

9 NOVEMBER 2021

Thailand Diversified Financials

Will the angel return to heaven?

กลุ่มการเงินให้ผลตอบแทนลดลงมากจากการแข่งขันที่รุนแรงและระเบียบข้อบังคับที่เข้มงวด

กลุ่มการเงิน (DF) มักจะถูกมองว่าเป็นกลุ่มที่มีการซื้อขายในระดับการประเมินมูลค่าที่สูงกว่าอุตสาหกรรมอื่นจาก 1) แนวโน้มการเติบโตระยะยาวที่ดี; 2) อัตราความสามารถในการทำกำไรที่อยู่ในระดับสูง; และ 3) ผลตอบแทนต่อส่วนผู้ถือหุ้นที่อยู่ในระดับสูง อย่างไรก็ตามในช่วง 3 เดือนที่ผ่านมา DF ให้ผลตอบแทนที่ต่ำกว่า SET จากการแข่งขันที่อาจรุนแรงจากการปฏิรูปของ SCB และระเบียบข้อบังคับที่เข้มงวดมากขึ้น เราคิดว่านักลงทุนส่วนมากยังมีความเข้าใจผิด ๆ เกี่ยวกับผลกระทบของการแข่งขันและระเบียบข้อบังคับ เราเห็นว่าไม่มีเพียงไม่กี่กลุ่มที่ได้รับผลกระทบโดยตรงจากการวิเคราะห์ของเรา สินเชื่อไม่มีหลักทรัพย์ค้ำประกันจะได้รับผลกระทบสูงสุด ผู้ให้สินเชื่อจำนำทะเบียนรถมอเตอร์ไซด์และรถยนต์และสินเชื่อเช่าซื้อมอเตอร์ไซด์จะได้รับผลกระทบปานกลาง ในขณะที่บริษัทบริหารสินทรัพย์ (AMC) สินเชื่อทะเบียนรถบรรทุก และสินเชื่อเช่าซื้อรถบรรทุกจะได้รับผลกระทบน้อยที่สุด ในท่ามกลางสถานการณ์ที่มีความท้าทายในธุรกิจสินเชื่อ เราคิดว่าผู้ชมจะมีคุณสมบัติ 3 ประการ: 1) ธุรกิจและแหล่งรายได้มีการกระจายความเสี่ยงสูงกว่า; 2) ไม่ได้รับผลกระทบจากระเบียบข้อบังคับต่าง ๆ; และ 3) มีอัตราความสามารถในการทำกำไรสูงกว่า

ราคาสะท้อนข่าวร้ายไปแล้ว หุ่นมีโอกาสนในการค่อย ๆ ปรับตัวขึ้นอีกครั้ง

เราเชื่อว่าการแข่งขันที่รุนแรงและระเบียบข้อบังคับที่เข้มงวดมากขึ้นจะยังคงมีอยู่ อย่างไรก็ตามเราเชื่อว่าราคาได้สะท้อนความกังวลดังกล่าวไปแล้ว เราเห็นว่าส่วนมากของ DF ที่เราทำการศึกษามีการประเมินมูลค่าในระดับต่ำ ปัจจุบันส่วนมากมีการซื้อขายอยู่ระหว่าง 1 SD ต่ำกว่าค่า P/BV และ P/E เฉลี่ยของตัวเองและค่าเฉลี่ยของตัวเอง นอกจากนี้ส่วนมากของปัจจัยพื้นฐานในช่วง 2H21-2022E ไม่ได้เปลี่ยนแปลงอย่างมีนัยสำคัญ เราคาดว่าหุ้นอาจจะยังรายงานกำไรสุทธิที่ดีใน 3Q21 ในท่ามกลางโรคระบาดที่ยืดเยื้อและมาตรการปิดเมืองต่าง ๆ แม้เราจะเชื่อว่า DF จะไม่สามารถฟื้นกลับมาซื้อขายในระดับการประเมินมูลค่าที่สูงเท่าเดิมจากสถานการณ์ที่มีความท้าทายมากยิ่งขึ้น เราเชื่อว่าราคาหุ้นที่ปรับตัวลดลงเมื่อไม่นานมานี้ได้เปิดโอกาสให้ราคาค่อย ๆ ปรับตัวขึ้นอีกครั้ง

คงน้ำหนักมากกว่าตลาด โดยมี JMT, SINGER, MICRO, และ SAWAD เป็นหุ้นเด่น

เราคงน้ำหนักมากกว่าตลาดสำหรับ DF เราชอบกลุ่ม AMC และผู้ประกอบการสินเชื่อรถบรรทุกมากที่สุดเนื่องจากทั้งสองไม่ได้รับผลกระทบจากระเบียบข้อบังคับและได้รับผลกระทบจากการแข่งขันน้อย ซึ่งทำให้เราคาดว่ากำไรสุทธิปี 2022 จะโตสูงถึง 48% และ 30% ตามลำดับ เราชอบกลุ่มสินเชื่อทะเบียนรถเป็นอันดับสาม และชอบกลุ่มสินเชื่อที่ไม่มีหลักทรัพย์ค้ำประกันน้อยที่สุด เนื่องจากเราคิดว่ากลุ่มดังกล่าวจะได้รับผลกระทบจากการแข่งขันและระเบียบข้อบังคับสูงสุด ซึ่งทำให้เราคาดว่ากำไรสุทธิ 2022 จะโตน้อยที่สุดที่ 13% ในทั้งหมดนี้หุ้นเด่นของเราประกอบด้วย JMT, SINGER, MICRO, และ SAWAD ตามลำดับ

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
JMT Network Services	JMT TB	47.75	BUY	Unchanged	57.00	Unchanged	-	+19.4%
Micro Leasing	MICRO TB	7.85	BUY	Unchanged	10.70	Unchanged	-	+36.3%
Singer Thailand	SINGER TB	39.50	BUY	Unchanged	51.00	Unchanged	-	+29.1%
Srisawad Corp	SAWAD TB	64.75	BUY	Unchanged	80.00	86.00	-6.98%	+23.6%

Note: Priced at close of business 04/11/2021. Share prices and TPs are in listing currency. Sources: FSSIA estimates



Yuvanart Suwanumchai

yuvanart.suw@fssia.com
+66 2611 3554

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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 5 พฤศจิกายน 2021

Investment thesis

The diversified financial (DF) sector is often viewed as an angelic stock sector that trades at a premium over other industries due to 1) its promising long-term growth prospects; 2) high profitability margin; and 3) high ROE. However, during the last three months, the DF sector has provided worse returns than the SET Index thanks to the potentially fierce competition following SCB's reforms and the more stringent regulations. We think most investors still misunderstand the impact of the competition and regulations. Only a few segments are directly affected, in our view. Based on our analysis, unsecured lending is the most severely affected. Motorcycle and car title lenders and motorcycle hire purchase lenders should see a moderate impact, while AMCs, truck title loans and truck hire purchases should be the least negatively affected segments.

We maintain our OVERWEIGHT view on the DF sector. Our most preferred segments are AMCs and truck lenders due to them being far removed from regulations and facing less competition, leading to solid 2022E net profit growth of 48% and 30%, respectively. Auto title loans are our third most preferred. Unsecured lending is our least preferred segment, as we think it is the most affected by competition and regulations, resulting in the lowest 2022E net profit growth of 13%. Our top picks by order are JMT, SINGER, MICRO, and SAWAD.

Catalysts

1. Fewer regulations;
2. Greater policy rate cuts leading to lower cost of funds;
3. Good operating cost control.

Risks to our call

1. Slower NPL sales from the banking sector, resulting in a lower NPL supply for AMCs;
2. The greater deterioration of asset quality from a weak economy would result in a higher provisioning setup for the lending industry;
3. More intense price competition from new operators.

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Company reports

Muangthai Capital (MTC TB, BUY TP THB71.00)
 Srisawad Corp (SAWAD TB, BUY TP THB80.00)
 Saksiam Leasing (SAK TB, BUY TP THB11.00)
 Ngern Tid Lor (TIDLOR TB, BUY TP THB43.00)
 Micro Leasing (MICRO TB, BUY TP THB10.70)
 Singer Thailand (SINGER TB, BUY TP THB51.00)
 Ratchthani Leasing (THANI TB, BUY TP THB5.20)
 Bangkok Commercial Asset Mngt. (BAM TB, BUY TP THB22.00)
 Chayo Group (CHAYO TB, BUY TP THB18.80)

Event Calendar

Date	Event
9-15 Nov 2021	3Q21 results announcement

BBG code	Rec	---Share price---		Up side	EPS g*	P/E	ROE
		Current (THB)	Target (THB)	(%)	22E (%)	22E (x)	22E (%)
Diversified financials					21.9	19.9	18.6
Unsecured-loan lenders					13.1	19.0	23.4
AEONTS TB	HOLD	197.00	204.00	4	13.9	10.9	21.1
KTC TB	HOLD	58.25	52.00	(11)	13.0	21.6	24.1
Auto-title lenders					23.4	19.4	21.2
MTC TB	BUY	64.00	71.00	11	26.6	19.9	24.3
SAWAD TB	BUY	64.75	80.00	24	20.6	15.5	22.0
SAK TB	BUY	8.25	11.00	33	39.1	20.9	15.9
TIDLOR TB	BUY	37.00	43.00	16	17.8	22.1	16.4
Truck lenders					11.8	20.3	13.6
MICRO TB	BUY	7.85	10.70	36	33.5	27.0	13.2
SINGER TB	BUY	39.50	51.00	29	2.4	28.4	9.8
THANI TB	BUY	4.22	5.20	23	15.8	11.5	17.0
Asset management					32.8	26.1	10.1
BAM TB	BUY	18.90	22.00	16	35.8	20.2	6.5
CHAYO TB	BUY	11.70	18.80	61	39.6	32.7	11.7
JMT TB	BUY	47.75	57.00	19	29.1	31.4	13.9
Other					11.6	8.2	6.8
TCAP TB	HOLD	35.75	35.00	(2)	11.6	8.2	6.8
Hire purchase motorcycle					33.4	19.3	19.8
NCAP TB	BUY	9.00	16.80	87	33.4	19.3	19.8

*EPS growth

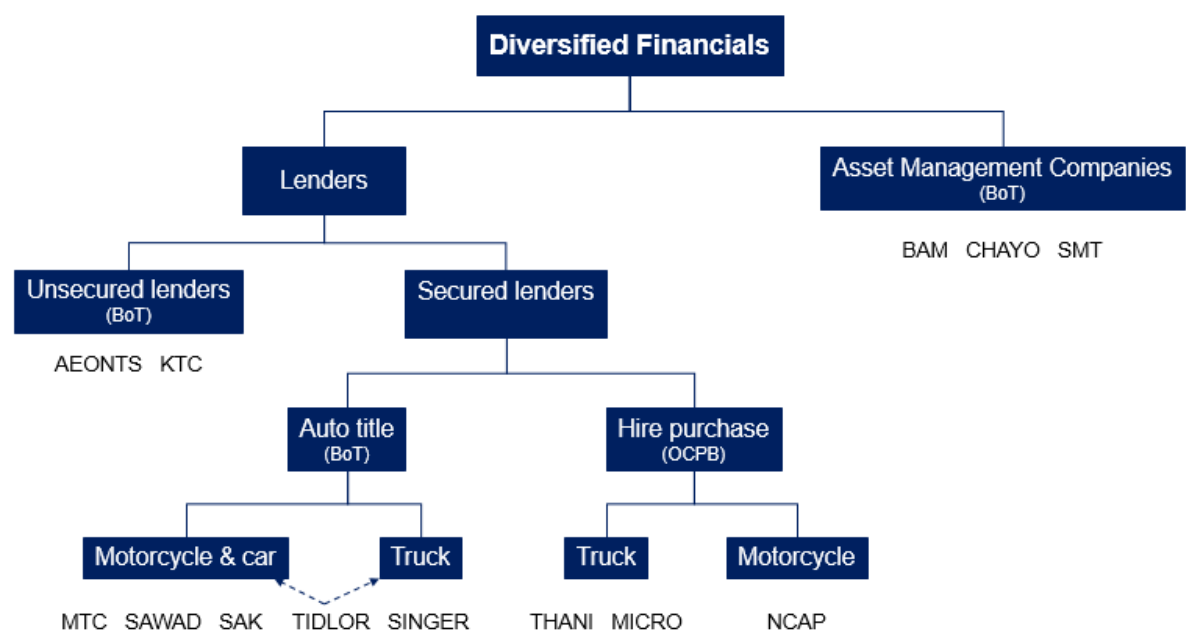
Share prices as of 4 Nov 2021; Sources: Bloomberg; FSSIA estimates

The angel has fallen from fierce competition and tight regulations

The DF sector is often viewed as an angelic stock sector that trades at a premium over other industries due to 1) its promising long-term growth prospects; 2) high profitability margin; and 3) high ROE. However, during the last three months, the DF sector has provided worse returns than the SET Index thanks to the potentially fierce competition following Siam Commercial Bank (SCB TB, BUY, TP THB160)’s reforms and the more stringent regulations.

To analyst the impact, we separate the DFs under our coverage into two main groups: asset management companies (AMCs) and lending operators, including unsecured lenders and secured lenders. Moreover, we break the secured lending segment up into two groups according to their legal contracts: auto title loans and hire purchase loans. Most of the DFs under coverage are supervised by the Bank of Thailand (BoT), with the exception of hire purchase loan operators which are regulated by the Office of the Consumer Protection Board (OCPB).

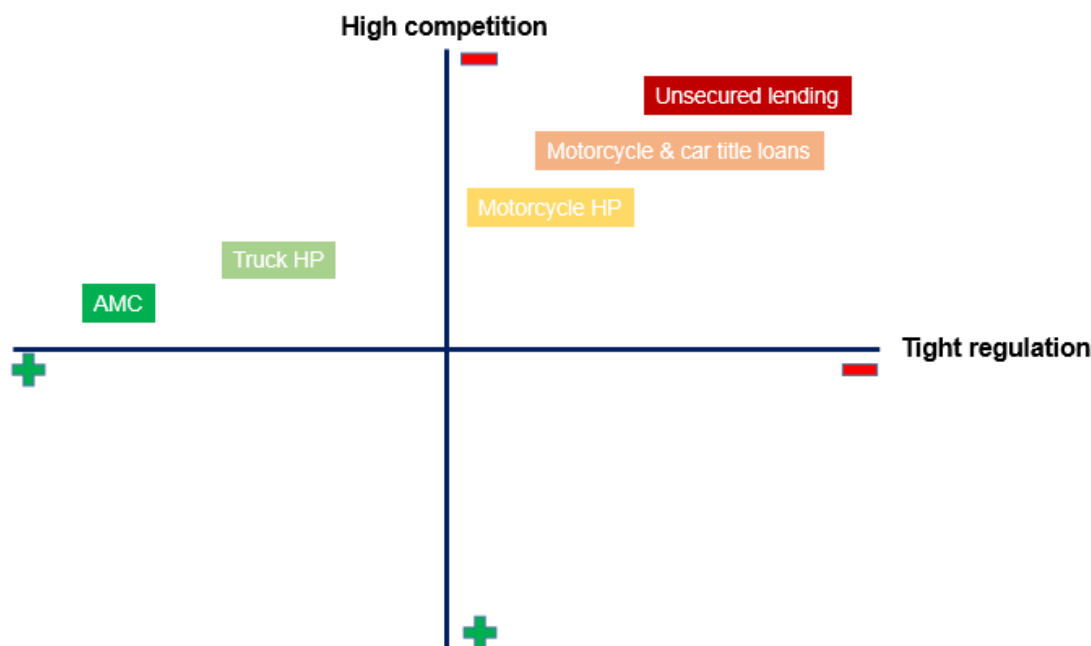
Exhibit 1: Diversified financials under our coverage



Source: FSSIA's compilation

We think most investors still misunderstand the impact of the competition and regulations. Only a few segments are directly affected, in our view. Based on our analysis, unsecured lending is the most severely affected. Motorcycle and car title lenders and motorcycle hire purchase lenders should see a moderate impact, while AMCs, truck title loans and truck hire purchases should be the least negatively affected segments.

Exhibit 2: Competition and regulation impact scatter diagram



Source: FSSIA estimates

Potentially tighter competition

We think DF is a competitive sector. On top of that, SCB's reforms have made the market even more worried about the fierce competition in the future.

From our analysis, we have found that the segments with intense competition both currently and likely to continue into the future are the unsecured lending and auto title loan segments. We think the AMC, truck title loan and truck hire purchase loan segments will face only slight to moderate competition in the next two to three years.

Exhibit 3: Current and outlook of competition level by segment

Competition		Current	Outlook
1 AMCs	Competition level (out of 5)	2	3
	Big to medium players/ potential players	BAM, SAM, JMT, CHAYO	BAM, JMT, CHAYO, small to medium new players
2 Lending operators			
2.1 Unsecured lending	Competition level (out of 5)	4	5
	Big to medium players/ potential players	KTC, AEONTS, SCB, KBANK, BAY	KTC, AEONTS, KBANK, BAY, Card X, digital lending platforms, fintech companies
2.2 Secured lending			
<i>Auto-title loans</i>			
Motorcycles and cars	Competition level (out of 5)	4	5
	Big to medium players/ potential players	MTC, SAWAD, TIDLOR, SAK, Ngen Turbo, Nim See Seng, local lenders	MTC, SAWAD, TIDLOR, SAK, Ngen Turbo, Nim See Seng, local lenders, Auto X
Truck	Competition level (out of 5)	3	4
	Big to medium players/ potential players	TIDLOR, SINGER, local lenders	TIDLOR, SINGER, local lenders, ASK, THANI, MICRO, NCAP
<i>Hire purchase loans</i>			
Motorcycles	Competition level (out of 5)	3	4
	Big to medium players/ potential players	AYCAL, Summit Capital, TK, S11, MTC, SAWAD, Hi-Way, local lenders	AYCAL, Summit Capital, TK, S11, MTC, SAWAD, Hi- Way, local lenders
Cars	Competition level (out of 5)	4	4
	Big to medium players/ potential players	Banks, captive finance	Banks, captive finance
Trucks	Competition level (out of 5)	3	3
	Big to medium players/ potential players	ASK, THANI, MICRO, some banks, local lenders	ASK, THANI, MICRO, some banks, local lenders

Full name of mentioned companies: Sukhumvit Asset Management (SAM, not listed), Card X (SCB's subsidiary), Auto X (SCB's subsidiary), Ayudhya Capital Auto Lease (AYCAL) under Bank of Ayudhya (BAY, not rated), Summit Capital Leasing, NCAP, Thitikorn (TK TB, not rated), S11 Group (S11 TB, not rated), Hi-Way under Tisco Financial (TISCO TB, BUY, TP THB110), Asia Sermkij (ASK, not rated)

Source: FSSIA estimates

Competition analysis by segment

1. AMCs

Current: The main players are BAM, Sukhumvit Asset Management (SAM, not listed), JMT, and CHAYO. There are also small new players jumping into the AMC business due to the potentially higher non-performing loan (NPL) supply post-Covid outbreak.

Outlook: We think there is a sufficient NPL supply for AMCs in 2021-22. Moreover, we believe banks will accelerate their NPL sales in 2023 after the relaxed loan classification and provision measures end in 2023. Thus, we see mild competition in the next 2-3 years.

2. Lending operators

2.1 Unsecured lending

Current: The competition is fierce. There are many major players in this segment including banks and non-banks. There are many fintech companies expanding into this segment.

Outlook: We expect the fierce competition to continue. Moreover, in the next one to two years, we think banks will expand more aggressively into this segment.

2.2 Secured lending

2.2.1 Auto title loans

Motorcycles and cars

Current: The competition is fierce, especially between big players. There is currently price competition.

Outlook: We expect the fierce competition among the existing players to continue. Moreover, in the next three to five years, we think banks will penetrate this market.

Trucks

Current: After the successful expansion of SINGER, key truck hire purchase lenders, e.g. THANI and ASK, have started to expand into this market.

Outlook: We expect that the competition will be moderately tighter in the next two to three years. However, we believe that price competition will not occur soon.

2.2.2 Hire purchase

Motorcycles

Current: There are four to five major players. The market is fragmented amongst local competitors. We think the current competition is moderate.

Outlook: The demand for motorcycles should increase gradually. SAWAD and MTC have penetrated this segment for two years. We think the competition is getting tight.

Trucks

Current: There are three to four major players. The market is fragmented amongst local competitors. We think the current competition is moderate.

Outlook: The demand for trucks should increase continuously. We think few big new players will tap into this market. We think the competition will not be intense in the next two to three years.

More stringent regulations

Tighter regulations are another concern for investors. Although the DF sector is less regulated than the banking sector, in recent months, we have started to see regulators exert more control over DFs.

From our analysis, among the DFs under coverage, we have found that the segment that has the most stringent controls is the unsecured lending segment, followed by auto title loans. Motorcycle hire purchase loans is a group that has a high chance of being regulated, in our view, while we think the AMC and truck hire purchase loan segments have a very low risk of being regulated.

Exhibit 4: Regulation timeline

Implemented period	Aug 20	Aug 21	Sep 21	Oct 21
Mandate	Ceiling rate cap of retail lending	Extension of relaxed loan classification	New restrictions on debt collection fees	Hearing new regulation on HP contract
Affected segment	Credit card, unsecured loans and auto title loans	AMCs (indirect impact)	All lenders	Car and motorcycle hire purchase

Source: FSSIA's compilation

Starting on 1 August 2020, the BoT reduced the ceiling rate of credit cards, personal loans, and auto title loans to 16%/25%/24% from 18%/28%/28%, respectively.

Then, on 20 August 2021, the BoT encouraged financial institutions (FIs) to provide comprehensive long-term debt restructuring (CDR) to clients by extending the relaxed loan classification rules. This might delay the NPL sales of banks, resulting in slightly negative sentiment for AMCs. However, we think it will not directly impact AMC's fundamentals in a negative manner.

On 2 September 21, the government capped debt collection fees for all loan types.

Recently, the OCPB is holding a hearing with the public regarding 1) a potential interest rating cap at 15% p.a. (EIR basis) from no rate cap currently; and 2) a vehicle debt haircut for clients who would like to close loan contracts before maturity. This would potentially be enforced on four hire purchase lending types: cars, motorcycles, tractors, and agricultural vehicles. The public hearing will end on 7 November 2021. There is no exact timeline for the OCPB to officially announce the new hire purchase criteria.

To us, a reduced rate charge capped at 15% is unreasonable, as the risk of lending under hire purchase contract to the low-income retail segment is quite high. If there is a rate cap mandate, hire purchase operators' loan-to-value (LTV) might decline from the current practice of 100% in order to minimise their risk. Motorcycle sales would likely drop sharply, as consumers usually cannot afford huge down payments themselves. We think a reasonable cap rate would be 25-30%, based on the reference rate caps for other loan types.

Regarding the vehicle haircut, debtor's car instalment discipline would likely be worse. All operators might face a significant increase in credit costs. Accordingly, we do not expect this mandate to happen.

Exhibit 5: Current regulations on each retail loan type

	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 7-12; 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

Exhibit 6: Summary of financial measures to support Covid-affected segments by the BoT

New measures		Previous measures
1. Liquidity preservation and injection measures		
For SME clients		
1. New debtors	BoT raising credit lines up to THB50m.	Credit lines were up to THB20m.
2. Existing debtors	For credit lines not over 30% of outstanding loans (outstanding loans not over THB150m) or for clients who have outstanding loans of less than THB150m, they can borrow at a maximum of not over THB50m.	Credit lines not over 30% of outstanding loans (outstanding loans not over THB150m).
The BoT will also ease credit guarantee conditions to accept higher credit risk for both new and existing debtors		
For retail clients		
1. Credit card	BoT extended the 5% minimum repayment to 2022.	5% minimum repayment in 2020-21, 8% in 2022 and 10% (normal rate before Covid) in 2023.
2. Personal loans	BoT allows no limit for lenders to 2022.	Limited to 3 lenders.
3. Credit card and personal loans	BoT extending an increase in credit lines up to 2x income for THB30k income customers to 2022.	An increase in credit lines of up to 2x income for THB30k income customers ending in 2021.
4. Digital personal loans	BoT increasing credit lines up to THB40k and repayment terms to 12 months.	Credit lines of up to THB20k and repayment terms not over 6 months.
2. Comprehensive long-term debt restructuring (CDR)		
1. Relaxation of loan classification	An extension of the relaxation of loan classification and provision setting measure if financial institutions provide additional assistance to debtors in addition to extending the repayment period alone to Dec-23 from Dec-21 (note that to allow financial institutions to have sufficient time to consider appropriate L-T debt restructuring, the BoT temporally extended the relaxation of loan classifications to Mar-22).	Relaxation of loan classification will end in Dec-21.
2. FIDF fee	BoT extending the reduction of the Financial Institutions Development Fund (FIDF) fee at 0.23% to Dec-22.	FIDF fee is at 0.23% in 2020-21 and will be back to the normal rate of 0.46% in 2022.

Sources: BoT; FSSIA's compilation

Exhibit 7: 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

Who will survive the fierce competition & tighter regulations?

Amid the challenging environment in the lending industry, we think that the winners will have three qualities: 1) a more diversified business and sources of income; 2) being far removed from regulations; and 3) having a higher profitability margin. We have analysed the portfolio structure, revenue structure, profitability margin and asset quality ratio of the lenders under our coverage to find the potential winners. We have found that SAWAD and SINGER are attractive in terms of having the highest profitability margins and the most diversified portfolios and revenue sources. MICRO is also attractive in terms of being far removed from regulations.

Regarding AMCs, we think it is still an attractive segment. We are less concerned about competition and regulations for AMCs than for the lending segment. Our most preferred AMC is JMT.

Exhibit 8: Portfolio structure of diversified financials under our coverage as of 2Q21

	----- Auto title loans -----				----- Truck lenders -----			Motorcycle HP	Unsecured lending	
	MTC	SAWAD	SAK	TIDLOR	MICRO	SINGER	THANI	NCAP	AEONTS	KTC
Total port (THB m)	79,831	32,584	7,770	54,213	3,134	8,552	49,098	4,489	87,077	88,938
Contribution	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Title loans	79	84	85	85	-	54	-	-	-	-
Motorcycle	33	-	21	12	-	-	-	-	-	-
Car	33	43	49	63	-	22	-	-	-	-
Truck	-	-	3	9	-	32	-	-	-	-
Agricultural vehicle	4	-	12	-	-	-	-	-	-	-
Land	9	41	-	-	-	-	-	-	-	-
Unsecured loans	18	4	15	-	-	-	-	-	93	95
Credit card	-	-	-	-	-	-	-	-	41	62
Personal loans	8	4	3	-	-	-	-	-	52	33
Nano finance	10	-	13	-	-	-	-	-	-	-
Hire purchase loans	3	12	-	15	100	46	100	100	-	-
Motorcycle	3	12	-	-	-	-	-	100	-	-
Car	-	-	-	-	-	-	37	-	-	-
Truck	-	-	-	15	-	-	63	-	-	-
Home appliance	-	-	-	-	100	46	-	-	-	-
Other loans	-	-	-	-	-	-	-	-	7	5

Source: FSSIA's compilation

Exhibit 9: Revenue structure, profitability margin, and asset quality ratio of diversified financials under our coverage as of 2020

	----- Auto title loans -----				----- Truck lenders -----			Motorcycle HP	Unsecured lending	
	MTC	SAWAD	SAK	TIDLOR	MICRO	SINGER	THANI	NCAP	AEONTS	KTC
1) Revenue structure										
Total operating income (THB m)	12,916	10,090	1,482	9,381	406	3,398	3,199	1,028	19,180	20,521
Revenue contribution	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Interest income	94	72	100	81	76	22	77	75	86	62
Non-interest income	6	28	0	19	24	78	23	25	14	38
Fee income	6	13	0	19	19	1	10	10	1	22
Others	0	15	0	0	5	77	13	16	13	17
2) Profitability margin										
Loan yield	21.3	21.3	24.4	17.7	15.5	19.1	7.0	21.9	20.9	16.2
Cost of funds	3.7	3.6	3.2	3.1	5.3	5.4	2.7	4.0	3.2	2.7
NIM	18.5	18.9	22.4	15.4	13.4	14.7	4.9	19.1	18.6	14.4
Net yield on portfolio	7.9	11.7	8.5	4.9	5.9	8.7	3.7	5.0	4.2	6.1
Cost to income ratio	47.6	37.5	53.1	61.5	37.6	82.9	16.8	38.6	43.4	35.4
3) Asset quality										
NPL ratio	1.1	3.8	2.2	1.7	3.8	4.4	3.1	1.6	5.8	1.8
Coverage ratio	177.3	88.7	113.3	325.1	100.9	98.3	81.9	356.7	229.9	460.3
LLR/loans	1.9	3.3	2.5	5.4	3.9	4.4	2.6	5.8	13.3	8.2

Source: FSSIA's compilation

Bad news priced in, gradual rerating on the horizon

We believe that the fierce competition and tighter regulations will still exist for some time. However, we are convinced that these concerns have already been priced in. The valuations for most of the DFs under coverage are undemanding, in our view. Most of them are currently trading between 1 SD below their P/BV and P/E means and their means.

Exhibit 10: Comparing average ROE in 2018-20 and average ROE in 2021-23E with current valuations

Stock	----- Avg ROE -----		----- PBV Band (x) -----					----- Implied price (THB) -----				
	2018 - 2020	2021 - 2023	-2 SD	-1 SD	Mean	+1 SD	+2 SD	-2 SD	-1 SD	Mean	+1 SD	+2 SD
Unsecured loans												
AEONTS	20.3	21.3	1.4	1.8	2.3	2.7	3.1	129.6	169.1	208.6	248.2	287.7
KTC	30.4	24.0	2.6	3.7	4.7	5.8	6.8	31.7	44.1	56.6	69.1	81.5
Secured loans												
MTC	31.1	24.0	3.8	4.7	5.6	6.5	7.4	55.3	68.3	81.3	94.4	107.4
SAWAD	24.4	22.0	2.2	2.9	3.5	4.2	4.8	44.5	57.5	70.6	83.6	96.6
TIDLOR	23.0	17.5	3.1	3.4	3.7	4.1	4.4	33.6	37.2	40.8	44.4	48.0
SAK	16.8	15.1	2.8	3.3	3.9	4.5	5.0	7.2	8.7	10.2	11.7	13.2
SINGER	6.9	10.8	0.9	1.2	1.5	1.8	2.1	17.3	22.9	28.5	34.1	39.8
THANI	24.0	16.9	1.3	1.7	2.1	2.5	2.8	3.0	3.8	4.7	5.5	6.4
MICRO	10.3	13.0	1.9	2.6	3.3	4.1	4.8	4.3	6.0	7.7	9.4	11.1
NCAP	13.3	12.5	1.7	3.1	4.5	5.9	7.2	4.3	7.8	11.4	15.0	18.5
AMC												
BAM	10.9	6.2	1.1	1.3	1.6	1.8	2.0	15.4	18.9	22.3	25.8	29.3
JMT	20.2	15.3	2.4	3.1	3.7	4.4	5.0	38.9	49.6	60.3	71.0	81.8
CHAYO	14.4	11.8	1.2	2.0	2.8	3.6	4.4	4.2	7.0	9.9	12.7	15.6

Sources: Bloomberg; FSSIA estimates

Exhibit 11: Comparing CAGR EPS growth during 2018-20 and CAGR EPS growth during 2021-23E with current valuations

Stock	----- EPS CAGR -----		-- Net profit CAGR --		----- PE Band (x) -----					----- Implied price (THB) -----				
	2018 - 2020	2021 - 2023	2018 - 2020	2021 - 2023	-2 SD	-1 SD	Mean	+1 SD	+2 SD	-2 SD	-1 SD	Mean	+1 SD	+2 SD
Unsecured loans														
AEONTS	7.5	9.6	7.5	9.6	7.0	9.2	11.3	13.5	15.6	127.0	165.7	204.4	243.0	281.7
KTC	17.3	12.6	17.3	12.6	8.5	13.7	18.9	24.1	29.3	22.9	36.9	51.0	65.0	79.1
Secured loans														
MTC	27.8	17.0	27.8	17.0	17.5	20.1	22.7	25.2	27.8	56.0	64.4	72.7	81.0	89.3
SAWAD	14.9	14.0	19.1	14.0	11.3	14.2	17.2	20.1	23.0	47.1	59.3	71.6	83.8	96.0
TIDLOR	(6.6)	20.5	24.7	24.5	20.2	22.6	25.0	27.4	29.8	33.8	37.9	41.9	45.9	49.9
SAK	na.	10.4	24.7	20.9	19.1	23.9	28.8	33.7	38.6	7.5	9.4	11.4	13.3	15.2
SINGER	(411.2)	18.9	(456.8)	51.3	(4.2)	5.0	14.2	23.4	32.6	(5.8)	7.0	19.8	32.6	45.4
THANI	(4.8)	1.1	18.2	8.2	6.4	8.4	10.3	12.2	14.1	2.4	3.1	3.8	4.5	5.2
MICRO	13.3	27.8	30.5	36.7	18.8	24.4	30.0	35.6	41.2	5.5	7.1	8.7	10.3	12.0
NCAP	na.	37.8	16.2	37.8	10.4	18.3	26.2	34.1	42.0	4.8	8.5	12.2	15.9	19.6
AMC														
BAM	(29.8)	27.0	(25.8)	27.0	17.9	25.3	32.7	40.1	47.4	16.7	23.6	30.5	37.4	44.3
JMT	27.3	26.5	38.3	45.3	9.4	16.3	23.2	30.1	36.9	14.3	24.8	35.3	45.7	56.2
CHAYO	16.0	25.5	38.6	48.6	5.8	15.8	25.9	35.9	46.0	2.1	5.7	9.3	12.8	16.4

Sources: Bloomberg; FSSIA estimates

Although we believe that DFs will not be able to recover to trade at the same premiums as before due to the increasingly challenging environment, we believe that the recent drop in their share prices provides a gap to gradually rerate again.

Based on our valuation matrix, we think that the truck lender segment is the most attractive. We expect to see 1) an increase in its average ROE in 2021-23 vs the ROE in 2018-20; and 2) a material rise in its CAGR EPS in 2021-23 vs the CAGR EPS in 2018-20, while we think its 2022E P/BV and 2022E P/E multiples are still reasonable. We rank AMCs and auto title lenders as the second and third most interesting segments. We are convinced that there is room for their share prices to rerate again. However, we think that the unsecured lending segment is trading at a fair valuation due to it having the lowest potential net profit growth in the next couple of years, in our

view, and the declining trend in its ROE. We see fewer opportunities for that segment to rerate further.

Solid 3Q21 expected amid the resurgence of Covid-19

In addition to the stock prices that we believe have already priced in the negative factors, we estimate that most of the DFs under coverage should still be able to deliver strong net profits in 3Q21 amid the prolonged Covid pandemic and lockdown measures. Regarding the lender group, we see two positives: 1) solid demand for loans; and 2) effective asset quality control. For AMCs, all of them could have solid cash collection and efficient cost control in 3Q21. We are also convinced that most of them will be able to continue to deliver strong performance in 4Q21-2022.

Exhibit 12: 3Q21E results of lender group

3Q21E	MTC	SAWAD	SAK	TIDLOR	Auto title lender	MICRO	THANI	SINGER	Truck lender	NCAP
Year-end Dec 31	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net profit	1,315	1,211	162	819	3,507	42	418	162	621	75
Change y-y %	(1.9)	0.5	3.9	1.1	(0.1)	30.1	(11.5)	37.9	(0.0)	10.6
Change q-q %	3.5	3.7	18.3	5.4	4.6	(16.8)	(2.2)	(11.4)	(5.9)	1.1
Key ratios										
Asset quality ratios										
NPLs (THB m)	971	1,455	186	811	3,422	129	1,851	389	2,368	65
Change y-y %	43.9	(17.5)	(10.7)	Na.	29.3	(70.6)	(30.7)	40.3	(30.0)	n/a
Change q-q %	10.0	(5.0)	11.5	(5.0)	(0.3)	10.0	8.0	10.5	8.5	10.0
NPLs / loans (%)	1.14	4.34	2.23	1.45	1.87	3.81	3.73	4.22	3.81	1.36
Loan loss reserve / NPLs (%)	163	64	101	323	155	114	76	69	77	408
Credit cost (bp)	80	(60)	90	105	62	600	125	50	139	910
Profitability ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	48.5	37.2	51.6	55.5	48.0	31.7	17.8	79.4	50.3	39.5
Average yield	18.8	19.5	23.8	17.9	18.9	16.0	6.9	16.8	8.9	22.8
Cost of funds	3.5	3.5	3.0	2.8	3.3	4.6	2.4	5.2	2.9	3.8
Net interest margin (NIM)	16.0	17.1	22.4	15.8	16.4	13.9	5.1	12.7	6.8	20.7
Non-int income / total income	5.6	34.3	0.3	17.4	16.0	23.2	24.0	70.4	47.6	26.9
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
y-y	27.1	(14.4)	30.8	16.0	13.8	49.7	0.3	68.7	8.8	23.6
q-q	7.0	3.0	7.0	3.0	5.0	8.0	1.0	7.7	2.3	7.0

Source: FSSIA estimates

Exhibit 13: 3Q21E results of AMCs

3Q21E	BAM	CHAYO	JMT	Coverage
Year-end Dec 31	(THB m)	(THB m)	(THB m)	(THB m)
Net profit	537	68	340	945
Change y-y %	80.1	113.2	20.0	54.1
Change q-q %	(32.0)	94.7	17.7	(15.1)
Key financial highlights	(THB m)	(THB m)	(THB m)	(THB m)
Gross NPL	81,369	1,882	13,207	96,458
Change y-y %	(5.3)	52.7	40.6	(0.1)
Change q-q %	(1.6)	2.7	7.8	(0.3)
Gross NPA	38,946	445	995	40,386
Change y-y %	0.5	265.5	328.0	3.3
Change q-q %	(1.9)	11.5	30.5	(1.2)
NPL & NPA purchase	602	110	1,502	2,214
Change y-y %	(92.6)	(39.5)	177.8	(75.1)
Change q-q %	(20.0)	(72.0)	0.0	(16.3)
NPL & NPA cash collection	3,911	161	1,014	5,087
Change y-y %	19.8	209.1	2.9	18.2
Change q-q %	(7.2)	95.3	4.5	(3.4)
Cash collection / NPL&NPA (%)	12.9	28.3	29.8	
Key financial ratios				
Interest-bearing debt/equity (x)	1.8	0.3	0.8	
ROA (%)	1.7	5.9	8.3	
ROE (%)	5.2	9.3	17.1	
Cost of funds (%)	3.1	6.5	4.3	
Cost to income (%)	24.6	29.4	41.0	

Sources: FSSIA's estimates

Earnings and valuation revisions

We believe that SCB's reforms will have the largest and quickest impact on the unsecured lending business. Thus, we have already revisited our earnings forecasts and valuations for KTC ([Krungthai Card \(KTC TB\) – “The tide is rising”, dated 18 Oct-21](#)) and AEONTS ([Aeon Thana Sinsap \(Thailand\) \(AEONTS TB\) – “The heat is on”, dated 5 Oct-21](#)). In this note, we slightly lower our earnings forecasts for auto title loan lenders, which we think will be the second most affected segment by SCB's move. We revise down our 2023 loan growth assumptions for all auto title loan lenders to reflect the coming of Auto X.

For truck title lenders and AMCs, we see a smaller impact from the regulations and competition. Accordingly, we maintain our forecasts for most stocks, except BAM. We revise up BAM's earnings to reflect its individual positive factors and higher-than-expected cash collection.

Exhibit 14: Earnings revisions of diversified financials under coverage

		New			Previous			Change		
		2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
		(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Net profit										
Unsecured loan lender	AEONTS	3,965	4,517	4,853	3,965	4,517	4,853	0.0	0.0	0.0
	KTC	6,153	6,952	7,614	6,153	6,952	7,614	0.0	0.0	0.0
Auto title lender	MTC	5,374	6,801	8,346	5,374	6,637	8,046	0.0	2.5	3.7
	SAWAD	4,875	5,664	6,686	5,005	5,723	6,932	(2.6)	(1.0)	(3.5)
	SAK	594	826	994	610	854	1,079	(2.7)	(3.3)	(7.9)
	TIDLOR	3,193	3,878	4,657	3,147	3,878	4,909	1.5	0.0	(5.1)
Truck lender	MICRO	204	272	345	204	272	345	0.0	0.0	0.0
	SINGER	685	1,142	1,535	685	1,142	1,535	0.0	0.0	0.0
	THANI	1,802	2,087	2,353	1,802	2,087	2,353	0.0	0.0	0.0
HP motorcycle	NCAP	315	420	528	315	420	528	0.0	0.0	0.0
AMC	BAM	2,225	3,020	3,767	2,089	2,879	3,510	6.5	4.9	7.3
	CHAYO	251	388	509	251	388	509	0.0	0.0	0.0
	JMT	1,308	2,208	3,210	1,308	2,208	3,210	0.0	0.0	0.0
	Total	30,943	38,176	45,397	30,909	37,958	45,423	0.1	0.6	(0.1)

Source: FSSIA estimates

Exhibit 15: Valuation revisions of lender group, auto title and truck lenders under coverage

Target P/BV multiple (x)	Auto title lender							
	MTC		SAWAD		SAK		TIDLOR	
	New	Old	New	Old	New	Old	New	Old
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (THB)	71.00	67.00	80.00	86.00	11.00	12.20	43.00	47.00
Cost of equity - CAPM (%)	11.5	11.4	11.6	11.4	11.6	11.6	10.9	10.8
Long-term growth (%)	8.2	8.0	7.8	7.9	9.8	9.8	8.3	8.4
Sustainable ROE (%)	24.4	23.8	22.5	23.0	17.3	18.0	18.0	18.6
Target P/BV multiple (x)	4.9	4.6	3.9	4.3	4.1	4.6	3.8	4.3

Source: FSSIA estimates

Exhibit 16: Valuation revisions of AMCs

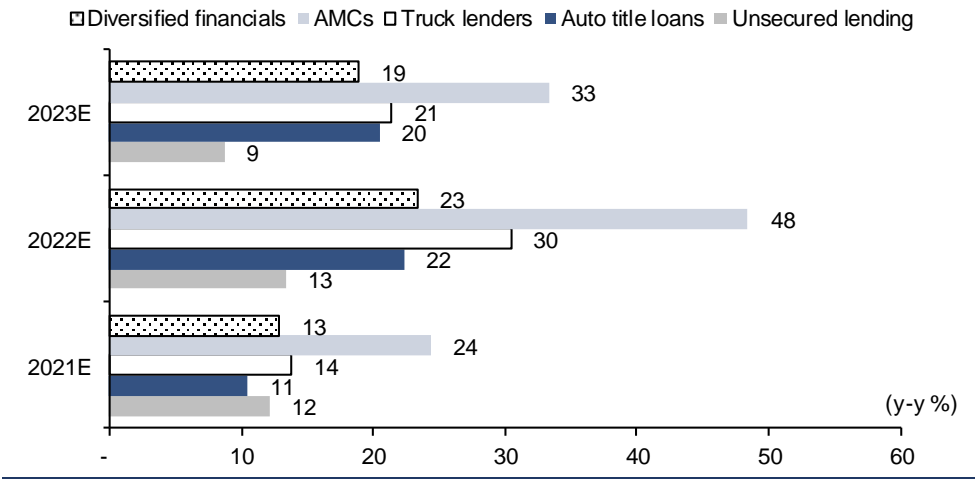
	BAM		CHAYO		JMT	
	New	Old	New	Old	New	Old
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (THB)	22.00	19.40	18.80	18.80	57.00	57.00
Cost of equity: Using CAPM (%)	6.9	6.9	11.6	11.6	9.2	9.2
Long-term growth (%)	6.6	6.4	11.4	11.4	7.4	7.4
Sustainable ROE (%)	7.2	7.1	12.5	12.5	14.0	14.0
Target P/BV multiple (x)	1.51	1.34	5.29	5.29	3.52	3.52

Source: FSSIA estimates

Maintain Overweight; prefer JMT, SINGER, MICRO, and SAWAD

We maintain our Overweight view on the DF sector. Our most preferred segments are AMCs and truck lenders due to them being far removed from regulations and facing less competition, leading to solid 2022E net profit growth of 48% and 30%, respectively. Auto title loans are our third most preferred. Unsecured lending is our least preferred segment, as we think it is the most affected by competition and regulations, resulting in the lowest 2022E net profit growth of 13%. Our top picks by order are JMT, SINGER, MICRO, and SAWAD.

Exhibit 17: Comparing net profit growth of DFs under coverage



Source: FSSIA estimates

Exhibit 18: Summary of forecasts and key ratios of lenders

		----- Secured lending -----								Unsecured lending	
		----- Auto title -----				----- Hire-purchase -----					
		MTC	SAWAD	SAK	TIDLOR	MICRO	SINGER	THANI	NCAP	AEONTS	KTC
Net profit (THB m)	2020	5,214	4,508	562	2,416	135	443	1,860	202	3,690	5,333
	2021E	5,374	4,875	594	3,193	204	685	1,802	315	3,965	6,153
	2022E	6,801	5,664	826	3,878	272	1,142	2,087	420	4,517	6,952
	2023E	8,346	6,686	994	4,657	345	1,535	2,353	528	4,853	7,614
Norm profit (THB m)	2020	5,214	4,508	562	2,416	135	443	1,860	202	3,690	5,333
	2021E	5,374	4,697	594	3,193	204	685	1,802	315	3,965	6,153
	2022E	6,801	5,664	826	3,878	272	1,142	2,087	420	4,517	6,952
	2023E	8,346	6,686	994	4,657	345	1,535	2,353	528	4,853	7,614
Norm profit growth (%)	2020	23.0	20.0	62.4	9.7	21.9	166.6	(5.3)	59.8	(7.2)	(3.5)
	2021E	3.1	4.2	5.7	32.2	50.8	54.5	(3.1)	55.9	7.5	15.4
	2022E	26.6	20.6	39.1	21.5	33.5	66.7	15.8	33.4	13.9	13.0
	2023E	22.7	18.0	20.3	20.1	26.9	34.4	12.8	25.8	7.4	9.5
Gross loans (THB m)	2020	70,968	39,450	6,497	50,807	2,542	6,587	47,976	3,970	87,432	89,607
	2021E	90,129	35,899	8,640	57,921	3,686	9,635	50,855	5,161	90,091	89,915
	2022E	110,859	44,874	10,800	68,346	4,792	15,708	55,940	6,967	96,662	97,108
	2023E	130,814	51,605	13,177	78,598	5,990	19,839	62,653	9,057	102,354	105,033
Loan growth (%)	2020	17.6	5.8	(3.0)	6.7	24.8	82.6	(7.6)	(2.4)	(3.1)	4.4
	2021E	27.0	(9.0)	33.0	14.0	45.0	46.3	6.0	30.0	3.0	0.3
	2022E	23.0	25.0	25.0	18.0	30.0	63.0	10.0	35.0	7.3	8.0
	2023E	18.0	15.0	22.0	15.0	25.0	26.3	12.0	30.0	5.9	8.2
NIM (%)	2020	18.50	18.93	22.36	15.35	13.44	13.70	4.91	19.07	18.56	14.40
	2021E	16.23	15.93	22.51	15.80	13.91	11.18	5.11	20.20	18.22	13.63
	2022E	16.46	18.26	21.72	15.72	13.17	10.95	5.15	20.09	18.32	13.91
	2023E	16.78	18.40	21.24	15.56	12.77	13.70	5.14	19.76	18.30	14.10
Cost to income (%)	2020	47.6	37.5	53.1	61.5	37.6	82.9	16.8	38.6	43.4	35.4
	2021E	46.9	35.0	53.3	58.5	33.3	79.3	16.8	40.1	42.6	36.6
	2022E	44.4	30.7	47.6	56.9	31.6	71.0	16.3	38.2	41.7	34.4
	2023E	43.9	29.6	47.6	55.0	31.3	67.6	16.2	36.7	41.6	33.6
NPL ratio (%)	2020	1.06	3.75	2.21	1.67	3.82	4.43	3.13	1.63	5.77	1.78
	2021E	1.12	4.33	2.40	1.54	3.82	4.24	3.84	1.63	5.32	3.64
	2022E	1.19	4.16	2.50	1.57	3.82	3.90	3.91	1.57	5.10	2.53
	2023E	1.26	4.16	2.46	1.64	3.51	4.17	3.66	1.51	5.16	2.39
LLC (%)	2020	177.3	88.7	113.3	325.1	100.9	98.3	81.9	356.7	229.9	460.3
	2021E	159.0	61.7	101.0	329.1	107.2	73.0	83.0	320.7	234.6	263.7
	2022E	152.0	63.5	102.3	296.8	109.4	77.3	83.4	297.1	225.5	291.8
	2023E	154.7	70.2	104.5	282.7	118.9	87.0	88.1	291.6	203.5	243.6
ROE (%)	2020	28.4	22.3	15.4	22.9	9.3	17.2	20.1	14.8	19.5	25.1
	2021E	23.4	20.2	12.6	18.9	10.8	13.0	16.0	17.4	21.5	24.8
	2022E	24.3	22.0	15.9	16.4	13.2	9.8	17.0	19.8	21.1	24.1
	2023E	24.4	23.1	17.0	17.2	14.9	9.6	17.6	20.9	19.6	23.0

Sources: FSSIA's estimates

Exhibit 19: Summary of forecasts and key ratios of AMCs

		BAM	CHAYO	JMT
Net profit (THB m)	2020	1,840	155	1,047
	2021E	2,225	251	1,308
	2022E	3,020	388	2,208
	2023E	3,767	509	3,210
Norm profit (THB m)	2020	1,840	155	1,047
	2021E	2,225	251	1,308
	2022E	3,020	388	2,208
	2023E	3,767	509	3,210
Norm profit growth (%)	2020	(71.9)	39.7	53.6
	2021E	20.9	61.8	25.0
	2022E	35.8	54.7	68.7
	2023E	24.7	31.0	45.4
NPL and NPA purchase (THB m)	2020	11,748	638	3,516
	2021E	5,445	1,701	5,449
	2022E	11,018	1,195	10,000
	2023E	11,764	840	15,000
NPL and NPA cash collection (THB m)	2020	13,134	319	3,704
	2021E	14,881	458	4,552
	2022E	15,294	686	6,417
	2023E	17,759	877	8,986
Cash collection to gross NPL and NPA (%)	2020	10.8	21.5	40.0
	2021E	11.8	17.8	37.5
	2022E	11.7	17.4	36.5
	2023E	12.9	17.8	33.3
Interest-bearing debt / equity (x)	2020	2.1	1.4	1.2
	2021E	1.8	0.6	0.8
	2022E	1.9	0.6	0.2
	2023E	1.5	0.5	0.3
ROA (%)	2020	1.5	6.7	8.6
	2021E	1.7	5.9	8.6
	2022E	2.3	6.0	9.5
	2023E	2.8	6.0	9.9
ROE (%)	2020	4.4	14.7	23.0
	2021E	5.1	12.8	18.7
	2022E	6.5	11.7	13.9
	2023E	7.0	10.9	13.3
Cost of fund (%)	2020	2.9	4.9	4.8
	2021E	3.0	4.8	4.6
	2022E	2.9	4.8	4.3
	2023E	3.0	4.8	4.3
Cost to income (%)	2020	26.4	39.6	48.1
	2021E	26.0	35.4	45.4
	2022E	24.7	35.2	37.2
	2023E	24.9	33.4	33.1

Sources: FSSIA estimates

Exhibit 20: 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)
Diversified financials						22,451	11.6	21.9	24.3	19.9	18.9	18.6	4.1	3.3
Unsecured-loan lenders						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
Auto-title lenders						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
Truck lenders						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
Asset management						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
Other						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
Hire purchase motorcycle						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

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	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	AMANA	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	WIK	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	AMANA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	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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Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
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.
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.
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 Bank of Thailand (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 and Auto X (subsidiary of SCB); 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.
Tisco Financial	TISCO TB	THB 92.00	BUY	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; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.

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 4-Nov-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE**Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.