

RAFFLES EDUCATION LIMITED

(RLS SP / NR7.SI)

Capital restructure delivered, Operation turnaround on tract

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Investment Highlights

- 9M26 results review.** Raffles Education's 9M26 update showed a materially stronger balance sheet despite softer revenue. Revenue declined 5% YoY to S\$81.14m, while adjusted EBITDA/core earnings fell 5% YoY to S\$22.71m; however, PAT rose 274% YoY to S\$24.18m, supported by asset monetisation and lower finance-cost pressure. Total borrowings fell sharply to S\$84.99m as at 31 Mar 2026, from S\$206.78m a year earlier, while standalone bank borrowings were reduced to zero and cash/bank balances rose to S\$46.18m.
- Gearing reduction.** Raffles Education's gearing profile improved significantly in 9M FY2026, with total borrowings falling 59% YoY to S\$84.99m as at 31 Mar 2026, from S\$206.78m a year earlier. The Company's standalone bank borrowings were reduced to zero, while cash and bank balances rose to S\$46.18m from S\$16.86m as at 30 Jun 2025, further strengthening liquidity. As a result, finance costs declined to S\$10.67m in 9M26, reflecting lower borrowings and reduced interest rates, and marking a material reduction in refinancing risk.
- Current expansion plan.** Business-wise, the Group is shifting from deleveraging to ASEAN K-12 growth, targeting higher enrolments in Malaysia and Thailand and a new Jakarta K-12 campus in 2H2026, supported by a scalable platform with low incremental capex.
- K-12 market outlook.** The 2026 K-12 market backdrop remains supportive for Raffles Education's ASEAN expansion strategy. According to ISC Research data cited by ICEF Monitor, the global international K-12 school sector reached 15,075 schools in 2026, serving 7.7m students, employing 730,000 staff, and generating US\$69.3bn in annual fee income, with growth increasingly driven by local families seeking international curricula. This supports Raffles Education's focus on premium K-12 expansion in Malaysia and Thailand, as well as its planned new Jakarta K-12 campus in 2H2026.

Valuation & Action.

We reiterate our **OUTPERFORM** rating on Raffles Education, with a 12-month fully diluted target price of **S\$0.32** previously S\$0.34, implying 143.5% upside from current levels. Our target price is derived using a DCF valuation methodology, based on a WACC of 6.3% and a terminal growth rate of 2.5%. The slight reduction in our target price reflects a more balanced valuation approach, as we factor in the Group's improved corporate risk profile, while adopting a more conservative near-term revenue growth outlook given that its ASEAN K-12 expansion will take time to scale.

Risks.

Key downside risks include (i) execution risk on new-campus launches across ASEAN, including the planned Jakarta K-12 opening in 2H26; (ii) margin pressure from rising competition in international schooling across Malaysia, Thailand and Indonesia; and (iii) regulatory and foreign-exchange exposure across multiple jurisdictions.

OUTPERFORM

Last close (S\$)	0.13
12M Target Price (S\$)	0.32
Previous TP (S\$)	0.34
Previous Recommendation	OP
Upside / (Downside) (%)	143.50
TRADING DATA	
Market Cap (S\$m)	238.10
Issued Shares (mn)	1,817.59
3M Avg Daily Vol (mn)	9.83
3M Avg Daily Val (S\$m)	1.36
Free Float (%)	12.06
MAJOR SHAREHOLDERS (%)	
Chew Hua Seng	43.16
Chung Gim Lian Doris	43.16
Chua Chwee Koh	0.58

Financials & Key Operating Statistics

YE Jun (S\$m)	2024	2025	2026F	2027F	2028F
Revenue	112.5	111.7	118.7	134.7	153.8
PATMI	(19.3)	7.7	26.0	6.4	15.3
EPS (S\$ cents)	(1.39)	0.55	1.21	0.30	0.72
EPS growth (%)	n/a	(139.8%)	118.9%	(75.3%)	138.6%
DPS (S\$ cents)	1.70	0.62	0.70	-	-
Div Yield (%)	4.9%	2.1%	2.7%	-	-
Net Profit Margin (%)	(17.1%)	6.9%	21.9%	4.8%	10.0%
Net Gearing (%)	28.7%	30.0%	6.2%	(0.1%)	(8.8%)
P/E (x)	(25.2x)	54.1x	21.0x	85.1x	35.7x
P/B (x)	0.5x	0.6x	0.8x	0.8x	0.8x

Source: Company data, KGI Research estimates

Business Updates

Ontrack of FY26 turnaround

Raffles Education's 9M26 update shows that the Group has moved from stabilisation to a materially stronger balance-sheet position. Revenue declined 5% YoY to S\$81.14m, while adjusted EBITDA/core earnings declined 5% YoY to S\$22.71m, reflecting softer 3Q26 revenue of S\$24.51m and adjusted EBITDA of S\$5.18m. However, reported profitability improved sharply, with operating profit before tax at S\$36.05m and PAT rising 274% YoY to S\$24.18m, supported by strategic asset monetisation and deleveraging. Compared with 1H26, where revenue was stable at S\$56.63m, adjusted EBITDA was S\$17.02m, and net operating cash flow reached S\$22.53m, the 9M update suggests that the core business remained cash-generative, although 3Q saw some normalisation in cash flow, with 9M net operating cash flow at S\$16.25m.

The most important update is the pace of deleveraging. At 1H26, total borrowings were still S\$206.33m, cash and bank balances were S\$35.20m, and net gearing stood at 29%; by 31 March 2026, total Group borrowings had fallen sharply to S\$84.99m, cash and bank balances increased to S\$46.18m, and the Company's standalone bank borrowings were reduced to zero. Finance costs also declined to S\$10.67m for 9M26, reflecting lower borrowings and lower interest rates. This was driven by the Group's asset monetisation programme, including the S\$121.3m proceeds from the disposal of 51 Merchant Road and S\$11.0m from the sale of Raffles Hefei.

Outlook

Promising economic growth in key ASEAN markets

Asian Development Bank forecasts developing Asia and the Pacific to grow 5.1% in both 2026 and 2027, while developing Southeast Asia is expected to remain resilient, supported by domestic demand and infrastructure spending, despite external uncertainties. For Raffles' key ASEAN markets, IMF's April 2026 World Economy Outlook projects Malaysia GDP growth at 4.7%, Indonesia at 5.0%, and Thailand at 1.5% in 2026, suggesting that Malaysia and Indonesia offer stronger near-term consumer-demand support for premium education, while Thailand's school-market growth is more driven by affluent local demand and international curricula adoption.

Upbeat outlook in the private education sector

The 2026 international-school data supports Raffles' K-12 expansion strategy. ISC Research data cited by ICEF Monitor shows the global K-12 international-school sector reached 15,075 schools in 2026, up 2% YoY, generating US\$69.3bn in annual fee income, serving 7.7m students, and employing 730,000 staff. Malaysia provides a strong demand base, with private and international education benefiting from rising parental preference for holistic and internationally benchmarked education; Research And Markets' Malaysia private K-12 outlook to 2026 highlights growth driven by population, affluence and more Malaysian families enrolling children in local international schools. Kasikorn Research Centre estimates Thailand's international-school market value will expand to THB95bn in 2025, up from more than THB85bn in 2024, with the number of schools expected to rise to 257, reflecting continued demand from parents with purchasing power. These tailwinds are directly relevant to Raffles, as the Group is focusing on premium K-12 expansion across ASEAN, including increasing enrolments in Malaysia and Thailand (two blocks expansion completed) and establishing a new Jakarta K-12 campus in 2H2026.

Valuation

We reiterate Raffles Education with an **OUTPERFORM** recommendation at a fully diluted TP of **S\$0.32** using a DCF valuation methodology with a lowered WACC of 6.3% from the previous 8.0% and a maintained terminal growth rate of 2.5%. Raffles Education's materially improved risk profile following its balance-sheet restructuring and asset monetisation. The Group's borrowings have declined significantly, standalone bank borrowings have been reduced to zero, and liquidity has strengthened following expected proceeds from the 51 Merchant Road and Raffles Hefei disposals. In addition, the

Group's core education platform is increasingly supported by recurring course-fee income, low incremental capex requirements, and ASEAN K–12 expansion opportunities, which together improve cash flow visibility and justify a lower equity and debt risk premium. We also revise down our EBITDA projection to adopt a more conservative operating outlook. The adjustment reflects weaker near-term revenue momentum, with 9M26 revenue declining 5% YoY and 3Q26 revenue falling 14% YoY, as well as the time required for ASEAN K–12 expansion to scale into meaningful earnings contribution.

Figure 1: DCF Valuation

DCF VALUATION <i>All amounts in S\$'000 unless otherwise stated</i>	<i>Projected</i>			
	2026F	2027F	2028F	2029F
<i>Year ended 30 Jun</i>				
EBIT	42,459	15,952	23,961	37,420
(-) Tax	(5,316)	(1,314)	(3,135)	(5,186)
EBIT (1-T)	37,143	14,639	20,826	32,234
(+) D&A	16,903	16,553	16,330	16,229
(-) Change in NWC	(290)	(4,580)	6,735	(4,366)
(-) Capex	(9,704)	(10,904)	(12,334)	(14,050)
Free Cash Flow	44,052	15,708	31,557	30,047
Free Cash Flow to Firm	44,052	15,708	31,557	30,047
Terminal Value				821,286
Total FCF to be Discounted	44,052	15,708	31,557	851,333
PV of Free Cash Flow	43,746	14,681	27,755	704,711
Enterprise Value	790,893			
(-) Net Debt	39,243			
Equity Value	751,650			
Diluted Shares Outstanding ('000)	2,356,357			
Fair Value / Share (S\$)	0.32			
Current Share Price (S\$)	0.131			
Upside / (Downside)	143.5%			

Source: KGI Research

Financial Summary

INCOME STATEMENT (S\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	112,472	111,710	118,725	134,717	153,787
Cost of sales	(42,332)	(48,125)	(48,900)	(53,087)	(57,743)
Gross profit	70,140	63,585	69,825	81,631	96,044
Selling & distribution	-	-	-	-	-
Administrative expenses	(56,176)	(66,554)	(53,574)	(47,249)	(51,242)
Other operating expenses	211	46,586	44,630	2,000	2,000
EBITDA	14,175	43,617	60,881	36,382	46,802
Depreciation & amortisation	(18,016)	(18,221)	(18,996)	(21,555)	(24,606)
Operating profit (EBIT)	(3,841)	25,396	41,885	14,827	22,196
Net finance income / (cost)	(17,873)	(16,479)	(10,513)	(7,099)	(3,755)
Other gains / (losses)	(848)	(179)	(100)	-	-
Profit before tax	(22,562)	8,738	31,272	7,727	18,441
Tax expense	(1,432)	(4,380)	(5,316)	(1,314)	(3,135)
Minority interests	4,733	3,338	-	-	-
Net profit (PATMI)	(19,261)	7,696	25,956	6,414	15,306
EPS (S\$ cents)	(1.39)	0.55	1.21	0.30	0.72
DPS (S\$ cents)	1.70	0.62	0.70	-	-

CASH FLOW STATEMENT (S\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before tax	(22,562)	8,738	31,272	7,727	18,441
Depreciation & amortisation	18,016	18,221	16,903	16,553	16,330
Working capital changes	2,000	(887)	(290)	(4,580)	6,735
Tax paid	(4,025)	(6,985)	(5,316)	(1,314)	(3,135)
Other operating items	25,967	(14,738)	(28,333)	11,667	11,667
Operating cash flow	19,396	4,349	14,236	30,053	50,038
Capex	(13,502)	(4,208)	(7,123)	(8,083)	(9,227)
Acquisitions / disposals	(1,000)	2,945	131,667	11,667	11,667
Other investing items	25,526	4,367	9,086	8,846	8,560
Investing cash flow	11,024	3,104	133,629	12,430	10,999
Net debt drawdown / (repayment)	(59,624)	(39,065)	(121,000)	(20,000)	(20,000)
Dividends paid	-	-	-	-	-
Equity issuance / (buyback)	-	-	8,490	-	-
Other financing items	34,367	19,104	4,047	9,500	9,500
Financing cash flow	(25,257)	(19,961)	(108,463)	(10,500)	(10,500)
Net change in cash	5,163	(12,508)	39,402	31,983	50,537
Beginning cash	24,206	29,369	16,861	56,263	88,246
Ending cash	29,369	16,861	56,263	88,246	138,783

BALANCE SHEET (S\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash & equivalents	29,686	16,861	56,263	88,246	138,783
Trade receivables	33,831	34,108	33,655	45,431	47,278
Inventories	57	60	60	60	60
Other current assets	89,104	73,123	73,123	73,123	73,123
Current assets	152,678	124,152	163,101	206,860	259,244
Property, plant & equipment	468,799	464,998	457,707	451,601	446,828
Intangibles & goodwill	102,086	96,216	96,006	95,796	95,586
Other non-current assets	376,519	333,385	218,688	184,354	150,341
Non-current assets	947,404	894,599	772,400	731,751	692,755
Total assets	1,100,082	1,018,751	935,501	938,611	951,999
Trade payables	74,430	54,169	53,426	60,623	69,204
Short-term borrowings	54,432	113,405	53,758	48,258	42,758
Other current liabilities	40,597	42,381	42,350	42,175	42,000
Current liabilities	169,459	209,955	149,534	151,055	153,962
Long-term borrowings	170,839	95,336	43,983	39,483	34,983
Other non-current liabilities	77,928	72,899	72,430	72,105	71,780
Non-current liabilities	248,767	168,235	116,413	111,588	106,763
Total liabilities	418,226	378,190	265,947	262,644	260,725
Shareholders' equity	589,979	555,826	584,819	591,233	606,539
Minority interests	91,877	84,735	84,735	84,735	84,735
Total equity	681,856	640,561	669,554	675,968	691,274

KEY RATIOS & VALUATION	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue growth (%)	1.4%	(0.7%)	6.3%	13.5%	14.2%
Gross margin (%)	62.4%	56.9%	58.8%	60.6%	62.5%
EBITDA margin (%)	12.6%	39.0%	51.3%	27.0%	30.4%
Net profit margin (%)	(17.1%)	6.9%	21.9%	4.8%	10.0%
ROE (%)	(3.3%)	1.4%	4.4%	1.1%	2.5%
ROA (%)	(1.8%)	0.8%	2.8%	0.7%	1.6%
Net debt / equity (x)	0.3x	0.3x	0.1x	(0.0x)	(0.1x)
Net debt / EBITDA (x)	13.8x	4.4x	0.7x	(0.0x)	(1.3x)
Dividend payout (%)	(122.2%)	111.9%	57.7%	-	-
P/E (x)	(25.2x)	54.1x	21.0x	85.1x	35.7x
P/NAV (x)	0.5x	0.6x	0.8x	0.8x	0.8x
Dividend yield (%)	4.9%	2.1%	2.7%	-	-

Source: Company, KGI Research estimates

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