

18 OCTOBER 2021

THAILAND / DIVERSIFIED FINANCIALS

KRUNGTHAI CARD KTC TB

HOLD

UNCHANGED

TARGET PRICE	THB52.00
CLOSE	THB55.75
UP/DOWNSIDE	-6.7%
PRIOR TP	THB73.00
CHANGE IN TP	-28.8%
TP vs CONSENSUS	-15.4%

The tide is rising

3Q21: weak core operations and moderate asset deterioration

KTC reported a lower-than-expected net profit of THB1,317m (+8% y-y, -22% q-q). The prolonged Covid outbreak resulted in weak core operations in many aspects, including 1) a 2.7% q-q decline in its loan volume; 2) plummeting bad debt recovery and fee income; and 3) a rise in its credit cost. Its asset quality moderately deteriorated with an increase in NPLs at the KTC level by 5.5% q-q, mainly from its personal loan portfolio. Total consolidated NPLs, however, declined by 15% q-q due to the cTHB800m NPL write-off of KTB Leasing (KTBL, not listed).

Existing core operations: unsecured lending is turning red

We see that unsecured lending, KTC's core business, is becoming a red ocean due to the potential new competitors. We believe that KTC will be one of the moderately affected lenders by SCB's big move due to the companies having the same target clients and businesses. SCB plans to spin-off and aggressively expand its card business into the low-income segment. Thus, SCB's and KTC's customer bases should overlap more. Moreover, other types of lending, e.g. buy now pay later, peer-to-peer lending, etc., are in a rising trend. Although we believe these lending types will take some time before becoming popular in Thailand, we view them as barriers for KTC's long-term growth outlook.

Hire purchase loans could face tighter regulations

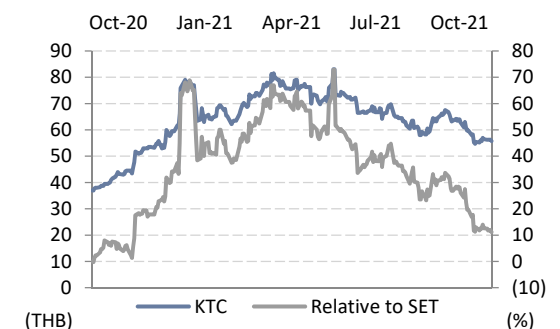
Hire purchase (HP) lending, which KTC would like to tap into, is potentially facing tighter regulations. The OCPB is considering modifying HP contracts in terms of an interest rate cap at only 15% p.a. (EIR basis) from no rate cap currently. Although KTC's HP portfolio is less than 1% of its total portfolio, we believe its share price has slightly priced in the benefit from diversifying its source of income to more secured loans and reducing the risk from income concentration. Thus, if more regulations are placed on HP loans, it could increase negative sentiment for KTC.

Lower GGM-based TP to THB52, maintain HOLD

We cut our EPS forecasts for 2021-23 by 8%/10%/11% and reiterate that KTC is not our preferred stock. We believe that KTC's valuation should de-rate to lower than its three-year average P/BV due to the potentially fierce competition, leading to a lower long-term ROE and earnings growth outlook. KTC might be back on our radar once Infinitas By Krungthai, its 25%-associated company providing a digital platform (Pao Tang application), is able to generate a higher profit.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	6,656	7,753	8,787	9,623
Net profit	5,332	6,153	6,952	7,614
EPS (THB)	2.07	2.39	2.70	2.95
vs Consensus (%)	-	(3.9)	(2.8)	(1.6)
Core net profit	5,332	6,153	6,952	7,614
Core EPS (THB)	2.07	2.39	2.70	2.95
Chg. In EPS est. (%)	-	(8.3)	(10.3)	(10.6)
EPS growth (%)	(3.5)	15.4	13.0	9.5
Core P/E (x)	27.0	23.4	20.7	18.9
Dividend yield (%)	1.5	1.8	2.0	2.2
Price/book (x)	6.3	5.4	4.7	4.1
ROE (%)	25.1	24.8	24.1	23.0
ROA (%)	6.1	7.1	7.7	7.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(12.9)	(19.2)	48.7
Relative to country (%)	(13.4)	(22.5)	12.8
Mkt cap (USD m)			4,317
3m avg. daily turnover (USD m)			18.5
Free float (%)			21
Major shareholder		Krung Thai Bank (49%)	
12m high/low (THB)		90.25/36.25	
Issued shares (m)		2,578	

Sources: Bloomberg consensus; FSSIA estimates



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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 THB12.2).

However, we anticipate tighter competition in the unsecured lending industry, KTC's core business, from potential new competitors. Also, hire purchase lending – which KTC would like to tap into – is facing tighter regulations. We are convinced that these will be barriers for KTC's long-term growth outlook.

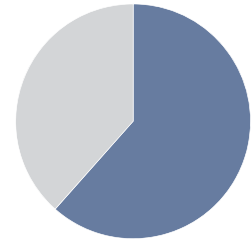
Company profile

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)

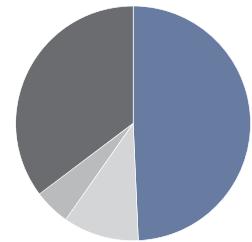
- Net interest income - 61.6 %
- Non-interest income - 38.4 %



Source: Krungthai Card

Major shareholders

- Krung Thai Bank - 49.3 %
- Mongkol Prakitchaiwatthana - 10.5 %
- Chantana Jirattiphath - 5.0 %
- Others - 35.3 %



Source: Krungthai Card

Catalysts

Potential share price catalysts for KTC include:

- 1) The higher profitability of Infinitas By Krungthai, its 25%-associated company;
- 2) Lower credit cost from a better-than-expected new NPL rate;
- 3) Strong KTB Leasing loan growth and debt collection.

Risks to our call

Upside risks to our GGM-derived TP include 1) stronger-than-expected growth for KTB Leasing; 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
Mid-Jan 2022	4Q21 results announcement

Key assumptions

Year to Dec	2021E (%)	2022E (%)	2023E (%)
Net profit (THB m)	6,153	6,952	7,614
Net profit growth	15.4	13.0	9.5
NIM	13.63	13.91	14.10
Loan growth	0.3	8.0	8.2
Fee growth	(8.0)	12.0	8.0
Non-NII growth*	(3.3)	11.7	4.5
Credit cost (bp)	540	570	570
Cost to income*	36.6	34.4	33.6

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		----- 2021E -----		
Loan growth	±2ppt	(1.7)	0.3	2.3
<i>% change in net profit</i>		1.0	-	(1.0)
NIM (%)	±5bp	13.58	13.63	13.68
<i>% change in net profit</i>		(0.6)	-	0.6
Credit cost (bps)	±10bp	530	540	550
<i>% change in net profit</i>		0.7	-	(0.7)

Source: FSSIA estimates

3Q21: weak core operations and moderate asset deterioration

We have a negative view of KTC's 3Q21 performance. It reported a disappointing net profit of THB1,317m (+8% y-y, -22% q-q), which was lower than our forecast by 21% and Bloomberg's estimation by 18% due to the lower-than-expected bad debt recovery and fee income. The prolonged Covid outbreak resulted in weak core operations in many aspects, including 1) a 2.7% q-q decline in its loan volume; 2) plummeting bad debt recovery and fee income; and 3) a rise in its credit cost. Its asset quality moderately deteriorated with an increase in non-performing loans (NPLs) at the KTC level by 5.5% q-q, mainly from its personal loan portfolio. Total consolidated NPLs, however, declined by 15% q-q due to the cTHB800m NPL write-off of KTBL.

Exhibit 1: KTC – 3Q21/9M21 earnings preview

Year-end Dec 31	3Q20	2Q21	3Q21		9M21			2021E		3Q21 comments	
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%21E	(THB m)		(y-y %)
Net interest income	3,112	3,071	3,046	(2)	(1)	9,110	(5)	74	12,235	(3)	
Non-interest income*	1,914	1,979	1,745	(9)	(12)	5,688	(4)	75	7,632	(3)	Lower bad debt recovery and fee income
Operating income*	5,027	5,050	4,790	(5)	(5)	14,798	(5)	74	19,866	(3)	
Operating expenses	1,793	1,775	1,847	3	4	5,336	(0)	73	7,266	0	
PPOP before tax*	3,234	3,274	2,943	(9)	(10)	9,462	(7)	75	12,600	(5)	
Expected credit loss	1,703	1,144	1,293	(24)	13	3,640	(29)	75	4,847	(27)	
Income tax	310	428	337	9	(21)	1,173	16	76	1,551	17	
Minority interest	(0)	23	(4)			18	(48)		50		
Normalised profit	1,221	1,680	1,317	8	(22)	4,631	15	75	6,153	15	
Extraordinary items	0	0	0			0			0		
Net profit	1,221	1,680	1,317	8	(22)	4,631	15	75	6,153	15	
EPS (THB)	0.47	0.65	0.51	8	(22)	1.80	15	75	2.39	15	
Asset quality ratio (%)											
NPLs (THB m)	1,555	3,877	3,295	112	(15)				3,196	100	
NPLs/Loans	1.85	4.36	3.81						3.55		
LLR/NPLs	452	251	275						265		
Credit cost (bps)	817	522	589						540		
Profitability ratio (%)											
Cost to income ratio*	35.7	35.2	38.6						36.6		
Average yield	16.8	15.6	15.4						15.1		
Cost of fund	2.8	2.7	2.7						2.5		
NIM	14.9	14.0	13.9						13.6		
Non-int inc/total income	38.1	39.2	36.4						38.4		
Loan growth (%)											
y-y	6.0	7.2	3.2						0.3		
q-q	1.1	3.0	(2.7)								Conservative lending

*Including share of profits from associates

Sources: KTC; FSSIA estimates

Exhibit 2: Comparing key numbers of KTC with and without KTBL – 3Q21

	Excl. KTBL	Incl. KTBL
Gross loans (THB m)	83,201	86,507
% y-y	(0.8)	3.2
% q-q	(1.8)	(2.7)
NPLs (THB m)	1,770	3,295
% y-y	13.8	111.8
% q-q	5.5	(15.1)
NPL ratio (%)	2.1	3.8
Coverage ratio (%)	414	275

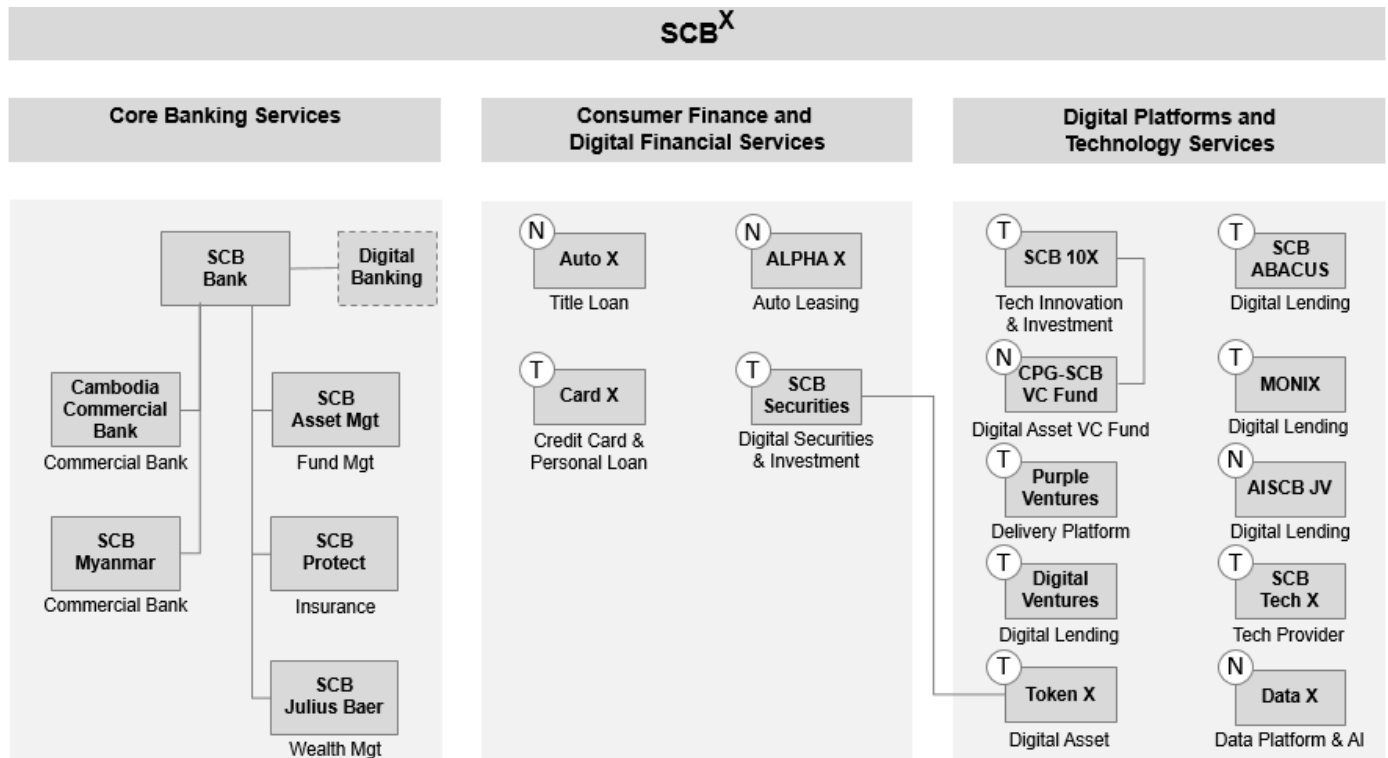
Source: FSSIA's compilation

Unsecured lending industry is turning red

We see that unsecured lending, KTC’s core business, is becoming a red ocean due to the potential new competitors. We believe that KTC will be one of the moderately affected lenders by Siam Commercial Bank (SCB, BUY, TP THB158)’s big move due to the companies having the same target clients and businesses. SCB plans to spin-off and aggressively expand its card business into the untapped low-income segment. Accordingly, SCB’s and KTC’s customer bases should overlap more.

Moreover, other types of lending, e.g. buy now pay later, peer-to-peer lending, etc., are in a rising trend. Although we believe these lending types will take some time before becoming popular in Thailand, we view them as barriers for KTC’s long-term growth outlook.

Exhibit 3: SCBX’s structure



N = newly established company, T = transferred from SCB bank
 Sources: SCB; FSSIA’s compilation

Potentially tighter controls over hire purchase loans

The implementation of an unsecured lending interest rate cap has spurred KTC to expand its business to secured lending as its management believes that secured lending provides a better risk-reward. KTC’s board approved a 75.05%-stake purchase of KTBL from Krungthai Bank (KTBL TB, HOLD, TP THB12.2) in Feb 2021. The transaction will be completed by Nov 2021. KTC plans to utilise KTBL’s client base and branches to penetrate into HP lending for new/used cars, trucks, and machinery.

The Office of the Consumer Protection Board (OCPB) is considering modifying HP contracts in terms of 1) an interest rate cap at 15% (EIR basis); and 2) vehicle debt haircuts for clients who would like to close loan contracts before maturity. Currently, this is in the hearing process. This would potentially be enforced on four HP lending types: cars, motorcycles, tractors, and agricultural vehicles.

Exhibit 4: Types of retail loans

	Auto title loans	HP loans	----- Personal loans -----		Credit cards	Nano finance	----- Pico finance ----	
			Normal p-loans	Digital loans			Pico	Pico plus
Minimum monthly income	-	-		-	THB15k	-		-
Interest rate cap (%)	24	No cap		25	16	33	36	36 (amount < THB50k) 28 (amount ≥ THB50k)
Market rate (%)	15-22	New motorcycle 30-45; new car 4-6; used car 8 - 20; new truck 6-8; used truck 9-18; home appliance 22-24	20-25	na.	16	na.	na.	
Maximum credit line*	LTV depends on lenders and borrowers	LTV depends on lenders and borrowers	1.5x for monthly income < THB30k 5x for monthly income ≥ THB30k	Credit lines of up to THB20k and repayment terms not over 6 months	1.5x for monthly income of THB15-30k; 3x for monthly income of THB30-50k; 5x for monthly income of ≥ THB50k	THB100k	THB50k	THB100k
Conditions/type of loan	Using vehicles as collateral, no transfer of auto registration	Ownership of collateral belongs to the lessor until the ownership is transferred to lessee when the instalments are paid off	Multipurpose, Unsecured	Online lending using other factors, e.g. bill payment behaviour for underwriting process, Multipurpose, Unsecured	Multipurpose, Unsecured	Business related, Unsecured	Multipurpose, Secured or Unsecured	
Service area	Nationwide	Nationwide	Nationwide		Nationwide	Nationwide	Provincial	
Regulator	BoT	OCPB	BoT		BoT	BoT	MoF	

*Excluding relaxed criteria from Covid pandemic

Relaxed criteria for:

1. Personal loans: BoT allows no limit for lenders to 2022, an increase in credit lines up to 2x income for THB30k income customers to 2022
2. Digital loans: increase credit lines up to THB40k and repayment terms to 12 months

BoT = the Bank of Thailand; MoF = Ministry of Finance; OCPB = Office of the Consumer Protection Board

Source: FSSIA's compilation

We think that a reasonable cap rate would be 25-30%, and we believe that the vehicle debt haircut is unlikely to happen. Moreover, KTC's HP portfolio is less than 1% of its total portfolio. However, we think that this is a strong sign that regulators would like to exert more control over HP lenders vs their currently limited control compared to other loan types. We also believe that KTC's share price has slightly priced in the benefit from diversifying its source of income to more secured loans and reducing the risk from income concentration. Thus, if more regulations are placed on HP loans, it could increase negative sentiment for KTC.

Exhibit 5: Portfolio structure

	MTC (%)	SAWAD (%)	SAK (%)	TIDLOR (%)	AEONTS (%)	KTC (%)	MICRO (%)	SINGER (%)	THANI (%)	NCAP (%)
Total portfolio (THB m)	79,831	32,584	7,770	54,213	87,077	88,938	3,134	8,552	49,098	4,489
Title loans	79	83	84	88		<1		55		
Unsecured loans	18	4	16		93	99				
HP	3	13			7		100	45	100	100
Motorcycle	3	13								100
Average yield (%)	22-24	30-35								30-35
Car					<7				37	
Average yield (%)					5-10				5-8	
Truck				12			100		63	
Average yield (%)				10-15			15-18		6-12	
Home appliance								45		
Average yield (%)								22-24		

Source: Company Data; FSSIA estimates

EPS revisions

We cut our EPS forecasts for 2021-23 by 8%/10%/11% mainly due to our expectation of slower loan growth, lower fee income, and a lower bad debt recovery.

- 1) We lower our 2021 loan growth assumption to 0.3% y-y vs our previous assumption of 3.0% y-y to reflect the impact from the resurgence of the Covid pandemic, resulting in a more cautious view on credit growth. We also revise down our loan growth assumptions for 2022-23 to 8.0% and 8.2% y-y from 8.8% and 9.5% y-y, respectively, due to the impact of SCB's aggressive expansion into the unsecured loan business and the changing face of fintech companies to penetrate the unsecured lending segment;
- 2) We lower our 2021-23 loan-related fee income assumptions following the slower loan growth;
- 3) We cut our 2021-23 bad debt recovery assumptions due mainly to the slower recovery rate of NPLs for KTBL than we had previously expected.

Exhibit 6: Key changes in assumptions

	2020	2021E			2022E			2023E		
	Actual (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	12,633	12,473	12,235	(1.9)	13,464	13,005	(3.4)	15,010	14,253	(5.0)
Non-interest income*	7,888	8,105	7,632	(5.8)	8,968	8,526	(4.9)	9,175	8,911	(2.9)
Operating income*	20,521	20,579	19,866	(3.5)	22,432	21,531	(4.0)	24,186	23,164	(4.2)
Operating expenses	7,260	7,125	7,266	2.0	7,270	7,414	2.0	7,488	7,780	3.9
PPOP before tax*	13,261	13,453	12,600	(6.3)	15,162	14,117	(6.9)	16,697	15,384	(7.9)
Expected credit loss	6,605	4,911	4,847	(1.3)	5,300	5,330	0.6	5,892	5,761	(2.2)
Tax expenses	1,325	1,708	1,551	(9.2)	1,972	1,757	(10.9)	2,161	1,925	(10.9)
Minority interest	(1)	123	50	(59.7)	142	77	(45.5)	130	85	(34.7)
Normalised profit	5,333	6,710	6,153	(8.3)	7,747	6,952	(10.3)	8,515	7,614	(10.6)
Extraordinary items	-	0	-		0	-		0	-	
Net profit	5,333	6,710	6,153	(8.3)	7,747	6,952	(10.3)	8,515	7,614	(10.6)
EPS (THB)	2.07	2.60	2.39	(8.3)	3.00	2.70	(10.3)	3.3	2.95	(10.6)
Asset quality ratio										
Gross NPLs (%)	1,598	3,196	3,276	2.5	2,397	2,457	2.5	2,445	2,506	2.5
Gross NPLs / Loans (%)	1.8	3.5	3.6		2.4	2.5		2.2	2.4	
Loan loss reserve/NPLs (%)	460	261	264		276	292		220	244	
Credit cost (bps)	753	540	540		550	570		560	570	
Profitability ratio										
Cost to income ratio* (%)	35.4	34.6	36.6		32.4	34.4		31.0	33.6	
Average yield (%)	16.2	15.2	15.1		15.5	15.4		15.8	15.6	
Cost of fund (%)	2.7	2.6	2.5		2.8	2.7		2.8	2.7	
Net interest margin (NIM) (%)	14.4	13.7	13.6		14.0	13.9		14.3	14.1	
% growth										
Loan growth (y-y %)	4.4	3.0	0.3		8.8	8.0		9.5	8.2	

*Including share of profits from associates

Sources: KTC; FSSIA estimates

Lower 2022 GGM-based TP to THB52

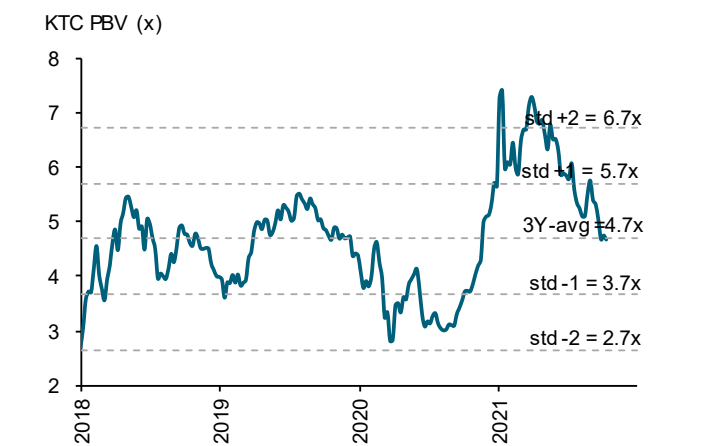
We revise down our 2022 GGM-based TP to THB52 from THB73, as we 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2022 P/BV to 4.3x from 5.9x as a result of our lower average long-term ROE target of 24.0% from 26.0% and our lower long-term growth assumption to 5.0% from 6.0%. We believe that KTC's valuation should de-rate to lower than its three-year average P/BV due to the potentially fierce competition, leading to a lower long-term ROE and a less satisfactory earnings growth outlook.

Exhibit 7: KTC – GGM-derived target price

Target price (THB)	52.0 (from 73.0)
Recommendation	HOLD (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	9.4 (unchanged)
Terminal growth (%)	5.0 (from 6.0)
ROE target (%)	24.0 (from 26.0)
Risk to TP	Upside risks to our GGM-derived TP include 1) stronger-than-expected growth for KTB Leasing; 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 9: KTC – one-year prospective P/BV



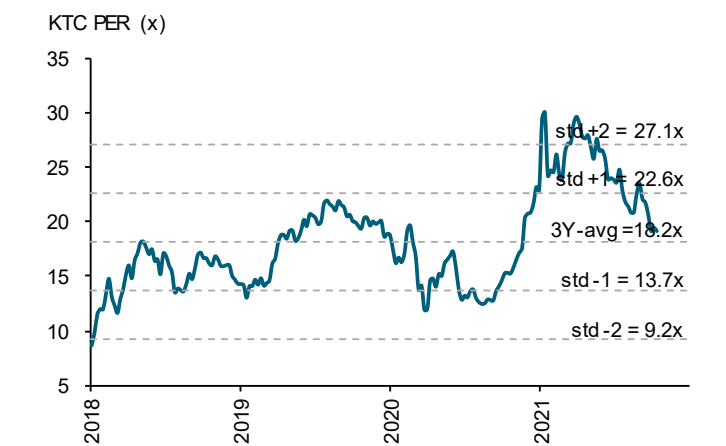
Sources: Bloomberg; FSSIA estimates

Exhibit 8: KTC's ROE and growth prospects

	2018-20 (%)	2021-23 (%)
Average ROE	30.4	24.0
Loan growth (CAGR)	6.8	5.4
Net profit growth (CAGR)	17.3	12.6

Source: FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

Exhibit 11: Key valuations of companies under coverage

	BBG code	Rec	---Share price---		Up side (%)	Market Cap (USD m)	EPS growth		--- P/E ---		--- ROE ---		--- PBV ---	
			Current (THB)	Target (THB)			21E (%)	22E (%)	21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)
Diversified financials						21,692	7.3	17.0	20.6	17.6	14.0	14.5	2.7	2.4
Unsecured-loan lender						5,766	12.1	13.4	19.0	16.7	23.4	22.8	4.1	3.6
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	193.00	204.00	6	1,449	7.5	13.9	12.2	10.7	21.5	21.1	2.4	2.1
Krungthai Card	KTC TB	HOLD	55.75	52.00	(7)	4,317	15.4	13.0	23.4	20.7	24.8	24.1	5.4	4.7
Auto-title lender						9,403	6.7	21.5	22.2	18.3	20.6	20.7	4.0	3.5
Muangthai Capital	MTC TB	BUY	60.00	67.00	12	3,820	3.1	23.5	23.7	19.2	23.4	23.8	5.0	4.2
Srisawad Corp	SAWAD TB	BUY	63.50	86.00	35	2,619	7.1	18.6	17.9	15.1	20.7	22.1	3.5	3.2
Saksiam Leasing	SAK TB	BUY	7.80	12.20	56	491	(17.3)	40.0	26.8	19.1	12.9	16.3	3.3	3.0
Ngern Tid Lor	TIDLOR TB	BUY	35.50	47.00	32	2,472	22.0	19.5	25.4	21.2	18.7	16.4	3.6	3.3
Truck lender						1,504	(10.3)	4.0	18.6	17.8	14.6	13.5	2.3	2.0
Micro Leasing	MICRO TB	BUY	7.55	10.70	42	212	23.1	33.5	34.6	26.0	10.8	13.2	3.6	3.3
Singer Thailand	SINGER TB	BUY	39.50	51.00	29	601	24.8	2.4	29.1	28.4	13.0	9.8	2.6	2.1
Ratchthani Leasing	THANI TB	BUY	4.06	5.20	28	691	(20.9)	15.8	12.8	11.0	16.0	17.0	2.0	1.8
Asset management						3,652	10.1	32.1	33.2	25.1	6.9	8.3	2.1	1.9
Bangkok Commercial Asset Mngt.	BAM TB	BUY	18.60	19.40	4	1,806	13.5	37.8	28.8	20.9	4.8	6.2	1.3	1.3
Chayo Group	CHAYO TB	BUY	11.50	18.80	63	332	18.5	39.6	44.9	32.1	12.8	11.7	4.0	3.2
JMT Network Services	JMT TB	BUY	44.75	57.00	27	1,514	7.8	29.1	38.0	29.4	18.7	13.9	6.0	2.8
Other						1,118	8.1	11.6	9.0	8.1	6.4	6.8	0.6	0.5
Thanachart Capital	TCAP TB	HOLD	35.50	35.00	(1)	1,118	8.1	11.6	9.0	8.1	6.4	6.8	0.6	0.5
Hire purchase motorcycle						250	55.9	33.4	26.5	19.8	17.4	19.8	4.3	3.6
Next Capital	NCAP TB	BUY	9.25	16.80	82	250	55.9	33.4	26.5	19.8	17.4	19.8	4.3	3.6

Share prices as of 15 Oct 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	13,617	14,500	15,871
Interest expense	(1,566)	(1,534)	(1,382)	(1,495)	(1,618)
Net interest income	12,041	12,633	12,235	13,005	14,253
Net fees & commission	5,033	4,478	4,120	4,614	4,983
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	3,985	3,411	3,512	3,913	3,928
Non interest income	9,018	7,888	7,632	8,526	8,911
Total income	21,059	20,521	19,866	21,531	23,164
Staff costs	(7,519)	(7,050)	(7,050)	(7,191)	(7,550)
Other operating costs	(203)	(210)	(217)	(223)	(230)
Operating costs	(7,722)	(7,260)	(7,266)	(7,414)	(7,780)
Pre provision operating profit	13,337	13,261	12,600	14,117	15,384
Provision for bad and doubtful debt	(6,433)	(6,605)	(4,847)	(5,330)	(5,761)
Other provisions	-	-	-	-	-
Operating profit	6,904	6,656	7,753	8,787	9,623
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	7,753	8,787	9,623
Tax	(1,380)	(1,325)	(1,551)	(1,757)	(1,925)
Profit after tax	5,524	5,331	6,202	7,030	7,698
Minority interests	0	1	(50)	(77)	(85)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,524	5,332	6,153	6,952	7,614
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,524	5,332	6,153	6,952	7,614
Per share (THB)					
Recurring EPS *	2.14	2.07	2.39	2.70	2.95
Reported EPS	2.14	2.07	2.39	2.70	2.95
DPS	0.88	0.85	0.98	1.11	1.21
Growth					
Net interest income (%)	8.6	4.9	(3.2)	6.3	9.6
Non interest income (%)	5.4	(12.5)	(3.3)	11.7	4.5
Pre provision operating profit (%)	10.1	(0.6)	(5.0)	12.0	9.0
Operating profit (%)	7.6	(3.6)	16.5	13.3	9.5
Reported net profit (%)	7.5	(3.5)	15.4	13.0	9.5
Recurring EPS (%)	7.5	(3.5)	15.4	13.0	9.5
Reported EPS (%)	7.5	(3.5)	15.4	13.0	9.5
Income Breakdown					
Net interest income (%)	57.2	61.6	61.6	60.4	61.5
Net fees & commission (%)	23.9	21.8	20.7	21.4	21.5
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	18.9	16.6	17.7	18.2	17.0
Operating performance					
Gross interest yield (%)	16.59	16.15	15.17	15.51	15.70
Cost of funds (%)	2.81	2.66	2.49	2.71	2.74
Net interest spread (%)	13.78	13.49	12.68	12.80	12.96
Net interest margin (%)	14.7	14.4	13.6	13.9	14.1
Cost/income(%)	36.7	35.4	36.6	34.4	33.6
Cost/assets(%)	9.4	8.4	8.3	8.1	7.8
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	24.8	24.1	23.0
ROE - COE (%)	19.8	14.3	14.0	13.3	12.2
ROA (%)	6.7	6.1	7.1	7.7	7.7
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	89,915	97,108	105,033
Total provisions	(5,650)	(7,355)	(8,638)	(7,170)	(6,104)
interest in suspense	0	543	539	583	630
Net customer loans	80,183	82,795	81,816	90,520	99,559
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	4	0	0	0	0
Cash & equivalents	1,348	1,914	1,722	1,127	654
Other interesting assets	-	-	-	-	-
Tangible fixed assets	495	481	468	455	443
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	2,226	3,213	3,092	3,368	3,658
Total assets	84,257	88,403	87,098	95,470	104,314
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	57,540	57,687	53,157	57,071	61,050
Non interest bearing liabilities	8,134	7,866	7,079	7,433	7,805
Hybrid Capital	-	-	-	-	-
Total liabilities	65,674	65,553	60,236	64,504	68,855
Share capital	2,578	2,578	2,578	2,578	2,578
Reserves	17,129	20,221	24,232	28,334	32,826
Total equity	19,708	22,799	26,810	30,912	35,404
Minority interests	27	51	52	53	54
Total liabilities & equity	85,409	88,403	87,098	95,470	104,314
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	82,020	87,722	89,761	93,511	101,070
Average interest bearing liabilities	55,831	57,614	55,422	55,114	59,061
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	3,276	2,457	2,506
Per share (THB)					
Book value per share	7.64	8.84	10.40	11.99	13.73
Tangible book value per share	7.64	8.84	10.40	11.99	13.73
Growth					
Gross customer loans	9.8	4.4	0.3	8.0	8.2
Average interest earning assets	8.1	7.0	2.3	4.2	8.1
Total asset (%)	5.8	4.9	(1.5)	9.6	9.3
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	23.4	25.8	30.8	32.4	33.9
Tangible equity/assets (%)	23.4	25.8	30.8	32.4	33.9
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	2.1	75.6	105.0	(25.0)	2.0
NPL/gross loans (%)	1.1	1.8	3.6	2.5	2.4
Total provisions/gross loans (%)	6.6	8.2	9.6	6.8	5.8
Total provisions/NPL (%)	621.0	460.3	263.7	291.8	243.6
Valuation					
Recurring P/E (x) *	26.0	27.0	23.4	20.7	18.9
Recurring P/E @ target price (x) *	24.3	25.1	21.8	19.3	17.6
Reported P/E (x)	26.0	27.0	23.4	20.7	18.9
Dividend yield (%)	1.6	1.5	1.8	2.0	2.2
Price/book (x)	7.3	6.3	5.4	4.7	4.1
Price/tangible book (x)	7.3	6.3	5.4	4.7	4.1
Price/tangible book @ target price (x)	6.8	5.9	5.0	4.3	3.8

* 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	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	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	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITLIB	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

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* 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	TTB	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)

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

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

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Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Krungthai Card	KTC TB	THB 55.75	HOLD	Upside risks to our GGM-derived TP include 1) stronger-than-expected growth for KTB Leasing; 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 11.70	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 193.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Muangthai Capital	MTC TB	THB 60.00	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 63.50	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand.
Saksiam Leasing	SAK TB	THB 7.80	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 35.50	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.
Micro Leasing	MICRO TB	THB 7.55	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 39.50	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 4.06	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.
Bangkok Commercial Asset Mngt.	BAM TB	THB 18.60	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Chayo Group	CHAYO TB	THB 11.50	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
JMT Network Services	JMT TB	THB 44.75	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.
Thanachart Capital	TCAP TB	THB 35.50	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 9.25	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.
Siam Commercial Bank	SCB TB	THB 123.00	BUY	Downside risks to our SOTP-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 its NIM.

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 15-Oct-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.