

19 JULY 2021

THAILAND / DIVERSIFIED FINANCIALS

KRUNGTHAI CARD KTC TB

HOLD

FROM REDUCE

TARGET PRICE	THB73.00
CLOSE	THB69.75
UP/DOWNSIDE	+4.7%
PRIOR TP	THB50.00
CHANGE IN TP	+46.0%
TP vs CONSENSUS	+29.0%

มีปัจจัยหนุนใหม่ แต่ระดับการประเมินมูลค่าตึงตัว

KTBL ผลักดันให้แนวโน้มการเติบโตดีขึ้น

คณะกรรมการบริหารของ KTC อนุมัติการซื้อหุ้น 75.05% ของ Krungthai Leasing (KTBL, not listed) ในเดือน ก.พ. 21 ในเดือน พ.ค. 21 KTC ได้จ่ายเงินครึ่งหนึ่งของราคาซื้อให้แก่ KTBL จากนั้นได้เริ่มรวม KTBL เข้ากับงบการเงินของบริษัท การซื้อขายดังกล่าวจะสำเร็จเสร็จสิ้นในเดือน พ.ย. 21 เรามองการซื้อดังกล่าวเป็นบวกในแง่ของ (1) ราคาซื้อต่ำเพียง 0.6-1x P/BV/เทียบกับ 2.2-6x สำหรับสถาบันการเงินที่ไม่ใช่ธนาคาร (Non-Banks) ซื้อขายกันในตลาดหลักทรัพย์, (2) ได้ใบอนุญาตที่ครบถ้วนสำหรับผลิตภัณฑ์สินเชื่อรายย่อย, (3) ได้สาขาทั้ง 11 ที่สามารถใช้เพื่อปล่อยสินเชื่อใหม่ และฐานลูกค้าของ KTBL จากข้อมูลของผู้บริหาร KTC KTBL จะกลับมาเริ่มธุรกิจสินเชื่อหลังดำเนินการภายใต้ KTC โดยจะมุ่งไปยังกลุ่มสินเชื่อเช่าซื้อบริษัทและเช่าซื้อรถยนต์เป็นกลุ่มแรก แม้ว่าผู้บริหารจะยังไม่ได้ให้เป้าหมายทางการเงินสำหรับ KTBL เราเห็นว่า KTC จะขยายไปยังธุรกิจสินเชื่อด้วยความระมัดระวัง โดยเลือกที่จะเร่งเก็บและรับชำระหนี้ให้มากขึ้นในปี 2021-22 มากกว่า เราคิดว่า KTBL จะทำกำไรเพิ่มให้ KTC โดยอยู่ที่ 110 ลบ./346 ลบ./304 ลบ. ในปี 2021-23 ตามลำดับ

ผลประกอบการ 2Q21 อยู่ในระดับดีจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่ลดลง

KTC รายงานกำไรสุทธิ 2Q21 ที่ 1.68 ลบ. สูงกว่าที่ตลาดคาด 8% กำไรดังกล่าวเพิ่ม 46% y-y, 3% q-q จากการควบคุมคุณภาพสินทรัพย์ที่มีประสิทธิภาพ ซึ่งทำให้การจัดสรรสำรองลดลงอย่างมีนัยสำคัญและมีการตามหนี้คืนได้ในระดับสูง (bad debt recovery) ปัจจัยบวกดังกล่าวช่วยชดเชยปริมาณสินเชื่อที่ลดลง 2% q-q ได้ (ยังไม่รวม KTBL) จากกลยุทธ์ในการปล่อยสินเชื่อด้วยความระมัดระวังและปัญหาการแพร่ระบาดที่ยืดเยื้อ

แนวโน้มกำไรที่ควรต่อเนื่องไปใน 2H21

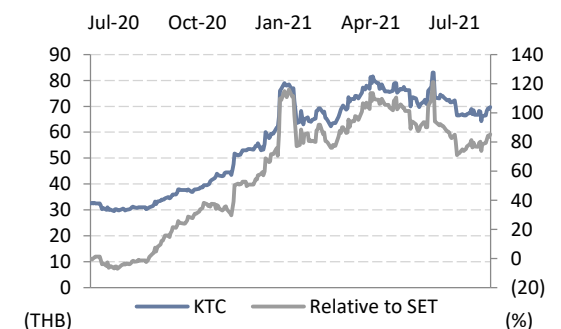
ปัญหาการแพร่ระบาดที่ยืดเยื้ออาจทำให้สินเชื่อและรายได้ค่าธรรมเนียมโตช้าลง อย่างไรก็ตาม เราคาดว่า KTC จะรักษาคุณภาพสินทรัพย์ที่ดีและการเก็บและรับชำระหนี้ที่มีประสิทธิภาพไว้ ทำให้เราคาดว่าธนาคารจะรายงานกำไรสุทธิเพิ่ม y-y, q-q ใน 3Q-4Q21 ความเสี่ยงสำคัญต่อประมาณการของเราอยู่ที่เพดานอัตราดอกเบี้ย อย่างไรก็ตาม เราคิดว่าโอกาสที่อัตราดอกเบี้ยสูงสุดจะลดลงถาวรมีต่ำ สำหรับผลตอบแทนสินเชื่อรวมที่ลดลงทุก ๆ 1% ในขณะที่ตัวแปรอื่นคงที่ จะทำให้กำไรรายปีของ KTC ลดลง 10-12%

แนวโน้มดีขึ้น แต่ระดับการประเมินมูลค่าตึงตัว ปรับเพิ่มคำแนะนำเป็นถือ

เราปรับเพิ่มประมาณการกำไรสุทธิปี 2021-23 อีก 4.7%/8.5%/9.4% ตามลำดับ ส่วนมากเพื่อสะท้อนการควมรวม KTBL และ ECL ที่ลดลง นอกจากนี้เรายังปรับราคาเป้าหมายไปในปี 2022 โดยอยู่ที่ 73 บาท (GGM) และปรับเพิ่มคำแนะนำของเราเป็นถือ เราคิดว่าแนวโน้มกำไรและผลตอบแทนต่อส่วนผู้ถือหุ้นของ KTC ดีขึ้นโดยมีปัจจัยหนุนจาก KTBL และความสามารถของธนาคาร ในการควบคุมคุณภาพสินทรัพย์ อย่างไรก็ตาม จากระดับการประเมินมูลค่าที่ตึงตัวเราขอแนะ AEONTS มากกว่า

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	6,656	8,542	9,861	10,806
Net profit	5,332	6,710	7,747	8,515
EPS (THB)	2.07	2.60	3.00	3.30
vs Consensus (%)	-	8.0	7.7	10.2
Core net profit	5,332	6,710	7,747	8,515
Core EPS (THB)	2.07	2.60	3.00	3.30
Chg. In EPS est. (%)	-	4.7	8.5	9.4
EPS growth (%)	(3.5)	25.8	15.4	9.9
Core P/E (x)	33.7	26.8	23.2	21.1
Dividend yield (%)	1.2	1.5	1.8	1.9
Price/book (x)	7.9	6.6	5.7	4.9
ROE (%)	25.1	26.9	26.3	24.9
ROA (%)	6.1	7.7	8.4	8.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.9	(7.6)	119.7
Relative to country (%)	8.2	(9.1)	88.1
Mkt cap (USD m)	5,491		
3m avg. daily turnover (USD m)	35.7		
Free float (%)	21		
Major shareholder	Krung Thai Bank (49%)		
12m high/low (THB)	90.25/29.25		
Issued shares (m)	2,578		

Sources: Bloomberg consensus; FSSIA estimates



Yuwanart Suwanumphai

yuwanart.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 19 กรกฎาคม 2021

Investment thesis

KTC is one of the market leaders in the credit card and personal loan business, and it always receives strong support from its major shareholder, Krung Thai Bank (KTB TB, HOLD, TP THB12.7). Moreover, KTC is currently expanding its business to secured loans by acquiring KTB Leasing (KTBL, not listed) and the payment system service business by partnering with KTB. We believe these two businesses will be the next key growth factor in the future. Additionally, we are less concerned about its asset quality compared to banks' due to its proactive risk management.

We think KTC's earnings outlook and ROE is brighter, supported by KTBL and its ability to control its asset quality. We, therefore, upgrade KTC to HOLD.

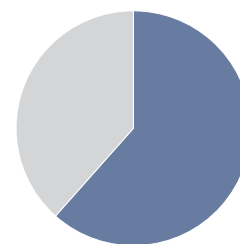
Company profile

The company provides consumer financial products in Thailand, including credit cards, personal loans and auto-title loans.

www.ktc.co.th

Principal activities (revenue, 2020)

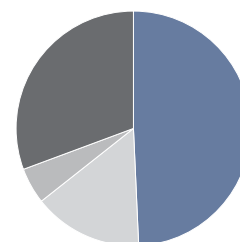
- Net interest income - 61.6 %
- Non-interest income - 38.4 %



Source: Krungthai Card

Major shareholders

- Krung Thai Bank - 49.3 %
- Mongkol Prakitichaiwatthana - 15.1 %
- Sataporn Ngamruengphong - 5.0 %
- Others - 30.7 %



Source: Krungthai Card

Catalysts

Potential share price catalysts for KTC include:

- 1) The announcement of no further ceiling rate cap by the Bank of Thailand;
- 2) Lower credit cost from a better-than-expected new NPL rate;
- 3) Strong KTBL loan growth.

Risks to our call

Upside risks to our GGM-derived TP include 1) stronger-than-expected KTBL growth; and 2) a better-than-expected bad debt recovery. Downside risks are 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.

Event calendar

Date	Event
Aug 2021	GDP 2Q21 announcement
Oct 2021	3Q21 results announcement

Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	6,710	7,747	8,515
Net profit growth	25.8	15.4	9.9
NIM	13.71	13.97	14.27
Loan growth	3.0	8.8	9.5
Fee growth	(3.0)	10.0	8.0
Non-NII growth*	2.7	10.6	2.3
Credit cost (bp)	540	550	560
Cost to income	34.6	32.4	31.0

Source: FSSIA estimates

Earnings sensitivity

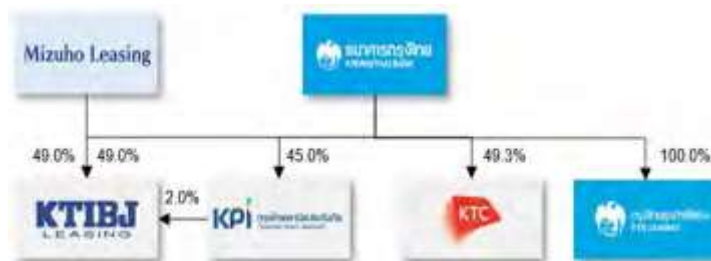
Year to Dec		2021E	2022E	2023E
Loan growth	±2ppt	1.0	3.0	5.0
% change in net profit		0.9	-	(0.9)
NIM (%)	±5bp	13.66	13.71	13.76
% change in net profit		(0.6)	-	0.6
Credit cost (bps)	±10bp	530	540	550
% change in net profit		0.7	-	(0.7)

Source: FSSIA estimates

KTBL drives brighter growth outlook

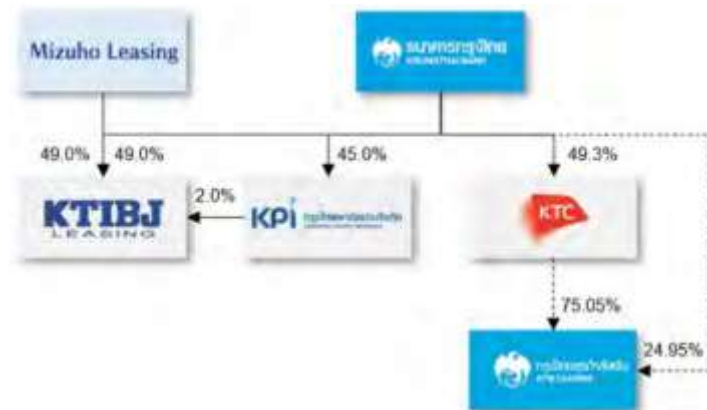
KTC's board approved a 75.05%-stake purchase of KTBL from Krungthai Bank (KTB, HOLD, TP THB12.7) in Feb-21 at a tentative price of THB594m to THB986m, depending on provisioning and operating expenses until the deal is completely finalised in 3Q21. In May-21, KTC had already paid half of the purchase price for KTBL (around THB297m). It then started to consolidate KTBL to its financial statement.

Exhibit 1: Pre-transaction shareholding structure



Source: Independent Financial Advisor (IFA)'s report

Exhibit 2: Post-transaction shareholding structure



Source: IFA's report

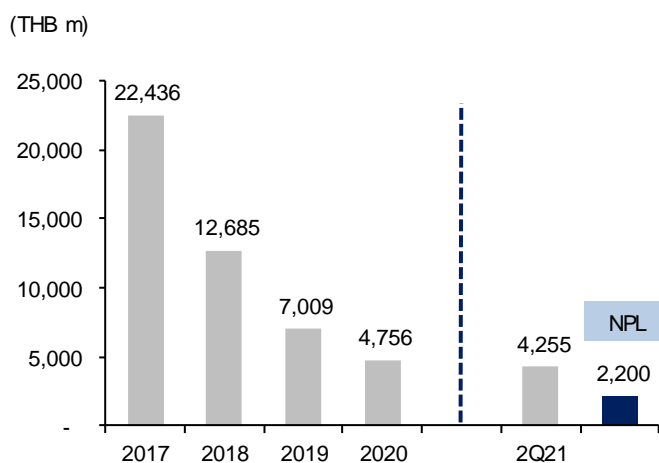
What is KTBL?

In the past, KTBL provided two types of loans: 1) retail loans, consisting of hire purchase loans for new and used cars; motorcycle hire purchase loans; hire purchase loans for consumer goods; and car for cash loans; and 2) business loans comprised of hire purchase and finance leases. The collateral for hire purchase contracts for the business sector is usually fleet vehicles and the collateral for finance leases is the machinery used in the business.

However, due to the high asset deterioration rate, KTBL has stopped lending since 2016 and focused on non-performing loan (NPL) debt restructuring. As a result, its portfolio size has come down through the years, with the total loan portfolio decreasing from THB12.7b in 2018 to THB4.8b in 2020. Net profit also fell from THB274m in 2018 to THB176m in 2020.

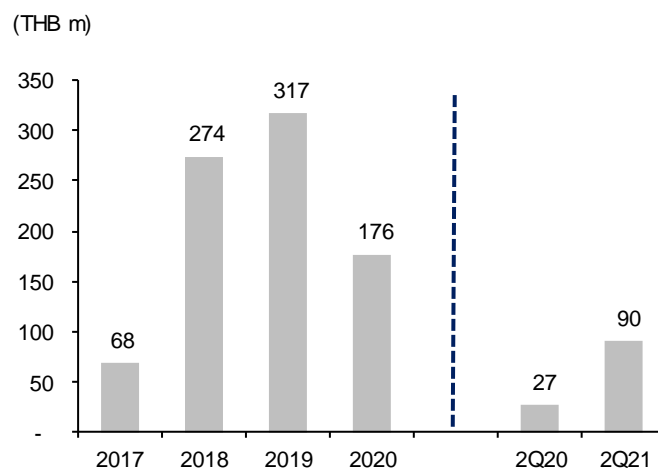
As of 2Q21, the first quarter of consolidation with KTC, KTBL's portfolio was THB4.2b with a very high NPL ratio of 52%. KTBL has already fully set aside provisions against NPLs, leading to a 116% coverage ratio, based on our calculation.

Exhibit 3: KTBL's outstanding portfolio



Sources: IFA's report; KTC; FSSIA's compilation

Exhibit 4: KTBL's net profit



KTBL's 2Q20 and 2Q21 net profit were calculated by FSSIA

Sources: IFA's report; KTC; FSSIA's compilation

We see three advantages from this transaction for KTC:

1. Cheap pricing

We think this is a good deal in terms of the cheap valuation at a P/BV of 0.6-1x (vs 2.2-6x for non-banks), the full range of licenses for retail lending products, the 11 branches for new lending, and the access that KTC will gain to KTBL's customer base.

2. Benefits of business synergy

Acquiring KTBL will allow the company to expand its business into hire purchase and financial leases, which are KTBL's original businesses. Additionally, there are opportunities to cross-sell KTC's other products to KTBL's current customers. Moreover, we think KTC could utilise KTBL's 11 branches, which are located in important provinces in Thailand, to service its clients and originate and receive loans.

3. Diversifying the source of income

KTC's core income stream is from unsecured loans, for which the Bank of Thailand (BoT) has recently reduced the maximum interest rate charge since Aug-20. There is also the possibility that the ceiling rate will be capped again. This would result in a lower risk-reward for operators. Moreover, amid the uncertainty from Covid, we have fewer concerns over the asset quality of secured consumer loan providers vs unsecured loan providers, as the asset-based business motivates borrowers to service their debts to maintain the ownership of their assets. Thus, by acquiring KTBL, KTC should be able to benefit from diversifying its source of income to more secured loans, and reduce the risk from income concentration.

Bad debt recovery could outweigh interest income in the next two years

According to KTC's management, KTBL will resume its lending business after operating under KTC. The first focus segments will be 1) corporate leasing, i.e. the fleet segment; and 2) hire purchases for both new and used cars. Management has still not provided financial targets for KTBL.

We think that KTC will expand its lending business conservatively in the next two years. Therefore, we expect KTBL's outstanding loans to be THB3.2b/THB5.7b/THB9.7b in 2021-23. Based on the average interest rate charge of 8%, we expect KTBL's net interest income to be in the range of THB196m-408m in 2021-23.

We expect the company to aggressively accelerate debt collection rather than lend new loans. KTBL had THB2.6b in NPLs as of 2Q21. With KTC's expertise in debt collection, we assume a recovery rate of 50% within three years. Thus, KTBL's bad debt recovery could be THB375m-500m in 2021-23.

All in all, we think KTBL will generate addition net profits to KTC of THB110m/THB346m/THB304m in 2021-23.

Exhibit 5: KTBL's expected earnings in 2021-23

	2021E	2022E	2023E
Gross loans	3,200	5,700	9,700
% y-y	(24)	78	70
Net interest income	196	236	408
Bad debt recovery	375	500	375
Net profit	351	461	405
Contribution to KTC	110	346	304

Sources: FSSIA estimates

Strong 2Q21 results mainly driven by lower ECL

In May-21, KTC had already paid half of the purchase price for KTBL (around THB297m). It then started to consolidate KTBL to its financial statement. Note that, in accordance with the accounting practices for business consolidation, although the 75% purchase of KTBL was done in 2Q21, KTC restated its financial statements as if the business consolidation had been made since the beginning of the previous year.

KTC reported a 2Q21 net profit of THB1,680m (+46% y-y, +3% q-q), better than Bloomberg's consensus by 8%. Its solid net profit came mainly from two factors. First, KTC set a significantly lower expected credit loss (ECL), as it had already set provisions conservatively for potential NPLs, and it was able to control its asset quality effectively. Deconsolidating KTBL, its NPLs increased by only 1% q-q (implying an NPL ratio of 2.0% vs 1.9% in 1Q21), with a high coverage ratio of 429%. With KTBL, the consolidated NPL ratio was 4.4% with a coverage ratio of 251% in 2Q21. Although KTBL had a significantly high NPL ratio of 51%, it has already been fully provisioned.

Second, KTC was able to collect debts efficiently. Accordingly, KTC's bad debt recovery was still at a very high level of THB833m in 2Q21. This came from the recovery of its own portfolio and THB22m from KTBL's portfolio.

Nevertheless, without KTBL, KTC's loan portfolio still declined by 2% q-q due to its conservative lending strategy and the prolonged pandemic. On a consolidated basis, its outstanding loans increased by 3% q-q in 2Q21.

Exhibit 6: KTC – summary of 1Q21/1H21 results

Year-end Dec 31	2Q20	1Q21	2Q21	--- Change ---		----- 1H21 -----			----- 2021E -----		Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%21E	(THB m)	(y-y%)	
Net interest income	3,302	2,993	3,071	(7)	3	6,064	(7)	49	12,473	(1)	
Non-interest income*	1,814	1,965	1,979	9	1	3,944	(1)	49	8,105	3	Strong bad debt recovery
Operating income*	5,115	4,958	5,050	(1)	2	10,007	(5)	49	20,579	0	
Operating expenses	1,567	1,713	1,775	13	4	3,488	(2)	49	7,125	(2)	
PPOP before tax*	3,549	3,245	3,274	(8)	1	6,519	(6)	48	13,453	1	
Expected credit loss	2,094	1,204	1,144	(45)	(5)	2,347	(31)	48	4,911	(26)	Dropped y-y, q-q due to sufficient provisioning setup
Income tax	298	408	428	43	5	835	19	49	1,708	29	
Minority interest	7	(0)	23			22			123		
Normalised profit	1,149	1,634	1,680	46	3	3,314	19	49	6,710	26	
Extraordinary items	0	0	0			0			0		
Net profit	1,149	1,634	1,680	46	3	3,314	19	49	6,710	26	8% higher than consensus
EPS (THB)	0.45	0.63	0.65	46	3	1.29	19	49	2.60	26	
Asset quality ratio (%)											
NPLs (THB m)	5,515	1,661	3,877	(30)	133				3,196	100	Significant increase due to KTBL
NPLs/Loans	6.65	1.92	4.36						3.46		
Loan loss reserve/NPLs	157	442	251						261		
Credit cost (bp)	1,019	547	522						540		
Profitability ratio (%)											
Cost to income ratio	30.6	34.6	35.2						34.6		
Average yield	17.7	15.3	15.7						15.2		
Cost of funds	3.0	2.6	2.7						2.6		
Net interest margin	15.8	13.6	14.0						13.7		
Non-int inc/total income	36.5	39.6	39.1						39.4		
Loan growth (%)											
y-y	7.6	5.9	7.2						3.0		
q-q	1.8	(3.7)	3.0								

*Including share of profits from associates

Source: FSSIA estimates

Exhibit 7: Comparing key numbers of KTC with and without KTBL – 2Q21

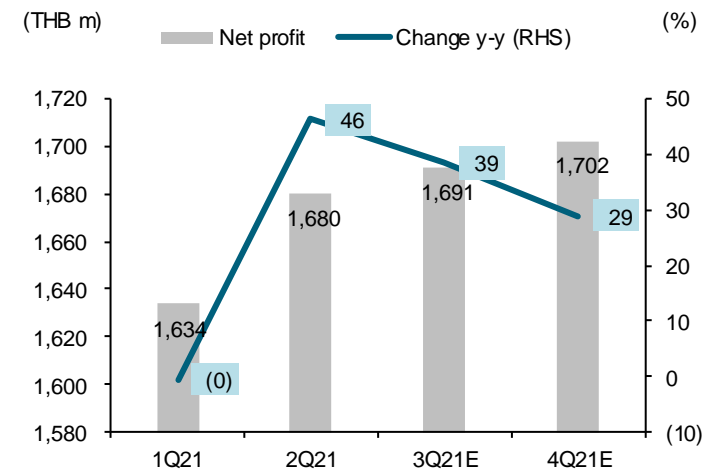
	Excl. KTBL	Incl. KTBL
Gross loans (THB m)	84,683	88,938
% y-y	2.1	7.2
% q-q	(1.9)	3.0
NPLs (THB m)	1,677	3,877
% y-y	(69.6)	(29.7)
% q-q	1.0	133.4
NPL ratio (%)	2.0	4.4
Coverage ratio (%)	429	251

Source: FSSIA's compilation

Solid earnings momentum should continue in 2H21

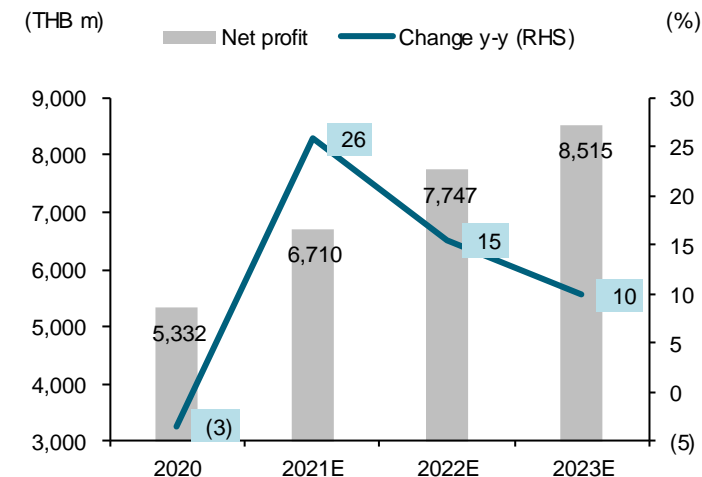
The prolonged pandemic could lead to slower loan and fee income growth. However, we expect KTC to retain its strong asset quality and efficient debt collection. Moreover, KTC still has room to control its OPEX. Thus, we expect it to deliver a net profit increase y-y, q-q in 3Q-4Q21.

Exhibit 8: Quarterly earnings momentum



Sources: KTC; FSSIA estimates

Exhibit 9: Yearly earnings momentum



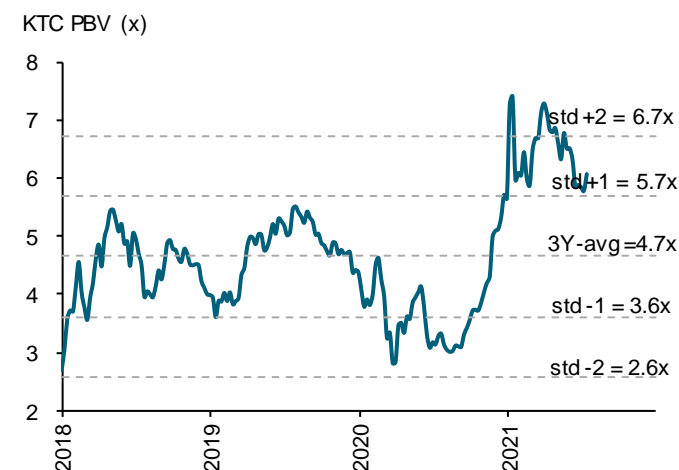
Sources: KTC; FSSIA estimates

Regulatory risk is low

In the short term, we expect the news related to the government's plan to lower the interest rate cap on consumer loans (credit cards, personal loans and auto title loans) to continue to hurt sentiment in KTC and other non-bank players. Following up with many non-bank operators, we have learned that the BoT has already requested further information from them to assist with its decision-making process. From the BoT's analyst meeting on 1 Jul-21, it commented that it has to balance between the costs of running businesses for operators and the benefits to clients. It does not want to cut the rate to then impact the debt access of underbanked/unbanked borrowers. Moreover, the BoT just reduced the rate cap in Aug-20. Thus, we think the chance to permanently reduce the ceiling rate is quite low. We believe the BoT might prefer non-banks to provide debt restructuring to clients or may temporarily reduce the cap rate for one to two years.

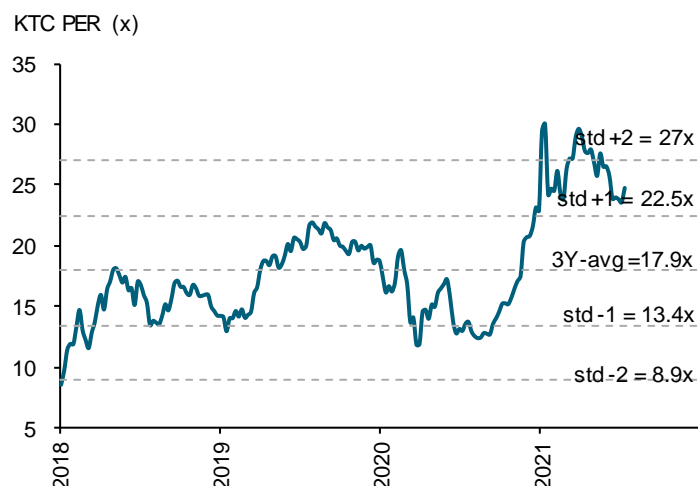
Since the announcement of the government's plan, KTC's share price reached its recent lowest point at THB64.25 – falling by 8%. Currently, its share price has rebounded to relatively the same level it was before the announcement. We think the market's concerns over this issue have been relieved.

Exhibit 10: KTC – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 11: KTC – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Due to the unclear policy, we have constructed a sensitivity analysis to estimate the impact on its bottom line from the cap rate. Ceteris paribus, for every 1% drop in total portfolio loan yield – comprised of 33% personal loans, 62% credit cards, and 5% hire purchase loans – KTC's earnings would fall by 10-12%.

However, we think the BoT is unlikely to cap the ceiling rate of credit cards as the current rate charge is quite low at 16%. According to the civil and commercial law in Thailand, interest on general consumption loans can be collected at a maximum of 15%. Thus, if the interest ceiling of credit cards is reduced until it hits 15%, operators may not want to issue loans under the supervision of the BoT, which has more stringent regulations.

Regarding personal loans, the current rate cap is 25%, which was reduced from 28%. We think that if there is a rate cap, the maximum reduction should be 2%. Therefore, the maximum impact to KTC's bottom line would be 6-8%.

Exhibit 12: Downside risk to net profit from potential rate cap

Port structure as of 1Q21		Net profit - current forecast		Downside to net profit in case of 1% drop in loan yield for total port	Downside to net profit in case of 1% drop in loan yield for p-loans
		FY21E	FY22E		
		(THB m)	(THB m)	(%)	(%)
AEONTS	51% p-loans, 42% credit cards, 7% hire purchase loans	4,461	5,100	12-14	6-7
KTC	33% p-loans, 62% credit cards, 5% hire purchase loans	6,710	7,747	10-12	3-4

Sources: Company data; FSSIA estimates

EPS and TP revisions

We revise up our EPS forecast for 2021-23 by 4.7%/8.5%/9.4%. We lower our 2021-23 credit cost assumptions to 540/550/560 bps vs our previous assumptions of 675/660/660, to reflect the better-than-expected asset quality. Additionally, we incorporate KTBL's performance into our 2021-23 forecast, leading mainly to higher outstanding loans and bad debt recovery. However, due to the prolonged pandemic, KTC's loan growth and fee income should be lower than our previous assumptions. Thus, we slightly lower our NII and Non-NII estimates in 2021-23.

Exhibit 13: Key changes in assumptions

	-----2021E-----				-----2022E-----			-----2023E-----		
	2020	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	12,633	12,952	12,473	(3.7)	14,045	13,464	(4.1)	15,204	15,010	(1.3)
Non-interest income*	7,888	8,755	8,105	(7.4)	9,193	8,968	(2.5)	9,653	9,175	(4.9)
Operating income*	20,521	21,707	20,579	(5.2)	23,238	22,432	(3.5)	24,857	24,186	(2.7)
Operating expenses	7,260	7,407	7,125	(3.8)	7,702	7,270	(5.6)	8,007	7,488	(6.5)
PPOP before tax*	13,261	14,300	13,453	(5.9)	15,536	15,162	(2.4)	16,850	16,697	(0.9)
Expected credit loss (Reversal)	6,605	6,286	4,911	(21.9)	6,612	5,300	(19.8)	7,119	5,892	(17.2)
Tax expenses	1,325	1,603	1,708	6.6	1,785	1,972	10.5	1,946	2,161	11.1
Minority interest	(1)	0	123		0	142		0	130	
Normalised profit	5,333	6,411	6,710	4.7	7,140	7,747	8.5	7,784	8,515	9.4
Extraordinary items	-	0	-		0	-		0	-	
Net profit	5,333	6,411	6,710	4.7	7,140	7,747	8.5	7,784	8,515	9.4
EPS (THB)	2.07	2.49	2.60	4.7	2.77	3.00	8.5	3.0	3.30	9.4
Key statistics and ratios										
Asset quality ratio (%)										
Gross NPLs	1,598	1,726	3,196	85.2	1,812	2,397	32.3	1,903	2,445	28.5
Gross NPLs/loans	1.8	1.8	3.5		1.7	2.4		1.7	2.22	
Loan loss reserve/NPLs	460	426	261		399	276		371.4	220	
Credit cost (bp)	753	675	540		660	550		660	560	
Profitability ratio (%)										
Cost to income ratio	35.4	34.1	34.6		33.1	32.4		32.2	31.0	
Average yield	16.2	15.6	15.2		15.7	15.5		15.8	15.8	
Cost of funds	2.7	2.7	2.6		2.7	2.8		2.8	2.8	
Net interest margin (NIM)	14.4	13.9	13.7		14.0	14.0		14.1	14.3	
Loan growth (y-y %)	4.4	7.8	3.0		7.3	8.8		8.0	9.5	

*Including share of profits from associates

Sources: KTC; FSSIA estimates

We revise up our GGM-based TP to THB73 from THB50, as we 1) increase our EPS forecast and roll forward to use the 2022E book value; and 2) revise up our target 2022 P/BV to 5.9x from 4.8x as a result of our higher average long-term ROE target of 26.0% from 24.8% and our higher long-term growth to 6.0% from 5.4%, thanks to the higher growth prospects from KTBL.

Exhibit 14: 2022 GGM-derived target price

Target price (THB)	73.0 (from 50.0)
Recommendation	HOLD (REDUCE)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	9.4 (unchanged)
Terminal growth (%)	6.0 (from 5.4)
ROE target (%)	26.0 (from 24.8)
Risk to TP	Upside risks to our GGM-derived TP include 1) stronger-than-expected KTBL growth; and 2) a better-than-expected bad debt recovery. Downside risks are 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.

Source: FSSIA estimates

Exhibit 15: Key valuations of companies under coverage

BBG		Rec	--- Share price ---		Up (down)	EPS growth		--- P/E ---		-- DivYld --		--- ROE ---		--- PBV ---	
	code		Current	Target	side	21E	22E	21E	22E	21E	22E	21E	22E	21E	22E
			(THB)	(THB)	(%)	(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
Unsecured loan lenders						23.8	15.0	20.5	17.8	1.8	2.1	25.6	25.0	4.8	4.1
Aeon Thana Sinsap	AEONTS TB	BUY	195.50	274.00	40	20.9	14.3	11.0	9.6	2.7	3.1	24.0	23.2	2.4	2.1
Krungthai Card	KTC TB	HOLD	69.75	73.00	5	25.8	15.4	26.8	23.2	1.5	1.8	26.9	26.3	6.6	5.7
Auto title lenders						19.7	22.2	22.0	18.0	1.2	1.5	23.0	23.0	4.5	3.8
Muangthai Capital	MTC TB	BUY	63.50	74.00	17	16.5	19.6	22.2	18.5	0.7	0.8	26.1	25.3	5.2	4.2
Srisawad Corp	SAWAD TB	BUY	71.00	108.00	52	25.5	19.8	17.0	14.2	2.7	3.2	24.0	25.1	3.8	3.3
Saksiam Leasing	SAK TB	BUY	9.40	15.20	62	(6.8)	45.6	28.6	19.7	1.0	1.5	14.5	18.8	3.9	3.5
Ngern Tid Lor	TIDLOR TB	BUY	41.75	54.00	29	26.8	27.4	28.7	22.5	0.5	0.7	19.8	18.6	4.4	3.9
Truck lenders						(2.8)	17.2	20.3	17.3	2.1	2.4	17.3	18.3	3.3	3.0
Micro Leasing	MICRO TB	BUY	8.90	12.40	39	39.5	36.3	36.1	26.5	0.8	0.8	12.2	15.0	4.2	3.7
Singer Thailand	SINGER TB	BUY	44.50	53.00	19	26.1	29.2	32.4	25.1	0.8	1.0	19.8	21.0	5.6	4.7
Ratchthani Leasing	THANI TB	BUY	5.00	4.60	(8)	(13.5)	12.3	14.4	12.8	3.5	3.9	17.4	17.9	2.4	2.2

Share prices as of 16 Jul 2021

Source: FSSIA estimates

Financial Statements

Krungthai Card

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	13,607	14,167	13,910	15,054	16,766
Interest expense	(1,566)	(1,534)	(1,436)	(1,590)	(1,756)
Net interest income	12,041	12,633	12,473	13,464	15,010
Net fees & commission	5,033	4,478	4,343	4,778	5,160
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	3,985	3,411	3,762	4,190	4,015
Non interest income	9,018	7,888	8,105	8,968	9,175
Total income	21,059	20,521	20,579	22,432	24,186
Staff costs	(7,519)	(7,050)	(6,909)	(7,047)	(7,259)
Other operating costs	(203)	(210)	(217)	(223)	(230)
Operating costs	(7,722)	(7,260)	(7,125)	(7,270)	(7,488)
Pre provision operating profit	13,337	13,261	13,453	15,162	16,697
Provision for bad and doubtful debt	(6,433)	(6,605)	(4,911)	(5,300)	(5,892)
Other provisions	-	-	-	-	-
Operating profit	6,904	6,656	8,542	9,861	10,806
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	6,904	6,656	8,542	9,861	10,806
Tax	(1,380)	(1,325)	(1,708)	(1,972)	(2,161)
Profit after tax	5,524	5,331	6,833	7,889	8,644
Minority interests	0	1	(123)	(142)	(130)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,524	5,332	6,710	7,747	8,515
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,524	5,332	6,710	7,747	8,515
Per share (THB)					
Recurring EPS *	2.14	2.07	2.60	3.00	3.30
Reported EPS	2.14	2.07	2.60	3.00	3.30
DPS	0.88	0.85	1.07	1.23	1.35
Growth					
Net interest income (%)	8.6	4.9	(1.3)	7.9	11.5
Non interest income (%)	5.4	(12.5)	2.7	10.6	2.3
Pre provision operating profit (%)	10.1	(0.6)	1.4	12.7	10.1
Operating profit (%)	7.6	(3.6)	28.3	15.4	9.6
Reported net profit (%)	7.5	(3.5)	25.8	15.4	9.9
Recurring EPS (%)	7.5	(3.5)	25.8	15.4	9.9
Reported EPS (%)	7.5	(3.5)	25.8	15.4	9.9
Income Breakdown					
Net interest income (%)	57.2	61.6	60.6	60.0	62.1
Net fees & commission (%)	23.9	21.8	21.1	21.3	21.3
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	18.9	16.6	18.3	18.7	16.6
Operating performance					
Gross interest yield (%)	16.59	16.15	15.29	15.62	15.94
Cost of funds (%)	2.81	2.66	2.57	2.78	2.81
Net interest spread (%)	13.78	13.49	12.72	12.84	13.13
Net interest margin (%)	14.7	14.4	13.7	14.0	14.3
Cost/income(%)	36.7	35.4	34.6	32.4	31.0
Cost/assets(%)	9.4	8.4	8.1	7.7	7.2
Effective tax rate (%)	20.0	19.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	41.1	41.1	41.0	41.0	41.0
ROE (%)	30.6	25.1	26.9	26.3	24.9
ROE - COE (%)	19.8	14.3	16.1	15.5	14.1
ROA (%)	6.7	6.1	7.7	8.4	8.3
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Financial Statements

Krungthai Card

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	85,834	89,607	92,291	100,444	109,983
Total provisions	(5,650)	(7,355)	(8,356)	(6,625)	(5,368)
interest in suspense	0	543	554	603	660
Net customer loans	80,183	82,795	84,489	94,422	105,275
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	4	0	0	0	0
Cash & equivalents	1,348	1,914	378	843	85
Other interesting assets	-	-	-	-	-
Tangible fixed assets	495	481	468	455	443
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	2,226	3,213	3,134	3,479	3,817
Total assets	84,257	88,403	88,469	99,200	109,619
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	57,540	57,687	54,198	60,003	65,026
Non interest bearing liabilities	8,134	7,866	7,079	7,433	7,805
Hybrid Capital	-	-	-	-	-
Total liabilities	65,674	65,553	61,277	67,436	72,831
Share capital	2,578	2,578	2,578	2,578	2,578
Reserves	17,129	20,221	24,561	29,132	34,155
Total equity	19,708	22,799	27,139	31,710	36,734
Minority interests	27	51	52	53	54
Total liabilities & equity	85,409	88,403	88,469	99,200	109,619
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	82,020	87,722	90,949	96,368	105,213
Average interest bearing liabilities	55,831	57,614	55,942	57,100	62,515
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)	910	1,598	3,196	2,397	2,445
Per share (THB)					
Book value per share	7.64	8.84	10.53	12.30	14.25
Tangible book value per share	7.64	8.84	10.53	12.30	14.25
Growth					
Gross customer loans	9.8	4.4	3.0	8.8	9.5
Average interest earning assets	8.1	7.0	3.7	6.0	9.2
Total asset (%)	5.8	4.9	0.1	12.1	10.5
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	23.4	25.8	30.7	32.0	33.5
Tangible equity/assets (%)	23.4	25.8	30.7	32.0	33.5
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	2.1	75.6	100.0	(25.0)	2.0
NPL/gross loans (%)	1.1	1.8	3.5	2.4	2.2
Total provisions/gross loans (%)	6.6	8.2	9.1	6.0	4.9
Total provisions/NPL (%)	621.0	460.3	261.4	276.4	219.6
Valuation					
Recurring P/E (x) *	32.6	33.7	26.8	23.2	21.1
Recurring P/E @ target price (x) *	34.1	35.3	28.0	24.3	22.1
Reported P/E (x)	32.6	33.7	26.8	23.2	21.1
Dividend yield (%)	1.3	1.2	1.5	1.8	1.9
Price/book (x)	9.1	7.9	6.6	5.7	4.9
Price/tangible book (x)	9.1	7.9	6.6	5.7	4.9
Price/tangible book @ target price (x)	9.6	8.3	6.9	5.9	5.1

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; 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:

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	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	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.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Krungthai Card	KTC TB	THB 69.75	HOLD	Upside risks to our GGM-derived TP include 1) stronger-than-expected KTBL growth; and 2) a better-than-expected bad debt recovery. Downside risks are 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Krung Thai Bank	KTB TB	THB 10.30	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 195.50	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.
Muangthai Capital	MTC TB	THB 63.50	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.
Srisawad Corp	SAWAD TB	THB 71.00	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.
Saksiam Leasing	SAK TB	THB 9.40	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.
Ngern Tid Lor	TIDLOR TB	THB 41.75	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank; 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 8.90	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.
Singer Thailand	SINGER TB	THB 44.50	BUY	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.
Ratchthani Leasing	THANI TB	THB 5.00	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.

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 16-Jul-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.