<b>750</b>
Income tax	(1)	0	4	6	8
<b>After-tax profit</b>	<b>175</b>	<b>208</b>	<b>358</b>	<b>571</b>	<b>743</b>
% net margin	16.7%	19.7%	27.3%	32.2%	33.4%
Shares in affiliates' Earnings	1	1	2	2	2
Minority interests	0	0	0	0	0
Extraordinary items	(15)	0	0	0	0
<b>NET PROFIT</b>	<b>160</b>	<b>209</b>	<b>360</b>	<b>573</b>	<b>745</b>
<b>Normalized profit</b>	<b>175</b>	<b>209</b>	<b>360</b>	<b>573</b>	<b>745</b>
EPS (Bt)	0.2	0.2	0.4	0.6	0.8
Normalized EPS (Bt)	0.2	0.2	0.4	0.6	0.8

*We expect SISB's earnings to grow strongly from 2022F onward...*

*...driven by pent-up demand after the COVID crisis and tuition fee hikes*

## BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
<b>ASSETS:</b>					
Current assets:	1,098	863	872	1,014	1,545
Cash & cash equivalent	1,008	764	750	850	1,340
Account receivables	77	78	97	132	165
Inventories	7	8	9	12	15
Others	6	12	15	21	26
Investments & loans	54	55	55	55	55
Net fixed assets	1,556	1,999	2,286	2,596	2,537
Other assets	458	417	437	466	494
<b>Total assets</b>	<b>3,166</b>	<b>3,334</b>	<b>3,650</b>	<b>4,131</b>	<b>4,632</b>
<b>LIABILITIES:</b>					
Current liabilities:	626	635	672	707	724
Account payables	77	84	100	125	154
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	17	18	50	49	35
Others current liabilities	532	533	522	533	535
<b>Total LT debt</b>	<b>60</b>	<b>58</b>	<b>158</b>	<b>156</b>	<b>111</b>
Others LT liabilities	604	626	574	658	739
<b>Total liabilities</b>	<b>1,289</b>	<b>1,319</b>	<b>1,403</b>	<b>1,521</b>	<b>1,574</b>
Minority interest	0	0	0	0	0
Preferred shares	0	0	0	0	0
Paid-up capital	470	470	470	470	470
Share premium	1,128	1,128	1,128	1,128	1,128
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
<b>Retained earnings</b>	<b>279</b>	<b>416</b>	<b>648</b>	<b>1,011</b>	<b>1,460</b>
Shareholders' equity	1,877	2,014	2,246	2,609	3,058
<b>Liabilities &amp; equity</b>	<b>3,166</b>	<b>3,334</b>	<b>3,650</b>	<b>4,131</b>	<b>4,632</b>

Sources: Company data, Thanachart estimates

## CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	174	208	362	577	750
Tax paid	(0)	(0)	(4)	(6)	(7)
Depreciation & amortization	156	152	164	190	208
Chg In working capital	16	5	(5)	(12)	(7)
Chg In other CA & CL / minorities	53	21	(11)	8	(1)
<b>Cash flow from operations</b>	<b>399</b>	<b>386</b>	<b>505</b>	<b>757</b>	<b>943</b>
Capex	(293)	(595)	(450)	(500)	(150)
Right of use	(348)	(6)	(5)	(5)	(5)
ST loans & investments	0	0	0	0	0
LT loans & investments	(1)	(1)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	255	43	(67)	60	58
<b>Cash flow from investments</b>	<b>(386)</b>	<b>(558)</b>	<b>(522)</b>	<b>(445)</b>	<b>(97)</b>
Debt financing	1	(0)	131	(2)	(59)
Capital increase	0	0	0	0	0
Dividends paid	(94)	(71)	(128)	(210)	(296)
Warrants & other surplus	(8)	0	0	0	0
<b>Cash flow from financing</b>	<b>(101)</b>	<b>(72)</b>	<b>3</b>	<b>(212)</b>	<b>(356)</b>
<b>Free cash flow</b>	<b>106</b>	<b>(209)</b>	<b>55</b>	<b>257</b>	<b>793</b>

*We factor in Bt950m of capex in 2022-23F, mainly for investments in new campuses*

## VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	117.5	98.6	57.2	35.9	27.6
Normalized PE - at target price (x)	139.5	117.1	67.9	42.7	32.8
PE (x)	128.7	98.6	57.2	35.9	27.6
PE - at target price (x)	152.8	117.1	67.9	42.7	32.8
EV/EBITDA (x)	60.0	53.8	38.7	26.4	20.5
EV/EBITDA - at target price (x)	71.7	64.3	46.2	31.5	24.6
P/BV (x)	11.0	10.2	9.2	7.9	6.7
P/BV - at target price (x)	13.0	12.1	10.9	9.4	8.0
P/CFO (x)	51.6	53.3	40.7	27.2	21.8
Price/sales (x)	19.6	19.5	15.7	11.6	9.3
Dividend yield (%)	0.3	0.5	0.8	1.3	1.6
FCF Yield (%)	0.5	(1.0)	0.3	1.2	3.9
<b>(Bt)</b>					
Normalized EPS	0.2	0.2	0.4	0.6	0.8
EPS	0.2	0.2	0.4	0.6	0.8
DPS	0.1	0.1	0.2	0.3	0.4
BV/share	2.0	2.1	2.4	2.8	3.3
CFO/share	0.4	0.4	0.5	0.8	1.0
FCF/share	0.1	(0.2)	0.1	0.3	0.8

Sources: Company data, Thanachart estimates

*Given its solid fundamentals, SISB deserves a premium valuation in our view*

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
<b>Growth Rate</b>					
Sales (%)	(4.3)	0.6	24.2	35.4	25.2
Net profit (%)	(27.6)	30.5	72.4	59.2	30.0
EPS (%)	(27.6)	30.5	72.4	59.2	30.0
Normalized profit (%)	(20.7)	19.2	72.4	59.2	30.0
Normalized EPS (%)	(20.7)	19.2	72.4	59.2	30.0
Dividend payout ratio (%)	44.7	45.0	45.0	45.0	45.0
<b>Operating performance</b>					
Gross margin (%)	42.7	47.1	49.5	53.3	54.2
Operating margin (%)	16.4	20.7	27.0	31.8	33.2
EBITDA margin (%)	31.3	35.0	39.5	42.6	42.6
Net margin (%)	16.7	19.7	27.3	32.2	33.4
D/E (incl. minor) (x)	0.0	0.0	0.1	0.1	0.0
Net D/E (incl. minor) (x)	(0.5)	(0.3)	(0.2)	(0.2)	(0.4)
Interest coverage - EBIT (x)	6.6	8.5	12.9	19.9	27.2
Interest coverage - EBITDA (x)	12.6	14.5	18.8	26.6	34.9
ROA - using norm profit (%)	6.0	6.4	10.3	14.7	17.0
ROE - using norm profit (%)	9.5	10.7	16.9	23.6	26.3
<b>DuPont</b>					
ROE - using after tax profit (%)	9.4	10.7	16.8	23.5	26.2
- asset turnover (x)	0.4	0.3	0.4	0.5	0.5
- operating margin (%)	19.1	22.2	29.7	34.1	35.0
- leverage (x)	1.6	1.7	1.6	1.6	1.5
- interest burden (%)	87.0	89.1	92.9	95.3	96.5
- tax burden (%)	100.4	99.9	99.0	99.0	99.0
WACC (%)	8.5	8.5	8.5	8.5	8.5
ROIC (%)	21.6	23.0	26.4	32.8	37.2
NOPAT (Bt m)	172	218	351	559	730
invested capital (Bt m)	946	1,327	1,704	1,965	1,864

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

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80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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**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 24.33% of the shareholding in TMBThanachart Bank Pcl.

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 LIMITED (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: The One Enterprise Pcl. (ONEE TB)

### Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. 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 the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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