Credit Monitoring Rating Report

No.: 003/25

March 18, 2025

CIA FIRST International School Co., Ltd.

Credit Rating

Issuer Credit Rating	**khBB**
Outlook	**Negative**
Bond Credit Rating	**KhAAA**
Amount	**USD 10mn**
Maturity Date	**December 15, 2028**
Type	**Unsecured Guaranteed**
Coupon Rate	**6.3% p.a**
Guarantor	**Credit Guarantee & Investment Facility-CGIF**

Credit Rating History

Issuer Credit Rating	**KhBB**
Outlook	**Negative**
Bond Credit Rating	**khAAA**
Issuing Date	**November 15, 2023**

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Key Rating Rationale

We maintain the Issuer Credit Rating (ICR) and the Bond Credit Rating (BCR) of CIA FIRST International School Co., Ltd. ("CIA" or "the Company") at "**khBB**" and "**khAAA**" (National Scale) respectively with a ''**Negative**'' outlook.

CIA's performance remained stable in FY24, driven by continued revenue growth. This growth can be attributed to the increase in student enrolments and tuition fees. However, compared to the previous period (FY23), while revenue has continued to rise, both operating profit and net profit experienced a decline. Despite this, CIA still managed to maintain profitability ratios, including EBITDA Margin and Return on Capital (ROC) at a safe level. Going forward, CIA's second bond and additional debt funding will continue to weight on its profitability.

We believe that CIA's current operational performance, strategic plan for its 4th campus, and experienced management team, position it well to capitalize on opportunities created by the expanding middle class in the country. This is expected to drive steady revenue growth, allowing CIA to remain competitive in this mid-market segment.

Outlook

We expect CIA to maintain revenue growth in FY25 with the opening of Phase One of its fourth campus in Q3 2025, followed by Phase Two a year later. As of February 2025, Phase One of Campus 4 is 99% complete. CIA plans to issue another USD 10mn bond in March 2025, along with an additional USD 5mn in debt funding currently in the planning stage. As such, we expect its debt level and finance costs to increase significantly. Coupled with the anticipated rise in operating expenses due to the new campus opening, CIA's net profit will face further pressure. Additionally, CIA plans to distribute a USD 6mn cash dividend to shareholders in FY25, which has already been approved by CGIF and its local bank lender. Despite these, we expect CIA to meet its debt obligations, though with limited financial flexibility. Hence, the outlook remains "**Negative**".

Rating Sensitivity

On the upside, sustained profitability growth, a strong positive impact from Campus 4 operations, and reduction in gearing would lead us to review our rating. On the downside, a drastic worsening of the financial risk profile could trigger a rating change. Moreover, the BCR is pegged to CGIF's global rating (AA by S&P Global Ratings). Thus, we may consider a BCR downgrade if CGIF's global rating is downgraded.

Issues to Monitor

CIA's gearing, dividend distribution plan, progress on the Campus 4 building, student enrolments, and capacity utilization will be closely monitored.

Royal Railway Plc. Summary

Overview

2024 was an exceptional year for CIA, with a record-high revenue, driven by a 10.2% yoy increase in student enrolments and an 8.0% yoy rise in tuition fees. Positive economic projections for Cambodia by ADB and IMF, coupled with the continued growth of student enrolments in private schools in Phnom Penh over the last three years (2022-2024), indicate additional growth opportunities for CIA. However, we maintain CIA's ICR at **khBB**, given that the company is facing some internal challenges, including a surge in operating expenses that surpassed revenue growth and an increase in finance costs due to higher leverage.

Performance

In FY24, CIA's revenue reached USD 28.3mn, marking a 22% yoy increase. Despite this impressive revenue growth, CIA's operating profit declined by approximately 5% yoy, primarily due to a significant 58% yoy rise in operating expenses, driven largely by higher personnel costs and depreciation expenses. Additionally, CIA's net profit decreased by about 12% yoy, mainly due to a substantial increase in finance costs, which grew by approximately 45% yoy. The rise in operating expenses and higher leverage weakened CIA's financial performance in FY24, as indicated by a decline in monthly days cash on hand, worsen leverage metrics and coverage ratios.

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CONDENSED FINANCIAL STATEMENTS

	31-Aug-22 USD	30-Jun-23 USD	30-Jun-24 USD
Income Statement Information			
Revenue	17,839,571	23,247,453	28,284,894
Gross profit	7,036,807	10,977,903	13,122,216
Operating profit	2,382,052	6,919,794	6,550,352
Profit for the year	**705,086**	**5,568,844**	**4,925,734**
Balance Sheet Information			
Assets			
Cash and cash equivalents	12,502,896	9,273,472	7,157,250
Property and equipment	33,930,555	32,473,437	38,967,465
Right of use assets	9,405,605	11,685,534	18,277,740
Total assets	**57,175,069**	**56,691,451**	**72,041,041**
Liabilities			
Debt securities issued	-	-	9,678,826
Lease liabilities	10,566,444	13,139,708	20,573,161
Total non-current liabilities	**17,738,838**	**18,005,737**	**33,561,050**
Borrowings	1,771,054	3,434,889	1,540,677
Contract liabilites - tuition and other related fees	12,302,063	5,632,282	6,789,604
Total current liabilities	**14,830,833**	**10,511,472**	**10,380,015**
Total liabilities	**32,569,671**	**28,517,209**	**43,941,065**
Equity			
Share capital	1,280,000	1,280,000	1,280,000
Share premium	14,720,000	14,720,000	14,720,000
Retained earnings	8,605,398	12,174,242	12,099,976
Total equity	**24,605,398**	**28,174,242**	**28,099,976**
Total equity and liabilities	**57,175,069**	**56,691,451**	**72,041,041**
Cash Flow Information			
Net cash flow from operating activities	9,912,594	2,609,023	8,923,473
Net cash flow from investing activities	(1,345,594)	(3,041,521)	(12,535,733)
Net cash flow from financing activities	(1,569,380)	(2,796,926)	1,496,038
Net changes in cash and cash equivalent	**6,997,620**	**(3,229,424)**	**(2,116,222)**

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Rating Definition

Issuer Credit Rating – National Scale			
National Rating	**Definition**		
khAAA	Extremely Strong Capacity to meet financial commitments	1	Very low risk
khAA	Very strong capacity to meet financial commitments	2	
khA	Strong capacity to meet financial commitments but somewhat susceptible to adverse changes in circumstances and economic environment	3	Low risk
khBBB	Adequate capacity to meet financial commitments but more susceptible to adverse changes in circumstances and economic environment	4	
khBB	Adequate capacity to meet financial commitment but more vulnerable to adverse changes in circumstances and economic environment	5	Moderate risk
khB	Adequate capacity to meet financial commitments but more likely to be affected by adverse changes in circumstances and economic environment	6	
khCCC	Capacity to meet financial commitments dependent on favorable business, financial and economic conditions	7	High risk
khCC	Weak capacity to meet financial commitments	8	
khC	Unlikely to be able to meet financial commitments	9	Very high risk
khD	In default partially or for all financial commitments	10	

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