

16 FEBRUARY 2021

THAILAND / DIVERSIFIED FINANCIALS

# SAKSIA LEASING SAK TB

## BUY

TARGET PRICE	THB12.80
CLOSE	THB9.20
UP/DOWNSIDE	+39.1%
TP vs CONSENSUS	n/a

## มีมากกว่าที่เห็น

กำไรสุทธิอาจเพิ่ม 23% ในปี 2021 และ 44% CAGR ในปี 2020-22

เราเชื่อว่านักลงทุนมักจะมองว่า SAK ทำธุรกิจเดียวกับกับ SAWAD และ MTC ในขณะที่หุ้นมีการซื้อขายที่ระดับการประเมินมูลค่าค่อนข้างสูง ซึ่งหมายถึงว่าหุ้นไม่มีจุดเด่น อย่างไรก็ตาม มองว่าบริษัททั้งสามมีข้อแตกต่างหลายประการ ซึ่งอาจทำให้อัตราการเติบโตของกำไรสุทธิของ SAK โดดเด่น โดยคาดว่ากำไรสุทธิจะโตได้ 23% ในปี 2021 และ 44% CAGR ในปี 2020-22 เราเห็นว่าปัจจัยสำคัญที่จะเกื้อหนุนการเติบโตของบริษัท ประกอบด้วย 1) สินเชื่อที่คาดว่าจะโตได้โดยอยู่ที่ 35% ในปี 2021 และ 20% CAGR ในปี 2020-22; 2) ต้นทุนทางการเงินที่ลดลงหลังการเสนอขายหุ้นใหม่แก่ประชาชนทั่วไปเป็นครั้งแรก (IPO); และ 3) อัตราส่วนค่าใช้จ่ายดำเนินงานต่อรายได้รวมที่คาดว่าจะลดลงในปี 2021-22 เป็น 47.6% และ 40.2% ตามลำดับ เทียบกับ 52.9% ในปี 2020E ตามการประหยัดต่อขนาด (economies of scale)

### ความแตกต่างที่โดดเด่น

ปัจจัยที่ทำให้ SAK แตกต่างประการแรกคือขนาดของพอร์ตของบริษัทฯ ยังคงค่อนข้างเล็กเมื่อเทียบกับ MTC และ SAWAD ทำให้เราเชื่อว่าพอร์ตของบริษัทฯ อาจโตได้อย่างมีนัยสำคัญใน 3 ปีข้างหน้าเป็นอย่างน้อย โดยได้แรงหนุนจาก 1) ความต้องการสินเชื่อทะเบียนรถที่อาจมีอยู่เป็นจำนวนมากในกลุ่มรถยก โดยเราคาดว่าจะมีสินเชื่อทะเบียนรถจะมีขนาดใหญ่ถึง 862 พัน ลบ.; 2) การขยายเครือข่ายของบริษัทฯ ที่ครอบคลุมมากขึ้น; และ 3) มากกว่า 50% ของพอร์ตของบริษัทฯ มุ่งเน้นไปในกลุ่มการเกษตร ซึ่งเราเห็นว่าเป็นหนึ่งในกลุ่มที่ได้รับผลกระทบจาก COVID น้อยที่สุด เมื่อเทียบกับ MTC (32%) and SAWAD (10%) นอกจากนี้ จุดที่ SAK ต่างจาก MTC และ SAWAD อีกประการหนึ่งคือ เราคาดว่า NIM ของบริษัทฯ จะเพิ่มเป็น 22.6% ในปี 2021 เทียบกับ 22.5% ในปี 2020E โดยได้แรงหนุนจาก 1) ผลตอบแทนในรูปดอกเบี้ยจากสินเชื่อที่ลดลงซึ่งสูงกว่าคู่แข่งเนื่องจากบริษัทฯ มีสัดส่วนที่น้อยกว่าสำหรับสินเชื่อทะเบียนรถมอเตอร์ไซด์ ซึ่งมีการแข่งขันสูง; และ 2) ต้นทุนทางการเงินที่ลดลงหลัง IPO.

### จุดเหมือนที่แข็งแกร่ง

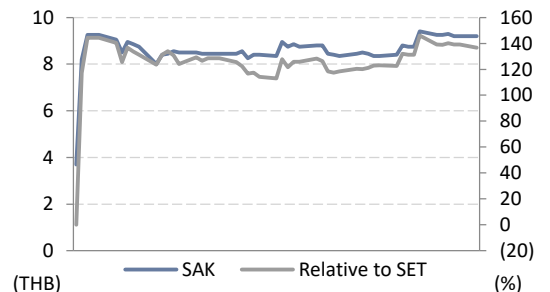
เช่นเดียวกับกับ MTC และ SAWAD ผู้บริหารของ SAK มีประสบการณ์ในด้านการเงินและการรับชำระหนี้รวมมากกว่า 34 ปี นอกจากนี้ SAK ยังมีผลิตภัณฑ์ทางการเงินอย่างครบครันเพื่อตอบสนองทุกความต้องการในด้านการเงิน เพราะฉะนั้นหลังบริษัทฯ ปลดข้อจำกัดในด้านแหล่งเงินทุนด้วย IPO เราเชื่อว่า SAK จะสามารถทำให้สินเชื่อได้อย่างมีนัยสำคัญ พร้อมกับควบคุมต้นทุนและบริหารความเสี่ยงที่มีประสิทธิภาพ

### แนวโน้มการเติบโตที่ดีเป็นเหตุผลสำหรับการประเมินมูลค่าในระดับสูงกว่าปกติ

เราเริ่มต้นแนะนำ SAK ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 12.8 บาท (GGM) ราคาเป้าหมายของเราเท่ากับค่า 2021E P/E ที่ 38x จากอัตราการเติบโตของกำไรสุทธิปี 2020-22 ที่ 44% CAGR เราเชื่อว่า SAK สมควรได้รับการประเมินมูลค่าในระดับสูงกว่าปกติ โดยมีเหตุผลจากแนวโน้มการเติบโตที่โดดเด่นและข้อแตกต่างของบริษัทฯ จากบริษัทอื่นในกลุ่มในแง่ของสัดส่วนที่น้อยกว่าในตลาดสินเชื่อทะเบียนรถมอเตอร์ไซด์ซึ่งมีการแข่งขันสูงและฐานลูกค้าที่สูงกว่า 50% ในกลุ่มการเกษตร ซึ่งเป็นหนึ่งในกลุ่มที่มีความแข็งแกร่งมากที่สุด

## KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Operating profit	432	714	881	1,286
Net profit	346	576	711	1,038
EPS (THB)	0.23	0.36	0.34	0.50
vs Consensus (%)	n/a	n/a	n/a	n/a
Core net profit	346	576	711	1,038
Core EPS (THB)	0.23	0.36	0.34	0.50
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	-	55.5	(6.1)	46.0
Core P/E (x)	39.6	25.5	27.1	18.6
Dividend yield (%)	-	1.5	1.1	1.6
Price/book (x)	4.9	2.9	3.4	3.0
ROE (%)	14.1	14.5	13.2	17.3
ROA (%)	5.3	7.4	7.9	9.5



Share prices from listing on 8 Dec 2020

Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.1	n/a	n/a
Relative to country (%)	6.3	n/a	n/a
Mkt cap (USD m)	645		
3m avg. daily turnover (USD m)	n/a		
Free float (%)	21		
Major shareholder	Boonsalee Family (67%)		
12m high/low (THB)	10.40/6.75		
Issued shares (m)	935		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 16 กุมภาพันธ์ 2021

## Investment thesis

Saksiam Leasing is the third largest non-bank personal and auto title loan service provider in Thailand, with more than 34 years of experience in the debt collection and retail finance businesses.

We expect SAK to deliver outstanding net profit growth of 23% in 2021 at a 44% 3-yr 2020-22 CAGR, backed up by 1) remarkable loan growth; 2) a lower cost of funds after its IPO; and 3) a lower 2021-22E cost to income ratio owing to the economies of scale. We believe SAK deserves a premium valuation, justified by its outstanding growth outlook and its differentiation from its peers in terms of a lower impact from the competitive motorcycle title loan segment, and having more than 50% of its client base in the resilient agricultural sector. Hence, we initiate our coverage with a BUY rating.

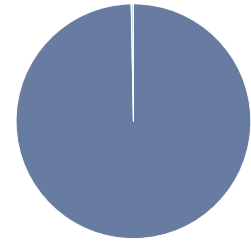
## Company profile

Saksiam Leasing is the third largest non-bank personal and auto title loan service provider listed on the SET, with a focus on the north, northeast, central, and western regions of Thailand. The company has four product categories: 1) auto title loans under BoT regulations; 2) personal loans under BoT regulations; 3) nano finance; and 4) other financial products, such as hire purchase.

[www.saksiam.com](http://www.saksiam.com)

## Principal activities (revenue, 2019)

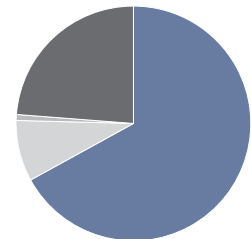
- Net interest income - 99.7 %
- Non-interest income - 0.3 %



Source: Saksiam Leasing

## Major shareholders

- Boonsalee Family - 67.0 %
- Bualuang Asset Management - 8.4 %
- LGT Bank (Singapore) - 0.8 %
- Others - 23.8 %



Source: Saksiam Leasing

## Catalyst

Potential share price catalysts for SAK include:

- Stronger loan growth;
- Faster network expansion;
- Policy rate cuts.

## Risk to our call

Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the BoT; and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.

## Event calendar

Date	Event
23 Feb 2021	2020 results announcement

## Key assumptions

Year to Dec	2020E	2021E	2022E
	(%)	(%)	(%)
Net profit (THB m)	576	711	1,038
Net profit growth	66.5	23.4	46.0
NIM	22.5	22.6	22.0
Loan growth	(0.5)	35.0	30.0
Credit cost (bp)	(5)	65	80
Cost to income*	52.9	47.6	40.2

\*Including share of profits from associates

Source: FSSIA estimates

## Earnings sensitivity

Year to Dec		2021E		
		33.0	35.0	37.0
<b>Loan growth</b>	<b>±2ppt</b>			
	% change in net profit	(1.8)	-	1.8
<b>NIM (%)</b>	<b>±5bp</b>			
	% change in net profit	(0.5)	-	0.5
<b>Credit cost (bps)</b>	<b>±10bp</b>			
	% change in net profit	0.4	-	(0.4)

Source: FSSIA estimates



## Seems similar but there are more differences than meet the eye

We believe investors tend to think that Saksiam Leasing (SAK) runs the same business as Srisawad Corporation (SAWAD TB, BUY, TP THB72) and Muangthai Capital (MTC TB, BUY, TP THB78) while trading at a demanding valuation, i.e. having no outstanding advantages.






However, we think several differences exist between the companies, e.g. portfolio size, client profile, network coverage, and portfolio structure. We think these factors will enable SAK to have outstanding growth, with an estimated 2020-22 net profit growth CAGR of 44% vs 21% for MTC and 20% for SAWAD, in the fiercely competitive auto title lending industry.

### Exhibit 1: Similarities and differences between SAK, MTC and SAWAD

No.	Items	Similarities	Differences		
			SAK	MTC	SAWAD
1	Portfolio size (THB b) as of 3Q20		6.4	67.2	39.2
2	Client profile	Underbanked people	> 50% farmers	>30% farmers	50% Business owners
3	Network as of 3Q20 - no. of branches - coverage		519 Northern, northeastern and central region	4,798 Nationwide	4,660 Nationwide
4	Portfolio structure (expected in 2021)	> 80% are title loans	49% Passenger car title 23% Motorcycle title	32% Passenger car title 33% Motorcycle title	45% Passenger car title 25% Motorcycle title
5	Business experience	Long experience			
6	Product type	Full scope of products range			
7	2020-22 NP growth CAGR (%)	High growth vs other industries	44	21	20

Sources: Company data; FSSIA's compilation

### Exhibit 2: Peers comparison

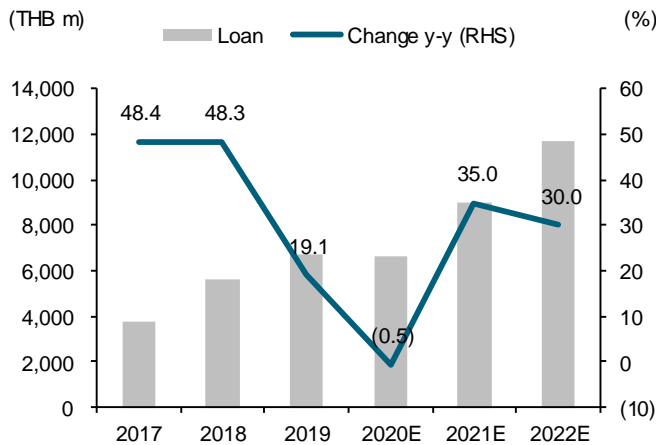
	SAWAD	MTC	Ngern Tid lor	Somwang	SAK
<b>Trademark</b>					
<b>Services</b>	Secured vehicle title loans - Cars and pickups (majority) - Agricultural trucks and tractors - Commercial trucks - Motorcycles  House, building and land-backed loans (majority)  Personal loans Nano finance Insurance broker	Secured vehicle title loans - Motorcycles (majority) - Passenger cars (majority) - Agricultural trucks and tractors  Land title loans  Hire purchase - Motorcycles  Personal loans Nano finance Insurance broker	Secured vehicle title loans - Passenger car (Majority) - Commercial truck (Majority) - Agricultural truck and tractor - Motorcycle  Hire purchase - Motorcycles - Agricultural trucks and tractors  Personal loans Nano finance Insurance broker	Secured vehicle title loans - Passenger cars - Commercial trucks - Motorcycles  Insurance broker	Secured vehicle title loans - Passenger cars (majority) - Commercial trucks - Agricultural trucks and tractors - Motorcycles  Hire purchase - Motorcycles  Personal loans Nano finance
<b>Branches (3Q20)</b>	4,660	4,798	1,060	342	519
<b>Location</b>	Nationwide	Nationwide	Nationwide	Nationwide	Central, North, Northeast and West (38 provinces)
<b>Loans outstanding (THB m) 3Q20</b>	39,235	67,215	48,691	18,196	6,427
<b>Loan-to-value</b>	30-50%	50%	up to 110%	50-100%	50%
<b>Ticket size per contract</b>	THB70,000-100,000	THB15,000-25,000	THB70,000-100,000	> THB100,000	THB25,000
<b>Profitability ratio - as of 3Q20</b>					
Yield (%)	20.2	21.8	19.6	n.a.	25.2
Net yield on portfolio (%)	12.4	8.2	6.7	n.a.	9.9
<b>Asset quality ratio - as of 3Q20</b>					
NPL ratio (%)	4.50	1.03	1.20	3.50	2.65
Coverage ratio (%)	67	199	470	n.a.	107

Sources: Company data; FSSIA's compilation

## Remarkable loan growth amid fierce competition

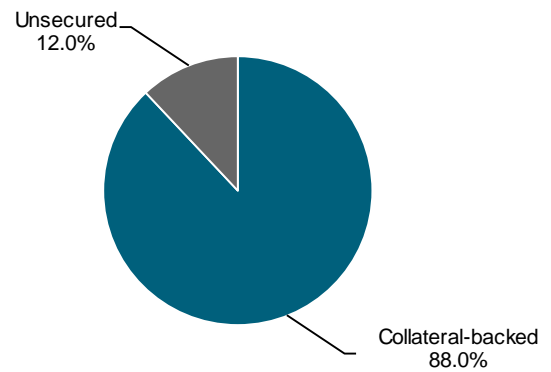
We expect SAK to experience remarkable credit growth for at least the next three years, with 2021 and three-year 2020-22 CAGR loan growth that we project at 35% y-y and 20% y-y, respectively. This is based on 1) the large potential demand for auto title loans in the grassroots segment; 2) its extensive network expansion; and 3) having more than 50% of its portfolio focused on the agricultural sector, which we believe is one of the sectors to have been least impacted by the COVID pandemic. Note that in 2020, we expect SAK's loan volume to slightly drop by 1% y-y due to the limited funding before its IPO.

**Exhibit 3: 2020-22E outstanding loan growth**



Sources: SAK; FSSIA estimates

**Exhibit 4: 88% of its loans are secured loans**



Sources: SAK; FSSIA's compilation

## A large potential demand for auto title loans

An auto title loan is a type of loan in which borrowers pledge their cars as collateral. We see that there are four popular types of cars typically pledged as collateral: motorcycles; passenger cars; agricultural vehicles; and trucks.

The auto title loan industry is very competitive, in our view. Both banks and non-banks operate in this business space. Banks have a lower risk appetite (low-risk client profile, lower interest rate charges and high loan-to-value (LTV)), while non-bank lenders typically have a higher risk appetite (high-risk client profile, higher interest rate charges and lower LTV). According to the BoT's data, non-banks dominate the market with a c80% market share. Non-bank operators can be classified into three groups by loan portfolio size as follows:

**Group 1:** The top four lenders with nationwide networks: SAWAD, MTC, Ngerm Tid Lor (Bank of Ayudhya (BAY TB, NR)'s subsidiary; not listed) and Somwang (Tisco Financial (TISCO TB, BUY, TP THB102)'s subsidiary; not listed).

**Group 2:** The medium-sized lenders which operate in groups of provinces, e.g. SAK, Nim See Seng (not listed), Ngen Turbo (not listed), Quick Leasing (not listed).

**Group 3:** The small local operators that operate in the provinces.

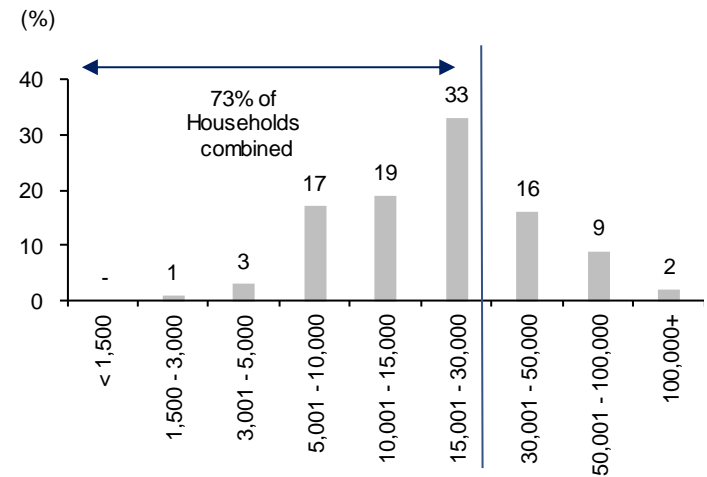
**Exhibit 5: Auto title loan providers**

	Banks	Non-banks
Targets	Monthly salary earners	Farmers Small entrepreneurs Factory employees
Key lenders	KBANK Krungsri Auto (Car 4 cash) KKP KTC (KTC P Berm) SCB (My car my cash) TISCO (Auto cash) TMB (Cash your car)	SAWAD MTC Ngerm Tid Lor (NTL) Somwang Saksiam Leasing Nim See Seng Ngerm Turbo Quick Leasing Small local operators

Sources: Company data; FSSIA's compilation

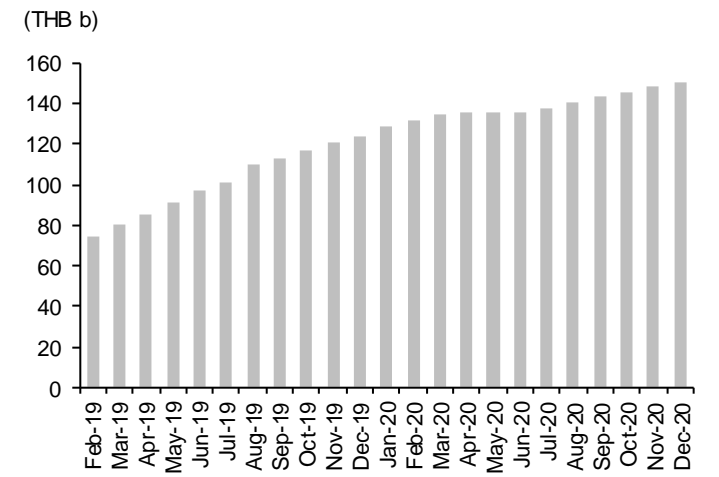
With an official industry volume of cTHB150b, as reported by the BoT, we believe auto title loans should experience yearly growth of 15-20% in the next three years at least, as 1) nearly three-quarters of Thai households have monthly incomes of lower than THB30,000; 2) a registered pledge loan is like an overdraft credit line for underbanked people; and 3) the Thai government is attempting to reduce the proliferation of loan sharks by drawing underbanked people into the legal non-bank financial system.

**Exhibit 6: 73% of households have monthly incomes below THB30,000**



Sources: National Statistical Office; FSSIA's compilation

**Exhibit 7: Auto title loan outstanding**



Sources: Bank of Thailand; FSSIA's compilation

We think the potential market for auto title loans is extremely large. Based on our estimate, we believe the market size would be cTHB862b vs the officially reported figure by the BoT of only cTHB150b, or just a 17% penetration rate.

Our methodology to estimate the potential auto title loan market size is as follows:

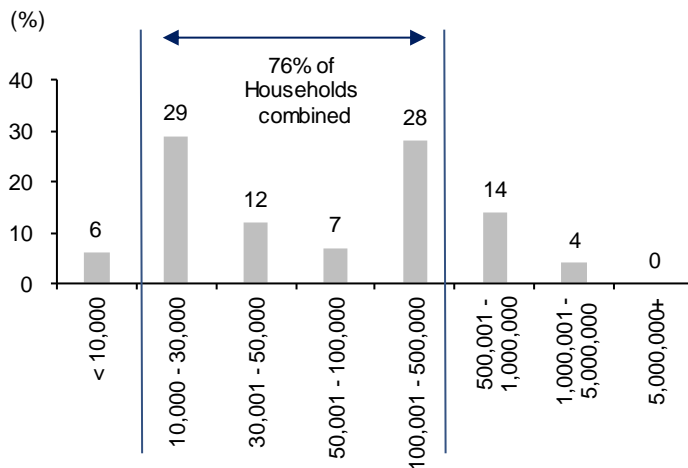
- 1) 70% of registered vehicles are eligible to use as collateral for auto title loans;
- 2) 70% of households who own vehicles valued at THB10,000-500,000/vehicle (76% of total households own vehicles within that range) will use their vehicles to pledge for money;
- 3) The average ticket size per contract for motorcycles is THB15,000, for sedans and pickups is THB100,000, and for tractors and trucks is THB150,000.

Consequently, we believe SAK could grow its loans for at least as long as the industry grows.

**Exhibit 8: No. of registered vehicles**

million units	Nationwide	Greater BKK	Central	North	Northeast	South
Sedans	10.45	5.07	1.65	1.27	1.44	1.02
Pickups	6.88	1.52	1.50	1.34	1.72	0.79
Motorcycles	21.40	4.06	5.16	4.22	4.99	2.96
Tractors	0.57	0.12	0.08	0.13	0.23	0.02
Trucks	1.17	0.22	0.38	0.18	0.29	0.10
<b>Total</b>	<b>40.47</b>	<b>10.99</b>	<b>8.78</b>	<b>7.14</b>	<b>8.67</b>	<b>4.89</b>

Sources: Department of Land Transportation; FSSIA's compilation

**Exhibit 9: 76% of total households own vehicles valued at THB10,000-500,000 per vehicle**

Sources: National Statistical Office; FSSIA's compilation

**Exhibit 10: Average ticket size per contract assumptions**

Vehicle	Value per contract
Motorcycle	15,000
Sedan and pickup	100,000
Tractor and truck	150,000

Sources: FSSIA's estimates

**Exhibit 11: Potential auto title loans could amount to THB862b**

THB b	Nationwide	Greater BKK	Central	North	Northeast	South
Sedans	389.0	188.7	61.6	47.3	53.5	37.9
Pickups	256.1	56.7	56.0	49.8	64.0	29.6
Motorcycles	119.5	22.7	28.8	23.6	27.9	16.5
Tractors	32.1	6.5	4.5	7.5	12.6	0.9
Trucks	65.6	12.5	21.0	10.2	16.3	5.6
<b>Total</b>	<b>862.4</b>	<b>287.1</b>	<b>171.9</b>	<b>138.3</b>	<b>174.4</b>	<b>90.6</b>

Source: FSSIA's estimates

### Expansion into sub-districts, with more than double the branches in 2023

We think that there is a concern regarding SAK's network coverage, as it has a fewer number of branches and does not have nationwide coverage like its competitors. SAK currently has 519 branches covering 38 provinces in Thailand. About 70% of the branches are in the north and central regions. Meanwhile, MTC has 4,798 branches nationwide and SAWAD has 4,660 across the country. We have a different view. The more limited branch coverage means that there is a greater opportunity to significantly expand its network and grow its loan portfolio.

After unlocking its source of funding from its IPO, the company intends to expand its network more aggressively, from 70-100 branches per year in 2017-20 to 200 branches per year in 2021-23. Thus, its branch number could more than double within 2023.

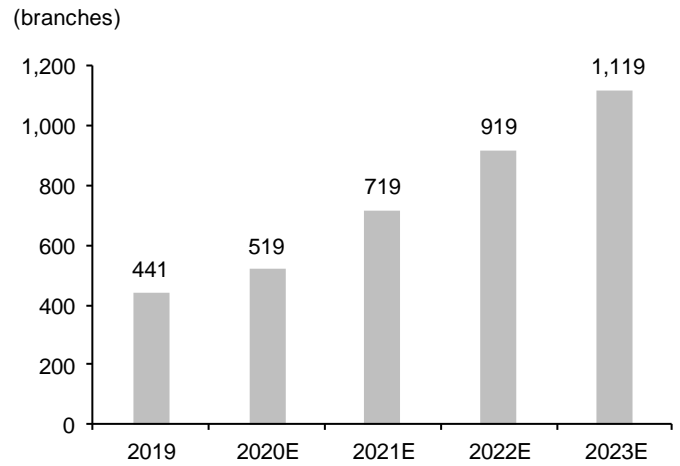
The company could penetrate smaller markets, such as sub-districts and local communities. SAK plans to leverage its fully existing branches to oversee sub-branches in the same area. It plans to reduce its branch size to reduce the setup time and lower the CAPEX/branch. We believe this strategy will allow SAK to escalate its branch numbers swiftly. The aggressive branch expansion is the same successful strategy that MTC and SAWAD used to grow their loan portfolios after their IPOs.

**Exhibit 12: Current branches by region**



Sources: SAK; FSSIA's compilation

**Exhibit 13: Network expansion**



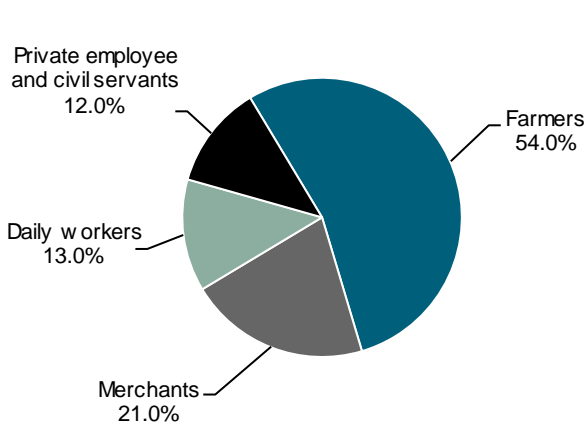
Sources: SAK; FSSIA's estimates

**More than 50% of its portfolio is focused on the agricultural sector**

More than 50% of SAK's clients are in the agricultural sector vs 10% for SAWAD and 32% for MTC. The agricultural sector should be more resilient compared to other sectors due to it enduring a minimal impact from COVID-19. Moreover, according to data from the Office of Agricultural Economics (OAE), total farm income has solidly rebounded to an increase of 12% in Dec 2020 from a fall of 21% y-y in Mar 2020. The strong farm income recovery came from the rebound in agricultural production from a large 27% y-y contraction in Mar to a 1% rise in Dec. This indicates that regardless of the COVID pandemic, farmers were able to produce more.

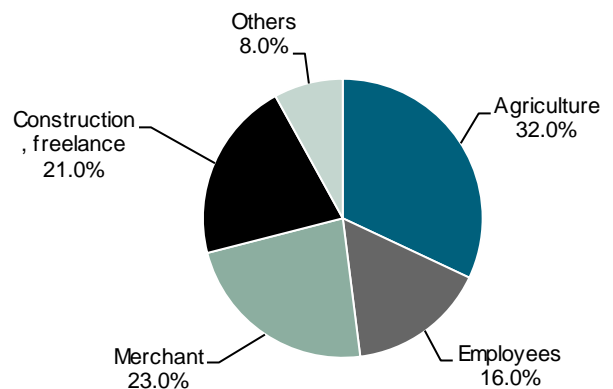
The higher farm prices were mainly driven by paddy rice, rubber and palm oil. These products are mostly planted in the northern, northeastern and central regions of Thailand, where 98% of SAK's branches are located. The the greater the increase in agricultural products, the higher the demand for loans. We, therefore, believe that SAK will be the prime beneficiary during times of healthy crop production.

**Exhibit 14: SAK's customer profile**



Sources: SAK; FSSIA's compilation

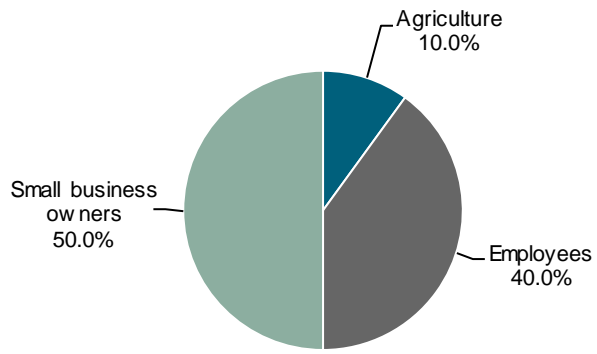
**Exhibit 15: MTC's customer profile**



Sources: MTC; FSSIA's compilation

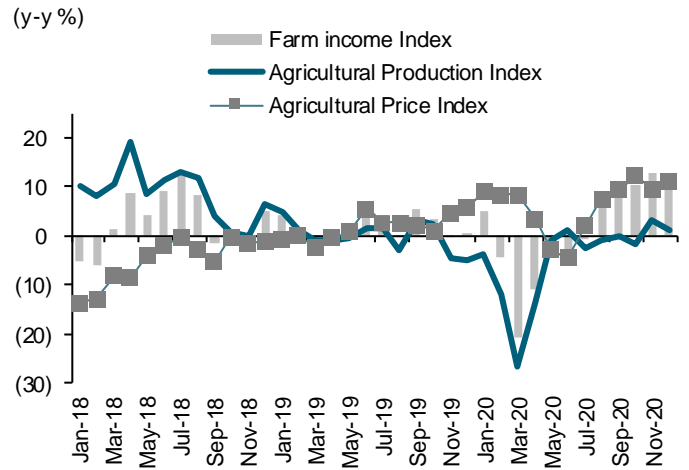


**Exhibit 16: SAWAD's customer profile**



Sources: SAWAD; FSSIA's compilation

**Exhibit 17: Change in farm income index**

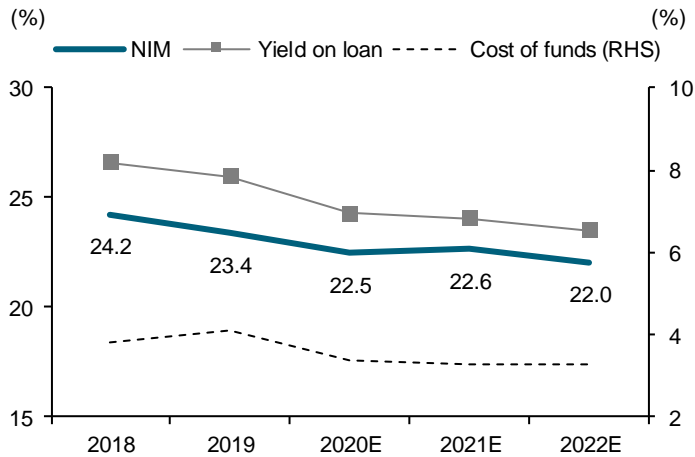


Sources: OAE; FSSIA's compilation

## A stable NIM amid price competition

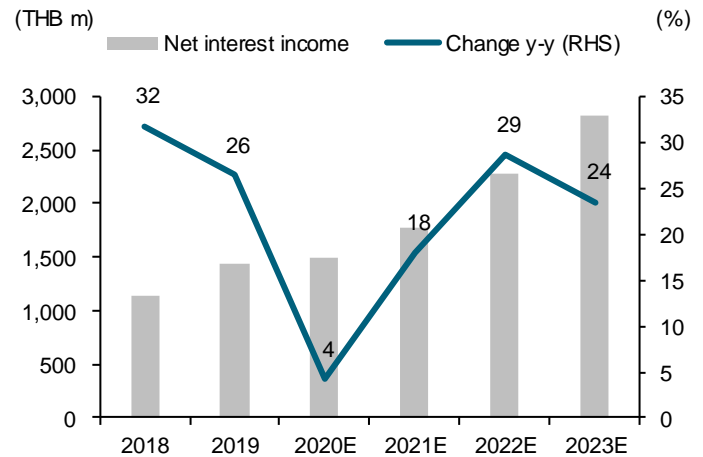
Unlike MTC and SAWAD, we expect SAK's NIM to increase to 22.6% in 2021 vs 22.5% in 2020E, supported by 1) a slower decline in loan interest yields than its peers due to its lower exposure to the motorcycle title loan segment, which has intense competition; and 2) a lower cost of funds post-IPO. Meanwhile, we expect MTC's NIM to decline to 18.2% in 2021 vs 18.5% in 2020E and SAWAD's NIM to decline to 17.7% in 2021 vs 18.3% in 2020E due to intense competition, especially for motorcycle title loans.

**Exhibit 18: SAK's NIM, loan yield and cost of funds**



Before the implementation of TFRS9, NIM and loan yield before 2020 was comprised of net interest income and fee income.  
Sources: SAK; FSSIA's estimates

**Exhibit 19: SAK's net interest income**



Before the implementation of TFRS9, net interest income before 2020 included fee income.  
Sources: SAK; FSSIA's estimates

## Lower price competition in the motorcycle title loan segment

The auto title loan industry is very competitive, though price competition was not as fierce in the past. Most customers are in the grassroots segment and are not able to access banking services; they also typically lack financial knowledge.

At the end of last year, Fast Money (FM, not listed), the partnership company between SAWAD and the Government Savings Bank (GSB, not listed), started trying to aggressively expand its 2021 loan portfolio to THB20b from THB6b in 2020. The segment it has targeted first is motorcycle title loans. FM fired the first salvo in Nov-20 when it announced its lower interest rate charge of less than 18% from Mar-21 vs the current market average of 24%. MTC promptly responded by reducing its motorbike and car title loan interest rates in Dec-20 from 21% and 19% to 17% and 16.6%, respectively.

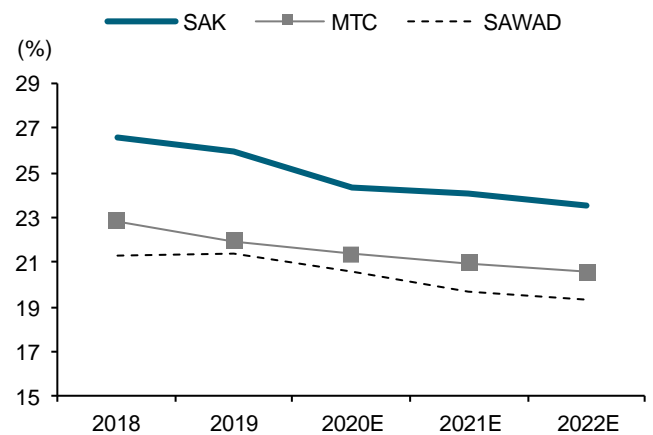
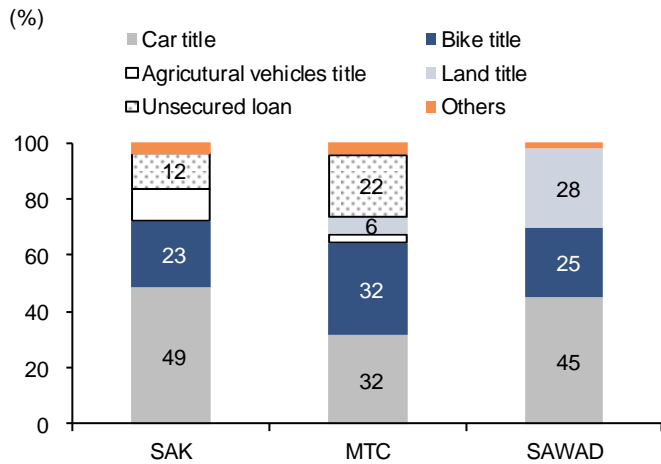
We expect the motorcycle title loan industry to become more competitive because of this. The major players like SAWAD, MTC and Ngerm Tid Lor that are trying to increase their sizable motorcycle title loan portfolios might need to reduce their interest rate charges to 16-18%, in our view. Regarding the small to medium operators, we think they might need to reduce their interest rate charges, possibly by 2-4% from the ceiling rate of 24% to maintain their market share. However, we think that price competition at a level similar to other auto title loan segments may not occur for the next two to three years. This is due to the fact that 1) there is only one major loan provider, MTC, that has reduced its interest rate charges; 2) this segment is not the key focus area of FM; and 3) there is more room for auto title loans to grow, as previously mentioned.

Among the three listed auto title lenders, we think SAK would be the least affected by the rising price competition for motorcycle title loans due to 1) its smallest portion of motorcycle title loans that we project at c23% in 2021 vs 25% for SAWAD and 32% for MTC; and 2) its relatively small portfolio, leading to a lower demand for new loans to grow its credit portfolio.

We, therefore, expect SAK's yield on loans to drop at a lesser rate than MTC's and SAWAD's, to 24% in 2021 from 24.3% in 2020E. Moreover, we forecast SAK's yield on loans to remain high at 23.5% in 2022.

**Exhibit 20: 2021E – SAK, MTC and SAWAD's loan breakdown by product**

**Exhibit 21: SAK, MTC and SAWAD's loan yields**



Sources: Company data; FSSIA's estimates

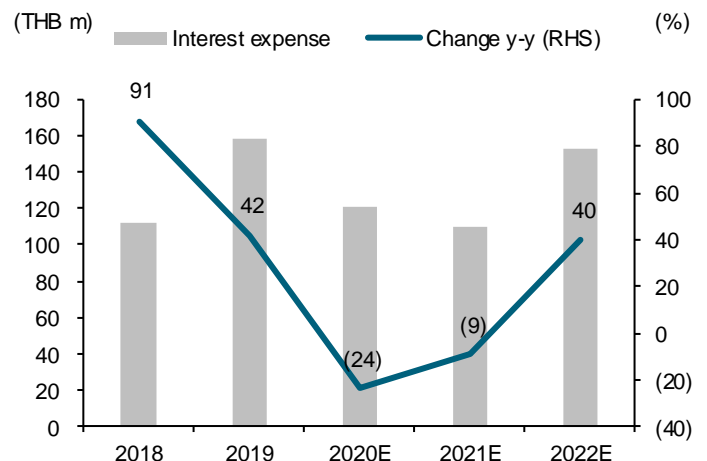
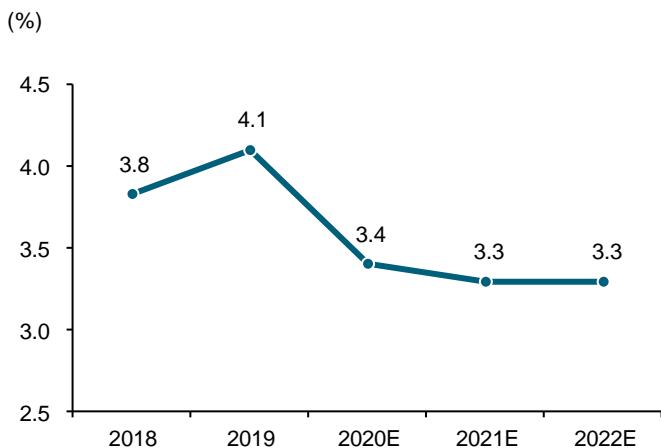
Sources: Company data; FSSIA's estimates

### Lower cost of funds post-IPO

According to management, pre-IPO, SAK's major source of funding came from only one bank, with interest rates of 4-5%. Its IPO has opened the door to replace those high cost of fund loans with cheaper options, such as other banks' loans and debentures. Currently, SAK is able to borrow from banks with interest rate charges of c3.0-3.2%. Moreover, SAK plans to have the company's credit rating assigned by TRIS rating in 3Q21. Accordingly, we forecast its cost of funds to drop to 3.3%/3.3% in 2021-22 vs 3.4% in 2020E and 4.1% in 2019.

**Exhibit 22: SAK's cost of funds**

**Exhibit 23: SAK's interest expense**



Sources: SAK; FSSIA's estimates

Sources: SAK; FSSIA's estimates

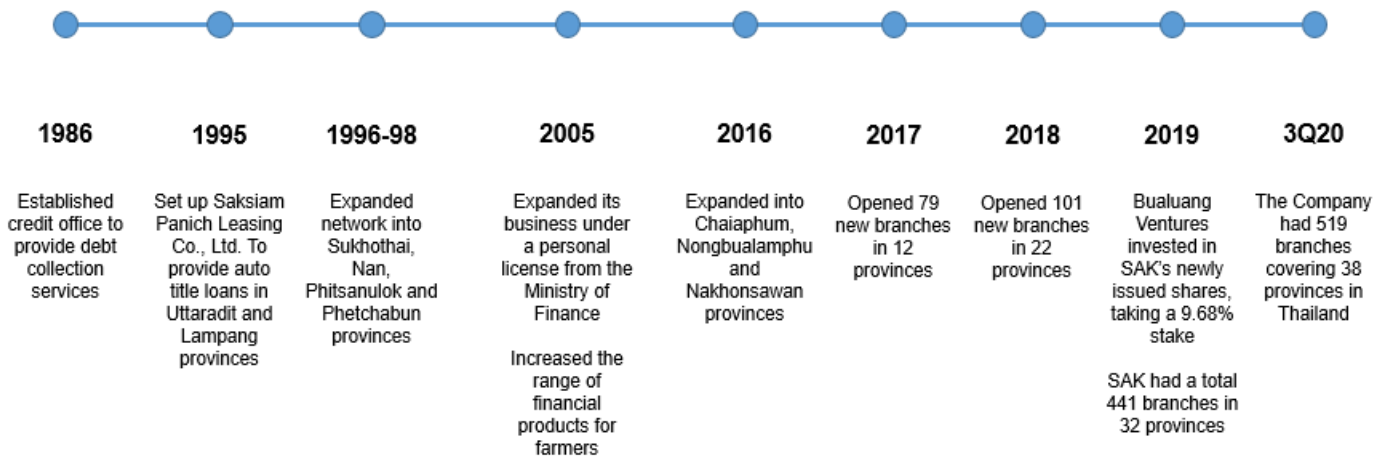
## Extensive experience in the field

SAK was founded in 1986 by Mr. Phoonsak Boonsalee (chairman of executive committee) and Mrs. Jintana Boonsalee (deputy managing director) as a credit office to provide debt-collection services in the north and northeastern regions and Bangkok. In 1995, after gaining debt collection experience, the founders decided to expand the business to provide auto title loans and established Saksiam Panich Leasing Co., Ltd. in Uttaradit and Lampang provinces. The company, since then, has increased its network coverage continuously across the northern, northeastern, central, and western regions of Thailand. SAK started to provide higher yield unsecured loans, namely personal loans and nano finance in 2005 and 2019, respectively.

Although SAK is a newly listed stock, it is not a new player in the industry. SAK's management has experience in the finance and debt collection field totalling more than 34 years, which is comparable with the leading consumer finance companies currently listed on the SET, such as SAWAD with 41 years of experience and MTC with 28 years of experience.

Therefore, after unlocking its source of funding from its IPO, we believe SAK will be able to grow its loan portfolio substantially, with effective cost control and prudent risk management.

### Exhibit 24: Long journey in finance and debt collection services



Sources: SAK; FSSIA's compilation

## Full product range to cover various financial needs

Like MTC and SAWAD, we think SAK has a complete range of financial products to serve all kinds of financial needs for underbanked people. The company currently provides auto title loans for various vehicles, with motorcycles, cars, pickup trucks, vans, trucks, and farm vehicles able to be pledged as collateral. SAK also offers clean loans, which are personal loans, and nano finance products. The target clients for these unsecured loans are mostly existing customers who services their loans on time. Moreover, the company has provided hire purchase loans for new motorcycles and used cars since 2019 to serve existing customers who want to purchase new vehicles.

### Exhibit 25: Full product range to cover various financial needs

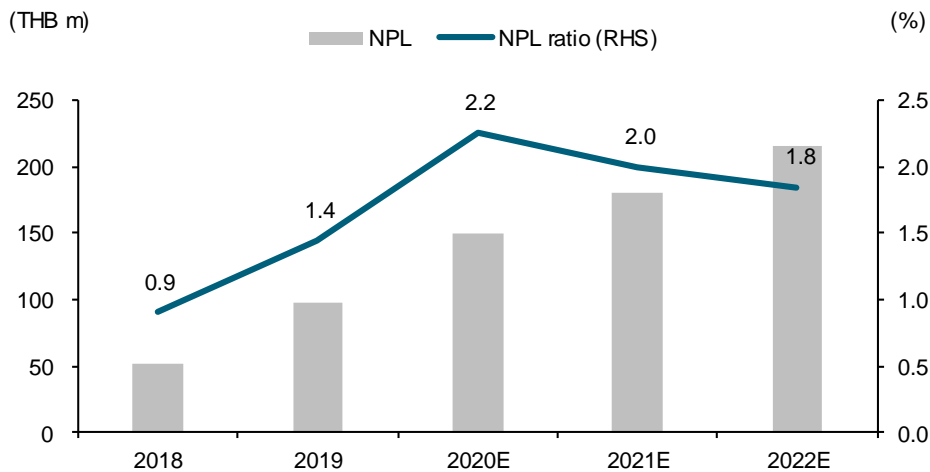
Loan type	Auto title loan		Personal loan	Nano finance	Hire purchase
	Car title backed	Car title backed - for farmers			
Regulator	BoT	BoT	BoT	BoT	Office of the Consumer Protection Board
Credit line	Up to THB400,000	Up to THB200,000	1.5 - 5x of income but not over THB100,000	Up to THB100,000	Up to THB350,000
Interest + fee	Maximum 24% (28% for contract before August 1, 2020)	Maximum 24% (28% for contract before August 1, 2020)	Maximum 25% (28% for contract before August 1, 2020)	Maximum 33% (36% for contract before August 1, 2020)	Not regulated by interest rate ceiling
Repayment type	Monthly	Monthly and adjusted to match client's cash flow	Monthly	Monthly	Monthly
Avg. loan tenor	12-36 months	4 months	18-20 months	18-20 months	38-54 months
Client type	General clients	Farmers	Clients with income certificate	Clients with income certificate	General clients
Collateral	Auto license	Auto license	None	None	New motorcycles / used cars
Vehicle type	- Motorcycle - Passenger car - Pickup truck - Van - Truck - Agricultural vehicle	- Motorcycle - Passenger car - Pickup truck - Van - Truck - Agricultural vehicle	None	None	New motorcycles / used cars, pickup trucks or vans

Sources: SAK; FSSIA's compilation

## Decent asset quality

Although SAK plans to grow its loans aggressively, we believe it will be able to maintain decent asset quality; we expect its non-performing loan (NPL) ratio to be a little higher than MTC's but significantly lower than SAWAD's in the short to medium term. Our assumption is based on 1) SAK's long experience, with more than 10 years of experience running a debt collection service and more than 24 years of specializing as a secured loan provider; 2) most of its debtors are in the retail segment, which has been better able to adapt to the negative effects of COVID-19 than the fleet segment; and 3) its standardised credit approval system.

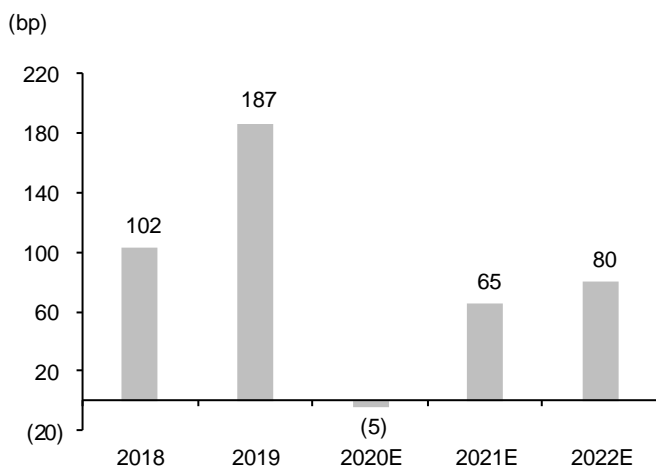
### Exhibit 26: NPL and NPL ratio



Sources: SAK; FSSIA estimates

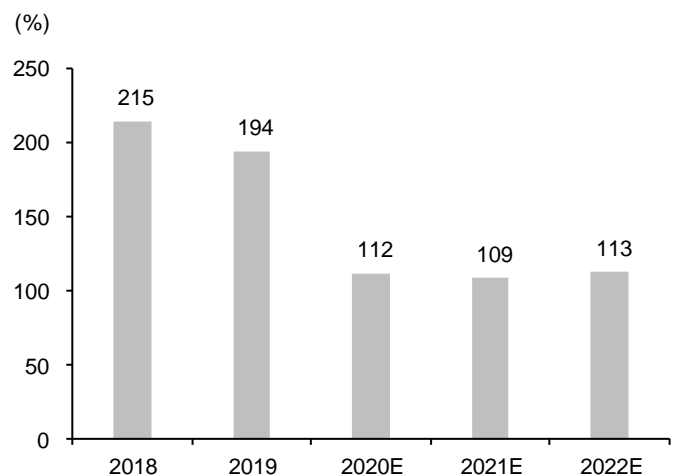
In 2Q20, its NPL ratio surged to 3.35% vs 1.44% in 2019, due mainly to 1) the change of the counting day past deal impact from TFRS9; and 2) the temporary income shock experienced by some clients affected by the COVID-19 outbreak and national lockdown. However, according to management, its auditor approved a change in the counting day past deal method to match the nature of loan repayments for SAK's clients in 2H20 (from the exact date of loan repayment to be within that month's end). Moreover, we expect its clients' economic status to improve after the reopening of business activities. Consequently, we project SAK's NPL ratio to decline from 2.2% in 2020 to 2.0% in 2021 and 1.8% in 2022.

### Exhibit 27: Credit cost



Sources: SAK; FSSIA estimates

### Exhibit 28: Coverage ratio



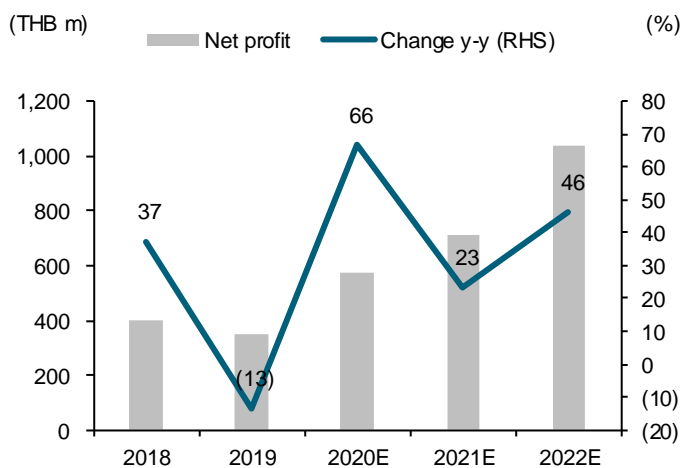
Sources: SAK; FSSIA estimates

## Net profit could surge 23% in 2021 at a 44% 3-yr 2020-22 CAGR

We expect SAK to deliver outstanding net profit growth of 23% in 2021 at a 44% three-year 2020-22 CAGR vs 19% growth in 2021 at a 21% three-year 2020-22 CAGR for MTC and 25% growth in 2021 at a 20% three-year 2020-22 CAGR for SAWAD, backed up by 1) remarkable 2021E loan growth of 35% with a 20% three-year 2020-22 CAGR, thanks mainly to a large potential demand for auto title loans and its extensive network expansion; 2) a lower cost of funds after its IPO; and 3) a lower 2021-22E cost to income ratio at 47.6%/40.2% vs 52.9% in 2020E, owing to the economies of scale.

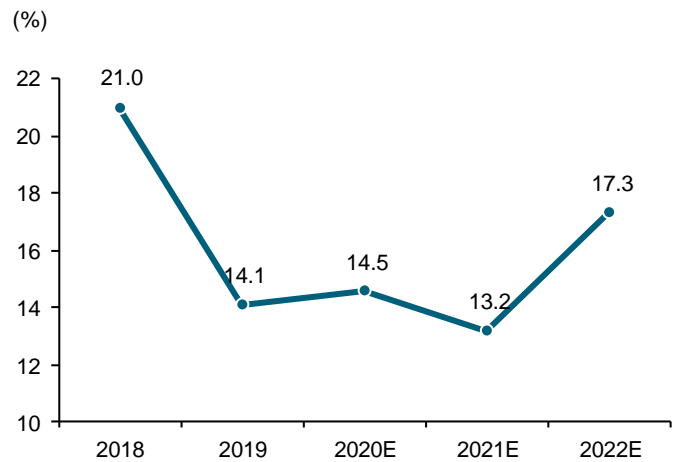
Note that its 2021E EPS could slightly decline by 6% y-y and increase at a slower rate than its net profit at a 29% three-year 2020-22 CAGR due to the dilution from its IPO.

**Exhibit 29: Profit growth**



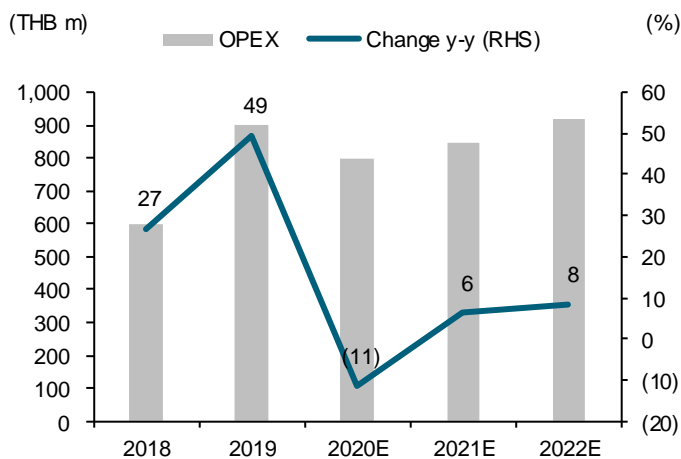
Sources: SAK; FSSIA estimates

**Exhibit 30: ROE could climb to 17.3% in 2022**



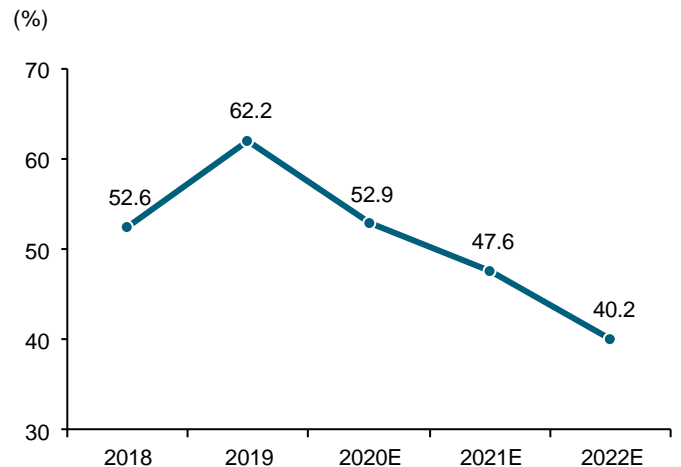
Sources: SAK; FSSIA estimates

**Exhibit 31: OPEX growth**



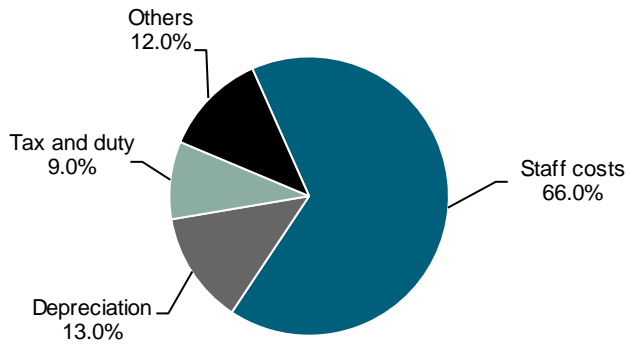
Sources: SAK; FSSIA estimates

**Exhibit 32: Cost to income**



Sources: SAK; FSSIA estimates

## Exhibit 33: Cost structure



Source: SAK; FSSIA's compilation

## Exhibit 34: FSSIA's 2021 forecast vs SAK's target

	FSSIA	SAK
Loans (THB m)	8.4	9.0
No. of branches (no.)	719	719
NPL ratio (%)	around 2	2.0

Sources: SAK; FSSIA's estimates

## Expect strong 4Q20 performance

We estimate that SAK will post a record high 4Q20 net profit of THB167m (+104% y-y, +7% q-q). The expected outstanding y-y net profit growth would mainly come from 1) an expected credit loss (ECL) reversal due to its sufficient provision cushion and a slight drop in loan growth; 2) an interest expense contraction due to repaying loans after its IPO; and 3) a decline in OPEX due to having no extra losses from closing contracts. Regarding its loan growth, we expect to see an improvement of 4.9% q-q following the reopening of economic activities.

## Exhibit 35: SAK – summary of 4Q20E earnings preview

Year-end Dec 31	4Q19	3Q20	4Q20E			2019	2020E	Change	4Q20E Comments
	(THBm)	(THBm)	(THBm)	(y-y %)	(q-q %)	(THBm)	(THBm)	(y-y %)	
Net interest income	389	368	388	(0)	6	909	1,500	65	
Non-interest income	2	2	3	101	89	536	8	(98)	
<b>Operating income*</b>	390	370	392	0	6	1,446	1,508	4	
Operating expenses	218	197	197	(9)	0	899	797	(11)	
<b>PPOP before tax*</b>	173	173	194	13	12	547	710	30	
<b>Expected credit loss</b>	69	(21)	(10)	(115)	(51)	115	(3)	(103)	
Tax	22	38	38	71	(1)	86	138	61	
Minority interest	0	0	0	-	-	0	0	-	
<b>Normalised profit</b>	82	156	167	104	7	346	576	66	
Extraordinary items	0	0	0	-	-	0	0	-	
<b>Net profit</b>	82	156	167	104	7	346	576	66	
EPS (THB)	0.05	0.10	0.08	51	(21)	0.23	0.36	57	
<b>Asset quality ratio</b>	(%)	(%)	(%)	(ppt)		(%)	(%)	(ppt)	
Gross NPLs (THB m)	n.a.	168	150	(11)		97	150	55	Drop q-q due the change of day past deal calculation
NPL ratio	n.a.	2.6	2.2			1.4	2.2		
Coverage ratio	n.a.	107	96			194	112		
Credit cost (bp)	n.a.	(135)	(64)			187	(5)		
<b>Profitability ratio</b>	(%)	(%)	(%)			(%)	(%)		
Cost to income ratio	55.8	53.2	50.4			62.2	52.9		
Average yield	51.3	25.2	25.2			17.3	24.3		
Cost of funds	8.0	2.9	2.3			4.1	3.4		Decline y-y, q-q from using money from its IPO to repay the high cost of funds
NIM **	n.a.	23.5	23.9			23.4	22.5		
Non-int inc/total income	0.4	0.5	0.9			37.1	0.5		
<b>Loan growth</b>	(%)	(%)	(%)				(%)		
y-y	n.a.	(5)	(0)				(1)		
q-q	n.a.	2	5						Increase q-q due to the reopening of business activities and unlocking its source of funding

\*Including share of profits from associates; \*\*Including fee income

Sources: SAK; FSSIA estimates



## Valuation and TP

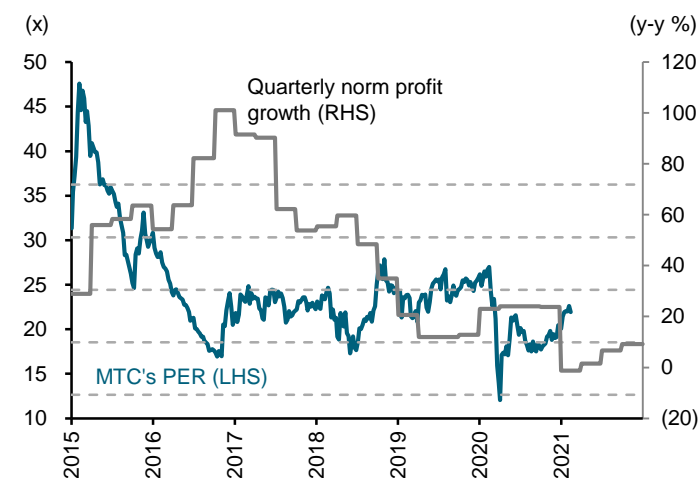
We initiate our coverage of SAK with a BUY rating and a GGM-based target price of THB12.8 (11.5% cost of equity, 9.8% LT growth). Our target price implies a 38x 2021E P/E with a 44% net profit three-year 2020-22 CAGR vs MTC's 27x 2021E P/E with 21% 2021E net profit growth and SAWAD's 17x 2021E P/E with a 20% net profit three-year 2020-22 CAGR. We believe SAK deserves a premium valuation, justified by its outstanding growth outlook and its differentiation from its peers in terms of suffering a lower impact from the competitive motorcycle title loan segment, and having more than 50% of its client base in the agricultural sector – one of the most resilient sectors.

### Exhibit 36: SAK – GGM-derived target price

Target price (THB)	12.8
Recommendation	BUY
Risk-free rate (%)	3.0
Market risk premium (%)	8.0
Cost to equity (%)	11.5
Terminal growth (%)	9.8
ROE target (%)	18.0
Target PBV (x)	4.8
Implied PE (x)	37.7
Implied PEG (x)	0.9
Risk to TP	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the BoT; and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.

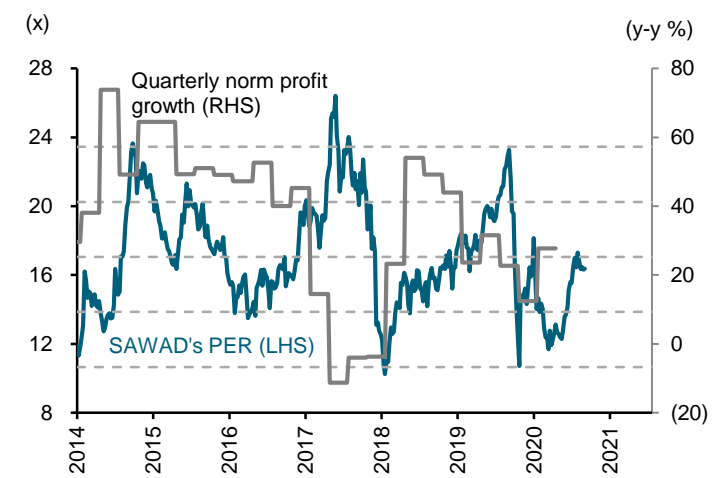
Source: FSSIA estimates

### Exhibit 37: MTC – one-year forward P/E band and y-y change in quarterly norm profit



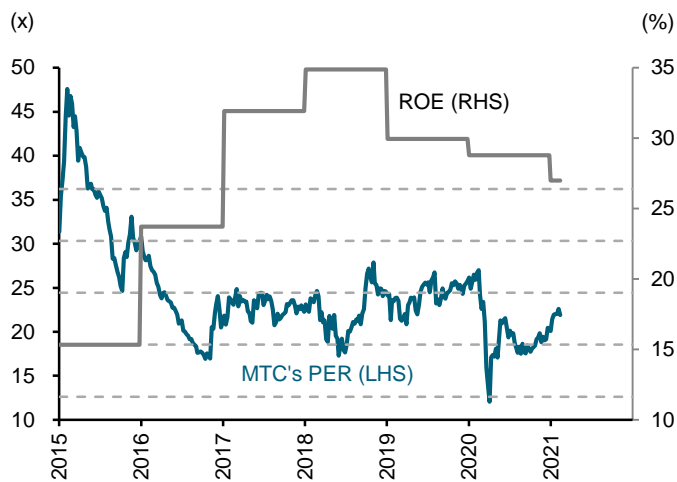
Sources: Bloomberg; FSSIA's estimates

### Exhibit 38: SAWAD – one-year forward P/E band and y-y change in quarterly norm profit



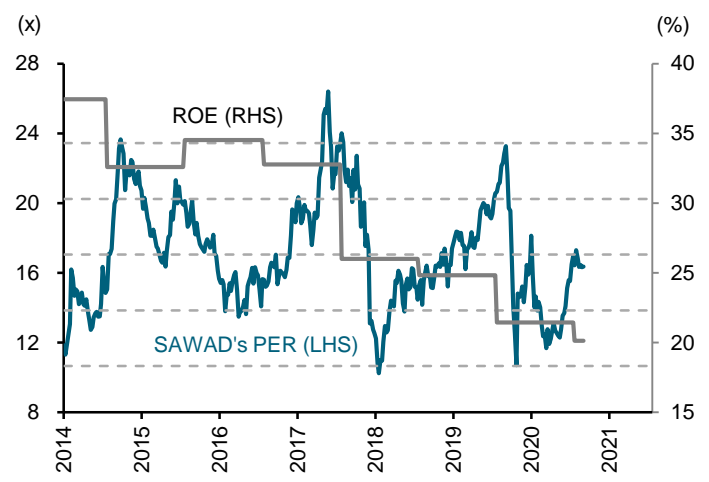
Sources: Bloomberg; FSSIA's estimates

**Exhibit 39: MTC – one-year forward P/E band and ROE**



Sources: Bloomberg; FSSIA's estimates

**Exhibit 40: SAWAD – one-year forward P/E band and ROE**



Sources: Bloomberg; FSSIA's estimates

**Exhibit 41: Key valuations of companies under coverage as of 15 February 2021**

Company name	BBG	Rec	--- Share price ---		Up (down) side (%)	- NP growth -		---- PE ----		-- DivYld --		--- ROE ---		--- PBV ---	
			Current (THB)	Target (THB)		20E (%)	21E (%)	20E (x)	21E (x)	20E (%)	21E (%)	20E (%)	21E (%)	20E (x)	21E (x)
Aeon Thana Sinsap (Thailand)	AEONTS TB	BUY	210.00	288.00	37	(14.2)	38.8	15.4	11.1	1.9	2.7	18.3	26.0	3.2	2.6
Krungthai Card	KTC TB	REDUCE	67.50	50.00	(26)	(3.5)	20.2	32.6	27.1	1.3	1.5	25.1	26.0	7.6	6.5
Micro Leasing	MICRO TB	BUY	7.50	7.50	0	24.8	39.4	41.1	36.4	1.2	0.8	9.8	10.6	3.2	3.7
Muangthai Capital	MTC TB	BUY	65.75	78.00	19	23.7	18.8	26.6	22.4	0.6	0.7	28.8	27.0	6.8	5.4
Saksiam Leasing	SAK TB	BUY	9.20	12.80	39	66.5	23.4	25.5	27.1	1.5	1.1	14.5	13.2	2.9	3.4
Singer Thailand	SINGER TB	HOLD	31.00	28.00	(10)	165.2	33.9	28.6	24.6	1.6	1.7	16.8	17.9	4.3	3.9
Srisawad Corp	SAWAD TB	BUY	66.50	72.00	8	16.6	21.0	20.1	16.6	0.2	0.3	21.5	21.2	3.9	3.2
Ratchthani Leasing	THANI TB	BUY	4.46	4.30	(4)	(4.0)	13.5	10.5	11.8	3.8	4.2	20.5	19.0	1.9	2.1
<b>Coverage</b>						<b>6.6</b>	<b>22.9</b>	<b>23.7</b>	<b>19.8</b>	<b>1.1</b>	<b>1.3</b>	<b>22.4</b>	<b>23.3</b>	<b>4.9</b>	<b>4.2</b>

Source: FSSIA estimates

## Corporate Governance - SAK

### Board structure

Number of Independent Directors (ID)	4 of 11
Percentage of IDs on the board	36.4%
ID participation/attendance at board meetings	100%
ID participation in audit/remuneration committees	3 of 3 in audit and 2 of 3 in remuneration committees.
ID terms (years of service, re-election/replacement procedures)	Three years each term, not more than three terms or nine years. The Board is empowered to justify continuation after three terms.

Source: SAK

Additional comments: None

### Audit Practices

Auditor	Pricewaterhouse Coopers Abas Limited
Length of service	More than five years
Reporting incidents	None
Fee track record	THB3.1m in 2020; THB 2.95m, both in 2018 and 2019,
Policy on change of audit firm	No

Source: SAK

Additional comments: None

### Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	n/a
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

Source: SAK

Additional comments: The company was listed on the SET on 8 December 2020

### Shareholders' rights

Communication - shareholder participation in AGMs/EGMs	AGM once and EGM when necessary
Related party transactions	In accordance with SEC regulations
Voting issues - policies, incidents of rejected proposals	None

Source: SAK

Additional comments: None

## Financial Statements

### Saksiam Leasing

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Interest Income	1,252	1,600	1,623	1,883	2,436
Interest expense	(112)	(159)	(121)	(110)	(153)
Net interest income	1,140	1,441	1,502	1,773	2,282
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	4	4	6	6	6
Non interest income	4	4	6	6	6
Total income	1,145	1,446	1,508	1,779	2,288
Staff costs	-	-	-	-	-
Other operating costs	(602)	(899)	(797)	(847)	(919)
Operating costs	(602)	(899)	(797)	(847)	(919)
Pre provision operating profit	543	547	710	932	1,369
Provision for bad and doubtful debt	(48)	(115)	3	(51)	(83)
Other provisions	-	-	-	-	-
Operating profit	495	432	714	881	1,286
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	495	432	714	881	1,286
Tax	(96)	(86)	(138)	(170)	(248)
Profit after tax	398	346	576	711	1,038
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	398	346	576	711	1,038
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	398	346	576	711	1,038
<b>Per share (THB)</b>					
Recurring EPS *	-	0.23	0.36	0.34	0.50
Reported EPS	-	0.23	0.36	0.34	0.50
DPS	0.00	0.00	0.14	0.10	0.15
<b>Growth</b>					
Net interest income (%)	31.8	26.4	4.2	18.0	28.7
Non interest income (%)	(1.2)	2.7	25.0	5.0	5.0
Pre provision operating profit (%)	37.3	0.7	29.9	31.2	46.9
Operating profit (%)	37.8	(12.8)	65.4	23.4	46.0
Reported net profit (%)	37.4	(13.2)	66.5	23.4	46.0
Recurring EPS (%)	-	-	55.5	(6.1)	46.0
Reported EPS (%)	-	-	55.5	(6.1)	46.0
<b>Income Breakdown</b>					
Net interest income (%)	99.6	99.7	99.6	99.7	99.7
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.4	0.3	0.4	0.3	0.3
<b>Operating performance</b>					
Gross interest yield (%)	26.60	25.97	24.29	24.04	23.53
Cost of funds (%)	3.83	4.10	3.40	3.30	3.30
Net interest spread (%)	22.77	21.87	20.89	20.74	20.23
Net interest margin (%)	24.2	23.4	22.5	22.6	22.0
Cost/income(%)	52.6	62.2	52.9	47.6	40.2
Cost/assets(%)	12.1	13.7	10.3	9.4	8.4
Effective tax rate (%)	19.4	19.8	19.3	19.3	19.3
Dividend payout on recurring profit (%)	-	-	39.4	30.0	30.0
ROE (%)	21.0	14.1	14.5	13.2	17.3
ROE - COE (%)	10.2	3.3	3.7	2.4	6.5
ROA (%)	8.0	5.3	7.4	7.9	9.5
RORWA (%)	-	-	-	-	-

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

## Financial Statements

### Saksiam Leasing

Balance Sheet (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Gross customer loans	5,624	6,700	6,667	9,000	11,700
Total provisions	(109)	(188)	(168)	(196)	(244)
interest in suspense	12	125	80	108	140
<b>Net customer loans</b>	<b>5,527</b>	<b>6,637</b>	<b>6,579</b>	<b>8,912</b>	<b>11,597</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	215	253	1,404	252	243
Other interesting assets	-	-	-	-	-
Tangible fixed assets	145	171	119	131	144
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	39	96	298	294	329
<b>Total assets</b>	<b>5,927</b>	<b>7,158</b>	<b>8,401</b>	<b>9,589</b>	<b>12,313</b>
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	3,611	4,132	2,994	3,658	5,641
Non interest bearing liabilities	176	250	262	288	303
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>3,787</b>	<b>4,382</b>	<b>3,256</b>	<b>3,947</b>	<b>5,944</b>
Share capital	1,400	1,550	2,096	2,096	2,096
Reserves	739	1,226	3,049	3,546	4,273
<b>Total equity</b>	<b>2,139</b>	<b>2,776</b>	<b>5,145</b>	<b>5,642</b>	<b>6,369</b>
Minority interests	0	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>5,927</b>	<b>7,158</b>	<b>8,401</b>	<b>9,589</b>	<b>12,313</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	4,708	6,162	6,684	7,834	10,350
Average interest bearing liabilities	2,928	3,871	3,563	3,326	4,649
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	51	97	150	180	216
<b>Per share (THB)</b>					
Book value per share	-	1.86	3.22	2.69	3.04
Tangible book value per share	-	1.86	3.22	2.69	3.04
<b>Growth</b>					
Gross customer loans	48.3	19.1	(0.5)	35.0	30.0
Average interest earning assets	48.4	30.9	8.5	17.2	32.1
Total asset (%)	47.2	20.8	17.4	14.1	28.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	36.1	38.8	61.2	58.8	51.7
Tangible equity/assets (%)	36.1	38.8	61.2	58.8	51.7
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality</b>					
Change in NPL (%)	41.1	90.5	55.0	20.0	20.0
NPL/gross loans (%)	0.9	1.4	2.2	2.0	1.8
Total provisions/gross loans (%)	1.9	2.8	2.5	1.7	2.1
Total provisions/NPL (%)	214.6	194.3	112.0	109.1	113.0
<b>Valuation</b>					
Recurring P/E (x) *	-	39.6	25.5	27.1	18.6
Recurring P/E @ target price (x) *	-	55.1	35.5	37.7	25.8
Reported P/E (x)	-	39.6	25.5	27.1	18.6
Dividend yield (%)	-	-	1.5	1.1	1.6
Price/book (x)	-	4.9	2.9	3.4	3.0
Price/tangible book (x)	-	4.9	2.9	3.4	3.0
Price/tangible book @ target price (x)	-	6.9	4.0	4.8	4.2

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PTG	PTT	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

## Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

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

## Anti-corruption Progress Indicator 2020

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

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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 the 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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Yuvanart Suwanumchai 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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Company	Ticker	Price	Rating	Valuation & Risks
Saksiam Leasing	SAK TB	THB 9.20	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the BoT; and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 210.00	BUY	Downside risks to our GGM-derived TP include 1) intense competition that could push marketing expenses higher; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality.
Krungthai Card	KTC TB	THB 67.50	REDUCE	Upside risks to our GGM-derived TP include 1) stronger-than-expected auto title loan growth; and 2) a better-than-expected bad debt recovery.
Micro Leasing	MICRO TB	THB 7.50	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) a slower-than-expected reduction in the cost of funds due to a shift toward more long-term loans.
Muangthai Capital	MTC TB	THB 65.75	BUY	Downside risks to our GGM-based TP include the expansion into auto-title loans by the Government Savings Bank; further weakening asset quality could potentially hit both loan yield and credit cost.
Singer Thailand	SINGER TB	THB 31.00	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality. Upside risk are 1) effective asset quality control; and 2) a sooner-than-expected rating upgrade from TRIS.
Srisawad Corp	SAWAD TB	THB 66.50	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand.
Ratchthani Leasing	THANI TB	THB 4.46	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.
Tisco Financial	TISCO TB	THB 91.75	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting to loan growth and asset quality; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high yield auto cash portfolio.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 15-Feb-2021 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.

### 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.