

SISB Pcl (SISB TB) - BUY, Price Bt28.50, TP Bt40.00**Results Comment**

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3Q23 slightly beats our forecast

- SISB posted 3Q23 normalized earnings of Bt129m, up 38% y-y but down 17% q-q. The results were slightly higher than what we had expected. Its earnings growth y-y was mainly due to a jump in its revenue from higher student number and tuition fee while the earnings drop q-q was because of Bt26m one-time pre-opening expenses and Bt33m losses from the new campuses.
- We expect SISB's earnings to reach a record high of Bt180-190m in 4Q23F due to a further increase in its student number, full-quarter effect of tuition fee hike, no one-time pre-operating expenses, and lower losses from the new campuses. With that earnings base in 4Q23F, we see our earnings growth forecast of 35% y-y in 2024F is easily achievable.
- We maintain our BUY call on SISB given its strong earnings growth of 43% a year in 2023-25F, net cash position, and high profitability of over 40% EBITDA margin and over 25% ROE.
- SISB's revenue grew by 40% y-y in 3Q23 mainly due to its student growth (4,125 students in 3Q23 vs. 3,044 in 3Q22 and 3,394 in 2Q23), a tuition fee hike by 5% in September 2022, and higher food and after-school activity revenue.
- However, its gross margin fell to 44% in 3Q23 vs. 50% in 3Q22 due to one-time pre-operating expenses and losses from the new campuses.
- Its SG&A expenses in 3Q23 also increased by 25% y-y following higher revenue and pre-opening expenses from the new campuses.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q22	4Q22	1Q23	2Q23	3Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	342	390	426	423	478	Revenue	13	40	67	1,972	2,554
Gross profit	170	208	237	241	211	Gross profit	(12)	25	70	990	1,306
SG&A	79	84	87	92	99	SG&A	7	25	71	394	498
Operating profit	91	124	150	149	113	Operating profit	(24)	24	69	596	808
EBITDA	133	166	190	189	169	EBITDA	(11)	27	71	776	1,018
Other income	7	8	12	9	17	Other income	88	136	109	35	35
Other expense	0	(0)	0	0	0	Other expense					
Interest expense	6	6	6	7	7	Interest expense	2	3	75	26	24
Profit before tax	92	126	155	152	123	Profit before tax	(19)	34	71	605	819
Income tax	0	0	0	0	0	Income tax	(61)	(79)	16	3	4
Equity & invest. income	2	2	4	4	5	Equity & invest. income	28	240	73	18	19
Minority interests	0	0	0	0	0	Minority interests					
Extraordinary items	7	0	0	0	0	Extraordinary items					
Net profit	99	128	159	155	129	Net profit	(17)	29	71	620	834
Normalized profit	93	128	159	155	129	Normalized profit	(17)	38	71	620	834
EPS (Bt)	0.11	0.14	0.17	0.17	0.14	EPS (Bt)	(17)	29	71	0.66	0.89
Normalized EPS (Bt)	0.10	0.14	0.17	0.17	0.14	Normalized EPS (Bt)	(17)	38	71	0.66	0.89

Balance Sheet						Financial Ratios					
(consolidated)						(%)					
Yr-end Dec (Bt m)	3Q22	4Q22	1Q23	2Q23	3Q23		3Q22	4Q22	1Q23	2Q23	3Q23
Cash & ST investment	328	365	704	479	464	Sales grow th	33.8	63.8	49.6	39.7	39.8
A/C receivable	23	93	100	520	30	Operating profit grow th	70.2	448.4	132.0	89.7	24.0
Inventory	6	7	7	12	12	EBITDA grow th	44.4	173.2	85.4	59.9	27.1
Other current assets	641	461	181	385	554	Norm profit grow th	101.4	387.6	151.6	98.5	38.4
Investment	58	60	44	48	54	Norm EPS grow th	101.4	387.6	151.6	98.5	38.4
Fixed assets	2,218	2,493	2,677	2,832	2,953	Gross margin	49.7	53.3	55.7	57.0	44.3
Other assets	454	449	443	439	433	Operating margin	26.6	31.9	35.2	35.2	23.6
Total assets	3,759	3,914	4,124	4,673	4,447	EBITDA margin	38.8	42.5	44.6	44.6	35.3
S-T debt	673	688	703	1,165	932	Norm net margin	27.2	32.9	37.3	36.7	26.9
A/C payable	157	149	158	165	100	D/E (x)	0.3	0.3	0.3	0.5	0.4
Other current liabilities	37	22	59	39	40	Net D/E (x)	0.2	0.2	0.0	0.3	0.2
L-T debt	78	89	101	118	121	Interest coverage (x)	20.5	26.7	29.5	28.9	25.3
Other liabilities	652	677	655	733	672	Interest rate	3.2	3.3	3.3	2.5	2.3
Minority interest	0	0	0	0	0	Effective tax rate	0.5	0.3	0.1	0.2	0.1
Shareholders' equity	2,161	2,290	2,449	2,454	2,582	ROA	9.9	13.4	15.8	14.1	11.3
Working capital	(128)	(48)	(50)	367	(59)	ROE	17.6	23.1	26.8	25.4	20.4
Total debt	751	777	804	1,283	1,053						
Net debt	423	412	100	804	588						

Sources: Company data, Thanachart estimates

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