

16 AUGUST 2021

THAILAND / DIVERSIFIED FINANCIALS

MICRO LEASING MICRO TB

BUY

UNCHANGED

TARGET PRICE	THB10.70
CLOSE	THB7.70
UP/DOWNSIDE	+39.0%
PRIOR TP	THB12.40
CHANGE IN TP	-13.7%
TP vs CONSENSUS	+7.5%

จะกลับมาดีใน 4Q21

สินเชื่อบริษัทโตอย่างโดดเด่นนำมาซึ่งผลประกอบการที่ดีใน 2Q21

MICRO รายงานกำไรสุทธิในระดับสูงใน 2Q21 โดยอยู่ที่ 50 ลบ. (+51% y-y, -2% q-q) ปัจจัยหลักมีส่วนมาจาก 1) สินเชื่อที่โตอย่างมีนัยสำคัญจากการลดการระงับการปล่อยสินเชื่อที่สูงขึ้นและการได้ส่วนแบ่งตลาดเพิ่มขึ้นจากคู่แข่งขนาดเล็กในท้องถิ่น; และ 2) รายได้ค่าธรรมเนียมที่เพิ่มขึ้นจากกลยุทธ์การขายสัญญาประกันภัยที่มีมูลค่าสูงขึ้น อัตราการก่อตัวของ NPL (new NPL formation rate) เพิ่มขึ้นเป็น 5.7% เทียบกับ 0.9% ใน 1Q21 จากปัญหาการแพร่ระบาด Covid ที่ยืดเยื้อและมาตรการปิดเมืองในเขตจังหวัดสีแดงเข้ม อย่างไรก็ตามบริษัทฯ ได้เร่งกระบวนการตัดหนี้เสีย ทำให้หนี้ต่อคุณภาพ (NPL) คงค้างเพิ่มในระดับปานกลางที่ 14% q-q คิดเป็น NPL ratio ที่ 3.7%

ระยะสั้น: ความต้องการสินเชื่อจะชะลอตัวในขณะที่ NPL จะเพิ่มขึ้นใน 3Q21

เราเห็นว่าลูกค้าบางรายของ MICRO อาจขาดแคลนกระแสเงินสดระยะสั้นใน 3Q21 ลูกค้าดังกล่าวอาจเลือกรักษาเงินสด ซึ่งจะทำการชำระสินเชื่อล่าช้า เราเชื่อว่า NPL จะเพิ่มในระดับปานกลางอย่างต่อเนื่องใน 3Q21 ซึ่งอาจทำให้ผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) เพิ่มขึ้น นอกจากนี้ความต้องการการระงับการปล่อยสินเชื่อจะเพิ่มขึ้น ซึ่งจะทำให้สินเชื่อที่ต่ำลงใน 3Q21 เมื่อเทียบกับ 2Q21 ด้วยเหตุดังกล่าวเราจึงคาดว่ากำไรสุทธิ 3Q21 จะทรงตัว q-q (แต่จะเพิ่ม y-y) กำไรสุทธิของบริษัทฯ อาจเพิ่ม y-y และ q-q อีกครั้งใน 4Q21 โดยมีสมมติฐานว่ากิจกรรมทางธุรกิจกลับมาเปิดใหม่ ซึ่งจะทำให้ความต้องการการระงับการปล่อยสินเชื่อและคุณภาพสินทรัพย์ดีขึ้นด้วย

บริษัทย่อยใหม่จะช่วยเสริมสร้างรายได้ที่ไม่ใช่ดอกเบี้ยสุทธิ (Non-NII) ในระยะยาว

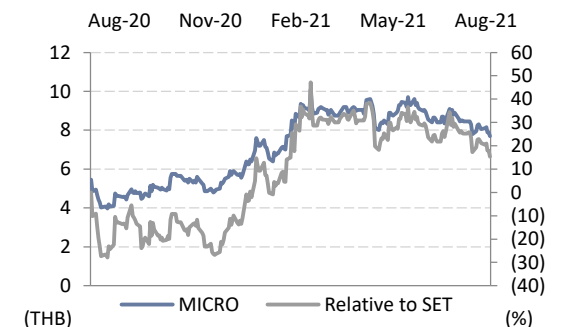
MICRO ได้จัดตั้งบริษัทย่อยใหม่เพื่อประกอบกิจการนายหน้าขายกรมธรรม์ประกันภัยทั้งประเภทประกันชีวิตและประกันวินาศภัย ปัจจุบัน MICRO ไม่มีใบอนุญาตเป็นนายหน้าขายประกัน ทำให้บริษัทฯ สามารถขายแค่ประกันรถยนต์ให้แก่ลูกค้าที่มาขอสินเชื่อในปีแรก อย่างไรก็ตามบริษัทฯ จะสูญเสียโอกาสในการขายประกันให้แก่ลูกค้าดังกล่าวในปีถัดไป เมื่อบริษัทฯ สามารถใช้บริษัทย่อยใหม่เพื่อขายประกันได้อย่างเต็มที่ เราเห็นว่าการขายดังกล่าวน่าจะสามารถช่วยเสริมสร้าง Non-NII และอัตราความสามารถในการทำกำไรใน 1-2 ปีข้างหน้า อย่างไรก็ตามเนื่องจากบริษัทฯ ยังไม่ได้ให้แผนงานที่ชัดเจน เราจึงตั้งข้อสงสัยไว้เป็นความเสี่ยงข้างหน้าไปก่อน

หุ้นรถบรรทุกเพียงอย่างเดียว คงคำแนะนำซื้อ

เราปรับลดประมาณการกำไรสุทธิปี 2021-23 ลง 12%/14%/14% ตามลำดับ นอกจากนี้เรายังปรับราคาเป้าหมายในปี 2022 และได้ราคาเป้าหมายใหม่ที่ 10.7 บาท (GGM) ในระยะสั้น ราคาหุ้นของ MICRO อาจได้รับแรงกดดันจากแนวโน้มที่อ่อนลงใน 3Q21 เมื่อเทียบกับประมาณการก่อนหน้า อย่างไรก็ตามเราคิดว่าแนวโน้มในระยะยาวยังมีหวังจาก 1) การเติบโตของกำไรสุทธิที่โดดเด่น โดยเราคาดว่าอยู่ที่ 37% CAGR ในช่วงปี 2021-23; และ 2) ตำแหน่งที่ดีของบริษัทฯ ที่จะได้รับประโยชน์จากการลดการระงับการปล่อยสินเชื่อที่สูงขึ้นเนื่องจากบริษัทฯ เป็นผู้ให้สินเชื่อรถบรรทุกมือสองเพียงอย่างเดียว

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	176	237	332	421
Net profit	135	204	272	345
EPS (THB)	0.18	0.22	0.29	0.37
vs Consensus (%)	-	(9.5)	(5.8)	(9.8)
Core net profit	135	204	272	345
Core EPS (THB)	0.18	0.22	0.29	0.37
Chg. In EPS est. (%)	-	(11.7)	(13.6)	(13.5)
EPS growth (%)	11.8	23.1	33.5	26.9
Core P/E (x)	43.5	35.3	26.5	20.9
Dividend yield (%)	0.9	0.8	0.8	1.0
Price/book (x)	3.2	3.7	3.3	2.9
ROE (%)	9.3	10.8	13.2	14.9
ROA (%)	5.5	6.2	6.2	6.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(13.0)	(13.0)	n/a
Relative to country (%)	(10.4)	(11.8)	n/a
Mkt cap (USD m)			216
3m avg. daily turnover (USD m)			1.9
Free float (%)			21
Major shareholder		Auchyawat family (57%)	
12m high/low (THB)			10.20/3.74
Issued shares (m)			935

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 16 สิงหาคม 2021

Investment thesis

Micro Leasing (MICRO) is a specialist second-hand truck lender in Thailand, with more than 26 years of experience in the business.

MICRO's share price might be pressured by its softer 3Q21 outlook vs our original view. However, we think its long-term outlook is still promising due to 1) its outstanding net profit growth that we estimate at a 37% 3-yr 2021-23 CAGR; and 2) its good position to benefit from the higher demand for used trucks as a pure play used truck lender.

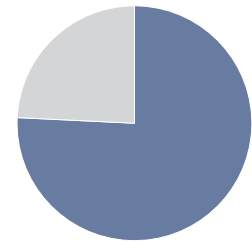
Company profile

Micro Leasing was founded in November 1994. The company specializes in providing second-hand 6- to 12-wheel truck loans for the top three brands in Thailand; Isuzu, Hino and Fuso. It lends under a hire-purchase agreement with a 70-85% loan-to-value and with loan durations of 4-5 years.

www.microleasingplc.com

Principal activities (revenue, 2020)

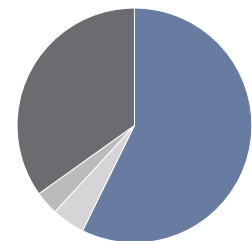
- Net interest income - 75.8 %
- Non-interest income - 24.2 %



Source: Micro Leasing

Major shareholders

- Auchyawat family - 57.3 %
- Sataporn Ngamrueangpong - 4.6 %
- Kaitipong Termkunanon - 3.3 %
- Others - 34.9 %



Source: Micro Leasing

Catalysts

Potential share price catalysts for MICRO include: 1) higher loan growth due to gaining more market share from local peers; and 2) better-than-expected fee income.

Risks to our call

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.

Event calendar

Date	Event
Mid-Oct 2021	3Q21 results announcement

Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	204	272	345
Net profit growth	50.8	33.5	26.9
NIM	13.91	13.17	12.77
Loan growth	45.0	30.0	25.0
Fee growth	46.0	30.0	24.3
Non-NII growth*	29.1	27.4	22.6
Credit cost (bps)	440	380	350
Cost to income	33.3	31.6	31.3

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

Year to Dec	2021E			
	±2ppt	43.0	45.0	47.0
Loan growth				
% change in net profit		(1.2)	-	1.2
NIM (%)	±5bp	13.86	13.91	13.96
% change in net profit		(0.8)	-	0.8
Credit cost (bps)	±10bp	430.0	440.0	450.0
% change in net profit		1.0	-	(1.0)

Source: FSSIA estimates

Outstanding loan growth led to solid 2Q21 performance

MICRO delivered a robust net profit in 2Q21 at THB50m (+51% y-y, -2% q-q), driven by 1) significant loan growth at 46% y-y, 10% q-q, due to a higher demand for used trucks and from gaining more market share from smaller local competitors; 2) an increase in its fee income from its strategy of selling more high-value insurance contracts; and 3) a decline in its cost to income ratio thanks to the economies of scale. Its non-performing loan (NPL) formation rate surged to 5.7% vs 0.9% in 1Q21 due to the prolonged Covid outbreak and the lockdown measures in red zone areas. However, the company accelerated its write-off process, causing a moderate increase in its outstanding NPLs at 14% q-q, implying a 3.7% NPL ratio.

2Q21 key highlights

- MICRO posted outstanding loan growth of 46% y-y and 10% q-q due to a higher demand for used trucks. According to the Department of Land Transport, the number of registered used trucks in 2Q21 increased to 8.8k units (+29% y-y). Moreover, we believe MICRO was able to compete for market share with local competitors from its branch expansion and IT implementation.
- Its credit cost surged by 573 bps from 310 bps in 1Q21, thanks to an increase in its NPL write-offs. In 2Q21, MICRO wrote-off THB30m in NPLs as it took tax benefits from the change in write-off criteria from the Revenue Department.
- Its effective tax rate reduced to 8% from a normal rate of 20% due to the benefit from its NPL write-offs.

Exhibit 1: MICRO – summary of 2Q21 earnings

Year-end Dec 31	2Q20		1Q21		2Q21		1H21		2021E	Change	2Q21 Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%21E	(THB m)	(y-y %)	
Net interest income	73	97	106	46	9	203	41	47	433	41	
Non-interest income*	17	31	37	114	18	68	107	53	127	29	
Operating income*	90	128	143	59	11	271	54	48	560	38	
Operating expenses	35	43	45	28	4	89	23	48	186	22	
PPOP before tax	54	85	97	79	15	182	75	49	374	48	
Expected credit loss	7	21	43	511	105	64	219	46	137	77	
Income tax	14	13	4	(69)	(65)	17	(20)	52	33	(19)	
Minority interest	0	0	0			0			0		
Normalised profit	33	51	50	51	(2)	101	62	50	204	51	
Extraordinary items	0	0	0			0			0		
Net profit	33	51	50	51	(2)	101	62	50	204	51	
EPS (THB)	0.05	0.05	0.05	13	(2)	0.11	21	50	0.22	23	
Asset quality ratio (%)	(%)	(%)	(%)						(%)		
NPLs (THB m)	57	103	117	105	14				141	45	
NPLs / loans	2.67	3.64	3.74						3.82		
Loan loss reserve/NPLs	155	108	98						107		
Credit cost (bps)	132	310	573						440		
Profitability ratio (%)	(%)	(%)	(%)						(%)		
Cost to income ratio	39.5	33.9	31.8						33.3		
Average yield	16.1	16.0	16.0						15.8		
Cost of funds (COF)	4.6	4.4	4.6						4.6		Issued new bonds which have a higher COF than bank loans
Net interest margin (NIM)	13.7	14.5	14.2						13.9		
Non-int inc / total income	19.1	24.3	25.7						22.7		
Loan growth (%)	(%)	(%)	(%)						(%)		
y-y	n/a	34.6	46.4						45.0		
q-q	1.6	11.6	10.4								

*Including share of profits from associates

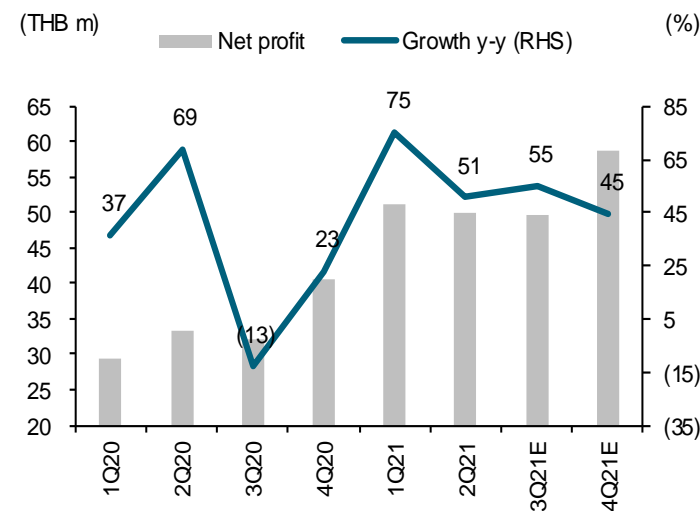
Sources: MICRO; FSSIA estimates

Short term: slower loan demand and higher NPLs in 3Q21

We think some of MICRO’s clients might have short-term cash flow shortages in 3Q21 due to the prolonged Covid-19 pandemic and the more stringent lockdown measures. Moreover, as the monthly instalments for truck loans is quite big (c30k-40k), some clients might prefer to keep their cash, thereby leading to a delay in loan repayments. We believe its NPLs will continue to increase moderately in 3Q21, potentially leading to higher expected credit losses (ECL). Additionally, the demand for trucks might decline, resulting in slower loan growth in 3Q21 compared with 2Q21. Accordingly, we expect its 3Q21 net profit to only be stable q-q (but still increase y-y).

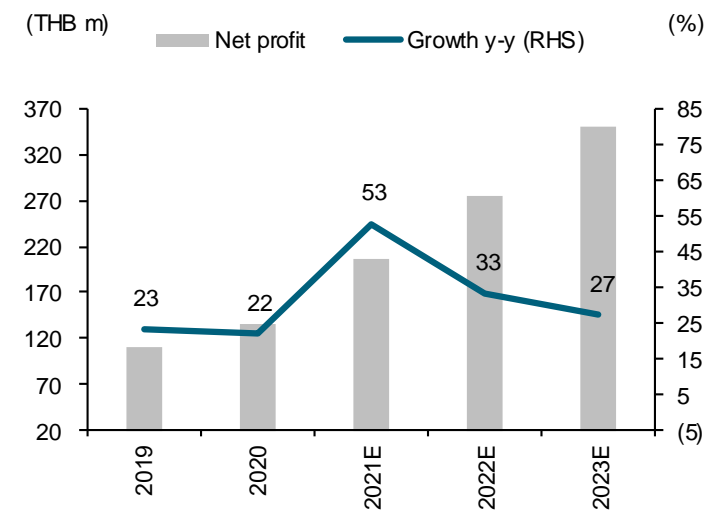
Its net profit could rise y-y and q-q again in 4Q21, assuming that business activities reopen, resulting in a higher demand for trucks and better asset quality.

Exhibit 2: Quarterly earnings momentum



Sources: MICRO; FSSIA estimates

Exhibit 3: Yearly earnings momentum

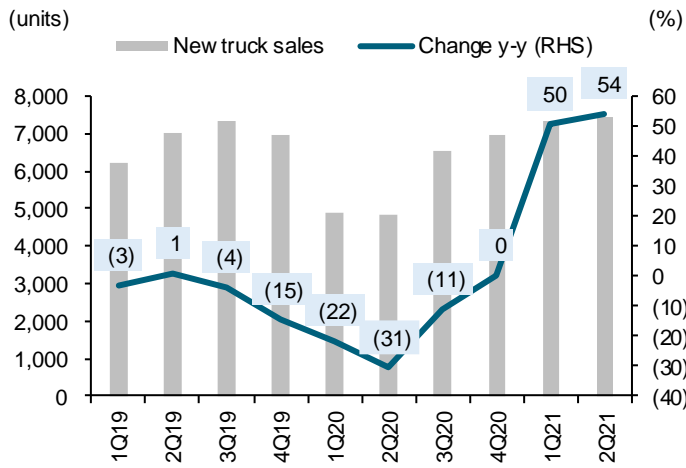


Sources: MICRO; FSSIA estimates

According to the Federation of Thai Industries (FTI), domestic truck sales increased significantly by 52% y-y due to the solid demand from various industries, including logistics, construction, agriculture, and import-export. The resurgence of Covid might potentially slow the demand for trucks down only in the short term; 3Q21 in particular. We think the solid demand would be back on track starting from 4Q21. Truck transportation will still be one of the main means of transportation for various industries in Thailand.

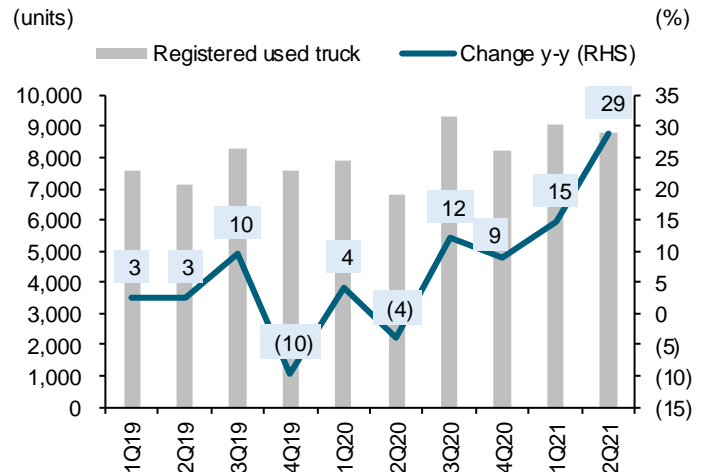
Thailand is one of the main ASEAN transport points and a logistics hub. It has Cambodia, Laos, Myanmar, and Malaysia as neighbouring countries. The trend of searching for alternative manufacturing bases in Southeast Asia allows Thailand to fulfil the role of a key logistics hub for Indochina. Thailand’s roadways have gained attention due to the country’s superior road network. In Southeast Asia, Thailand has one of the most extensive road transportation networks at more than 390k kilometres. Therefore, the first preference for moving freight within the country is trucks, in our view.

Exhibit 4: Quarterly new truck sales



Sources: The Federation of Thai Industries; FSSIA's compilation

Exhibit 5: Quarterly used truck sales

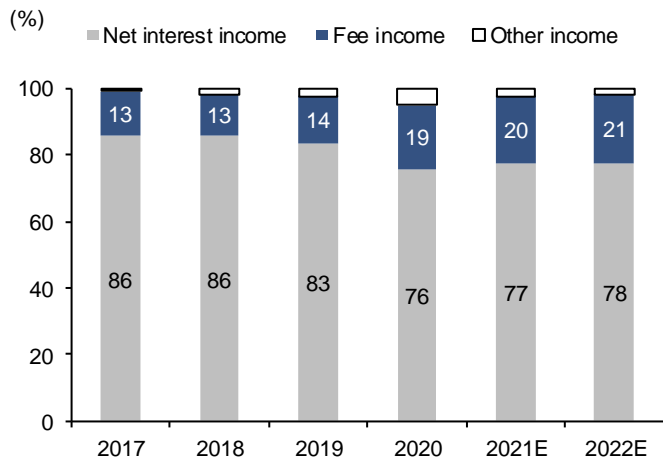


Note that there was an unusual 7,500 used truck transfer transaction from Kerry Express (KEX TB), which were converted from personal to transport vehicles in Oct and Nov 2020
Sources: Department of Land Transport; FSSIA's compilation

New subsidiary to enhance its Non-NII in the long term

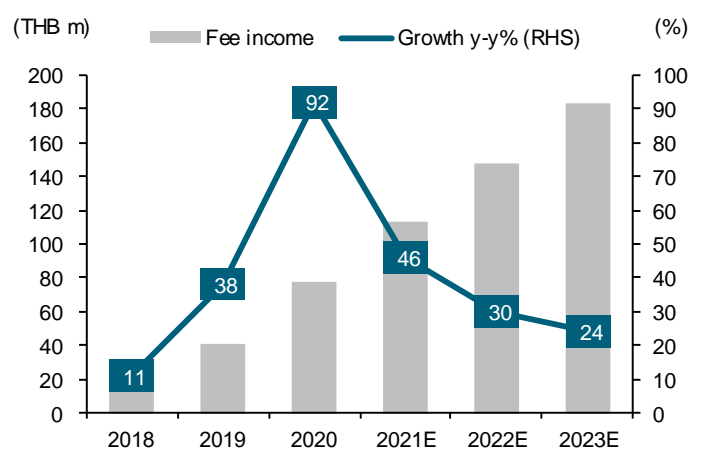
MICRO has established a new subsidiary to operate as a life and non-life insurance broker. This will be completed within 4Q21, according to the company. Currently, MICRO does not have an insurance broker's license. Thus, it can only sell compulsory motor insurance to customers who originate loans. However, it loses the opportunity to sell insurance in the following year to these customers. Once the company can fully utilise its new subsidiary to sell insurance, it should enhance its Non-NII in the next one to two years, in our view. Additionally, we believe that selling insurance could also enhance its margin, as this would allow MICRO to better utilise its network and staff. However, as there are no clear plans from the company, we leave this an upside.

Exhibit 6: Revenue breakdown



Sources: MICRO; FSSIA estimates

Exhibit 7: Non-NII growth



Sources: MICRO; FSSIA estimates

New restriction on debt collection fees

On 13 Aug-21, new restrictions on debt collection fees were published in the Government Gazette. When debtors default on payments, lenders may charge debt collection fees, including 1) <THB50/debt collection cycle for one period of overdue debt; and 2) <THB100 for more than one period. For vehicle hire purchases or leasing contracts for which debtors have more than one instalment overdue, lenders can charge visiting area fees of <THB400/time. The restrictions will take effect on 12 Sep-21. We think the new structure for debt collection fees will apply to all loan types. However, only hire purchases, leasing, auto title loans, credit cards and personal loans for the retail segment normally charge collection fees. Collection fees for the SME and corporate segments normally depend on the agreement between the borrower and lender.

Exhibit 8: New restrictions on debt collection fees

Details	Fee (THB / debt collection cycle)	Note
One period of overdue debt	<50	
More than one period of overdue debt	<100	
Visiting area	<400	For vehicle hire purchases or leasing contracts for which debtors have more than one instalment overdue

Note that fees can be charged to only the debtors who have accumulated overdue debts of >THB1,000

Sources: Government Gazette; FSSIA's compilation

Currently, MICRO charges only a penalty fee, not a collection fee. Also, MICRO will charge a visiting area fee only when it reprocesses trucks. The new restrictions on collection fees do not mention reprocessing fees. Thus, MICRO should see a limited impact. However, we conservatively think that its margin would be tighter in the case that the company charges visiting area fees and can pass through only some costs to its clients. Thus, we slightly revise down our fee income forecasts for 2022-23.

Earnings and target price revisions

We lower our net profit forecasts for 2021-23 by 12%/14%/14% to reflect 1) our higher credit cost assumptions, as we expect that its NPLs might increase at a higher rate due to the resurgence of Covid; and 2) the greater margin pressure from the debt holiday program that the company plans to provide to its Covid-impacted clients in 3Q21.

Regarding its fee income, although we slightly revise down our fee income assumptions for 2022-23 to reflect the impact from the new restrictions on collection fees, the impact should be fully offset by the stronger insurance brokerage fee income that we expect during that period. Therefore, there is no negative impact on our fee income forecasts.

Exhibit 9: Key changes in assumptions

	-----2021E-----				-----2022E-----			-----2023E-----		
	2020 (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Net interest income	308	436	433	(0.7)	575	558	(3.0)	720	688	(4.4)
Non-interest income*	98	126	127	0.6	161	162	0.6	198	198	0.1
Operating income*	406	563	560	(0.4)	736	720	(2.2)	919	887	(3.5)
Operating expenses	153	186	186	0.0	224	227	1.7	268	277	3.4
PPOP before tax*	253	376	374	(0.6)	513	493	(3.9)	650	609	(6.3)
Expected credit loss (Reversal)	77	84	137	63.0	114	161	40.7	146	189	29.6
Tax expenses	41	61	33	(45.9)	84	60	(28.6)	106	76	(28.5)
Minority interest	-	0	-		0	-		0	-	
Normalised profit	135	231	204	(11.7)	315	272	(13.6)	399	345	(13.5)
Extraordinary items	-	0	-		0	-		0	-	
Net profit	135	231	204	(11.7)	315	272	(13.6)	399	345	(13.5)
EPS (THB)	0.18	0.25	0.22	(11.7)	0.34	0.29	(13.6)	0.4	0.37	(13.5)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	97	126	141	11.5	164	183	11.5	189	210	11.5
Gross NPLs / Loans (%)	3.82	3.4	3.8		3.4	3.8		3.1	3.51	
Loan loss reserve/NPLs (%)	101	116	107		119	109		129.4	119	
Credit cost (bps)	337	270	440		270	380		270	350	
Profitability ratio (%)										
Cost to income ratio*	37.6	33.1	33.3		30.4	31.6		29.2	31.3	
Average yield	15.5	15.9	15.8		15.9	15.6		15.9	15.5	
Cost of funds	5.30	4.60	4.60		4.30	4.65		4.3	4.7	
Net interest margin (NIM)	13.4	14.0	13.9		13.6	13.2		13.4	12.8	
Loan growth (%)										
y-y	24.8	45.0	45.0		30.0	30.0		25.0	25.0	

*Including share of profits from associates

Sources: MTC; FSSIA estimates

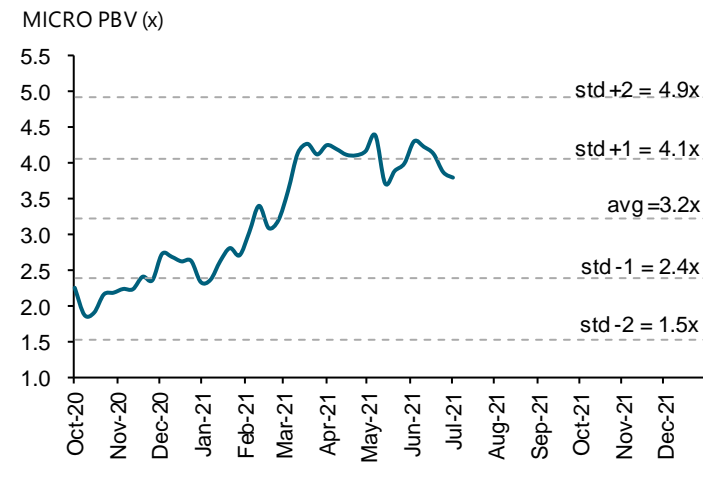
We roll over our TP to 2022 and derive a new GGM-based TP of THB10.7, from our previous 2021 TP of THB12.4, as we 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2022 P/BV to 4.6x from 5.9x, as we lower our ROE target and terminal growth and increase our cost of equity due to the weaker economic outlook.

Exhibit 10: MICRO – GGM-derived target price

Target price (THB)	10.7 (from 12.4)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.1 (from 11.0)
Terminal growth (%)	10.4 (from 10.8)
ROE target (%)	13.5 (from 14.5)
Target PBV (x)	4.6 (from 5.9)
Implied PE (x)	37 (from 50)
Risk to TP	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.

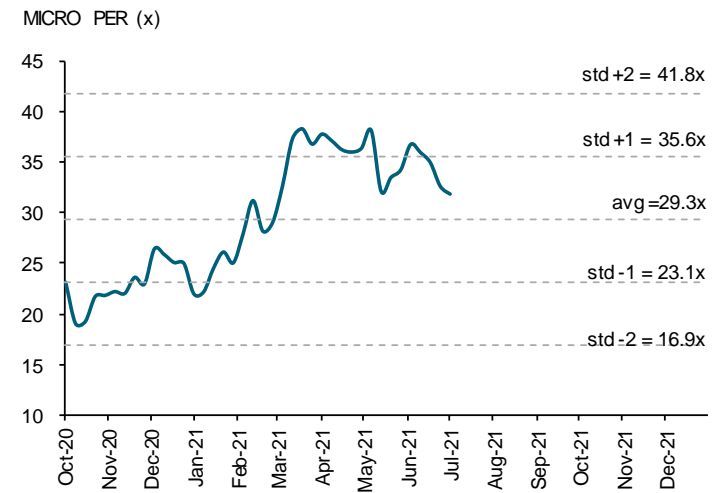
Source: FSSIA estimates

Exhibit 11: MICRO – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 12: MICRO – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Thailand diversified financials – peers comparison

	BBG	Rec	---Share price---		Up	Market	EPS growth		--- P/E ---		--- ROE ---		--- PBV ---	
	code		Current	Target	side	Cap	21E	22E	21E	22E	21E	22E	21E	22E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(x)	(x)
Unsecured-loan lender						5,905	23.8	15.0	17.6	15.3	25.6	25.0	4.2	3.5
Aeon Thana Sinsap (Thailand)	AEONTS TB	BUY	176.00	274.00	56	1,320	20.9	14.3	9.9	8.6	24.0	23.2	2.2	1.9
Krungthai Card	KTC TB	HOLD	59.25	73.00	23	4,585	25.8	15.4	22.8	19.7	26.9	26.3	5.6	4.8
Auto-title lender						9,221	13.8	23.5	20.4	16.5	22.0	22.3	4.0	3.4
Muangthai Capital	MTC TB	BUY	55.50	67.00	21	3,531	3.1	23.5	21.9	17.7	23.4	23.8	4.7	3.9
Srisawad Corp	SAWAD TB	BUY	63.75	108.00	69	2,627	25.5	19.8	15.3	12.8	24.0	25.1	3.4	3.0
Saksiam Leasing	SAK TB	BUY	8.30	12.20	47	522	(17.3)	40.0	28.5	20.4	12.9	16.3	3.5	3.1
Ngern Tid Lor	TIDLOR TB	BUY	36.50	54.00	48	2,540	26.8	27.4	25.1	19.7	19.8	18.6	3.9	3.4
Truck lender						1,559	(9.4)	19.6	19.2	16.1	16.2	17.5	2.9	2.7
Micro Leasing	MICRO TB	BUY	7.70	10.70	39	216	23.1	33.5	35.3	26.5	10.8	13.2	3.7	3.3
Singer Thailand	SINGER TB	BUY	40.75	53.00	30	609	26.1	29.2	29.7	23.0	19.8	21.0	5.1	4.3
Ratchthani Leasing	THANI TB	BUY	4.32	5.20	20	734	(20.9)	15.8	13.6	11.7	16.0	17.0	2.1	1.9
Other						1,046	8.1	11.6	8.5	7.6	6.4	6.8	0.5	0.5
Thanachart Capital	TCAP TB	HOLD	33.25	35.00	5	1,046	8.1	11.6	8.5	7.6	6.4	6.8	0.5	0.5
Hire purchase motorcycle						321	55.9	33.4	34.0	25.5	17.4	19.8	5.5	4.7
Next Capital	NCAP TB	BUY	11.90	16.80	41	321	55.9	33.4	34.0	25.5	17.4	19.8	5.5	4.7

Share prices as of 13 Aug 2021

Sources: Bloomberg; FSSIA estimates

Financial Statements

Micro Leasing

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	282	356	492	661	836
Interest expense	(39)	(48)	(59)	(103)	(147)
Net interest income	243	308	433	558	688
Net fees & commission	41	78	114	148	184
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	7	20	13	14	15
Non interest income	48	98	127	162	198
Total income	291	406	560	720	887
Staff costs	(129)	(153)	(186)	(227)	(277)
Other operating costs	-	-	-	-	-
Operating costs	(129)	(153)	(186)	(227)	(277)
Pre provision operating profit	162	253	374	493	609
Provision for bad and doubtful debt	(23)	(77)	(137)	(161)	(189)
Other provisions	-	-	-	-	-
Operating profit	139	176	237	332	421
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	139	176	237	332	421
Tax	(28)	(41)	(33)	(60)	(76)
Profit after tax	111	135	204	272	345
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	111	135	204	272	345
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	111	135	204	272	345
Per share (THB)					
Recurring EPS *	0.16	0.18	0.22	0.29	0.37
Reported EPS	0.16	0.18	0.22	0.29	0.37
DPS	0.00	0.07	0.07	0.06	0.07
Growth					
Net interest income (%)	23.1	26.5	40.7	28.9	23.3
Non interest income (%)	44.1	104.8	29.1	27.4	22.6
Pre provision operating profit (%)	18.7	56.6	47.5	31.8	23.7
Operating profit (%)	19.4	27.0	34.4	40.0	26.9
Reported net profit (%)	23.2	21.9	50.8	33.5	26.9
Recurring EPS (%)	5.5	11.8	23.1	33.5	26.9
Reported EPS (%)	5.5	11.8	23.1	33.5	26.9
Income Breakdown					
Net interest income (%)	83.5	75.8	77.3	77.5	77.6
Net fees & commission (%)	13.9	19.2	20.3	20.5	20.7
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	2.6	5.0	2.4	1.9	1.7
Operating performance					
Gross interest yield (%)	15.95	15.53	15.80	15.60	15.50
Cost of funds (%)	5.18	5.30	4.60	4.65	4.65
Net interest spread (%)	10.77	10.23	11.20	10.95	10.85
Net interest margin (%)	13.7	13.4	13.9	13.2	12.8
Cost/income(%)	44.4	37.6	33.3	31.6	31.3
Cost/assets(%)	7.1	6.3	5.7	5.2	5.0
Effective tax rate (%)	20.2	23.3	14.0	18.0	18.0
Dividend payout on recurring profit (%)	-	38.1	30.0	20.0	20.0
ROE (%)	10.8	9.3	10.8	13.2	14.9
ROE - COE (%)	0.0	(1.5)	0.0	2.4	4.1
ROA (%)	6.1	5.5	6.2	6.2	6.2
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Micro Leasing; FSSIA estimates

Financial Statements

Micro Leasing

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	2,037	2,542	3,686	4,792	5,990
Total provisions	(112)	(98)	(151)	(200)	(250)
interest in suspense	0	0	0	0	0
Net customer loans	1,925	2,444	3,535	4,591	5,739
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	46	128	101	44	52
Other interesting assets	-	-	-	-	-
Tangible fixed assets	4	7	12	20	35
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	143	176	159	336	383
Total assets	2,118	2,755	3,806	4,991	6,209
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	986	823	1,738	2,700	3,636
Non interest bearing liabilities	52	109	115	120	126
Hybrid Capital	-	-	-	-	-
Total liabilities	1,038	932	1,853	2,820	3,762
Share capital	700	935	935	935	935
Reserves	380	888	1,018	1,236	1,512
Total equity	1,080	1,823	1,953	2,171	2,447
Minority interests	0	0	0	0	0
Total liabilities & equity	2,118	2,755	3,806	4,991	6,209
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	1,769	2,289	3,114	4,239	5,391
Average interest bearing liabilities	753	905	1,280	2,219	3,168
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)	91	97	141	183	210
Per share (THB)					
Book value per share	1.54	2.39	2.09	2.32	2.62
Tangible book value per share	1.54	2.39	2.09	2.32	2.62
Growth					
Gross customer loans	35.7	24.8	45.0	30.0	25.0
Average interest earning assets	27.8	29.4	36.0	36.1	27.2
Total asset (%)	37.8	30.1	38.1	31.1	24.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	51.0	66.2	51.3	43.5	39.4
Tangible equity/assets (%)	51.0	66.2	51.3	43.5	39.4
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	5.9	6.6	45.0	30.0	15.0
NPL/gross loans (%)	4.5	3.8	3.8	3.8	3.5
Total provisions/gross loans (%)	5.5	3.9	4.1	3.3	4.2
Total provisions/NPL (%)	123.0	100.9	107.2	109.4	118.9
Valuation					
Recurring P/E (x) *	48.7	43.5	35.3	26.5	20.9
Recurring P/E @ target price (x) *	67.6	60.5	49.1	36.8	29.0
Reported P/E (x)	48.7	43.5	35.3	26.5	20.9
Dividend yield (%)	-	0.9	0.8	0.8	1.0
Price/book (x)	5.0	3.2	3.7	3.3	2.9
Price/tangible book (x)	5.0	3.2	3.7	3.3	2.9
Price/tangible book @ target price (x)	6.9	4.5	5.1	4.6	4.1

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Micro 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	PAP	PCSGH	PDJ	PG	PHOL	PLANB
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	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	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 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
Micro Leasing	MICRO TB	THB 7.70	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 176.00	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 59.25	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.
Muangthai Capital	MTC TB	THB 55.50	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 63.75	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 8.30	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 36.50	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.
Singer Thailand	SINGER TB	THB 40.75	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 4.32	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.
Thanachart Capital	TCAP TB	THB 33.25	HOLD	Upside risks to our GGM-based target price are M&A completions and long-term synergy gained, leading to a higher contribution to its earnings. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TMB and THANI.
Next Capital	NCAP TB	THB 11.90	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for food delivery and logistics activities; 2) deteriorating asset quality; and 3) tighter competition from new players.

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 13-Aug-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.