

CIA FIRST International School Co., Ltd.**Credit Rating**

Issuer Credit Rating	khBB
Outlook	Negative
Bond Credit Rating	khAAA

Bond Information

Size	USD 10 million
Settlement	Semi-annual interest payment and annual principal payment
Maturity	5 years (2years grace period for principal payment)
Type	Unsecured Unsubordinated, Guaranteed
Coupon Rate	5.5 - 5.8% p.a.
Guarantor	Credit Guarantee & Investment Facility (CGIF)

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Key Rating Rationale

Some documents used in the present credit analysis were in draft form. As such, the current credit ratings are provisional, contingent on the final versions of the documents not being materially different from the details on which this credit rating report is based.

We initiate the credit coverage of the second tranche of CIA FIRST International School ("the Bond") with a Bond Credit Rating (BCR) of **khAAA** (National Scale) which indicates in the Cambodian context an "Extremely strong capacity to meet financial commitments".

The Issuer Credit Rating itself has two components: a Stand-Alone Credit Profile (SACP) and an External Support Factor (ESF). The SACP analyses the credit profile of CIA from the perspective of its business risks and financial risk. In its own right, CIA's SACP rating of "**khBB**" indicates a "Moderate Risk" profile

The External Support Factor can be generated either by related party such as a parent company or a holding company (Group Support), or by government-related entities (Country Support). In the case of CIA, neither Group nor Country support are applicable. Hence the ICR remains "**khBB**".

The Bond is guaranteed by CGIF, an ADB-related entity with a "AA" credit rating by S&P Global Ratings. In our view, the draft Guarantee Agreement justifies a credit substitution from the ICR of CIA FIRST international School to the ICR of CGIF. In case of default, bondholders are protected by an irrevocable and unconditional guarantee of timely payment in full (interest and principal) by CGIF.

Under these conditions the Bond Credit Rating is "**khAAA**" (National Scale), subject to the confirmation of the terms of the Guarantee Agreement.

Outlook

Revenue is expected to grow steadily with the opening of the fourth campus (Phase One) in Q3 2025, followed by Phase Two a year later. However, profitability will be under pressure due to expansion, as seen in previous branch openings that led to higher operating expenses. With the second bond issuance and an additional USD 5mn of debt funding in planned stage, CIA is set to leverage up quite significantly. Additionally, the company 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 factors, CIA is expected to meet its debt repayment obligations, though with limited financial flexibility.



Rating Sensitivity

On the upside, we would look at increased profitability and reduction in their gearing to consider upgrading the ICR of the company.

On the downside, further deterioration in profitability, increased leverage, and large dividend distribution plan may compel us to consider an ICR downgrade.

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, expansion plan, enrolments, capacity utilization, and dividend distribution plan are subjects to be monitored.

CIA FIRST International School CO., LTD.'s Summary

Overview

Incorporated in 2016, CIA FIRST International School (CIA) is a private international school in Cambodia, offering educational programs from early kindergarten to high school (Pre-K to Grade 12). CIA is licensed by the Ministry of Education, Youth and Sport (MoEYS). It is also accredited by the Accrediting Commission for Schools, Western Association of Schools and Colleges (ACS WASC), Quality Matters, and the Institute for Habits of Mind. There are currently three campuses: CIA FIRST Sen Sok (Pre-K3-G8), CIA FIRST Sen Sok High School (G9-G12), and CIA FIRST Chbar Ampov (Pre-K3-G12). The school plans to open a fourth campus in Russey Keo in Q3 2025 (phase one), with its license granted on February 28, 2024.

Performance

CIA has maintained positive net profits over the past five years, though profits declined significantly in 2021 due to the opening of its second branch (CIA FIRST Chbar Ampov) in September 2020 and its third branch (CIA FIRST Sen Sok High School) in February 2021. These expansions led to a sharp rise in depreciation expenses and other fixed costs associated with operating the new campuses. However, profitability rebounded strongly in FY23 and FY24, though there was a slight drop in FY24, largely due to the sharp increase in personnel expenses.

Liquidity, as measured by monthly days cash on hand, has been quite volatile for CIA due to fluctuations in its cash and short-term investments on the balance sheet. The ratio decreased in FY24, suggesting a reduced ability to cover its annual operating expenses that are on the rise. Despite this, it remains within a moderate range.

CIA does not have a target capital structure. However, its Debt/Capital ratio remained below 50% from FY20 to FY23, with the exception of FY24, when the first bond issuance caused its gearing to rise to 50.1%.



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	