

# SISB SISB TB

## THAILAND / PROFESSIONAL SERVICE

# BUY

## UNCHANGED

### คาด 2Q23 แข็งแกร่ง การเปิดโรงเรียนเป็นไปตามแผน

TARGET PRICE	THB45.00
CLOSE	THB34.75
UP/DOWNSIDE	+29.5%
PRIOR TP	THB45.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+7.3%

- คาด 2Q23 เป็นอีกไตรมาสที่ดีโดยคาดว่าจะปรับขึ้น 4% q-q และ 111% y-y
- พร้อมเปิดโรงเรียนใหม่ทั้ง 2 แห่งในเดือนหน้า
- ราคาหุ้นที่ปรับตัวลงเมื่อวานเป็นโอกาสในการซื้อเนื่องจากคิดเป็น 28.2x ของค่า 2025E P/E หรือ 2025E PEG ที่เพียง 1.0

### คาด 2Q23 เป็นอีกไตรมาสที่ดีโดยคาดว่าจะโต 111% y-y

ใน 2Q23 เราคาดว่าตัวเลขนักเรียนสมัครใหม่จะอยู่ในเกณฑ์ที่ดีที่ 116 คนจากทั้ง 4 โรงเรียนซึ่งจะทำให้ได้ตัวเลขนักเรียนรวมอยู่ที่ 3,400 คน (+4% q-q, +25% y-y) ถ้าสมมติให้ค่าบำรุงการศึกษาเฉลี่ยต่อรายอยู่ที่ 0.5 ลบ. (ใกล้เคียงกับในไตรมาสก่อน) เราคาดว่ารายได้บริการรวมจะอยู่ที่ 438 ลบ. (+3% q-q, +45% y-y) จาก Operating leverage และประสิทธิภาพในการควบคุมต้นทุนของโรงเรียน เราคาดว่าอัตรากำไรขั้นต้นและอัตรากำไรสุทธิจะทำสถิติสูงสุดใหม่ที่ 55.8% และ 37.7% ตามลำดับ กำไรสุทธิน่าจะโต 4% q-q และ 111% y-y เป็น 165 ลบ. เพราะฉะนั้นกำไรสุทธิในช่วง 1H23 จึงน่าจะเพิ่ม 129% y-y เป็น 324 ลบ.

### พร้อมเปิด 2 โรงเรียนใหม่ในเดือนหน้า

จากข้อมูลของผู้บริหาร บริษัทฯ จะเปิดโรงเรียนใหม่ในนนทบุรีและระยองได้ในเดือนหน้า ผู้บริหารคงเป้าประมาณการตัวเลขนักเรียนไว้ที่ 400 คน (280 คนที่นนทบุรีและ 120 คนที่ระยอง) สำหรับ 2 โรงเรียนใหม่ดังกล่าว นนทบุรีมีประชากรหนาแน่นสูงสุดเป็นอันดับสองของประเทศไทยกรุงเทพฯ โดยมีผู้อยู่อาศัยอยู่ 1.2 ล้านคน ภายในระยะ 10 กม. จากโรงเรียนที่นนทบุรีมี Denla British School, ISB Bangkok, ศูนย์การค้าและโครงการที่อยู่อาศัย Central Westville ที่กำลังจะเปิดอยู่ห่างจากโรงเรียน 18 กม. ในขณะที่โรงเรียนที่ระยองตั้งอยู่ใจกลางเมืองและไม่มีโรงเรียนนานาชาติอื่นอยู่ใกล้โดยที่ใกล้ที่สุดอยู่ห่างออกไปเกือบ 50 กม.

### ประมาณการตัวเลขนักเรียนสมัครใหม่สุทธิที่ 900 ในปี 2023 เป็นไปได้

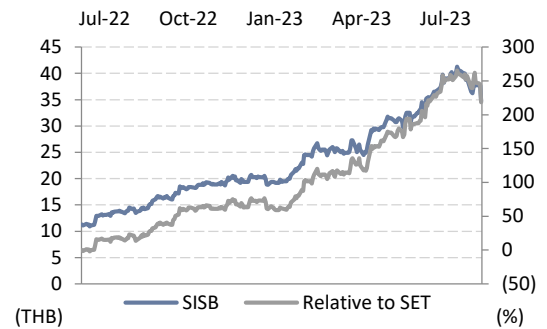
ประมาณการตัวเลขนักเรียนสมัครใหม่สุทธิเต็มปีที่ 900 คนใกล้เคียงกับเป้าประมาณการล่าสุดของผู้บริหาร ในการประชุมนักวิเคราะห์ล่าสุด ผู้บริหารระบุว่าเป้าประมาณการตัวเลขนักเรียนก่อนหน้านี้ที่ 3,700 คน ณ สิ้นปี 2023 มี Upside อยู่ 8-10% ตัวเลขนักเรียนในช่วง 1H23 ที่เราคาดไว้ที่ 256 คนรวมกับเป้าตัวเลขนักเรียนของผู้บริหารที่ 400 คนจากโรงเรียนใหม่น่าจะช่วยยืนยัน 73% ของประมาณการปี 2023 ของเรา

### ราคาหุ้นที่ปรับตัวลดลงเป็นโอกาสในการซื้อ

เราเห็นว่าประมาณการตัวเลขนักเรียน ณ สิ้นปีของเราที่ 4,014 คนมีความเป็นไปได้สูง เราคงประมาณการที่คิดว่ากำไรจะโต 93%/32%/23% ในช่วงปี 2023-25 คิดเป็น 28% CAGR ราคาหุ้นของ SISB ที่ปรับตัวลดลง 8% เมื่อวานนี้เป็นโอกาสในการกลับมาซื้อหุ้นเนื่องจากคิดเป็น 34.8x ของค่า 2024E P/E และ 28.2x ของค่า 2025E P/E หรือ 2025E PEG ที่เพียง 1.0 เราคงแนะนำซื้อที่ราคาเป้าหมาย 45 บาท (7.7% WACC, 4% LTG)

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	1,319	1,813	2,290	2,672
Net profit	369	711	938	1,157
EPS (THB)	0.39	0.76	1.00	1.23
vs Consensus (%)	-	(4.2)	(5.5)	(7.9)
EBITDA	551	909	1,165	1,399
Core net profit	369	711	938	1,157
Core EPS (THB)	0.39	0.76	1.00	1.23
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	73.1	92.5	32.0	23.3
Core P/E (x)	88.5	46.0	34.8	28.2
Dividend yield (%)	0.3	0.9	1.1	1.4
EV/EBITDA (x)	58.7	35.5	27.7	23.1
Price/book (x)	14.3	12.0	10.0	8.8
Net debt/Equity (%)	(15.4)	(14.0)	(10.9)	(10.8)
ROE (%)	17.2	28.4	31.3	33.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(10.9)	16.8	224.8
Relative to country (%)	(9.6)	21.6	231.7
Mkt cap (USD m)	936		
3m avg. daily turnover (USD m)	2.8		
Free float (%)	29		
Major shareholder	Mr. Yew Hock Koh (33%)		
12m high/low (THB)	41.50/10.50		
Issued shares (m)	940.00		

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amorntum

jitra.a@fssia.com

+66 2646 9966

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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 6 กรกฎาคม 2023

## Investment thesis

New campuses in Nonthaburi and Rayong are to open next month. Management maintains its guidance of 400 students for the new campuses. With our projected 1H23 number of 256 students together with management's target of 400 students from the new campuses, 73% of our full-year forecast of 900 net new enrolments should be secured.

Our student number estimate at year-end of 4,014 is highly likely, in our view. We maintain our profit growth expectation of 93%/32%/23% in 2023-25, or at a 28% CAGR. Its growth should not stop there. There is untapped international school demand in the provinces where SISB aims to tap into a new sizeable target group beyond the greater Bangkok area.

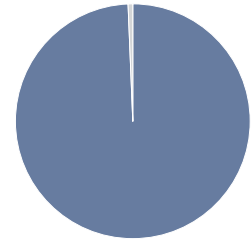
## Company profile

The company operates international schools under its own brand. SISB provides the Singapore curriculum, which is ranked highest in the world for mathematics and science. Its unique strength is its trilingual focus that includes English, Chinese, and Thai. Besides the Singapore curriculum, SISB also provides Cambridge IGCSE A and AS Levels, as well as the International Baccalaureate programme.

[www.sisb.ac.th](http://www.sisb.ac.th)

## Principal activities (revenue, 2022)

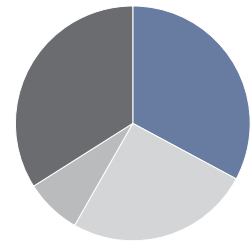
- Tuition fees and service income - 99.4 %
- Education equipment revenue - 0.6 %



Source: SISB

## Major shareholders

- Mr. Yew Hock Koh - 32.8 %
- Ms. Wilawan Kaewkanokvijit - 25.4 %
- Mr. Prayong Vanichsuwan - 7.8 %
- Others - 34.0 %



Source: SISB

## Catalysts

Key potential catalysts include 1) capacity expansion; 2) stronger demand from both Thai and foreign families; and 3) more SISB students accepted at top universities.

## Risks to our call

Downside risks to our DCF-based TP include 1) intensified competition; 2) less demand from China; 3) staff shortages; and 4) risks from legal requirements and government policies relating to the business of private schools.

## Event calendar

Date	Event
August 2023	2Q23 results announcement Nonthaburi and Rayong campuses open
November 2023	3Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
Students, all campuses	4,014	4,609	5,104
Tuition fees (THB/year/student)	530,000	550,000	570,000
Revenue (THB m)	1,813	2,290	2,672
Growth (%)	30.3	26.3	16.7
Gross margin (%)	58.9	61.4	63.6
EBITDA margin (%)	50.5	51.2	52.7
SG&A to sales (%)	20.1	20.8	20.7

Source: FSSIA estimates

## Earnings sensitivity

- For every 100-student change in enrolment, we project SISB's 2023 net profit to change by 3%, all else being equal.
- For every 1% change in gross margin, we project SISB's 2023 net profit to change by 3%, all else being equal.
- For every 1% change in SG&A expenses, we project SISB's 2023 net profit to change by 2%, all else being equal.

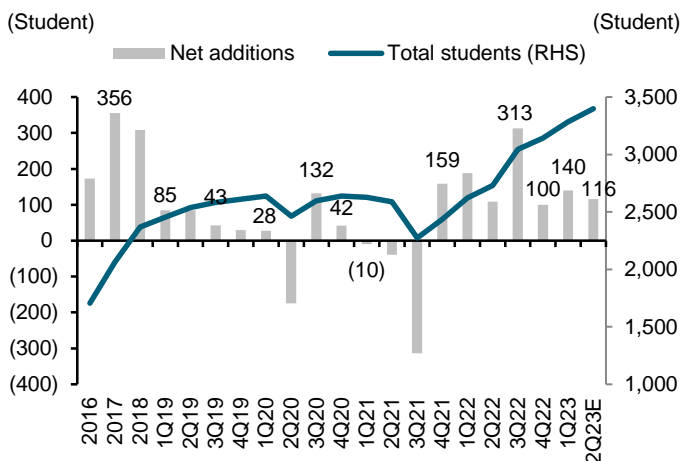
Source: FSSIA estimates

## Exhibit 1: 2Q23 earnings preview

Year to Dec 31	2Q22	3Q22	4Q22	1Q23	2Q23E	-----Change-----		1H22	1H23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Service income	303	342	390	426	438	2.9	44.7	587	864	47.1
Cost of service	(155)	(172)	(182)	(189)	(194)	2.7	25.4	(299)	(383)	27.9
Gross profit	148	170	208	237	244	3.0	64.8	288	481	67.1
Operating costs	(70)	(66)	(90)	(87)	(89)	1.8	27.0	(145)	(176)	21.1
Operating profit	78	104	118	150	156	3.7	98.4	143	306	113.6
Operating EBITDA	124	147	174	203	209	2.7	67.9	232	412	78.0
Other income	4	6	6	10	9	(3.0)	111.4	8	19	133.0
Interest expense	1	1	2	2	2	(3.1)	190.9	1	4	160.7
Profit before tax	78	100	129	159	165	3.9	111.0	142	324	129.2
Associates	1	2	2	4	4	3.4	242.8	1	8	434.4
<b>Net profit</b>	<b>78</b>	<b>99</b>	<b>128</b>	<b>159</b>	<b>165</b>	<b>3.8</b>	<b>110.9</b>	<b>141</b>	<b>324</b>	<b>129.1</b>
<b>Core profit</b>	<b>78</b>	<b>99</b>	<b>128</b>	<b>159</b>	<b>165</b>	<b>3.8</b>	<b>110.9</b>	<b>141</b>	<b>324</b>	<b>129.1</b>
Reported EPS (THB)	0.08	0.11	0.14	0.17	0.18	3.8	111.6	0.15	0.34	125.4
Core EPS (THB)	0.08	0.11	0.14	0.17	0.18	3.8	111.6	0.15	0.34	125.4
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	48.9	49.7	53.3	55.7	55.8	0.1	6.8	49.1	55.7	6.7
Operating margin	27.8	30.8	34.1	38.4	38.6	0.2	10.8	26.0	38.5	12.5
EBITDA margin	41.1	43.1	44.7	47.8	47.7	(0.1)	6.6	39.4	47.7	8.3
Net margin	25.8	29.1	32.9	37.3	37.7	0.3	11.8	24.1	37.5	13.4
SG&A / Sales	23.0	19.2	23.2	20.4	20.2	(0.2)	(2.8)	24.7	20.3	(4.4)
<b>Number of students (no.)</b>						<b>(q-q %)</b>	<b>(y-y %)</b>			<b>(y-y %)</b>
<b>Total students</b>	<b>2,731</b>	<b>3,044</b>	<b>3,144</b>	<b>3,284</b>	<b>3,400</b>	<b>3.5</b>	<b>24.5</b>	<b>2,731</b>	<b>3,400</b>	<b>24.5</b>
Pracha-Uthit campus	1,382	1,462	1,499	1,579						
Suvarnabhumi campus	243	248	254	279						
Thonburi campus	901	1,083	1,109	1,145						
Chiangmai campus	205	251	252	281						
Net additions	109	313	100	140	116	(17.1)	6.4	297	256	(13.8)

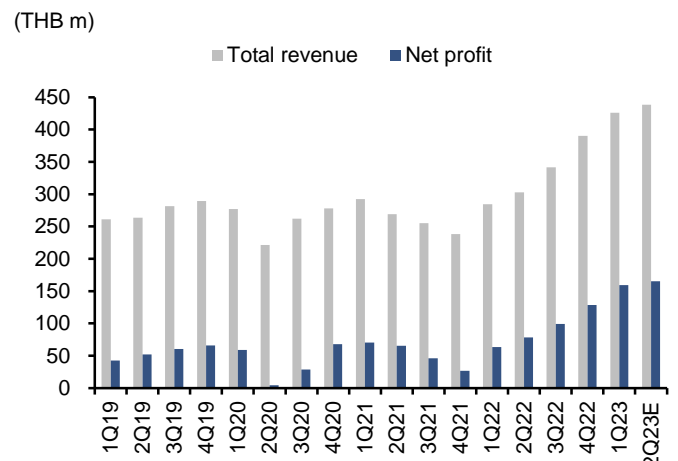
Sources: SISB, FSSIA estimates

## Exhibit 2: Total student numbers (quarterly)



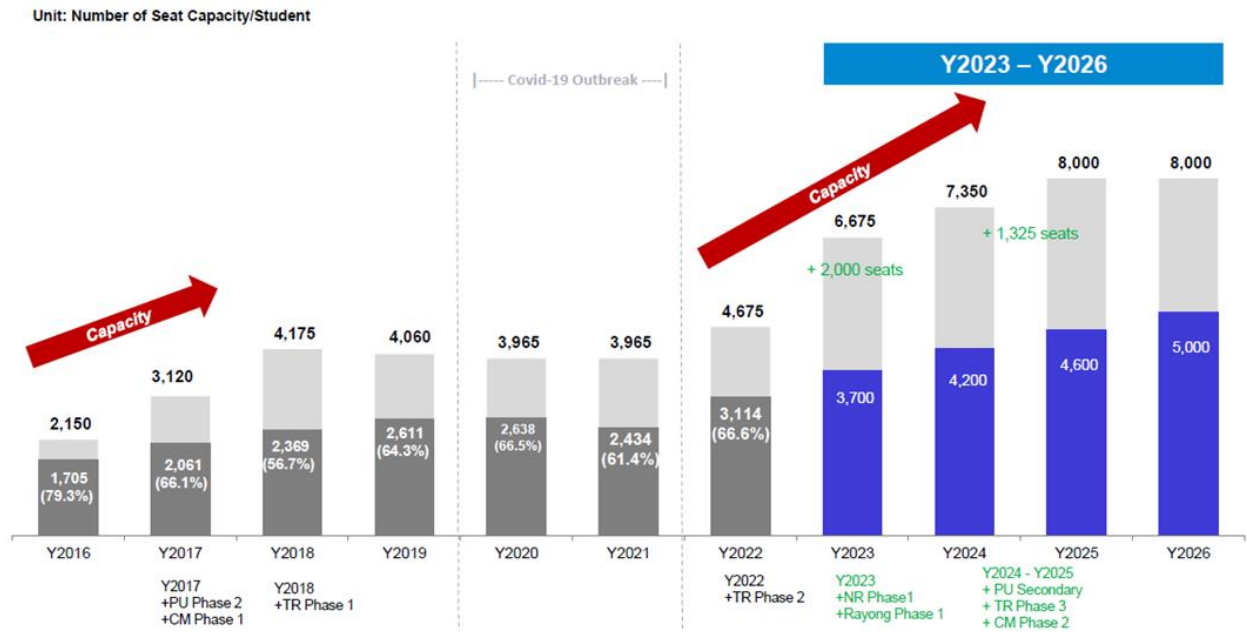
Sources: SISB, FSSIA estimates

## Exhibit 3: Service revenue and net profit (quarterly)



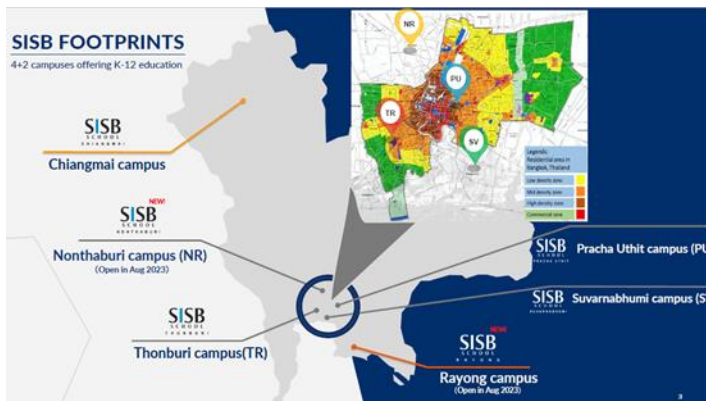
Sources: SISB, FSSIA estimates

**Exhibit 4: Seat capacity expansion and student number projections**



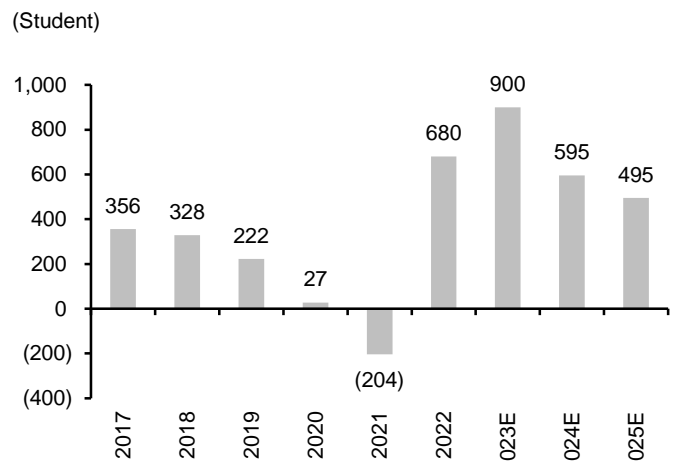
Source: SISB

**Exhibit 5: SISB's footprints**



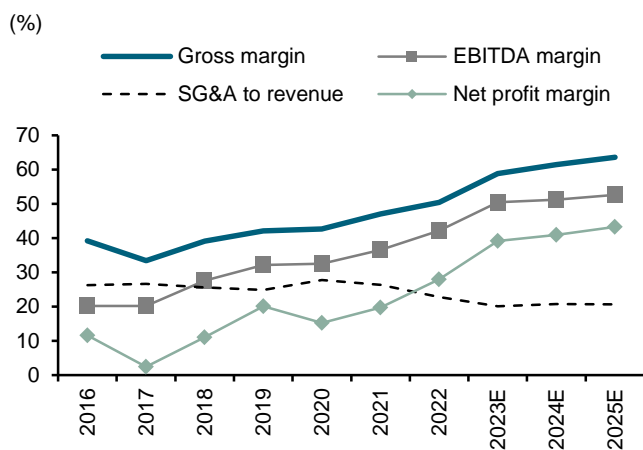
Source: SISB

**Exhibit 6: Net new enrolments**



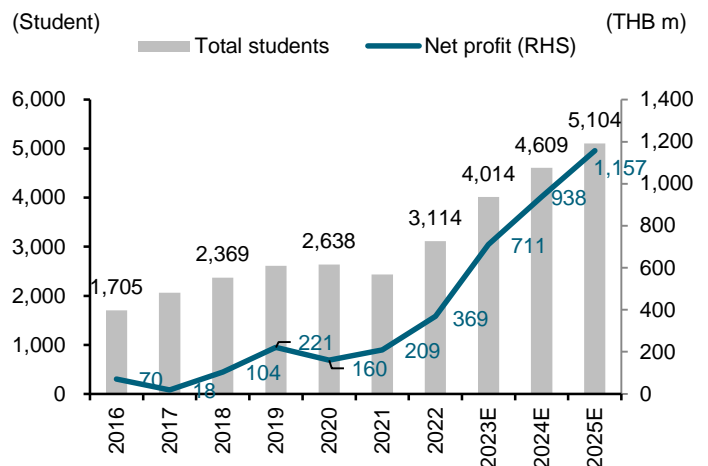
Sources: SISB, FSSIA estimates

**Exhibit 7: Margins**



Sources: SISB, FSSIA estimates

**Exhibit 8: Total students and net profit**



Sources: SISB, FSSIA estimates

## Financial Statements

### SISB

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	1,055	1,319	1,813	2,290	2,672
Cost of goods sold	(558)	(653)	(746)	(883)	(972)
<b>Gross profit</b>	<b>496</b>	<b>666</b>	<b>1,067</b>	<b>1,407</b>	<b>1,700</b>
Other operating income	20	25	26	24	25
Operating costs	(279)	(301)	(364)	(476)	(553)
<b>Operating EBITDA</b>	<b>390</b>	<b>551</b>	<b>909</b>	<b>1,165</b>	<b>1,399</b>
Depreciation	(152)	(161)	(180)	(211)	(227)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>238</b>	<b>390</b>	<b>729</b>	<b>955</b>	<b>1,172</b>
Net financing costs	(26)	(25)	(23)	(22)	(21)
Associates	1	5	6	7	8
Recurring non-operating income	1	5	6	7	8
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>213</b>	<b>370</b>	<b>712</b>	<b>940</b>	<b>1,159</b>
Tax	0	(1)	(1)	(2)	(2)
<b>Profit after tax</b>	<b>213</b>	<b>369</b>	<b>711</b>	<b>938</b>	<b>1,157</b>
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>213</b>	<b>369</b>	<b>711</b>	<b>938</b>	<b>1,157</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>213</b>	<b>369</b>	<b>711</b>	<b>938</b>	<b>1,157</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.23	0.39	0.76	1.00	1.23
Reported EPS	0.23	0.39	0.76	1.00	1.23
DPS	0.08	0.10	0.30	0.40	0.49
Diluted shares (used to calculate per share data)	940	940	940	940	940
<b>Growth</b>					
Revenue (%)	0.6	25.1	37.4	26.3	16.7
Operating EBITDA (%)	14.4	41.3	65.0	28.2	20.1
Operating EBIT (%)	28.8	63.8	86.9	31.0	22.7
Recurring EPS (%)	33.2	73.1	92.5	32.0	23.3
Reported EPS (%)	33.2	73.1	92.5	32.0	23.3
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	47.1	50.5	58.9	61.4	63.6
Gross margin exc. depreciation (%)	61.4	62.7	68.8	70.6	72.1
Operating EBITDA margin (%)	37.0	41.7	50.1	50.9	52.4
Operating EBIT margin (%)	22.6	29.6	40.2	41.7	43.9
Net margin (%)	20.2	28.0	39.2	41.0	43.3
Effective tax rate (%)	0.1	0.2	0.2	0.2	0.2
Dividend payout on recurring profit (%)	33.5	25.5	40.0	40.0	40.0
Interest cover (X)	9.4	15.6	31.5	43.7	56.8
Inventory days	6.7	5.7	4.8	4.3	4.0
Debtor days	25.3	22.6	20.4	23.6	27.7
Creditor days	72.2	86.3	92.8	75.8	47.4
Operating ROIC (%)	19.5	23.8	36.5	37.8	(0.4)
ROIC (%)	13.7	18.6	29.4	31.5	(0.3)
ROE (%)	11.0	17.2	28.4	31.3	33.1
ROA (%)	7.3	10.9	17.7	21.1	23.6
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Tuition fees and service income	1,050	1,311	1,803	2,280	2,660
Education equipment revenue	5	9	9	10	11

Sources: SISB; FSSIA estimates

## Financial Statements

SISB

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	213	369	711	938	1,157
Depreciation	152	161	180	211	227
Associates & minorities	(1)	(5)	(6)	(7)	(8)
Other non-cash items	0	0	0	0	0
Change in working capital	22	198	313	(265)	(142)
<b>Cash flow from operations</b>	<b>386</b>	<b>723</b>	<b>1,197</b>	<b>876</b>	<b>1,234</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(591)	(452)	(538)	(448)	(432)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(591)</b>	<b>(452)</b>	<b>(538)</b>	<b>(448)</b>	<b>(432)</b>
Dividends paid	(71)	(94)	(284)	(375)	(463)
Equity finance	0	0	0	0	0
Debt finance	(33)	(36)	30	48	52
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(104)</b>	<b>(130)</b>	<b>(254)</b>	<b>(328)</b>	<b>(411)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	65	0	0	0	0
<b>Net other adjustments</b>	<b>65</b>	<b>(96)</b>	<b>(386)</b>	<b>(134)</b>	<b>(353)</b>
<b>Movement in cash</b>	<b>(244)</b>	<b>46</b>	<b>20</b>	<b>(33)</b>	<b>39</b>
Free cash flow to firm (FCFF)	(179.69)	296.58	682.76	450.37	823.51
Free cash flow to equity (FCFE)	(172.72)	139.69	304.09	342.22	501.51

### Per share (THB)

FCFF per share	(0.19)	0.32	0.73	0.48	0.88
FCFE per share	(0.18)	0.15	0.32	0.36	0.53
Recurring cash flow per share	0.39	0.56	0.94	1.21	1.46

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	2,697	3,327	3,927	4,427	4,927
Less: Accumulated depreciation	(697)	(833)	(1,013)	(1,224)	(1,451)
<b>Tangible fixed assets (net)</b>	<b>1,999</b>	<b>2,493</b>	<b>2,913</b>	<b>3,203</b>	<b>3,475</b>
<b>Intangible fixed assets (net)</b>	<b>8</b>	<b>1</b>	<b>10</b>	<b>10</b>	<b>10</b>
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	55	60	60	60	60
Cash & equivalents	764	810	829	796	835
A/C receivable	70	93	109	187	219
Inventories	8	7	8	8	8
Other current assets	21	15	16	16	16
<b>Current assets</b>	<b>863</b>	<b>926</b>	<b>962</b>	<b>1,008</b>	<b>1,078</b>
Other assets	408	434	442	451	460
<b>Total assets</b>	<b>3,334</b>	<b>3,914</b>	<b>4,388</b>	<b>4,732</b>	<b>5,084</b>
Common equity	2,014	2,290	2,716	3,279	3,723
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>2,014</b>	<b>2,290</b>	<b>2,716</b>	<b>3,279</b>	<b>3,723</b>
Long term debt	445	442	434	425	416
Other long-term liabilities	239	323	362	419	479
<b>Long-term liabilities</b>	<b>684</b>	<b>766</b>	<b>796</b>	<b>844</b>	<b>896</b>
A/C payable	84	149	139	140	53
Short term debt	12	14	16	15	16
Other current liabilities	539	696	721	453	396
<b>Current liabilities</b>	<b>635</b>	<b>858</b>	<b>876</b>	<b>609</b>	<b>465</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,334</b>	<b>3,914</b>	<b>4,388</b>	<b>4,732</b>	<b>5,084</b>
Net working capital	(524)	(728)	(728)	(382)	(206)
Invested capital	1,947	2,260	2,698	3,342	3,800

\* Includes convertibles and preferred stock which is being treated as debt

### Per share (THB)

Book value per share	2.14	2.44	2.89	3.49	3.96
Tangible book value per share	2.13	2.43	2.88	3.48	3.95

### Financial strength

Net debt/equity (%)	(15.2)	(15.4)	(14.0)	(10.9)	(10.8)
Net debt/total assets (%)	(9.2)	(9.0)	(8.7)	(7.5)	(7.9)
Current ratio (x)	1.4	1.1	1.1	1.7	2.3
CF interest cover (x)	17.4	24.4	37.1	36.9	46.0

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>153.1</b>	<b>88.5</b>	<b>46.0</b>	<b>34.8</b>	<b>28.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>198.3</b>	<b>114.5</b>	<b>59.5</b>	<b>45.1</b>	<b>36.6</b>
Reported P/E (x)	153.1	88.5	46.0	34.8	28.2
Dividend yield (%)	0.2	0.3	0.9	1.1	1.4
Price/book (x)	16.2	14.3	12.0	10.0	8.8
Price/tangible book (x)	16.3	14.3	12.1	10.0	8.8
EV/EBITDA (x) **	83.0	58.7	35.5	27.7	23.1
EV/EBITDA @ target price (x) **	107.7	76.2	46.1	36.0	29.9
EV/invested capital (x)	16.6	14.3	12.0	9.7	8.5

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: SISB; FSSIA estimates



## Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The CG Score indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the Thai IOD website in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The five underlying categories and weighting used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "AGM Checklist" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The Checklist contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A CAC certified member is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member start with by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the CAC Council for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (THSI) quantifies responsibility in Environmental, and Social issues, by managing business with transparency in Governance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: Economic (CG, risk management, customer relation management, supply chain management, and innovation); Environmental (environmental management, eco-efficiency, and climate risk); Social (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the THSI list, the SET further developed a sustainability SETTHSI Index in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: SEC; Thai IOD; Thai CAC; SET; FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association (Thai IOD) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association (TIA) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption (CAC) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List (THSI), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – Wikipedia – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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### History of change in investment rating and/or target price

#### SISB (SISB TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
27-Mar-2023	BUY	30.00	08-Jun-2023	BUY	45.00	-	-	-

Jitra Amornthum started covering this stock from 27-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
SISB	SISB TB	THB 34.75	BUY	Downside risks to our DCF-based TP include 1) intensified competition; 2) less demand from China; 3) staff shortages; and 4) risks from legal requirements and government policies relating to the business of private schools.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 05-Jul-2023 unless otherwise stated.



## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

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 market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.