4 NOVEMBER 2020

Thailand Asset Management Companies

การไหลบ่าของ NPLs เป็นผลดีกับทุกบริษัท

3Q20E: JMT และ CHAYO น่าจะโตดี ในขณะที่ BAM น่าจะผิดหวัง

เราคาดว่าบริษัทบริหารสินทรัพย์ (AMCs) ที่มีสินทรัพย์ด้อยคุณภาพที่ไม่มีหลักประกันในสัดส่วนที่สูง (โดยมูลค่า เรียกร้อง) เช่น JMT และ CHAYO จะรายงานผลประกอบการที่ดีในไตรมาส 3Q20 เนื่องจาก 1) มูลหนี้ต่อลูกค้าที่อยู่ใน ระดับต่ำซึ่งทำให้ลูกค้าสามารถชำระหนี้ได้ง่ายกว่า; และ 2) พอร์ต NPL ที่ตัดจำหน่ายแล้วเต็มจำนวน (fully amortized portfolio) ที่เพิ่มขึ้น เราคาดว่าผลประกอบการของ JMT จะดีที่สุด โดยคาดว่าบริษัทฯ จะรายงานกำไรสุทธิสูงเป็น ประวัติการณ์ถึง 245 ลบ. (+33% y-y, +7% q-q) ตามด้วย CHAYO ซึ่งเราคาดว่าจะรายงานกำไรสุทธิ 38 ลบ. (+22% y-y, -25% q-q) ในทางตรงกันข้าม เราคาดว่า BAM จะรายงานกำไรจากการดำเนินงานที่อ่อนแอที่ 357 ลบ. (-60% y-y, +164% q-q) เนื่องจากในภาวะที่เศรษฐกิจไม่ดี ลูกค้าที่มักชะลอการตัดสินใจการจ่ายชำระหนี้หรือปิดบัญชีมูลหนี้ที่มี มูลค่าสูง โดยเราคาด BAM จะบันทึกกำไรจากสินทรัพย์ภาษีเงินได้รอตัดบัญชี (Deferred Tax Assets หรือ DTA) ทำ ให้กำไรสุทธิไตรมาส 3Q20 อยู่ที่ 1.11 ลบ.

4Q20-2021: JMT & CHAYO น่าจะโตดี BAM ควรค่อย ๆ ฟื้นตัว

ในไตรมาส 4Q20 กำไรจากการดำเนินงานของ JMT อาจพุ่งสูงเป็นประวัติการณ์อีกครั้ง ในขณะที่กำไรจากการ ดำเนินงานของ CHAYO มีแนวโน้มเพิ่ม y-y อย่างต่อเนื่อง ในส่วนของ BAM เราคาดว่ากำไรจากการดำเนินงานจะ ลดลงต่อเนื่อง y-y ในกรณีที่ BAM ยังไม่ปิดดีลลูกหนี้รายกลางและรายใหญ่ได้ตามแผน จะทำให้ประมาณการกำไรจาก การดำเนินงานในปี 2020 ของเราจะมีความเสี่ยงด้านลบอยู่ที่ 20-30% เรามองว่าปี 2021 ควรจะเป็นปีที่ดีสำหรับ AMCs เราคาดว่า JMT จะรายงานผลประกอบการที่ดีกว่าบริษัทอื่นในกลุ่มในปี 2021 โดยคาดว่ากำไรจากการ ดำเนินงานจะโตได้ 45% y-y ตามด้วย CHAYO ซึ่งเราคาดว่ากำไรจากการดำเนินงานจะเพิ่ม 42% y-y และ BAM ซึ่ง เราคาดว่ากำไรจากการดำเนินงานจะโตในระดับต่ำสุดที่สุดในกลุ่มที่ 31% y-y ตามลำดับ

ปัจจัยสำคัญอยู่ที่การขยายธุรกิจใหม่ ไม่ใช่ AMC แห่งชาติ

เราเชื่อว่าแนวคิดการจัดตั้ง AMC แห่งชาติได้ก่อให้เกิดความกังวลในหมู่นักลงทุนเกี่ยวกับโอกาสที่อุปทานหนี้ไม่ ก่อให้เกิดรายได้ (Non-Performing Loan หรือ NPL) จะลดลง และก่อให้เกิดความเสี่ยงด้านลบต่อ AMCs ที่ดำเนินงาน อยู่ในปัจจุบัน หากมีการจัดตั้ง AMC แห่งชาติขึ้นมาจริง เราเชื่อว่าจะยังมีอุปทานสินทรัพย์ด้อยคุณภาพอย่างพอเพียง โดยคาดว่ามูลค่าการซื้อ NPL ในช่วงปี 2020-2022 ในกลุ่ม AMCs ที่เราทำการศึกษาจะอยู่ที่ 286พัน ลบ. และคาดว่า มูลค่า NPL คงค้างในช่วง 2-3 ปีข้างหน้าจะอยู่ที่ 1.4ล้าน ลบ. อย่างไรก็ดี เรามองว่าการจัดตั้ง AMC แห่งชาติแห่งใหม่ จะเป็นงานที่ยุ่งยาก เนื่องจากต้องได้รับเงินสนับสนุนจำนวนมากจากรัฐบาล สิ่งที่น่าสนใจและควรให้น้ำหนักมากกว่าจึง อยู่ที่แผนการขยายธุรกิจใหม่ของ AMCs ทั้ง 3 แห่ง ซึ่งเรายังไม่ได้รวมไว้ในประมาณการกำไรของเรา โดย BAM วางแผนจัดตั้งบริษัทร่วมทุน (JV) กับธนาคารเพื่อซื้อสินทรัพย์ด้อยคุณภาพ CHAYO ได้จัดตั้ง JV เพื่อขยายข้อจำกัด ในด้านการหาเงินทุน และเช่นเดียวกัน JMT ก็วางแผนควบรวมกิจการผ่านการแลกหุ้นเพื่อสนับสนุนการเติบโตในระยะ ยาวของบริษัทฯ

คงน้ำหนัก 'มากกว่าตลาด' โดยมี JMT เป็นหุ้นเด่น

เราคงให้น้ำหนัก 'มากกว่าตลาด' สำหรับกลุ่ม AMC และมองว่าราคาที่ลดลงเป็นโอกาสที่ดีในการสะสมหุ้น เราคงเลือก JMT เป็นหุ้นเด่นของเราเนื่องจากเราคาดว่าบริษัทฯ จะโตอย่างโดดเด่น เราชอบ BAM น้อยที่สุดในช่วง 3 เดือน ข้างหน้าเนื่องจากอัตราการเติบโตของกำไรจะต่ำที่สุด อย่างไรก็ดี หากบริษัทฯ จัดตั้ง JV ขึ้นจริง เรามองว่า JV อาจ ช่วยเพิ่มประมาณการอัตราการเติบโตและเป็นปัจจัยสำคัญที่ช่วยผลักดันราคาหุ้นของ BAM

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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ **4 พฤศจิกายน 2020**

BAM's 3Q20E results preview: Recovery, but not V-shaped

We estimate BAM to post a 3Q20 net profit of THB1,107m (+26% y-y, +718% q-q), including booking deferred tax assets (DTA) of cTHB750m. Excluding DTA, normalised profit would be at THB357m. Even though its 3Q20 core profit is expected to improve 164% from the bottom in the previous quarter, it would still represent a collapse of 60% y-y due to weaker cash collection.

Key highlights

- **Cash collection:** We expect BAM to deliver weak cash collection at THB2.9b (-25% y-y, +5% q-q) owing to the delay in big-ticket spending amidst the bleak economic outlook. According to management, BAM has still not concluded the sale of its medium-ticket assets (size THB100-300m each) and large-ticket assets (size more than THB1.0b).
- **DTA:** We expect BAM to book DTA of cTHB750m in 3Q20 from the total DTA of THB4.9b. We forecast BAM to realise another THB750m DTA in 4Q20, and the remaining THB3.4b should be recognised in 2021. We believe BAM will manage this extra item to smooth out its dividend payments in 2020-21.

Exhibit 1: BAM – 3Q20E results preview

	3Q19	2Q20	------------- 3Q20E -------------			------------- 9M20E -------------			2020E	Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%20E	(THB m)	
Interest income										
- Interest income from NPLs	458	1,446	1,479	223	2	4,395	253	78	5,623	
- Gain on NPLs+	1,639	755	984	(40)	30	3,323	(49)	82	4,062	
- Instalment sale	33	23	14	(58)	(40)	59	(33)	61	97	
- Other interest income	40	1	5	(87)	420	7	(85)	18	40	
Total interest income*	**2,170**	**2,225**	**2,482**	14	12	**7,784**	**(2)**	79	**9,821**	*Increase q-q due to the
Interest expense	599	582	599	(0)	3	1,762	16	80	2,201	reopening of business activities and the Legal Execution
										Department
Net interest income	**1,571**	**1,643**	**1,883**	20	15	**6,022**	**(6)**	79	**7,619**	
Non-interest income										
- Gain on properties for sale	358	434	447	25	3	1,108	(2)	47	2,369	Increase q-q due to the reopening of business activities
- Gain on instalment sale	19	20	17	(12)	(15)	48	(41)	59	80	
- Others	18	21	20	10	(4)	48	10	45	106	
Total non-interest income	**395**	**475**	**484**	23	2	**1,204**	**(4)**	47	**2,556**	
Total operating income	**1,966**	**2,119**	**2,367**	20	12	**7,226**	**(6)**	71	**10,175**	
Operating expenses	1,001	622	650	(35)	5	1,954	(25)	71	2,743	
Pre provision operating profit	965	1,496	1,716	78	15	5,272	4	71	7,432	
Expected credit loss	83	1,376	1,341	1,523	(3)	4,015	1,815	81	4,964	
Operating profit	**882**	**120**	**376**	(57)	213	**1,257**	**(74)**	51	**2,468**	
Income tax expenses	1	(15)	19	1,533	nm	67	3,741	54	123	
Profit before minority interest	**881**	**135**	**357**	(60)	164	**1,190**	**(76)**	51	**2,345**	
Minority	0	0	0	nm	nm	0	nm	nm	0	
Normalised profit	**881**	**135**	**357**	(60)	164	**1,190**	**(76)**	51	**2,345**	
Extra items	0	0	750	nm	nm	750	nm	nm	1,500	Expected DTA at THB750m
Net profit	**881**	**135**	**1,107**	26	718	**1,940**	**(60)**	50	**3,845**	Bloomberg consensus forecasts THB777m for 3Q20
Key financial highlights										
Gross NPL outstanding	85,513	86,112	86,430	1	0	86,430	1	96	89,730	
Gross NPA outstanding	32,994	38,017	39,225	19	3	39,225	19	102	38,559	
NPL & NPA purchase	4,726	1,662	2,570	(46)	55	10,236	(18)	76	13,382	
NPL & NPA cash collection*	3,795	2,723	2,863	(25)	5	8,755	(40)	72	12,244	*Decrease y-y due to the economic downturn, increase
Cash collection/NPL & NPA (%)	13.0	8.8	9.2						10.0	q-q from the reopening of business activities
Key financial ratio	**(%)**	**(%)**	**(%)**						**(%)**	
Liabilities / equity (x)	1.8	2.3	2.2						2.4	
Interest-bearing debt/equity (x)	1.7	2.2	2.1						2.3	
ROA	3.0	0.5	3.7						3.2	
ROE	8.2	1.5	11.9						6.4	
Cost of funds	3.4	3.0	3.0						2.8	
Cost to income	50.9	29.4	27.5						27.0	

+ Fully amortized; Sources: BAM; FSSIA estimates

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CHAYO's 3Q20E results preview: Robust performance

We expect CHAYO to book a strong 3Q20 net profit of THB38m (+22% y-y, -25% q-q), driven by 1) strengthening cash collection from its secured and unsecured portfolios; and 2) a decrease in its cost to income ratio due to the economies of scale. The 25% q-q decline in its net profit would come from its higher-than-normal gains from selling non-performing assets (NPAs) at THB20m in 2Q20 vs the expected THB7m in 3Q20.

Key highlights

- **Cash collection:** CHAYO has started to benefit from its fully amortized portfolio since 2Q20, with fully amortized revenue of cTHB20-25m per quarter. We expect this trend to continue in 3Q20, leading to strong cash collection at THB108b (+61% y-y, +15% q-q).
- **Cost to income:** We expect its 3Q20 cost to income to stay low at 36.5% vs 51.8% in 3Q19 due mainly to its aggressive purchase of distressed assets leading to economies of scale.

Exhibit 2: CHAYO – 3Q20E results preview

	3Q19	2Q20	------------- 3Q20E -------------			------------- 9M20E ------------			2020E	Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%20E	(THB m)	
Interest income										
- Interest income from NPLs	52	106	112	114	7	313	80	72	434	Increase y-y due to a higher gain from its fully amortized portfolio and the EIR impact from TFRS9
Total interest income	**53**	**107**	**113**	**113**	**5**	317	82	72	441	
Interest expense	**2**	**10**	**13**	**573**	**32**	32	998	68	47	
Net interest income	**51**	**98**	**100**	**96**	**2**	285	66	72	394	
Non-interest income										
- Gain on properties for sale	13	20	7	(43)	(64)	31	59	n/a	0	
- Debt collection services	16	13	12	(24)	(11)	39	(18)	64	61	
- Others	1	1	1	10	13	4	55	100	4	
Total non-interest income	**30**	**35**	**21**	**(31)**	**(41)**	74	6	115	64	
Total operating income	**81**	**133**	**120**	**49**	**(9)**	359	49	78	458	
Operating expenses	**42**	**47**	**44**	**5**	**(7)**	133	5	75	177	
Pre provision operating profit	**39**	**86**	**77**	**97**	**(11)**	226	96	81	281	
Expected credit loss	0	23	29	nm	27	70	nm	nm	85	
Operating profit	**39**	**63**	**47**	**22**	**(24)**	156	35	80	196	
Income tax expenses	8	12	9	18	(24)	31	31	80	39	
Profit before minority interest	**31**	**50**	**38**	**22**	**(25)**	125	36	80	156	
Minority	0	0	0	nm	nm	0	nm	nm	0	
Normalised profit	**31**	**50**	**38**	**22**	**(25)**	125	36	80	156	Bloomberg consensus forecasts THB38m for 3Q20
Extra items	0	0	0	nm	nm	0	nm	nm	0	
Net profit	**31**	**50**	**38**	**22**	**(25)**	125	36	80	156	
Key financial highlights										
Gross NPL outstanding	872	1,109	1,467	68	32	1,467	68	75	1,962	
Gross NPA outstanding	74	62	85	15	36	85	15	93	91	
NPL & NPA purchase	342	17	418	22	2,341	449	15	49	917	
NPL & NPA cash collection	67	94	108	61	15	251	14	72	347	
Cash collection/NPL&NPA (%)	34.2	31.2	31.7						21.3	
Key financial ratio	**(%)**	**(%)**	**(%)**						**(%)**	
Liabilities / equity (x)	0.4	0.6	0.9						0.7	
Interest-bearing debt/equity (x)	0.3	0.5	0.9						0.6	
ROA	10.4	11.8	7.9						6.8	
ROE	12.9	19.1	13.9						12.0	
Cost of fund	5.3	6.7	6.7						6.3	
Cost to income	51.8	35.4	36.5						38.7	

* Fully amortized; Sources: CHAYO; FSSIA estimates

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JMT's 3Q20E results preview: Expect record high net profit

We expect JMT to report an outstanding 3Q20 net profit vs its peers at THB245m
(+33% y-y, +7% q-q), based on 1) decent distressed asset management revenue
growth (80% of total revenue) due to its strong cash collection from its existing and
new portfolios; and 2) the recovery of its insurance business (9% of total revenue).

Key highlights

- **Cash collection:** We expect JMT to deliver strong cash collection at THB1b
  (+21% y-y, +18% q-q) due to its small ticket sizes that should allow customers to
  more easily service their debt in the economic downturn. Moreover, we expect its
  fully amortized portfolio to increase 2% q-q to reach THB43.5b in 3Q20, resulting
  in fully amortized revenue growth of 7% q-q to THB239m.
- We estimate stronger net insurance premiums at THB19m vs THB15m in 2Q20
  and a loss of THB5m in 3Q19. This would come from its strategic shift to place a
  greater focus on non-motor insurance, which has a lower loss ratio.

Exhibit 3: JMT – 3Q20E results preview

	3Q19	2Q20	----- 3Q20E -----			----- 9M20E -----			2020E	Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%20E	(THB m)	
Interest income										
- Interest income from NPLs	525	387	416	(21)	7	1,165	(11)	73	1,597	
- Gain on NPLs*	0	222	239	nm	8	693	685	72	968	Increase y-y due to a higher gain from its fully amortized portfolio
Total interest income	**535**	**615**	**654**	22	6	1,847	30	72	2,573	
Interest expense	58	77	85	47	11	230	60	76	301	
Net interest income	**477**	**538**	**569**	19	6	1,617	27	71	2,272	
Non-interest income										
- Debt collection services	88	87	97	10	11	281	4	79	355	
- Net insurance premium	(5)	15	19	nm	24	46	nm	nm	55	Turnaround y-y due to the strategic shift to non-motor insurance
- Others	9	2	9	0	491	13	(32)	100	13	
Total non-interest income	**92**	**104**	**125**	36	21	340	24	80	423	
Total operating income	**569**	**642**	**694**	22	8	1,957	26	73	2,694	
Operating expenses	338	312	325	(4)	4	959	1	76	1,270	
Pre provision operating profit	**231**	**330**	**369**	59	12	998	67	70	1,425	
Expected credit loss	0	60	63	nm	4	173	8,101	67	256	
Operating profit	**231**	**270**	**306**	32	13	825	38	71	1,169	
Income tax expenses	47	40	61	29	52	154	15	63	246	
Profit before minority interest	**184**	**230**	**245**	33	7	671	45	73	924	
Minority	0	0	0	nm	nm	0	nm	nm	0	
Normalised profit	**184**	**230**	**245**	33	7	671	45	73	924	
Extra items	0	0	0	nm	nm	0	nm	nm	0	
Net profit	**184**	**230**	**245**	33	7	671	45	73	924	Bloomberg consensus forecasts THB249m for 3Q20
Key financial highlights										
Gross NPL outstanding	7,341	9,350	10,676	45	14	10,676	45	84	12,784	
Gross NPA outstanding	104	20	207	100	916	207	100	130	160	
NPL & NPA purchase	1,116	1,316	1,711	53	30	3,693	57	61	6,063	
NPL & NPA cash collection	859	884	1,040	21	18	2,740	20	71	3,872	
Cash collection/NPL&NPA (%)	48.4	39.2	40.8						36.8	
Key financial ratio	**(%)**	**(%)**	**(%)**						**(%)**	
Liabilities / equity (x)	1.9	2.6	2.2						1.5	
Interest-bearing debt/equity (x)	1.7	1.9	1.7						1.3	
ROA	7.7	7.4	6.7						7.1	
ROE	23.0	26.9	22.6						18.8	
Cost of fund	4.4	4.4	4.3						4.2	
Cost to income	59.4	48.6	46.9						47.1	

* Fully amortized; Sources: JMT; FSSIA estimates

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## 4Q20-2021: Robust growth for JMT & CHAYO, a gradual recovery for BAM

We expect the 4Q20 performance of the AMCs under our coverage to follow the same trend that we expect to see in 3Q20. JMT's core profit could hit a record high again, and CHAYO's 4Q20 normalised profit will likely continue to increase y-y. These increases would be driven by their strong cash collection, in our view. Regarding BAM, we forecast its core profit to collapse y-y continuously. In the event that BAM has still not concluded the sale of its medium- and large-ticket assets, our 2020 core profit estimate would have a 20-30% downside.

Exhibit 4: BAM: quarterly normalised profit
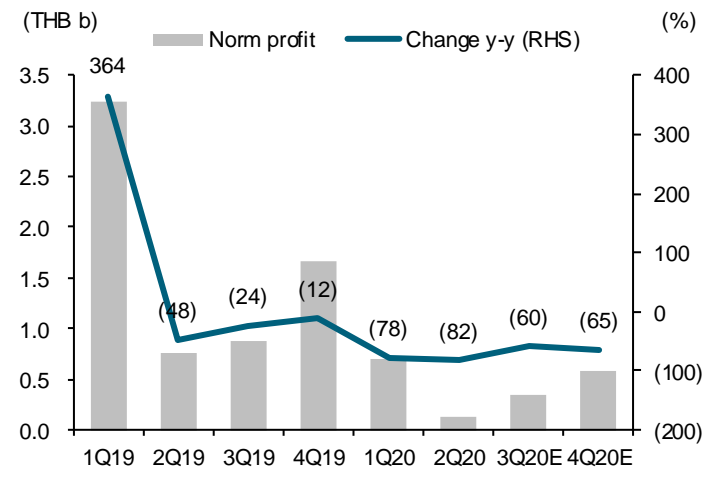
Sources: BAM; FSSIA estimates

Exhibit 5: BAM: quarterly net profit
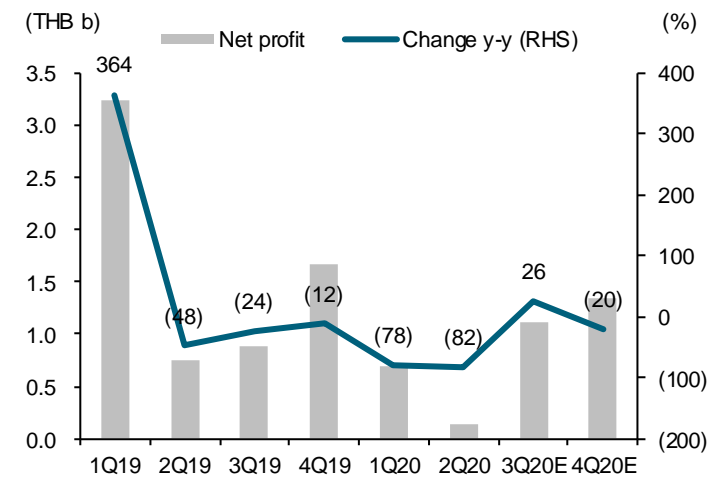
Sources: BAM; FSSIA estimates

Exhibit 6: CHAYO: quarterly normalised profit
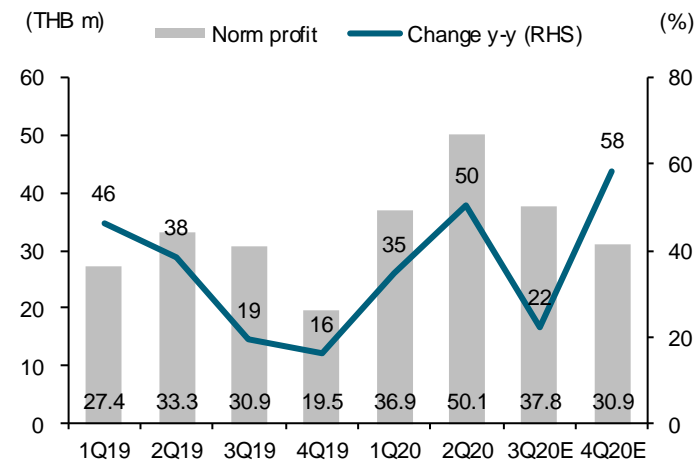
Sources: CHAYO; FSSIA estimates

Exhibit 7: JMT: quarterly normalised profit

Sources: JMT; FSSIA estimates

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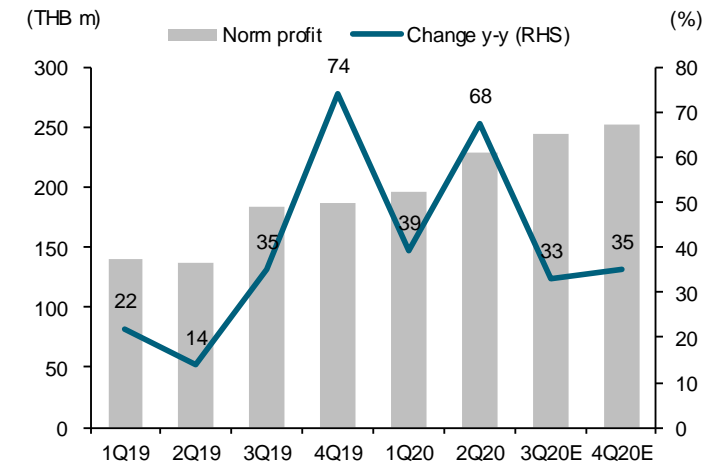
We expect 2021 to be a great year for the AMCs under our coverage, with an aggregate expected normalised profit growth of 35% y-y, driven by 1) stronger cash collection; and 2) aggressive distressed asset acquisitions.

We project JMT to outperform its peers in 2021 with estimated core profit growth of 45% y-y, due to 1) higher gains from its fully amortized portfolio; and 2) its aggressive portfolio expansion. JMT plans to acquire NPLs amounting to THB10b in 2021 vs THB6b in 2020. Owing to the shorter cash cycle of unsecured distressed assets, there should be a noticeable increase in JMT's interest income almost immediately after a significant NPL purchase occurs.

We forecast CHAYO to deliver the second highest core profit growth of 42% y-y in 2021, based on 1) higher gains from its fully amortized portfolio; and 2) a decrease in its cost to income ratio due to the economies of scale.

Exhibit 8: AMC sector's core profit growth
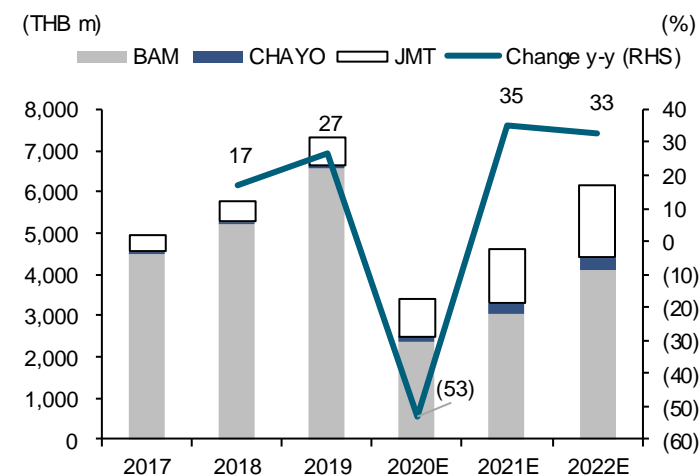
Sources: Company data; FSSIA estimates

Exhibit 9: Core profit growth by individual AMC
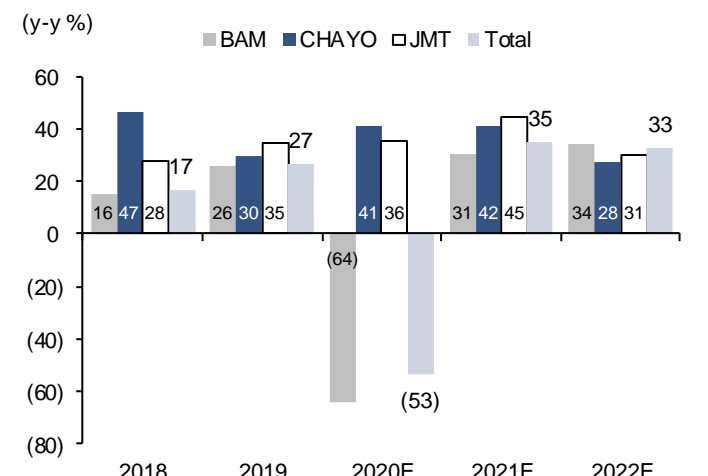
Sources: Company data; FSSIA estimates

We estimate that BAM will deliver lower core profit growth than its peers at 31% y-y in 2021. This would likely come from 1) a continued weak economic outlook leading to a delay in big-ticket spending; and 2) tight competition in the first-hand residential property market making it more difficult to sell second-hand properties.

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Key factor is new business expansion, not national AMC

Due to the anticipation of an overwhelming flood of NPLs in the next two to three years, the Bank of Thailand (BoT) is considering using AMCs as a vehicle to help alleviate banks' NPL burden. In our view, there are three scenarios that could occur, including 1) setting up a new national AMC; 2) relaxing regulations on inactive banks' AMCs; and 3) encourage existing AMCs to be more active.

We think the third option would be the fastest possible way to reduce banks' NPL burden, as existing AMCs are already intending to expand their businesses.

We, therefore, do not think there is a major concern over the downside risk from a potential national AMC. The key focus for this sector is the AMCs' new business plans, in our view.

National AMC is unlikely to be established soon

After the surge of NPLs in the 1997 Asian financial crisis, the BoT and the government put a lot of effort into solving bad debts, including:

1) The establishment of the Financial Restructuring Authority (FRA) in 1997 to liquidate assets from the 56 shuttered finance companies;
2) Allowing banks to set up their own AMCs;
3) The establishment of national AMCs, including: Bangkok Commercial Asset Management (BAM), Sukhumvit Asset Management (SAM, not listed); and Thai Asset Management Corporation (TAMC)

Exhibit 10: The previous national AMCs' timeline
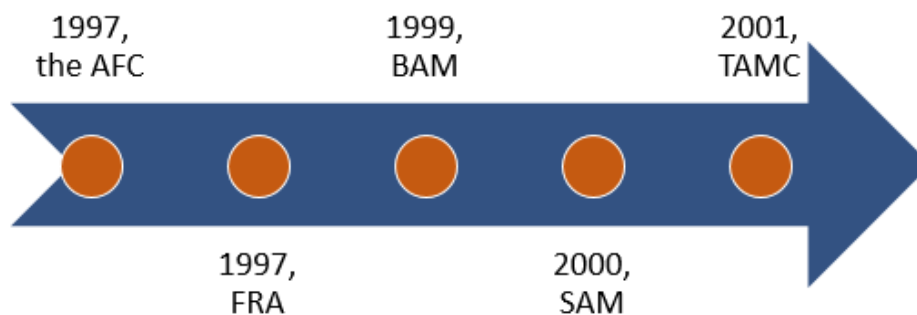
Source: FSSIA's compilation

Due to the delay in solving NPLs via FRA and the existing AMCs, TAMC was set up to operate under a special law. TAMC was able to bypass the process of the Legal Execution Office and directly sell the repossessed assets through its own channels, resulting in a shorter litigation process. However, the regulation allowed TAMC to operate for only ten years. It was dissolved in 2011.

Regarding BAM, after its IPO in Dec 2019, BAM is no longer a state-owned AMC, due to the reduction in the proportion of its major shareholder, the Financial Institutions Development Fund (FIDF), from 100% to 45.8%. Therefore, the government cannot force BAM to overload NPLs. BAM's ability to acquire NPLs is limited by its debt covenant at the interest bearing debt to equity (IBD/E) level of 2.5x.

There are currently only two state-owned AMCs which are SAM and Islamic Bank Asset Management, (IAM, not listed). The asset sizes of SAM and IAM were only at THB43b and THB25b vs BAM at THB1.1b (as of 2018). In our view, SAM and IAM could not possibly absorb the upcoming NPL surge. The idea of establishing a national AMC is therefore under consideration once more.

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Exhibit 11: AMCs' market share by asset size (2018)

AMCs	Total assets (THB m)	% market share (%)
BAM	107,653	47.3
SAM	43,056	18.9
IAM	24,551	10.8
Mahanakorn AMC	9,742	4.3
Sinnsuptawee Asset Management	6,649	2.9
LSF AMC	4,371	1.9
SWP AMC	3,811	1.7
J AMC (JMT's subsidiary)	3,512	1.5
Krungsri Ayudhya AMC	3,481	1.5
Rachakarn Asset Management	2,819	1.2
Alpha Capital Asset Management	1,525	0.7
NFS AMC	1,035	0.5
CHAYO	665	0.3

Sources: IPSOS, FSSIA's compilation

However, establishing a new national AMC would be a difficult task, in our view, as it would require a huge capital injection from the government. Moreover, according to commercial banks' management, if they have to sell NPLs to a national AMC at a deep discount, they would prefer to manage the NPLs by themselves. Last but not least, a national AMC might break the borrowing discipline. Therefore, we see this issue as being of remote concern.

Exhibit 12: Distressed asset acquisition budgets for AMCs under our coverage

AMCs	Asset type	Budget for the acquisition of distressed assets (THB b)				Implied distressed assets appraised/claim value (THB b)			
		2020E	2021E	2022E	Total	2020E	2021E	2022E	Total
BAM	Secured	13.4	14.9	16.1	44.5	26.8	29.9	32.3	88.9
	Unsecured				-				-
CHAYO	Secured	0.6	0.8	1.0	2.5	1.3	1.7	2.0	4.9
	Unsecured	0.3	0.4	0.4	1.1	2.8	3.6	4.3	10.6
JMT	Secured	2.4	3.8	4.5	10.7	4.9	7.5	9.0	21.4
	Unsecured	3.6	5.6	6.8	16.0	36.4	56.4	67.7	160.4
Total NPL purchase	**Secured**	**16.4**	**19.5**	**21.6**	**57.6**	**32.9**	**39.1**	**43.3**	**115.2**
	Unsecured	**3.9**	**6.0**	**7.2**	**17.1**	**39.1**	**60.0**	**71.9**	**171.0**
Combined total NPL purchase		**20.4**	**25.5**	**28.8**	**74.7**	**72.0**	**99.0**	**115.2**	**286.2**

Source: FSSIA's compilation

If a national AMC is established, we believe that there would still be a sufficient distressed asset supply, based on our assumptions:

1) BAM's budget to acquire secured distressed assets over 2020-22 is THB44.5b, implying cTHB88.9b in terms of NPL appraised value;

2) CHAYO aims to purchase secured NPLs at THB2.5b over 2020-22, implying cTHB4.9b in terms of secured NPL appraised value. CHAYO's budget to acquire unsecured NPLs at THB1.1b implies cTHB10.6b in terms of NPL claim value;

3) JMT's budget to purchase secured NPLs at THB10.7b over 2020-22, implies cTHB21.4b in terms of secured NPL appraised value. Its target to acquire unsecured NPLs at THB16.0b implies cTHB160.4b in terms of NPL claim value.

To sum up, the NPL acquisition value in 2020-22 for the AMCs under our coverage would be THB286.2b.

We forecast the outstanding NPL value for the Thai financial system in the next two-three years to be THB1.4t, increasing from THB674b in 2019, based on the assumption that 10% of the debts in the forbearance programs of banks, non-banks and special financial institutions (SFIs) will convert to NPLs.

Note that, currently, the loan value under commercial banks' and SFIs' forbearance programs is at THB6.8t, or 31% of total loans.

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Exhibit 13: Expected NPLs of commercial banks and SFIs

(THB m)

■ Commercial banks ■ SFIs □ Total expected NPLs
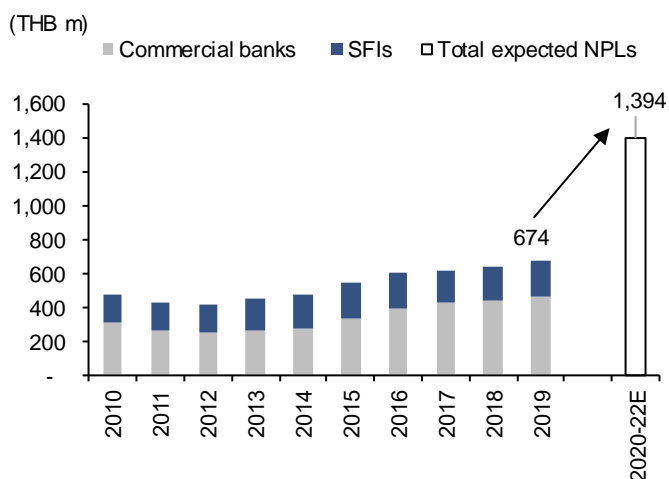
Sources: Bank of Thailand; FSSIA estimate

Exhibit 14: Debts under forbearance programs

(THB t)   (%)

□ Retail
■ SME
■ Corporate
— % debts forbearance to total loans (RHS)
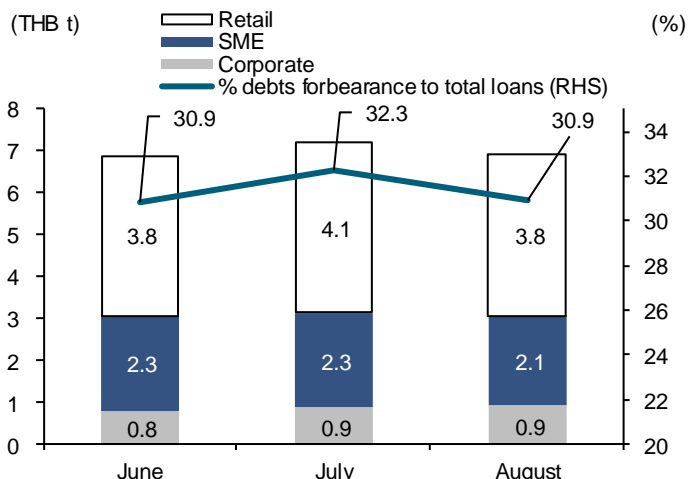
Sources: Bank of Thailand; FSSIA's compilation

Stricter regulations do not encourage banks' AMCs to be more active

Banks' subsidiary AMCs are not favoured to manage NPLs, as the banks have to consolidate their subsidiaries' financial statements. Therefore, the NPLs transferred to their AMCs would be booked on the banks' consolidated balance sheets. Moreover, the regulations for banks' subsidiary AMCs are stricter than for the private and state-owned AMCs. For example, the NPA holding period for banks' AMCs is only five years. If they would like to extend the holding period from five to ten years, the NPAs' value must under 10% of the banks' capital base. To encourage banks' AMCs to be more active, the BoT would need to relax the regulations, in our view.

Exhibit 15: Banks' subsidiary AMCs

Banks' subsidiary AMCs	Parent bank/company
TS AMC	
NSF AMC	Thanachart group
MAX AMC	
Sinnsuptawee Asset Management	Bangkok Bank
Phethai AMC	Kasikornbank
Phahonyothin AMC	TMB Bank
Sathorn AMC	CIMB Bank
Rutchayothin Assets Management	Siam Commercial Bank

Sources: IPSOS, FSSIA's compilation

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AMCs' new business plans to capture the surging NPL opportunity

We believe a faster way to reduce banks' NPL burden would be to encourage existing AMCs to be more active.

The AMCs under our coverage intend to expand their businesses to capture the opportunity from the anticipated overwhelming NPL flood. BAM plans to establish a JV company with a bank. CHAYO has already set up a JV company since mid-Oct 2020, though with no clear business plan. JMT plans to do a share swap M&A with a company within its existing business.

BAM: JV could unlock its growth trajectory

BAM has a more conservative NPL acquisition plan than its peers due to its longer cash cycle and the D/E constraint. Based on our assumption that BAM will increase its distressed assets purchases by only a 6% 3Y-CAGR from 2020 to 2022 vs 29% for CHAYO and 50% for JMT, its 2022E D/E ratio could reach 2.23x vs its debt covenant of 2.5x.

In order to unlock its growth trajectory, BAM plans to set up a JV company with a bank to acquire distressed assets, according to management. A JV could probably operate as an associate company for BAM and the bank. This would be a win-win strategy for both of them. BAM could acquire distressed assets more aggressively, meanwhile, the bank could unload NPLs by transferring them to the JV.

If this JV is established, it could act as a role-model for other JVs with other banks. If the business model gains traction, the BoT might not need to establish a national AMC. This could be a key factor to drive up BAM's share price, in our view.

Exhibit 16: Distressed asset acquisition plans and debt covenants

	------------------Distressed asset acquisition plans --------------					CAGR	D/E	Debt covenant
	2019	2020E	2021E	2022E	AVG./year	2020-22E	2022E	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(x)	(x)
BAM	13,354	13,382	14,947	16,125	14,818	6	2.23	2.50
CHAYO	660	917	1,188	1,422	1,176	29	0.63	1.70
JMT	3,368	6,063	9,398	11,278	8,913	50	1.61	3.00

Sources: Company data; FSSIA estimates

CHAYO: JV could unlock limited funding

The main constraint for CHAYO's business expansion is its limited source of funds. Although CHAYO's current IBD/E ratio at 0.54x is still below its debt covenant at 1.7x, banks are not inclined to lend to CHAYO due to its small asset size. Therefore, CHAYO has established a JV company to unlock some limited funding.

According to management, its partner(s) (the number has not yet been determined) will support the source of funding. In return, CHAYO will provide its long operating experience in the business, along with its experienced staff and reliable debt collection systems. The JV plans to purchase THB1,000m in secured distressed assets next year.

### JMT: M&A could support its medium- to long-term growth

JMT plans to do a share swap M&A with any company within its existing business; which is distressed asset management, debt collection and insurance. The maximum dilution from an M&A would be 10%, however, JMT expects that the M&A deal would provide more than a 10% upside to its bottom line.

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Exhibit 17: Peer comparison as of 3 Nov 2020

| Year to Dec Company	BBG	Rec	Current (LCY)	Target (LCY)	Upside (%)	Market Cap (USDm)	PE 20E (x)	PE 21E (x)	DivYld 20E (%)	DivYld 21E (%)	ROE 20E (%)	ROE 21E (%)	PBV 20E (x)	PBV 21E (x)
Bangkok Commercial AM	BAM TB	BUY	21.30	24.00	13	2,217	29.4	22.5	4.7	4.7	6.4	8.1	1.9	1.7
Chayo Group	CHAYO TB	BUY	8.05	9.70	20	183	39.2	29.7	0.03	0.02	12.1	11.7	3.8	3.0
JMT Network Services	JMT TB	BUY	34.25	42.00	23	1,077	38.4	28.3	1.6	2.2	18.8	18.2	5.5	4.6
FSSIA coverage						**3,477**	**35.6**	**26.8**	**2.1**	**2.3**	**12.4**	**12.7**	**3.7**	**3.1**
China Chinda AMt	1359 HK	-	1.50	-	-	7,387	4.1	3.6	7.2	8.6	7.7	7.7	0.3	0.3
Credit Corp Group	CCP AU	-	19.00	-	-	912	14.8	18.6	2.2	2.7	13.9	11.1	2.1	2.0
Arrow Global Group	ARW LN	-	126.20	-	-	294	n/a	5.5	1.8	2.5	(36.4)	33.3	2.7	1.8
Intrum AB	INTRUM SS	-	225.40	-	-	3,218	11.8	8.5	3.9	5.9	9.9	13.6	1.4	1.2
Encore Capital Group	ECPG US	-	33.74	-	-	1,058	3.9	3.7	n/a	n/a	20.8	17.8	0.8	0.6
PRA Group	PRAA US	-	35.88	-	-	1,635	11.6	10.6	n/a	n/a	11.0	10.1	1.2	1.0
Axactor SE	AXA NO	-	7.40	-	-	145	n/a	6.9	-	n/a	(3.4)	5.5	0.4	0.4
KRUK SA	KRU PW	-	115.10	-	-	592	68.1	8.9	4.1	2.7	8.0	13.1	1.2	1.1
B2 Holding ASA	B2H NO	-	6.61	-	-	265	9.1	6.0	1.5	4.9	6.1	9.9	0.5	0.5
Peer average						**15,506**	**17.6**	**8.1**	**3.0**	**4.5**	**4.2**	**13.6**	**1.2**	**1.0**

Sources: Bloomberg; FSSIA estimates

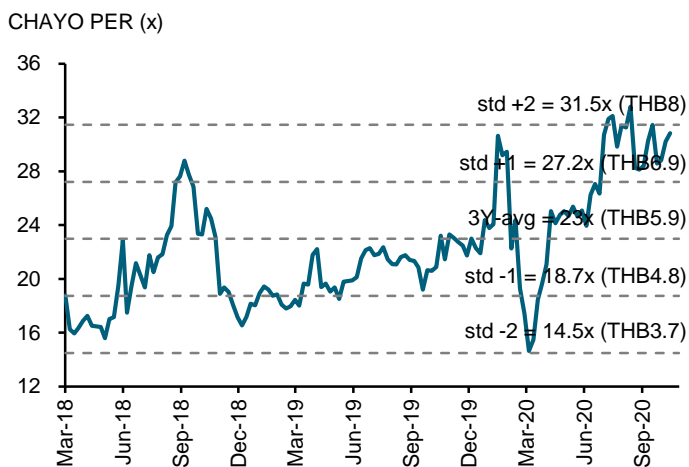## Exhibit 18: BAM – one year prospective P/E band
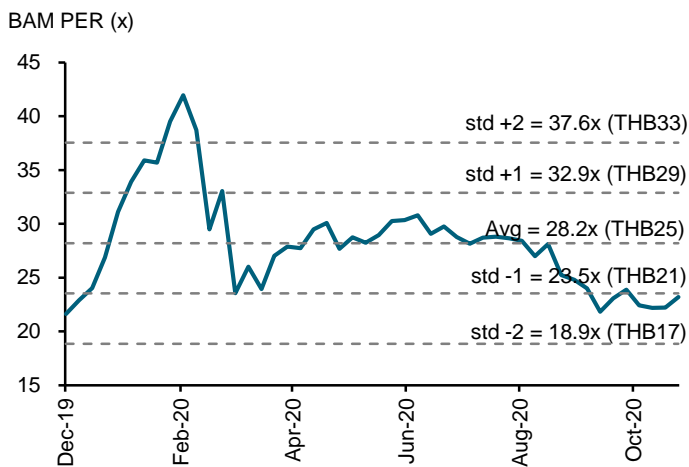
Sources: Bloomberg; FSSIA estimates

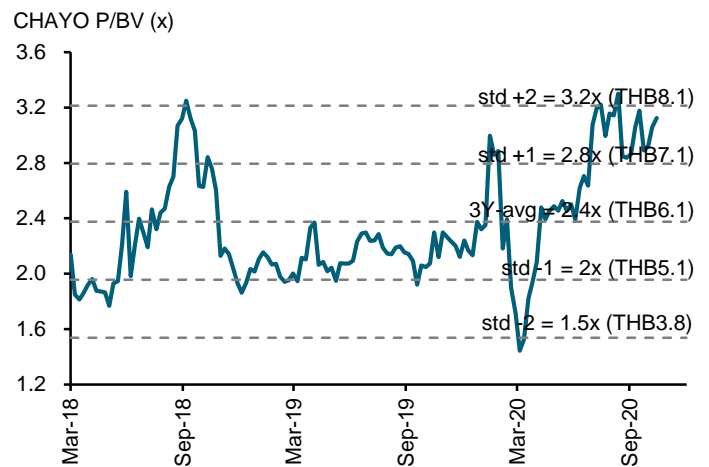## Exhibit 19: BAM – one year prospective P/BV band
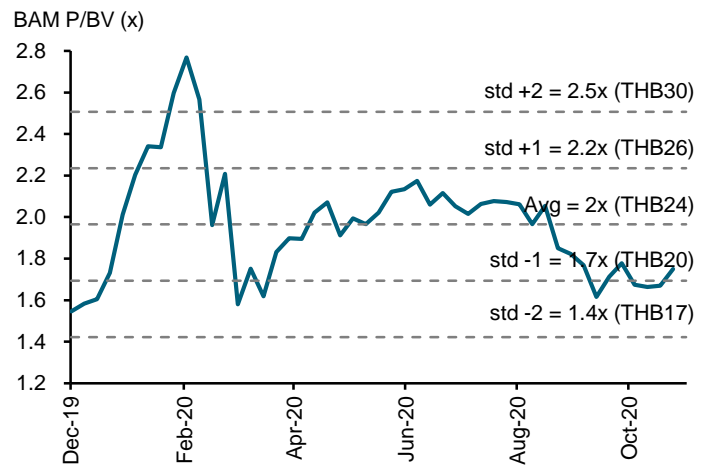
Sources: Bloomberg; FSSIA estimates

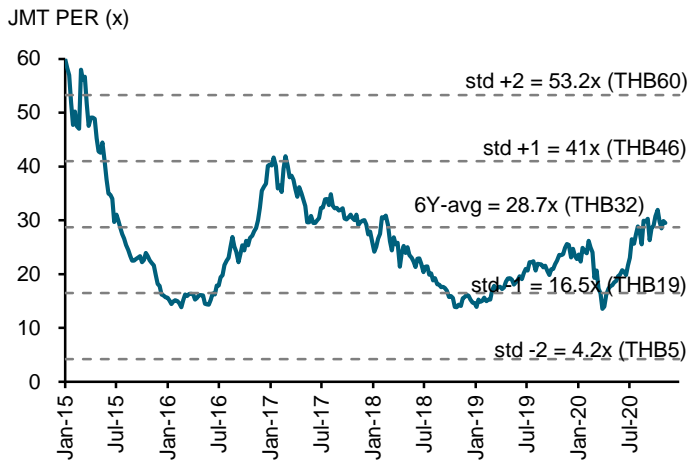## Exhibit 20: CHAYO – one year prospective P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 21: CHAYO – one year prospective P/BV band

Sources: Bloomberg; FSSIA estimates

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Exhibit 22: JMT – one year prospective P/E band

JMT PER (x)

std +2 = 53.2x (THB60)

std +1 = 41x (THB46)

6Y-avg = 28.7x (THB32)

std -1 = 16.5x (THB19)

std -2 = 4.2x (THB5)

Sources: Bloomberg; FSSIA estimates

Exhibit 23: JMT – one year prospective P/BV band
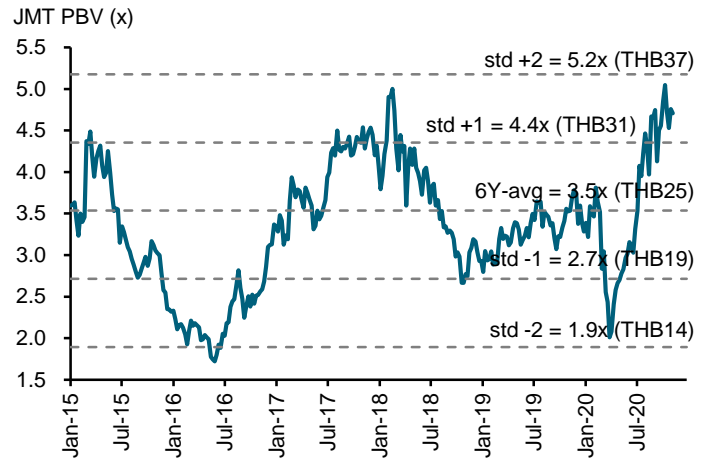
JMT PBV (x)

std +2 = 5.2x (THB37)

std +1 = 4.4x (THB31)

6Y-avg = 3.5x (THB25)

std -1 = 2.7x (THB19)

std -2 = 1.9x (THB14)

Sources: Bloomberg; FSSIA estimates

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Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GFPT	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					

VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANAH
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENTEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KGI	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PM	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMPC	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIIK	XO	YUASA	ZEN	ZMICO						

GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MGT	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						

Score Range	Number of Logo	Description
90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Less than 50	No logo given	-

Disclaimer:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

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Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANAH	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEAOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of th e Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company . The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

### Yuvanart Suwanumphai 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

Bangkok Commercial Asset Mngt. (BAM TB)
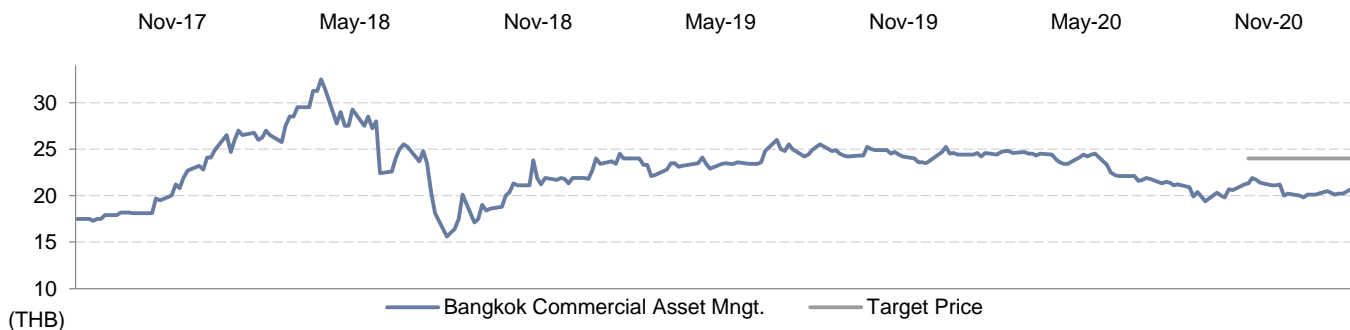
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
05-Oct-2020	BUY	24.00	-	-	-	-	-	-

Yuvanart Suwanumphai started covering this stock from 05-Oct-2020

Price and TP are in local currency
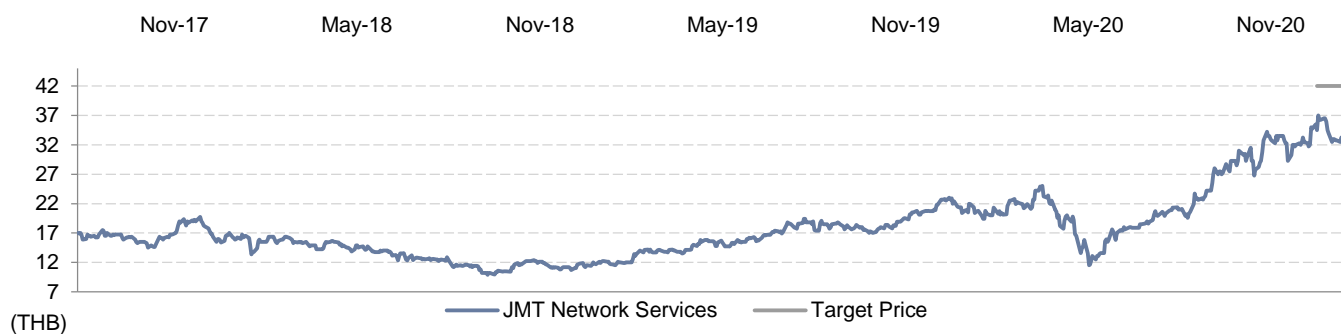
Source: FSSIA estimates

Chayo Group (CHAYO TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
05-Oct-2020	BUY	9.70	-	-	-	-	-	-

Yuvanart Suwanumphai started covering this stock from 05-Oct-2020

Price and TP are in local currency

Source: FSSIA estimates

JMT Network Services (JMT TB)

	Nov-17	May-18	Nov-18	May-19	Nov-19	May-20	Nov-20

JMT Network Services — Target Price

(THB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
05-Oct-2020	BUY	42.00	-	-	-	-	-	-

Yuvanart Suwanumphai started covering this stock from 05-Oct-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Commercial Asset Mngt.	BAM TB	THB 21.30	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Chayo Group	CHAYO TB	THB 8.05	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
JMT Network Services	JMT TB	THB 34.25	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.

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 03-Nov-2020 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.

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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.

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