

5 NOVEMBER 2021

THAILAND / DIVERSIFIED FINANCIALS

## MUANGTHAI CAPITAL MTC TB

BUY

UNCHANGED

TARGET PRICE	THB71.00
CLOSE	THB64.00
UP/DOWNSIDE	+10.9%
PRIOR TP	THB67.00
CHANGE IN TP	+6.0%
TP vs CONSENSUS	+2.2%

## รอให้เจ้าตลาดกลับมาใน 1Q22

## คาดฟื้นตัวซ้ำใน 3Q21

เราคาดว่า MTC จะรายงานกำไรสุทธิ 3Q21 ที่ 1.31 พัน ลบ. (-2% y-y, +4% q-q) โดยมี สมมติฐานประกอบด้วย 1) สินเชื่อที่โตดีกว่ากลุ่มฯ ที่ 7% q-q และ 20.4% YTD; และ 2) การควบคุมคุณภาพสินทรัพย์ที่มีประสิทธิภาพ โดยมีหนี้ต่อคุณภาพ (NPL) เพิ่ม 10% q-q คิดเป็นสัดส่วน NPL ที่ 1.14% อย่างไรก็ตามเราคิดว่าหุ้นยังมี 2 ปัจจัยลบ ข้อแรกเราคาดว่า ผลตอบแทนสินเชื่อจะลดลงต่อเนื่องเหลือ 18.8% จากการแข่งขันที่ดุเดือด ข้อสองค่าใช้จ่ายในการดำเนินงาน (OPEX) น่าจะเพิ่มในระดับปานกลางจากเงินตอบแทนสำหรับการติดตามหนี้ที่จ่ายให้กับพนักงาน

## จะโตดีขึ้นใน 1Q22

ใน 4Q21 กำไรอาจปรับขึ้นเล็กน้อย y-y โดยกำไรน่าจะอยู่ในระดับสูงตั้งแต่ 1Q22 เป็นต้นไป โดยได้ปัจจัยหนุนจากสินเชื่อที่โตโดดเด่น นอกจากนี้เรายังคาดว่า MTC จะหยุดจ่ายเงินตอบแทนสำหรับการติดตามหนี้ใน 1Q22 หลังการกลับมาเปิดกิจกรรมทางเศรษฐกิจ ซึ่งทำให้คุณภาพสินทรัพย์ปรับตัวดีขึ้น

## ปรับประมาณการกำไรและการประเมินมูลค่า

เราเพิ่มประมาณการกำไรสุทธิปี 2022-23 อีก 3%/4% ส่วนมากเพื่อสะท้อนการเพิ่มของผลตอบแทนสินเชื่อหลังจากที่บริษัทปรับเพิ่มผลตอบแทนสินเชื่อทะเบียนรถมอเตอร์ไซด์เพิ่มขึ้น 1% ใน 3Q21 อย่างไรก็ตามเราปรับลดสมมติฐานอัตราการเติบโตของสินเชื่อในปี 2023 เหลือ 18% y-y จาก 20% y-y เนื่องจากเราคาดว่าการแข่งขันจะดุเดือดขึ้นจากทั้งผู้เล่นหลักในปัจจุบันและขาใหญ่ที่ใหม่ กล่าวคือ Auto X (บริษัทย่อยของ SCBX) เราปรับเพิ่มราคาเป้าหมายปี 2022 เป็น 71 จาก 67 บาท (GGM) เนื่องจากเรา 1) ปรับเพิ่มประมาณการกำไรต่อหุ้น ซึ่งทำให้มูลค่าบัญชีเพิ่มสูงขึ้น; และ 2) ปรับเพิ่มเป้า 2022E P/BV จาก 4.6x เป็น 4.9x เพื่อสะท้อนการเพิ่มของเป้าหมายผลตอบแทนต่อส่วนผู้ถือหุ้นระยะยาวเฉลี่ยเป็น 24.4% จาก 23.0% ซึ่งสามารถชดเชยสมมติฐานต้นทุนของเงินทุนที่สูงขึ้นจากความเสี่ยงที่เพิ่มขึ้นตามการแข่งขันที่รุนแรงยิ่งขึ้นได้เต็มจำนวน

## คงคำแนะนำซื้อที่ราคาเป้าหมายปี 2022 ที่ 71 บาท (GGM)

เรคงคำแนะนำซื้อ เนื่องจากเราเชื่อว่าบริษัทฯ ได้ผ่านจุดต่ำสุดไปแล้วใน 2Q21 เราเชื่อว่าการเป็นผู้นำตลาดในแง่จำนวนสัญญาสินเชื่อที่มากกว่า 3 ล้านสัญญาและเครือข่ายทั่วประเทศที่ 5,665 สาขาจะทำให้แนวโน้มกำไรกลับมาเป็นปกติในปี 2022 โดยคาดว่าจะโตถึง 24% ความเสี่ยงสำคัญในระยะยาวของ MTC หลัง Auto X เริ่มมีส่วนแบ่งตลาดที่มีนัยสำคัญอยู่ที่ธุรกิจที่กระจุกตัวอยู่ในสินเชื่อรถมอเตอร์ไซด์และสินเชื่อทะเบียนรถยนต์ (ประมาณ 70% ของพอร์ตรวม) เมื่อเทียบกับกลุ่มฯ ซึ่งทำให้ MTC ไม่ใช่หุ้นที่เราชอบที่สุดในกลุ่มสินเชื่อทะเบียนรถยนต์ ในขณะที่ เรากำลังรอที่จะประเมินการขยายธุรกิจไปสู่ตลาดสินเชื่อเช่าซื้อสินค้าอุปโภคบริโภคซึ่งบริษัทฯ ยังไม่ได้ให้ข้อมูลในเรื่องนี้

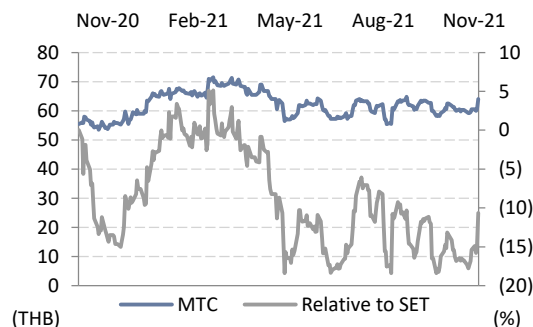


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## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	6,517	6,703	8,502	10,433
Net profit	5,214	5,374	6,801	8,346
EPS (THB)	2.46	2.53	3.21	3.94
vs Consensus (%)	-	(1.4)	0.5	(4.6)
Core net profit	5,214	5,374	6,801	8,346
Core EPS (THB)	2.46	2.53	3.21	3.94
Chg. In EPS est. (%)	-	0.0	2.5	3.7
EPS growth (%)	23.0	3.1	26.6	22.7
Core P/E (x)	26.0	25.2	19.9	16.3
Dividend yield (%)	0.6	0.6	0.8	0.9
Price/book (x)	6.6	5.4	4.4	3.6
ROE (%)	28.4	23.4	24.3	24.4
ROA (%)	7.5	6.2	6.3	6.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.7	3.6	15.8
Relative to country (%)	5.9	(1.5)	(12.9)
Mkt cap (USD m)			4,059
3m avg. daily turnover (USD m)			15.5
Free float (%)			21
Major shareholder			Petaumpai Family (67%)
12m high/low (THB)			73.75/53.25
Issued shares (m)			2,120

Sources: Bloomberg consensus; FSSIA estimates

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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 5 พฤศจิกายน 2021

### Investment thesis

MTC is the largest listed non-bank personal and auto title loan service provider in Thailand. We believe that the business prospects for secured consumer loans remain solid. The demand for fast cash is less volatile in varying economic conditions, though spending purposes may differ. Operationally, MTC has long experience and strong management expertise, reflecting its ability to drive growth and contain asset quality.

We maintain BUY as we believe the company has passed its bottom in 2Q21. We believe its market leading position in terms of loan contract numbers with more than 3m active contracts and a nationwide network of 5,665 branches will allow its earnings momentum to get back on track in 2022, with expected growth of 24%. The key long-term risk for MTC after Auto X starts to gain a meaningful market share would be its most concentrated motorbike and car title loan business (c70% of total port) vs its peers. We are waiting to gauge its expansion into the consumer products hire purchase business. It has not yet provided any clues about this. Thus, MTC is not our most preferred auto title loan stocks

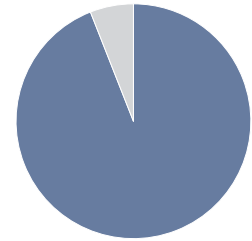
### Company profile

MTC has provided lending services since 1992, focusing on motorcycle title loans, and commands the highest market share in Thailand. The company has also expanded its business to personal and other title loans such as car, agricultural and land title loans.

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

### Principal activities (revenue, 2020)

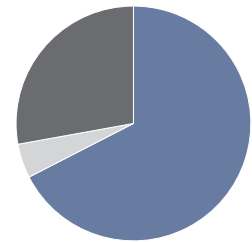
- Net interest income - 94.0 %
- Non-interest income - 6.0 %



Source: Muangthai Capital

### Major shareholders

- Petaumpai Family - 67.5 %
- Thai NVDR Co., Ltd. - 4.7 %
- Others - 27.8 %



Source: Muangthai Capital

### Catalysts

Potential share price catalysts for MTC include:

1. Strong growth in its new business, hire purchase loans for motorcycles;
2. The end of low-rate charges for motorbike title loans;
3. Better cost control.

### Risks to our call

Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.

### Event calendar

Date	Event
9 Nov 2021	3Q21 results announcement

### Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	5,374	6,801	8,346
Net profit growth	3.1	26.6	22.7
NIM	16.23	16.46	16.78
Loan growth	27.0	23.0	18.0
Non-NII growth	6.9	(21.4)	9.6
Credit cost (bp)	85	105	110
Cost to income*	46.9	44.4	43.9

\*Including share of profits from associates

Source: FSSIA estimates

### Earnings sensitivity

Year to Dec	2021E			
	±2ppt	25.0	27.0	29.0
Loan growth	±2ppt	25.0	27.0	29.0
% change in net profit		(1.9)	-	1.9
NIM (%)	±5bp	16.18	16.23	16.28
% change in net profit		(0.5)	-	0.5
Credit cost (bps)	±10bp	0.6	-	(0.6)
% change in net profit		25.0	27.0	29.0

Source: FSSIA estimates



## Slow recovery in 3Q21

We expect MTC to report a 3Q21 net profit of THB1,315m (-2% y-y, +4% q-q). We estimate 1) remarkable loan growth over its peers at 7% q-q and 20.4% YTD; and 2) efficient asset quality control with a 10% q-q rise in its non-performing loans (NPLs), implying an NPL ratio of 1.14%. However, we think that two negatives remain. First, we expect a continued drop in its loan yield to 18.8% from the tight competition. Second, its OPEX should increase moderately from the debt collection incentive paid to its staff.

### 3Q21E key highlights

- Total loan volume is likely to increase significantly by 7.0% q-q, driven by a rise in all segments. However, motorcycle hire purchase loans could post lower growth compared with 2Q21 due to the chip supply shortage.
- Its yield on loans might decrease to 18.8% from 19.2% in 2Q21, mainly due to the impact of its motorbike title loans and car title loan rate cuts to compete with its peers.
- OPEX is likely to rise moderately by 11% y-y and 3% q-q, resulting in a high cost to income ratio of 48.5% – MTC continued to pay a special debt collection incentive to its staff.

### Exhibit 1: MTC – summary of 3Q21E results

Year-end Dec 31	3Q20	2Q21	3Q21E		9M21E			2021E	Change	3Q21E comments	
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%21E	(THB m)	(y-y %)	
Net interest income	3,088	3,177	3,313	7	4	9,598	8	73	13,076	8	
Non-interest income*	182	212	198	9	(7)	682	21	83	824	7	
Operating income*	3,270	3,389	3,510	7	4	10,280	8	74	13,900	8	
Operating expenses	1,533	1,656	1,702	11	3	4,849	7	74	6,512	6	
<b>PPOP before tax</b>	<b>1,736</b>	<b>1,733</b>	<b>1,809</b>	<b>4</b>	<b>4</b>	<b>5,431</b>	<b>10</b>	<b>74</b>	<b>7,388</b>	<b>9</b>	
Expected credit loss	52	138	165	218	20	459	230	67	685	169	
Income tax	344	325	329	(5)	1	1,014	5	76	1,329	2	
Minority interest	0	0	0			0			0		
<b>Normalised profit</b>	<b>1,340</b>	<b>1,270</b>	<b>1,315</b>	<b>(2)</b>	<b>4</b>	<b>3,958</b>	<b>3</b>	<b>74</b>	<b>5,374</b>	<b>3</b>	
Extraordinary items	0	0	0			0			0		
<b>Net profit</b>	<b>1,340</b>	<b>1,270</b>	<b>1,315</b>	<b>(2)</b>	<b>4</b>	<b>3,958</b>	<b>3</b>	<b>74</b>	<b>5,374</b>	<b>3</b>	
EPS (THB)	0.63	0.60	0.62	(2)	4	1.87	3	74	2.53	3	
<b>Asset quality ratio (%)</b>											
NPLs (THB m)	674	882	971	44	10				1,011	35	
NPLs / loans	1.00	1.11	1.14						1.12		
Loan loss reserve/NPLs	199	163	163						159		
Credit cost (bps)	32	72	80						85		
<b>Profitability ratio (%)</b>											
Cost to income ratio	46.9	48.9	48.5						46.9		
Average yield	21.8	19.2	18.8						18.9		Impact from price competition
Cost of funds	3.6	3.4	3.5						3.5		
Net interest margin (NIM)	18.9	16.6	16.0						16.2		
Non-int inc / total income	5.6	6.3	5.6						38.4		
<b>Loan growth (%)</b>											
y-y	16.5	26.0	27.1						27.0		
q-q	6.1	8.5	7.0								Solid growth from all segments

\*Including share of profits from associates

Sources: MTC; FSSIA estimates

## Earnings revisions

We increase our net profit forecasts for 2022-23 by 3%/4% to mainly reflect the increase in its loan yield after a rise in its motorcycle title loans by 1% in 3Q21. However, we lower our loan growth assumption in 2023 to 18% y-y from 20% y-y, as we expect tighter competition from both the major existing players and the new big player, Auto X (a subsidiary of SCBX). According to Siam Commercial Bank (SCB TB, BUY, TP THB160)'s management, it will expand into the auto title loan grassroots segment aggressively next year. We think it might take around two years before Auto X gains more meaningful market share. Thus, we expect the loan growth prospects of existing auto title loan lenders to be lower in 2023.

### Exhibit 2: 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	12,145	13,048	13,076	0.2	15,859	16,544	4.3	19,718	20,274	2.8
Non-interest income*	771	904	824	(8.8)	864	648	(25.0)	882	710	(19.5)
Operating income*	12,916	13,952	13,900	(0.4)	16,723	17,192	2.8	20,600	20,984	1.9
Operating expenses	6,144	6,567	6,512	(0.8)	7,522	7,635	1.5	9,201	9,222	0.2
<b>PPOP before tax*</b>	<b>6,771</b>	<b>7,385</b>	<b>7,388</b>	<b>0.0</b>	<b>9,201</b>	<b>9,557</b>	<b>3.9</b>	<b>11,399</b>	<b>11,762</b>	<b>3.2</b>
Expected credit loss (Reversal)	255	685	685	0.0	904	1,055	16.7	1,341	1,329	(0.9)
Tax expenses	1,303	1,327	1,329	0.2	1,659	1,700	2.5	2,012	2,087	3.7
Minority interest	-	0	-		0	-		0	-	
<b>Normalised profit</b>	<b>5,214</b>	<b>5,374</b>	<b>5,374</b>	<b>0.0</b>	<b>6,637</b>	<b>6,801</b>	<b>2.5</b>	<b>8,046</b>	<b>8,346</b>	<b>3.7</b>
Extraordinary items	-	0	-		0	-		0	-	
<b>Net profit</b>	<b>5,214</b>	<b>5,374</b>	<b>5,374</b>	<b>0.0</b>	<b>6,637</b>	<b>6,801</b>	<b>2.5</b>	<b>8,046</b>	<b>8,346</b>	<b>3.7</b>
EPS (THB)	2.46	2.53	2.53	0.0	3.13	3.21	2.5	3.8	3.94	3.7
<b>Key statistics and ratios</b>										
<b>Asset quality ratio</b>										
Gross NPLs (THB m)	749	1,123	1,011	(10.0)	1,460	1,314	(10.0)	1,825	1,643	(10.0)
Gross NPLs / Loans (%)	1.06	1.2	1.1		1.3	1.2		1.4	1.3	
Loan loss reserve/NPLs (%)	177	143	159		126	152		130.9	155	
Credit cost (bps)	39	85	85		90	105		110	110	
<b>Profitability ratio (%)</b>										
Cost to income ratio*	47.6	47.1	46.9		45.0	44.4		44.7	43.9	
Average yield	21.3	18.8	18.9		18.4	19.2		18.8	19.5	
Cost of funds	3.7	3.5	3.5		3.5	3.6		3.5	3.6	
Net interest margin (NIM)	18.5	16.2	16.2		15.8	16.5		16.2	16.8	
<b>Loan growth (%)</b>										
y-y	17.6	27.0	27.0		23.0	23.0		20.0	18.0	

\*Including share of profits from associates

Sources: MTC; FSSIA estimates

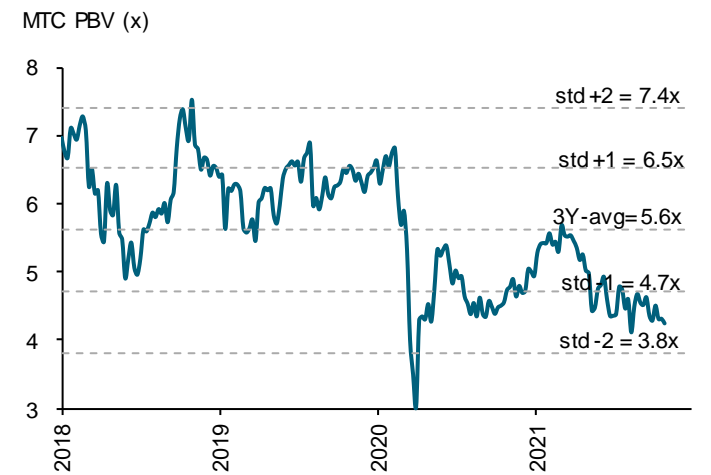
We revise up our 2022 GGM-based TP to THB71 from THB67 as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022E P/BV from 4.6x to 4.9x to reflect the increase in our average long-term ROE target of 24.4% from 23.0%, which could completely offset our higher cost of equity assumption due to the higher risk from the more intense competition.

**Exhibit 3: MTC – GGM-derived target price**

Target price (THB)	71 (from 67)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.6 (from 11.5)
Terminal growth (%)	8.2 (from 7.9)
ROE target (%)	24.4 (from 23.0)
Target PBV (x)	4.9 (from 4.6)
Risk to TP	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of the Consumer Protection Board.

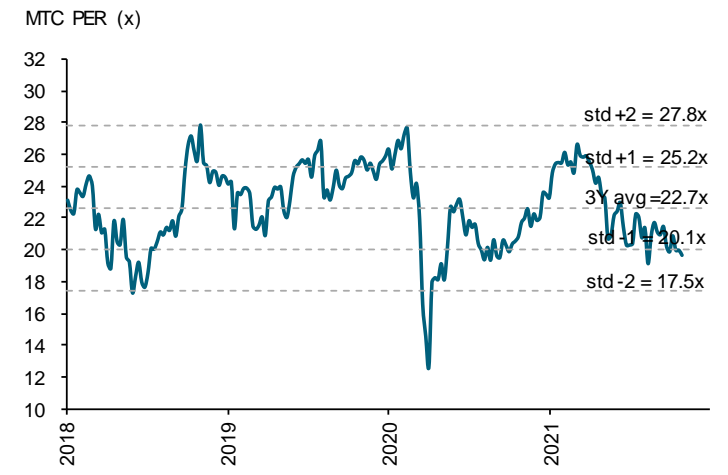
Source: FSSIA estimates

**Exhibit 4: MTC – prospective P/BV band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 5: MTC – prospective P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 6: 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)
<b>Diversified financials</b>						22,451	11.6	21.9	24.3	19.9	18.9	18.6	4.1	3.3
<b>Unsecured-loan lenders</b>						5,967	14.3	13.1	21.4	19.0	24.0	23.4	4.8	4.2
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	197.00	204.00	4	1,474	7.5	13.9	12.4	10.9	21.5	21.1	2.5	2.1
Krungthai Card	KTC TB	HOLD	58.25	52.00	(11)	4,494	15.4	13.0	24.4	21.6	24.8	24.1	5.6	4.9
<b>Auto-title lenders</b>						9,804	7.8	23.4	23.9	19.4	20.8	21.2	4.4	3.8
Muangthai Capital	MTC TB	BUY	64.00	71.00	11	4,059	3.1	26.6	25.2	19.9	23.4	24.3	5.4	4.4
Srisawad Corp	SAWAD TB	BUY	64.75	80.00	24	2,660	4.2	20.6	18.7	15.5	20.2	22.0	3.6	3.2
Saksiam Leasing	SAK TB	BUY	8.25	11.00	33	517	(19.5)	39.1	29.1	20.9	12.6	15.9	3.5	3.1
Ngern Tid Lor	TIDLOR TB	BUY	37.00	43.00	16	2,567	23.8	17.8	26.1	22.1	18.9	16.4	3.8	3.4
<b>Truck lenders</b>						1,543	12.1	11.8	22.7	20.3	14.1	13.6	2.8	2.2
Micro Leasing	MICRO TB	BUY	7.85	10.70	36	220	23.1	33.5	36.0	27.0	10.8	13.2	3.8	3.4
Singer Thailand	SINGER TB	BUY	39.50	51.00	29	608	24.8	2.4	29.1	28.4	13.0	9.8	3.2	2.1
Ratchthani Leasing	THANI TB	BUY	4.22	5.20	23	715	(20.9)	15.8	13.3	11.5	16.0	17.0	2.0	1.9
<b>Asset management</b>						3,774	14.1	32.8	34.6	26.1	11.6	10.1	3.7	2.2
Bangkok Commercial Asset Mngt.	BAM TB	BUY	18.90	22.00	16	1,828	20.9	35.8	27.5	20.2	5.1	6.5	1.3	1.3
Chayo Group	CHAYO TB	BUY	11.70	18.80	61	337	18.5	39.6	45.6	32.7	12.8	11.7	4.1	3.3
JMT Network Services	JMT TB	BUY	47.75	57.00	19	1,609	7.8	29.1	40.5	31.4	18.7	13.9	6.4	2.9
<b>Other</b>						1,122	8.1	11.6	9.1	8.2	6.4	6.8	0.6	0.5
Thanachart Capital	TCAP TB	HOLD	35.75	35.00	(2)	1,122	8.1	11.6	9.1	8.2	6.4	6.8	0.6	0.5
<b>Hire purchase motorcycle</b>						242	55.9	33.4	25.8	19.3	17.4	19.8	4.2	3.5
Next Capital	NCAP TB	BUY	9.00	16.80	87	242	55.9	33.4	25.8	19.3	17.4	19.8	4.2	3.5

Share prices as of 4 Nov 2021

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Muangthai Capital

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	11,880	13,962	15,224	19,295	23,503
Interest expense	(1,527)	(1,817)	(2,148)	(2,751)	(3,229)
Net interest income	10,353	12,145	13,076	16,544	20,274
Net fees & commission	723	726	777	599	658
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	85	45	47	49	52
Non interest income	808	771	824	648	710
Total income	11,161	12,916	13,900	17,192	20,984
Staff costs	(3,009)	(3,676)	(4,356)	(5,096)	(6,370)
Other operating costs	(2,306)	(2,469)	(2,157)	(2,539)	(2,852)
Operating costs	(5,314)	(6,144)	(6,512)	(7,635)	(9,222)
Pre provision operating profit	5,847	6,771	7,388	9,557	11,762
Provision for bad and doubtful debt	(554)	(255)	(685)	(1,055)	(1,329)
Other provisions	-	-	-	-	-
Operating profit	5,293	6,517	6,703	8,502	10,433
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	5,293	6,517	6,703	8,502	10,433
Tax	(1,056)	(1,303)	(1,329)	(1,700)	(2,087)
Profit after tax	4,237	5,214	5,374	6,801	8,346
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,237	5,214	5,374	6,801	8,346
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,237	5,214	5,374	6,801	8,346
<b>Per share (THB)</b>					
Recurring EPS *	2.00	2.46	2.53	3.21	3.94
Reported EPS	2.00	2.46	2.53	3.21	3.94
DPS	0.30	0.37	0.38	0.48	0.59
<b>Growth</b>					
Net interest income (%)	22.6	17.3	7.7	26.5	22.5
Non interest income (%)	(7.3)	(4.6)	6.9	(21.4)	9.6
Pre provision operating profit (%)	12.2	15.8	9.1	29.4	23.1
Operating profit (%)	14.4	23.1	2.9	26.8	22.7
Reported net profit (%)	14.1	23.0	3.1	26.6	22.7
Recurring EPS (%)	14.1	23.0	3.1	26.6	22.7
Reported EPS (%)	14.1	23.0	3.1	26.6	22.7
<b>Income Breakdown</b>					
Net interest income (%)	92.8	94.0	94.1	96.2	96.6
Net fees & commission (%)	6.5	5.6	5.6	3.5	3.1
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.8	0.3	0.3	0.3	0.2
<b>Operating performance</b>					
Gross interest yield (%)	21.92	21.27	18.90	19.20	19.45
Cost of funds (%)	3.83	3.71	3.50	3.60	3.60
Net interest spread (%)	18.09	17.56	15.40	15.60	15.85
Net interest margin (%)	19.1	18.5	16.2	16.5	16.8
Cost/income(%)	47.6	47.6	46.9	44.4	43.9
Cost/assets(%)	9.6	8.8	7.5	7.1	7.3
Effective tax rate (%)	19.9	20.0	19.8	20.0	20.0
Dividend payout on recurring profit (%)	15.0	15.0	15.0	15.0	15.0
ROE (%)	30.0	28.4	23.4	24.3	24.4
ROE - COE (%)	19.2	17.6	12.6	13.5	13.6
ROA (%)	7.6	7.5	6.2	6.3	6.6
RORWA (%)	-	-	-	-	-

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

Sources: Muangthai Capital; FSSIA estimates

## Financial Statements

### Muangthai Capital

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	60,338	70,968	90,129	110,859	130,814
Total provisions	(1,713)	(1,328)	(1,607)	(1,997)	(2,541)
interest in suspense	-	0	0	0	0
<b>Net customer loans</b>	<b>58,624</b>	<b>69,640</b>	<b>88,522</b>	<b>108,862</b>	<b>128,272</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	783	1,378	1,995	1,415	479
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,778	1,928	2,121	2,333	2,567
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	687	4,275	4,618	4,988	5,356
<b>Total assets</b>	<b>61,873</b>	<b>77,222</b>	<b>97,256</b>	<b>117,599</b>	<b>136,675</b>
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	44,163	53,699	69,024	83,786	95,611
Non interest bearing liabilities	1,737	2,841	2,983	3,132	3,288
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>45,900</b>	<b>56,540</b>	<b>72,006</b>	<b>86,918</b>	<b>98,900</b>
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	13,863	18,567	23,135	28,566	35,660
<b>Total equity</b>	<b>15,983</b>	<b>20,687</b>	<b>25,255</b>	<b>30,686</b>	<b>37,780</b>
Minority interests	(12)	(5)	(5)	(5)	(5)
<b>Total liabilities &amp; equity</b>	<b>61,872</b>	<b>77,222</b>	<b>97,256</b>	<b>117,599</b>	<b>136,675</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	54,193	65,653	80,549	100,494	120,836
Average interest bearing liabilities	39,811	48,931	61,361	76,405	89,699
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)	621	749	1,011	1,314	1,643
<b>Per share (THB)</b>					
Book value per share	7.54	9.76	11.91	14.47	17.82
Tangible book value per share	7.54	9.76	11.91	14.47	17.82
<b>Growth</b>					
Gross customer loans	25.6	17.6	27.0	23.0	18.0
Average interest earning assets	29.5	21.1	22.7	24.8	20.2
Total asset (%)	25.9	24.8	25.9	20.9	16.2
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	25.8	26.8	26.0	26.1	27.6
Tangible equity/assets (%)	25.8	26.8	26.0	26.1	27.6
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality</b>					
Change in NPL (%)	15.1	20.5	35.0	30.0	25.0
NPL/gross loans (%)	1.0	1.1	1.1	1.2	1.3
Total provisions/gross loans (%)	2.8	1.9	1.8	1.5	1.9
Total provisions/NPL (%)	275.7	177.3	159.0	152.0	154.7
<b>Valuation</b>					
Recurring P/E (x) *	32.0	26.0	25.2	19.9	16.3
Recurring P/E @ target price (x) *	35.5	28.9	28.0	22.1	18.0
Reported P/E (x)	32.0	26.0	25.2	19.9	16.3
Dividend yield (%)	0.5	0.6	0.6	0.8	0.9
Price/book (x)	8.5	6.6	5.4	4.4	3.6
Price/tangible book (x)	8.5	6.6	5.4	4.4	3.6
Price/tangible book @ target price (x)	9.4	7.3	6.0	4.9	4.0

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

Sources: Muangthai Capital; 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	TTB	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

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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
Muangthai Capital	MTC TB	THB 64.00	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 and the Office of Consumer Protection Board.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 197.00	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.
Krungthai Card	KTC TB	THB 58.25	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.
Srisawad Corp	SAWAD TB	THB 64.75	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 and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 8.25	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 37.00	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 7.85	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 4.22	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 18.90	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 11.70	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 47.75	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 35.75	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 9.00	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 132.00	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 04-Nov-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.