

4 MARCH 2021

THAILAND / DIVERSIFIED FINANCIALS

SRISAWAD CORP SAWAD TB

BUY

UNCHANGED

TARGET PRICE	THB94.00
CLOSE	THB72.00
UP/DOWNSIDE	+30.6%
PRIOR TP	THB72.00
CHANGE IN TP	+30.6%
TP vs CONSENSUS	+32.4%

พลังของ Synergy

ผลประกอบการจะดีต่อเนื่องจากผลของ Synergy

เราคาดว่า SAWAD จะรายงานกำไรจากการดำเนินงานในระดับที่น่าพอใจที่ 26% ในปี 2021 เรามองว่าหนึ่งในปัจจัยสำคัญที่จะผลักดันให้กำไรสูงขึ้นจะอยู่ที่ประโยชน์จากการเป็นพันธมิตรกับธนาคารออมสินทั้งในแง่ของการเติบโตของรายได้และการประหยัดต้นทุน

รายได้เพิ่มขึ้น

เราเห็นว่า SAWAD จะมุ่งเน้นไปในด้านการเพิ่มรายได้ค่าธรรมเนียมมากยิ่งขึ้นเนื่องจากมีโอกาสในด้านความสามารถในการทำกำไรสูงกว่า เราคาดว่ารายได้ที่ไม่ใช่ดอกเบี้ยสุทธิ (Non-NII) จะเพิ่ม 25% y-y ในปี 2021 จากรายได้ค่าธรรมเนียมของกิจการร่วมค้ากับธนาคารออมสินเป็นหลัก โดยเราเชื่อว่า SAWAD จะคิดค่าธรรมเนียมในการบริหาร เช่น ค่าธรรมเนียมการปล่อยสินเชื่อและติดตามหนี้จากกิจการร่วมค้าดังกล่าว ซึ่งจะกลายเป็นแหล่งรายได้ค่าธรรมเนียมสำคัญใหม่สำหรับ SAWAD ในอนาคต นอกจากนี้ เรายังคาดว่ารายได้ค่านายหน้าในการขายประกัน (หักค่าธรรมเนียมล่วงหน้า) จะเพิ่มจากการขายผลิตภัณฑ์ประกันภัยให้กับลูกค้าของกิจการร่วมค้า ซึ่งคาดว่าจะมีมากกว่า 1 ล้านบัญชี รายได้ค่าธรรมเนียมทั้งสองรายการจะเป็นประโยชน์ที่ได้จากกิจการร่วมค้า นอกจากนี้ เราเชื่อว่า SAWAD อาจกลับมาเริ่มเก็บค่าปรับ ซึ่งถูกพักไว้ตั้งแต่ 2Q20 เนื่องจากปัญหาโรคระบาด ในด้านธุรกิจสินเชื่อ กิจการร่วมค้าของบริษัทฯ วางแผนปล่อยกู้เป็นจำนวนมาก อย่างไรก็ตาม แนวโน้มว่ากำไรจะไม่สูงนัก เนื่องจากกิจการร่วมค้าคิดอัตราดอกเบี้ยในระดับต่ำกว่า ที่น่าสนใจมากกว่าน่าจะเป็นพอร์ตสินเชื่อของ SAWAD เอง (ไม่รวม JV) ที่จะเติบโตจากการขยายฐานลูกค้ากับลูกค้าของ GSB

การประหยัดต้นทุน

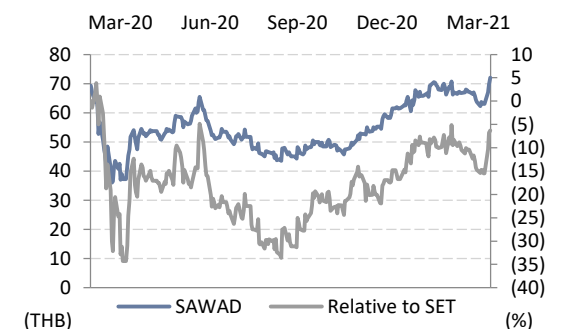
เราคาดว่าโครงสร้างต้นทุนของ SAWAD จะเปลี่ยนอย่างมีนัยสำคัญจากการย้ายพนักงานที่มีประสบการณ์บางส่วนไปทำงานภายใต้กิจการร่วมค้า เราคาดว่า SAWAD อาจลดค่าใช้จ่ายในการดำเนินงานได้ประมาณ 300-400 ลบ. ต่อปี คิดเป็น 3-4% ของรายได้จากการดำเนินงาน นอกจากนี้ ถ้ามีค่าใช้จ่ายที่เกี่ยวข้องเกิดขึ้นในอนาคต เช่น ค่าใช้จ่ายสำหรับระบบ IT เราเชื่อว่า SAWAD จะสามารถแบ่งต้นทุนดังกล่าวกับกิจการร่วมค้า ทำให้เราคาดว่าอัตราส่วนค่าใช้จ่ายดำเนินงานต่อรายได้รวมของ SAWAD อาจลดลงเหลือ 20% ปลายจาก 40% ต้น

หุ้นเด่นด้วยราคาเป้าหมายใหม่ที่สูงขึ้นเป็น 94 บาท (GGM)

เราปรับเพิ่มประมาณการกำไรจากการดำเนินงานในปี 2021-22 อีก 7%/4% ตามลำดับและปรับเพิ่มราคาเป้าหมายเป็น 94 จาก 72 บาท เราเลือก SAWAD เป็นหุ้นเด่นแทน MTC เนื่องจากเราเชื่อว่า SAWAD อาจเป็นผู้เล่นในกลุ่มสินเชื่อทะเบียนรถที่มีการควบคุมและแข่งขันสูงจากการเป็นพันธมิตรกับ GSB รวมถึงการใช้สาขาและพนักงานที่มีอยู่ทั่วประเทศของธนาคารฯ ในการสร้างกำไรที่สูงขึ้น นอกจากนี้ SAWAD ควรให้ผลตอบแทนในรูปแบบปันผลและผลตอบแทนจากส่วนผู้ถือหุ้นในระดับสูงจากฐานเงินทุนที่แข็งแกร่งมากยิ่งขึ้น

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	5,983	7,375	8,776	10,392
Net profit	4,508	5,898	6,781	8,074
EPS (THB)	3.32	4.34	5.00	5.95
vs Consensus (%)	-	17.0	15.4	23.8
Core net profit	4,508	5,660	6,781	8,074
Core EPS (THB)	3.32	4.17	5.00	5.95
Chg. In EPS est. (%)	-	4.2	1.2	-
EPS growth (%)	17.2	25.5	19.8	19.1
Core P/E (x)	21.7	17.3	14.4	12.1
Dividend yield (%)	2.5	2.7	3.1	3.7
Price/book (x)	4.4	3.9	3.4	2.9
ROE (%)	22.3	23.9	25.1	25.9
ROA (%)	9.8	11.0	11.8	12.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	7.1	21.5	6.3
Relative to country (%)	2.8	13.2	(5.3)
Mkt cap (USD m)	3,264		
3m avg. daily turnover (USD m)	30.9		
Free float (%)	67		
Major shareholder	Kaewbootta Family (33%)		
12m high/low (THB)	72.50/36.00		
Issued shares (m)	1,373		

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumphai

yuvanart.suw@fssia.com

+66 2611 3554

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 4 มีนาคม 2021

Investment thesis

SAWAD has a solid market position as the second largest lender in the title loan market. We expect the company's market position to remain relatively strong over the next few years, as the company plans to continuously expand its loan portfolio by opening approximately 300 new branches per year.

Additionally, we expect its profitability margin to improve owing to its new insurance brokerage business, which will allow SAWAD to further utilise its network and staff more effectively.

Therefore, we have little doubt SAWAD can deliver strong performance in the near future.

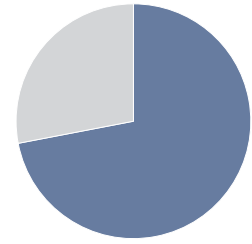
Company profile

SAWAD provides loan services to retail customers under the brand "Srisawad Ngern Sod Tun Jai". Its business operations can be classified into four main categories: 1) secured loans against all types of used vehicles, homes, and land; 2) unsecured personal loans; 3) asset management; and 4) debt collection services.

www.meebaanmeerod.com

Principal activities (revenue, 2020)

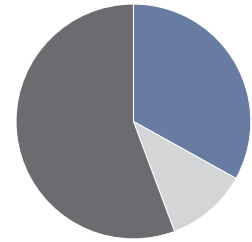
- Net interest income - 72.0 %
- Non-interest income - 28.0 %



Source: Srisawad Corp

Major shareholders

- Kaewbootta Family - 33.1 %
- Thai NVDR - 11.2 %
- Others - 55.7 %



Source: Srisawad Corp

Catalyst

Potential share price catalysts for SAWAD include:

- The synergy between SAWAD and the Government Savings Bank (GSB);
- Stronger credit demand;
- The success of its new stock brokerage business.

Risk to our call

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.

Event calendar

Date	Event
Mid-May 2021	1Q21 results announcements

Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	5,898	6,781	8,074
Net profit growth	30.8	15.0	19.1
NIM	18.82	19.40	19.83
Loan growth	10.0	20.0	15.0
Fee growth	50.0	18.0	7.0
Non-NII growth	25.3	12.5	8.9
Credit cost (bp)	150	160	160
Cost to income	29.5	28.0	26.9

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

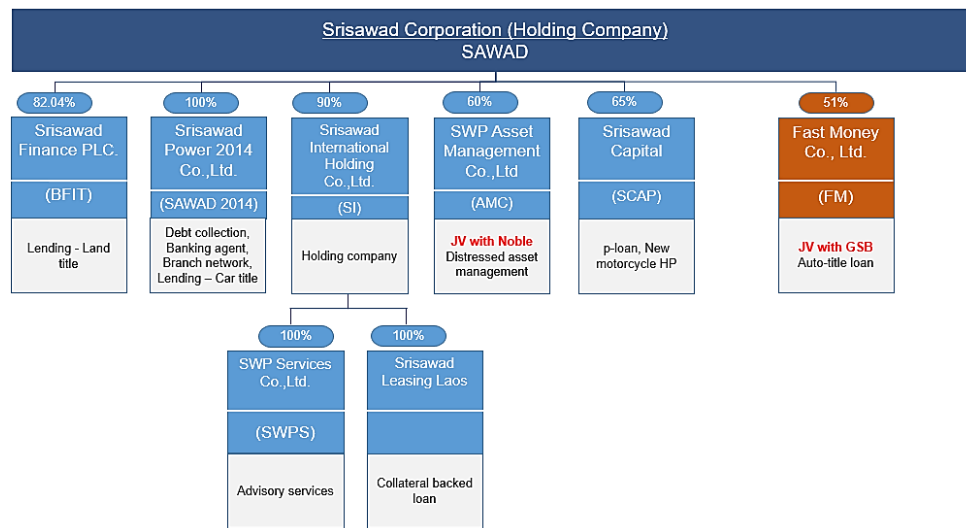
----- 2021E -----				
Loan growth	±2ppt	8.0	10.0	12.0
% change in net profit		(1.0)	-	1.0
NIM (%)	±5bp	18.77	18.82	18.87
% change in net profit		(0.4)	-	0.4
Credit cost (bp)	±10bp	140.0	150.0	160.0
% change in net profit		0.3	-	(0.3)

Source: FSSIA estimates

JV business model: Lower yield but massive volume

The auto title loan JV between GSB and Fast Money (FM, not listed, SAWAD's subsidiary), might start operating in mid-March 2021. GSB will hold a 49% share in the JV while SAWAD would hold a 49-51% share. However, SAWAD prefers the JV to operate under an equity method.

Exhibit 1: SAWAD's expected organisational structure after partnering with GSB



Source: FSSIA's expectation

JV targets

Loan volume: At its recent analyst meeting, SAWAD maintained its 2021 loan volume target for the JV of THB20b. Note that FM has THB6b in its own existing portfolio. The significant increase in the loan amount would come from both untapped customers and refinancing other operators' customers. The first focus segment will be motorcycle title loans. The average ticket size for its motorcycle and car title loans would be THB10k and THB100k, respectively. The maximum lending per ticket size will not exceed THB200k. The potential loan-to-value would be 50% of each collateral value.

Loan yield: SAWAD has already announced a 15% loan yield. This will be a promotional rate for new businesses and would last long c3-4 months. After that, the rate would increase to no more than 18%.

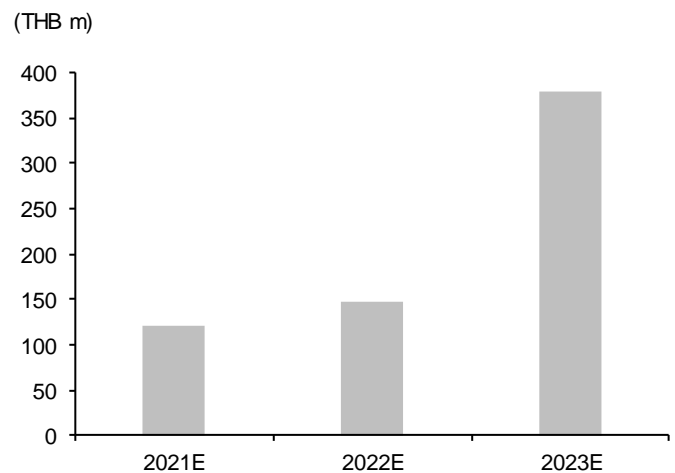
Operations: GSB will provide the low interest rate source of funds for the JV, while the loans would originate at SAWAD's branches (4,750 branches) and GSB's branches (c1,050 branches) via SAWAD's staff and credit approval systems.

Thus, to accommodate the JV's operations, SAWAD will relocate some of its highly experienced staff to work under the JV. SAWAD will also charge service fees, i.e. loan origination fees and debt collection fees, from the JV.

Exhibit 2: JV's financial targets

	JV	FSSIA
Outstanding loans (THB b)	20	16
Interest rate charge (%)	below 18	17
Cost of funds from GSB (%)	n.a.	2.5
NPL ratio (%)	1-2	2

Sources: SAWAD; FSSIA's estimates

Exhibit 3: Expected net profit of JV

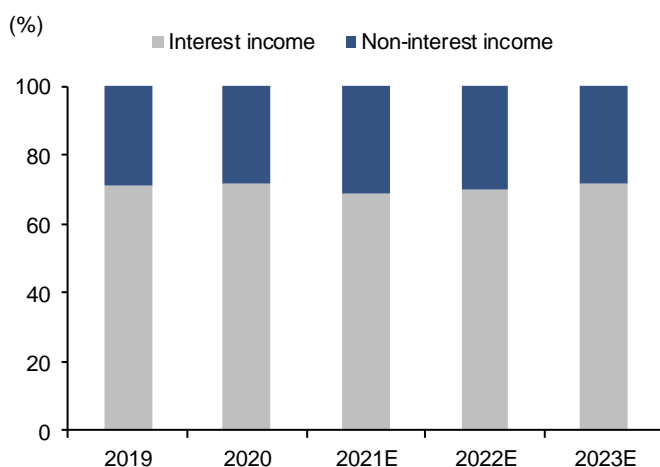
Source: FSSIA's estimates

Our JV assumptions

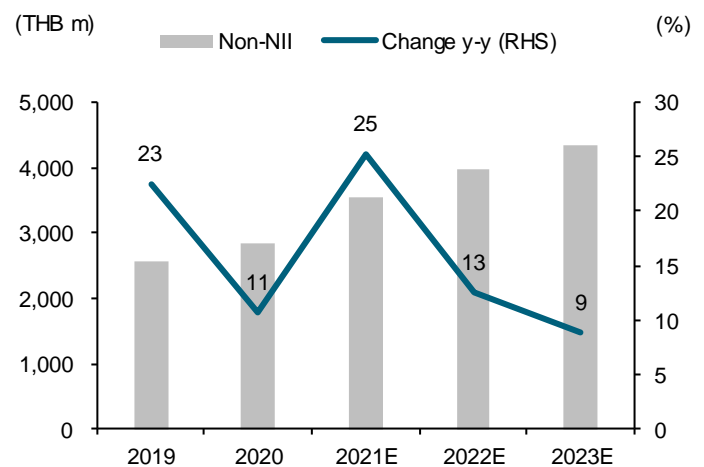
1. Outstanding loans: We have a more conservative estimate than the company's target, with the JV's outstanding loans in 2021-23 projected to be at THB16b/THB20b/THB23b, respectively;
2. Average yield on loans: We estimate an average loan yield in 2021-23 of 17%;
3. Cost of funds: We think that GSB would provide a low 2.5% cost of funding to the JV throughout 2021-23;
4. Loan servicing fees charged by SAWAD: We expect SAWAD would charge loan servicing fees at 2-3% of total outstanding loans during 2021-23. Moreover, we expect SAWAD will relocate at least 1 staff/branch to work under the JV.

Stronger fee income

We think that SAWAD will focus more on expanding its fee income due to the higher profitability potential. Therefore, we expect that SAWAD's revenue structure could change to have a higher Non-NII to total operating income proportion at 31% in 2021 vs 28% in 2020. We expect that its Non-NII could increase by 25% y-y in 2021, backed up by 1) insurance brokerage commissions; 2) fee income from the JV; and 3) penalty fee income.

Exhibit 4: Revenue structure

Sources: SAWAD; FSSIA's estimates

Exhibit 5: Non-NII growth

Sources: SAWAD; FSSIA's estimates

1) Insurance brokerage income

SAWAD has partnered with two highly experienced insurance companies in Thailand: Generali Thailand (not listed) and Chubb Samaggi Insurance (not listed) since early 2020. Its insurance brokerage income experienced substantial growth from THB67m in 2019 to THB667m in 2020 due to its ability to cross-sell insurance product, e.g. compulsory motor insurance, personal accident insurance, to its clients, coupled with upfront fee realisation (amortised 18 months).

In 2021, we expect that SAWAD would still be able to sell insurance products to its more than 1 million active accounts. We also believe that the clients who borrow from the JV would possibly purchase insurance products from SAWAD. The company expects more than 1 million accounts at the JV level. Therefore, its insurance brokerage fees, except upfront fees, should be in an upward trend.

2) Fees from JV

SAWAD has held shares in Srisawad Finance (BFIT TB; NR) since 2017. BFIT utilised SAWAD's branches and staff to expand its loans. BFIT was charged loan management fees by SAWAD. This structure is similar to the JV's structure. We, therefore, believe that SAWAD will charge management fees, i.e. loan origination and debt collection fees, from the JV. This would provide another significant fee income source for SAWAD in the future.

3) Penalty fees

SAWAD normally charges penalty fees to defaulted clients. However, most of these fees have been suspended since 2Q20, as the Bank of Thailand (BoT) asked loan providers to assist their clients. Therefore, when the economy recovers, we expect SAWAD to resume the collection of its penalty fees.

Moderate loan growth with stable yield

We expect the loan volume at SAWAD's level (excluding the JV) to grow moderately by 10% y-y in 2021 due to the transfer of its motorcycle title loans worth THB6b to the JV. However, excluding the impact from loan transfer to the JV, we project that its loan volume would increase by 25% y-y. One of the keys to drive its loan volume is the expansion of its customer base from GSB.

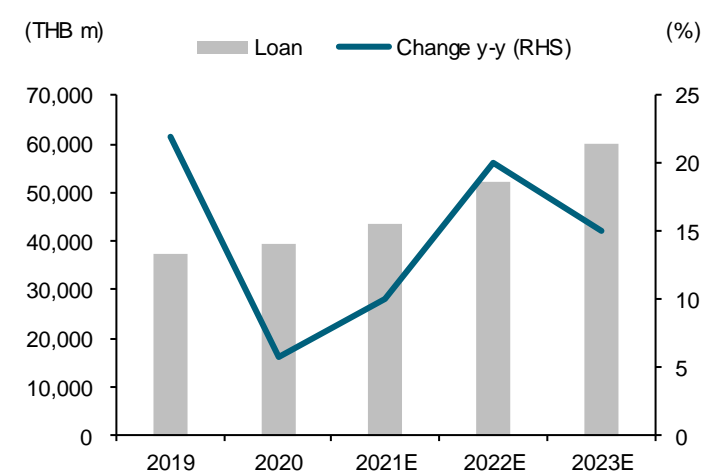
We believe SAWAD will focus on four types of loans. Two would be from its existing loans: car and land title loans. The other two would be in new segments: motorcycle hire purchase loans and personal loans for salary earners. Due to the higher yields on loans like the new motorcycle hire purchase and personal loans, we believe its loan yield would be stable at 21-22% in 2021-23.

Exhibit 6: 2021E's loan structure

Loan type	Yield (%)	Proportion (%)
New motorcycle HP	30	5
Personal loans	23	5
Car title	23	45
Land title	26	45

Sources: SAWAD; FSSIA's estimates

Exhibit 7: Loan growth

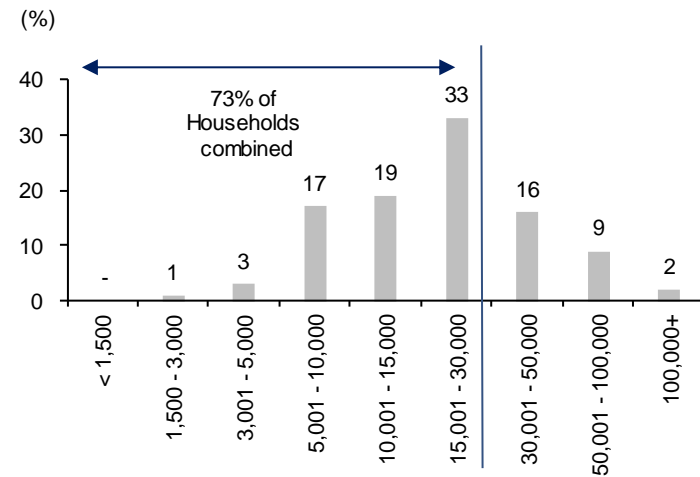


Sources: SAWAD; FSSIA's estimates

Auto title loans

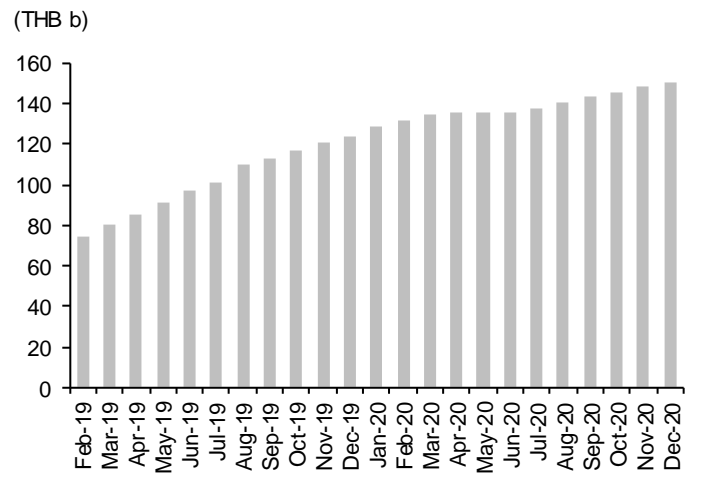
We believe SAWAD could grow its auto and land title loans continuously due to a large potential demand for auto title loans. With an official industry volume of cTHB150b, as reported by the BoT, we believe auto title loans should experience yearly growth of 15-20% in the next three years, at least, as 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 8: 73% of households have monthly incomes below THB30,000



Sources: National Statistical Office; FSSIA's compilation

Exhibit 9: Auto title loans 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:

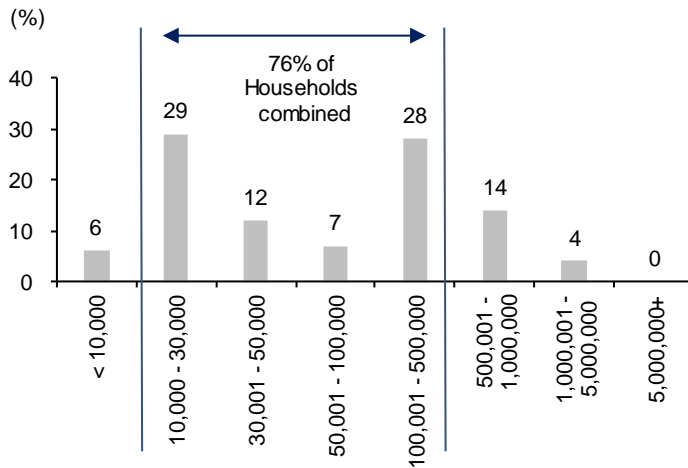
- 1) 70% of registered vehicles are eligible to use as collateral for auto title loans;
- 2) 70% of households who own vehicles valued at THB10,000-500,000/vehicle (76% of total households own vehicles within that range) will use their vehicles to pledge for money;
- 3) The average ticket size per contract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

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

Exhibit 10: Number of registered vehicles

	Nationwide (m)	Greater BKK (m)	Central (m)	North (m)	Northeast (m)	South (m)
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
Total	40.47	10.99	8.78	7.14	8.67	4.89

Sources: Department of Land Transportation; FSSIA's compilation

Exhibit 11: 76% of total households own vehicles valued at THB10,000-500,000 per vehicle

Sources: National Statistical Office; FSSIA's compilation

Exhibit 12: Average ticket size per contract assumptions

Vehicle type	Value per contract (THB)
Motorcycle	15,000
Sedan and pickup	100,000
Tractor and truck	150,000

Source: FSSIA's estimates

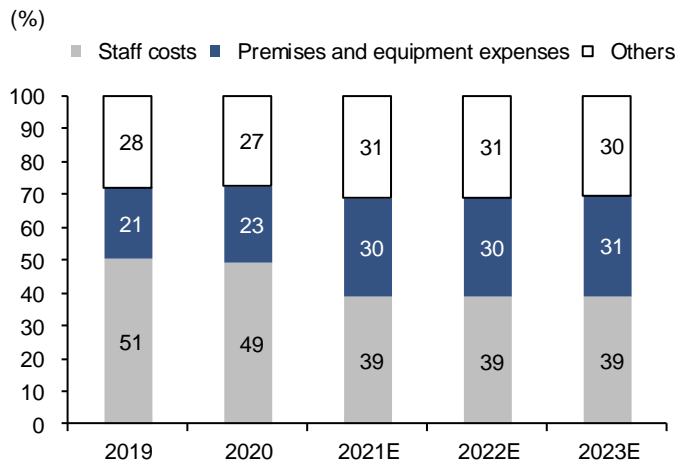
Exhibit 13: Potential auto title loans could amount to THB862b

Vehicle type	Region					
	Nationwide (THB b)	Greater BKK (THB b)	Central (THB b)	North (THB b)	Northeast (THB b)	South (THB b)
Sedan	389.0	188.7	61.6	47.3	53.5	37.9
Pickup	256.1	56.7	56.0	49.8	64.0	29.6
Motorcycle	119.5	22.7	28.8	23.6	27.9	16.5
Tractor	32.1	6.5	4.5	7.5	12.6	0.9
Truck	65.6	12.5	21.0	10.2	16.3	5.6
Total	862.4	287.1	171.9	138.3	174.4	90.6

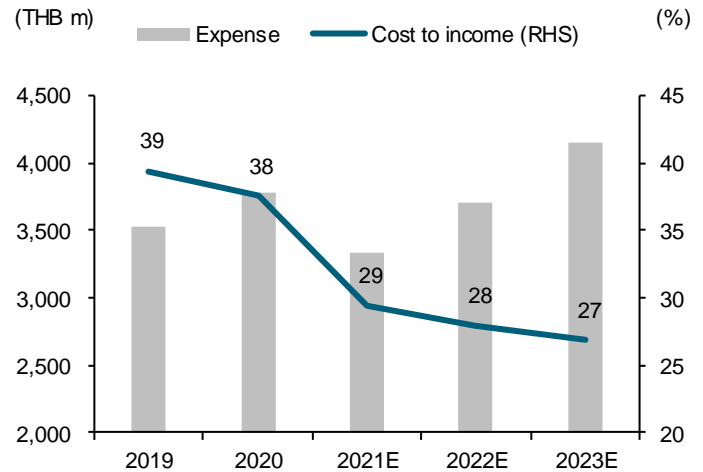
Source: FSSIA's estimates

Cost saving

We expect that SAWAD's cost structure will change significantly due to the relocation of some of its highly experienced staff to work under the JV. We think that there should be at least 1 staff member per each SAWAD and GSB branch; currently, SAWAD and GSB have c5,800 branches in total. Based on our assumption of the monthly staff cost per person amounting to THB10,000, SAWAD would be able to reduce its OPEX by c600m-700m per year, implying 3-4% of its operating income. Furthermore, in the future, if there are any expenses, e.g. IT infrastructure, that would benefit both SAWAD and the JV, we believe that SAWAD could share these costs with the JV. Thus, SAWAD's cost to income ratio could decline to a high 20% from a low 40%, in our view.

Exhibit 14: Cost structure

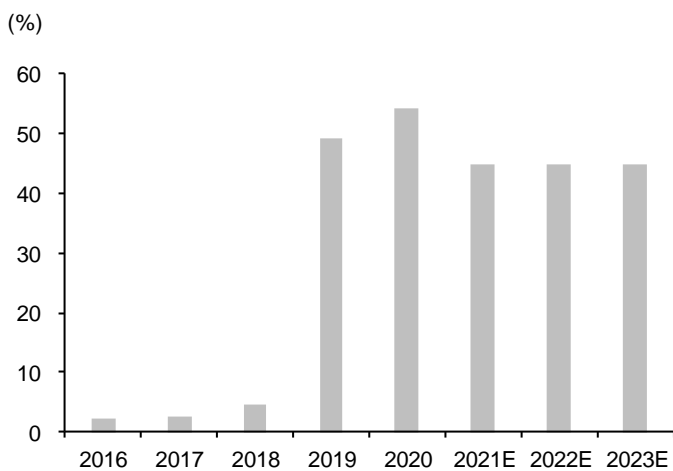
Sources: SAWAD; FSSIA's estimates

Exhibit 15: Cost to income

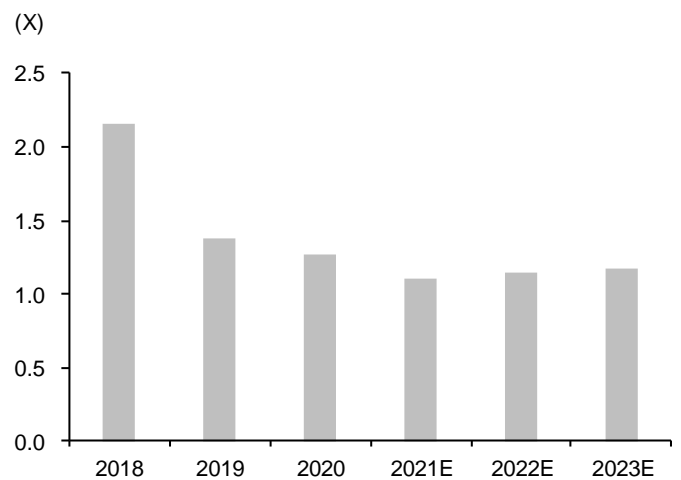
Sources: SAWAD; FSSIA's estimates

Paying a higher dividend

SAWAD increased its dividend payout ratio from c5% to c50% in 2019 and we expect it to continue at that level, as the company has a strong capital base with a D/E ratio of 1.3x in 2020 vs its debt covenant at 4.5x. Moreover, we expect that SAWAD will not grow its loans as aggressively as in the past. The company is shifting its focus to businesses with higher profitability margins, e.g. insurance brokerage. Therefore, we expect SAWAD to offer a dividend yield of c2-3% per year.

Exhibit 16: Dividend payout ratio

Sources: SAWAD; FSSIA's estimates

Exhibit 17: D/E ratio

Sources: SAWAD; FSSIA's estimates

Net profit and target price revisions

We increase our 2021-22 core profit forecast by 7%/4% to reflect SAWAD's cost savings and the higher-than-expected fee income. We also change our JV revenue recognition assumption from a consolidated basis to an equity method. Therefore, our key changes in assumptions in Exhibit 18 show a decrease in loan growth, interest income and non-interest income.

Note that we revise up our 2021E net profit by 8% due to the THB240m extra gain (net of tax) from the selling of FM's shares to GSB (THB158) and SCAP's to Noble Development (NOBLE TB; NR) (THB80m). This extra gain will be booked through its profit and loss statement in 1Q21.

Exhibit 18: Key changes in assumptions

	2020	2021E			2022E			2023E
	Actual	Old	New	Change	Old	New	Change	New
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)
Net interest income	7,263	8,433	7,795	(7.6)	10,252	9,259	(9.7)	11,098
Non-interest income*	2,827	3,606	3,541	(1.8)	4,050	3,985	(1.6)	4,341
Operating income*	10,090	12,039	11,336	(5.8)	14,302	13,244	(7.4)	15,439
Operating expenses	3,787	4,590	3,340	(27.2)	5,186	3,704	(28.6)	4,152
PPOP before tax*	6,304	7,449	7,996	7.3	9,116	9,540	4.7	11,288
Provision (Reversal)	321	524	621	18.7	642	764	18.9	896
Tax expenses	1,192	1,385	1,475	6.5	1,695	1,755	3.6	2,078
Minority interest	283	240	240		240	240		240
Normalised profit	4,508	5,301	5,660	6.8	6,539	6,781	3.7	8,074
Extraordinary items	-	158	238		0	-		-
Net profit	4,508	5,459	5,898	8.0	6,539	6,781	3.7	8,074
EPS (THB)	3.32	4.12	4.34	5.5	4.93	5.00	1.2	5.95
Key statistic and ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Asset quality ratio								
Gross NPLs (THB m)	1,480	2,500	1,850	(26.0)	2,875	2,220	(22.8)	2,553
Gross NPLs/Loans	3.75	4.6	4.3		4.6	4.3		4.26
Loan loss reserve/NPLs	89	58	88		57	91		98
Credit cost (bp)	84	112	150		110	160		160
Profitability ratio								
Cost to income ratio	37.5	38.1	29.5		36.3	28.0		26.9
Average yield	21.3	20.1	21.0		19.3	21.5		22.0
Cost of funds	3.62	3.40	3.50		3.12	3.55		3.6
Net interest margin (NIM)	18.9	17.7	18.8		17.6	19.4		19.8
% growth								
Loan growth (y-y)	5.8	36.4	10.0		17.0	20.0		15.0

*Including share of profits from associates

Source: FSSIA estimates

We revise up our GGM-based TP to THB94 from THB72, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2021E P/BV from 3.5x to 5.1x to reflect the increase in our average long-term ROE target to 25% from 21.5%.

Exhibit 19: SAWAD – GGM-derived target price

Target price	THB94 (from THB72)
Recommendation	BUY
Risk-free rate (%)	3 (Unchanged)
Market risk premium (%)	8 (Unchanged)
Cost to equity (%)	11.4 (Unchanged)
Terminal growth (%)	8.0 (from 7.5)
ROE target (%)	25 (from 21.5)
Risk to TP	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.

Source: FSSIA estimates

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Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	7,239	8,166	8,699	10,263	12,315
Interest expense	(828)	(903)	(903)	(1,004)	(1,217)
Net interest income	6,411	7,263	7,795	9,259	11,098
Net fees & commission	1,936	1,315	1,972	2,328	2,490
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	3	2	0	0	0
Other income	615	1,510	1,569	1,658	1,851
Non interest income	2,554	2,827	3,541	3,985	4,341
Total income	8,965	10,090	11,336	13,244	15,439
Staff costs	(1,785)	(1,869)	(1,308)	(1,439)	(1,626)
Other operating costs	(1,747)	(1,918)	(2,032)	(2,265)	(2,526)
Operating costs	(3,532)	(3,787)	(3,340)	(3,704)	(4,152)
Pre provision operating profit	5,433	6,304	7,996	9,540	11,288
Provision for bad and doubtful debt	(552)	(321)	(621)	(764)	(896)
Other provisions	-	-	-	-	-
Operating profit	4,881	5,983	7,375	8,776	10,392
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	238	0	0
Profit before tax	4,881	5,983	7,613	8,776	10,392
Tax	(952)	(1,192)	(1,475)	(1,755)	(2,078)
Profit after tax	3,929	4,791	6,138	7,021	8,314
Minority interests	(172)	(283)	(240)	(240)	(240)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,756	4,508	5,898	6,781	8,074
Non recurring items & goodwill (net)	-	-	(238)	0	0
Recurring net profit	3,756	4,508	5,660	6,781	8,074
Per share (THB)					
Recurring EPS *	2.83	3.32	4.17	5.00	5.95
Reported EPS	2.90	3.32	4.34	5.00	5.95
DPS	1.43	1.80	1.96	2.25	2.68
Growth					
Net interest income (%)	26.3	13.3	7.3	18.8	19.9
Non interest income (%)	22.5	10.7	25.3	12.5	8.9
Pre provision operating profit (%)	32.1	16.0	26.8	19.3	18.3
Operating profit (%)	31.0	22.6	23.3	19.0	18.4
Reported net profit (%)	35.7	20.0	30.8	15.0	19.1
Recurring EPS (%)	17.5	17.2	25.5	19.8	19.1
Reported EPS (%)	17.6	14.5	30.8	15.0	19.1
Income Breakdown					
Net interest income (%)	71.5	72.0	68.8	69.9	71.9
Net fees & commission (%)	21.6	13.0	17.4	17.6	16.1
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.0	0.0	-	-	-
Other income (%)	6.9	15.0	13.8	12.5	12.0
Operating performance					
Gross interest yield (%)	21.34	21.28	21.00	21.50	22.00
Cost of funds (%)	3.45	3.62	3.50	3.55	3.60
Net interest spread (%)	17.89	17.66	17.50	17.95	18.40
Net interest margin (%)	18.9	18.9	18.8	19.4	19.8
Cost/income(%)	39.4	37.5	29.5	28.0	26.9
Cost/assets(%)	8.3	7.8	6.2	6.2	6.0
Effective tax rate (%)	19.5	19.9	19.4	20.0	20.0
Dividend payout on recurring profit (%)	50.3	54.2	46.9	45.0	45.0
ROE (%)	24.8	22.3	23.9	25.1	25.9
ROE - COE (%)	14.0	11.5	13.1	14.3	15.1
ROA (%)	9.3	9.8	11.0	11.8	12.0
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Financial Statements

Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	37,294	39,450	43,395	52,074	59,885
Total provisions	(813)	(1,312)	(1,630)	(2,029)	(2,505)
interest in suspense	3	206	217	260	299
Net customer loans	36,485	38,344	41,982	50,305	57,679
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	551	0	0	0	0
Cash & equivalents	1,649	1,838	262	282	1,705
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,411	1,306	1,216	1,139	1,072
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	5,366	10,519	11,475	12,341	14,005
Total assets	45,462	52,007	54,936	64,067	74,462
Customer deposits	6,348	5,234	5,234	5,234	5,234
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	17,518	20,731	20,420	25,678	31,482
Non interest bearing liabilities	1,403	1,972	2,071	2,174	2,283
Hybrid Capital	-	-	-	-	-
Total liabilities	25,270	27,937	27,725	33,086	38,999
Share capital	1,336	1,373	1,373	1,373	1,373
Reserves	17,052	20,712	23,813	27,542	31,983
Total equity	18,388	22,085	25,186	28,916	33,356
Minority interests	1,803	1,985	2,025	2,065	2,107
Total liabilities & equity	45,462	52,007	54,936	64,067	74,462
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	33,930	38,372	41,422	47,734	55,979
Average interest bearing liabilities	23,974	24,916	25,810	28,283	33,814
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)	1,429	1,480	1,850	2,220	2,553
Per share (THB)					
Book value per share	14.19	16.27	18.55	21.30	24.57
Tangible book value per share	14.19	16.27	18.55	21.30	24.57
Growth					
Gross customer loans	22.0	5.8	10.0	20.0	15.0
Average interest earning assets	24.8	13.1	7.9	15.2	17.3
Total asset (%)	15.9	14.4	5.6	16.6	16.2
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(12.8)	(17.6)	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	574.7	732.6	802.1	961.1	1,102.0
Equity/assets (%)	40.4	42.5	45.8	45.1	44.8
Tangible equity/assets (%)	40.4	42.5	45.8	45.1	44.8
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	26.7	3.6	25.0	20.0	15.0
NPL/gross loans (%)	3.8	3.8	4.3	4.3	4.3
Total provisions/gross loans (%)	2.2	3.3	3.8	3.4	4.2
Total provisions/NPL (%)	56.9	88.7	88.1	91.4	98.1
Valuation					
Recurring P/E (x) *	25.4	21.7	17.3	14.4	12.1
Recurring P/E @ target price (x) *	33.2	28.3	22.5	18.8	15.8
Reported P/E (x)	24.8	21.7	16.6	14.4	12.1
Dividend yield (%)	2.0	2.5	2.7	3.1	3.7
Price/book (x)	5.1	4.4	3.9	3.4	2.9
Price/tangible book (x)	5.1	4.4	3.9	3.4	2.9
Price/tangible book @ target price (x)	6.6	5.8	5.1	4.4	3.8
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Srisawad Corp; 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	ICHI	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	PSL	PTG	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	TSC	TSR	TSTE	TSTH	TTA
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	MITSI	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	WIIK	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	HL	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:

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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

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANA	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	SEAOIL	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 Suwanumphai FSS International Investment Advisory Securities Co., Ltd

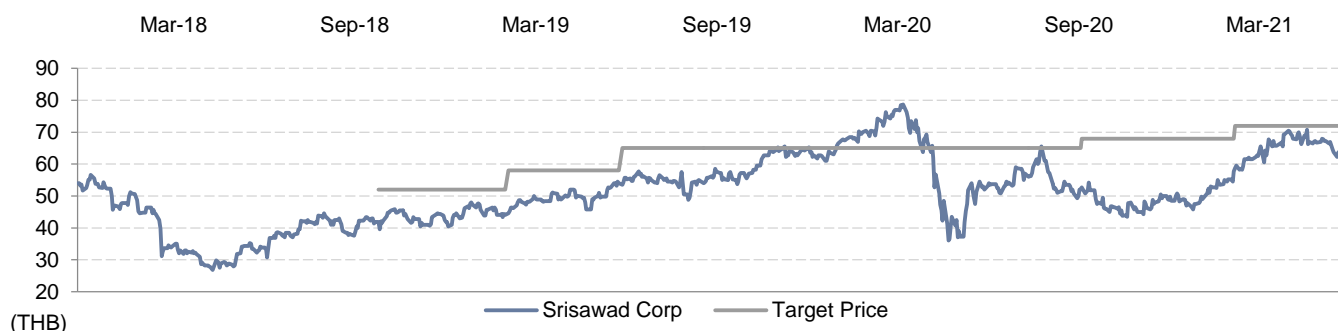
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

Srisawad Corp (SAWAD TB)



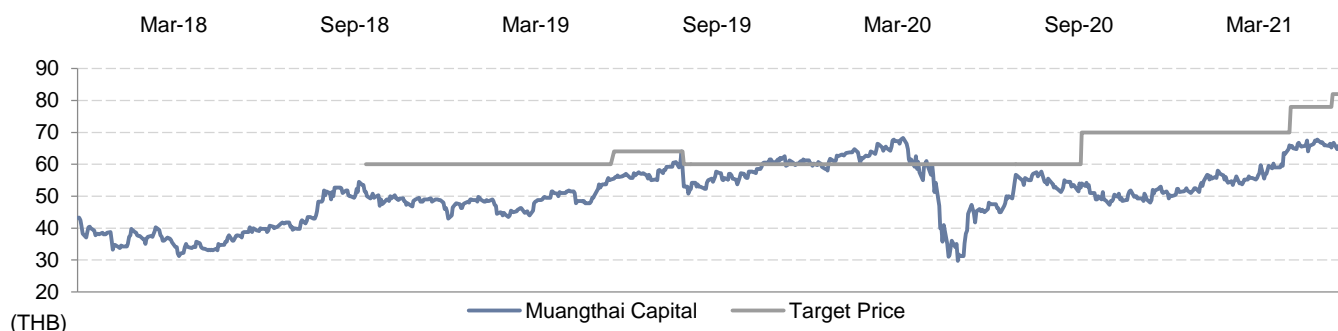
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Nov-2018	BUY	52.00	20-Nov-2019	HOLD	65.00	03-Aug-2020	BUY	68.00
11-Mar-2019	BUY	58.00	02-Apr-2020	HOLD	65.00	25-Nov-2020	BUY	72.00
17-Jun-2019	BUY	65.00	16-Jul-2020	BUY	68.00			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Muangthai Capital (MTC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Nov-2018	BUY	60.00	02-Apr-2020	HOLD	60.00	13-Aug-2020	BUY	70.00
10-Jun-2019	BUY	64.00	16-Jul-2020	BUY	70.00	12-Jan-2021	BUY	78.00
09-Aug-2019	HOLD	60.00	31-Jul-2020	BUY	70.00	17-Feb-2021	BUY	82.00

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Srisawad Corp	SAWAD TB	THB 72.00	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.
Muangthai Capital	MTC TB	THB 66.75	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.

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-Mar-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.