

5 NOVEMBER 2021

Thailand Diversified Financials

Will the angel return to heaven?

The angel has fallen from fierce competition and tight regulations

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. 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.

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. Moreover, most of their 2H21-2022E fundamentals have not significantly changed. We expect they could still deliver strong net profits in 3Q21 amid the prolonged pandemic and the lockdown measures. 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.

Maintain OVERWEIGHT; top picks are 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 the competition and regulations, resulting in the lowest 2022E net profit growth of 13%. Our top picks by order are JMT, SINGER, MICRO, and SAWAD.

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



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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.

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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* 22E (%)	P/E 22E (x)	ROE 22E (%)
		Current (THB)	Target (THB)				
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

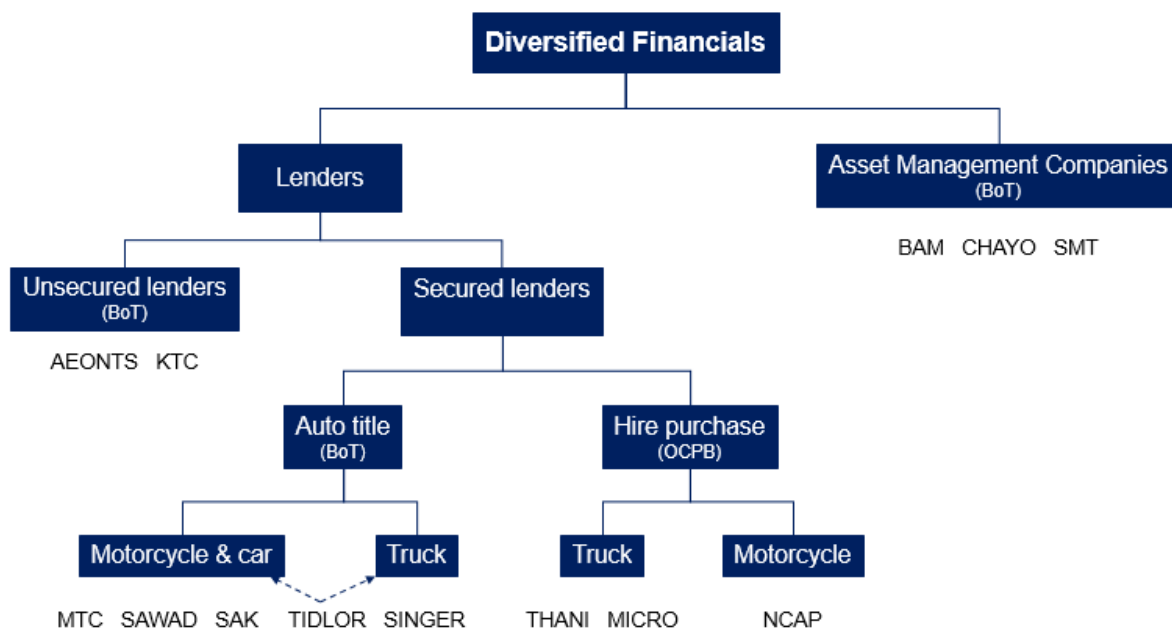
Share prices as of 4 Nov 2021; Sources: Bloomberg; FSSIA estimates

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).

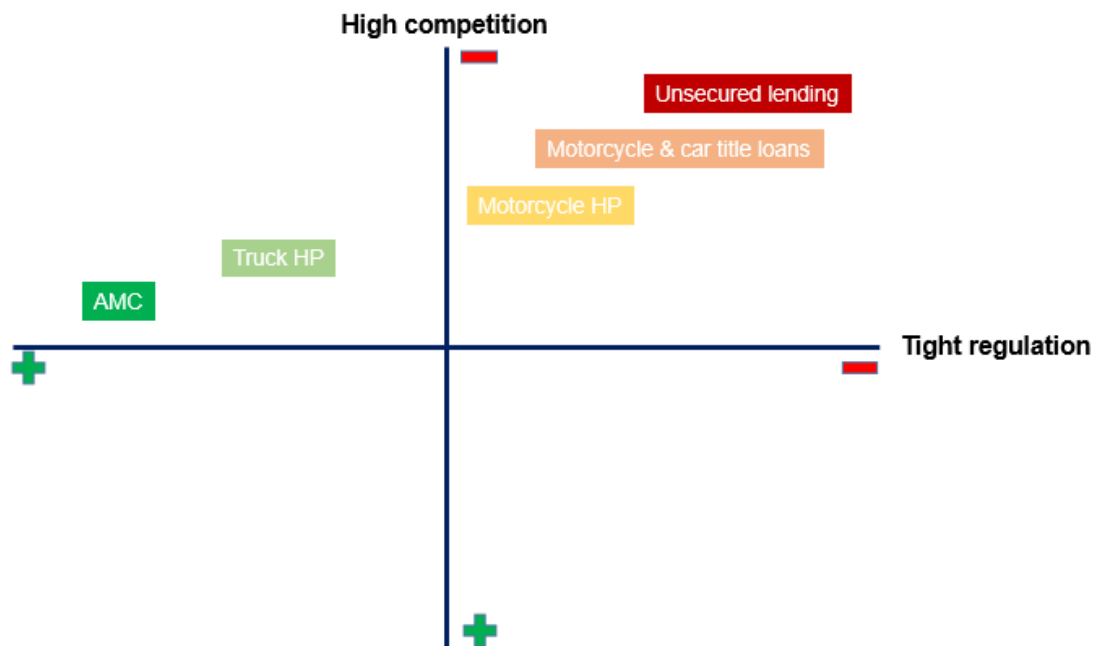
Exhibit 1: Diversified financials under our coverage



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, Thitikom (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 rate 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 (THB m)	2022E (THB m)	2023E (THB m)	2021E (THB m)	2022E (THB m)	2023E (THB m)	2021E (%)	2022E (%)	2023E (%)
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	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

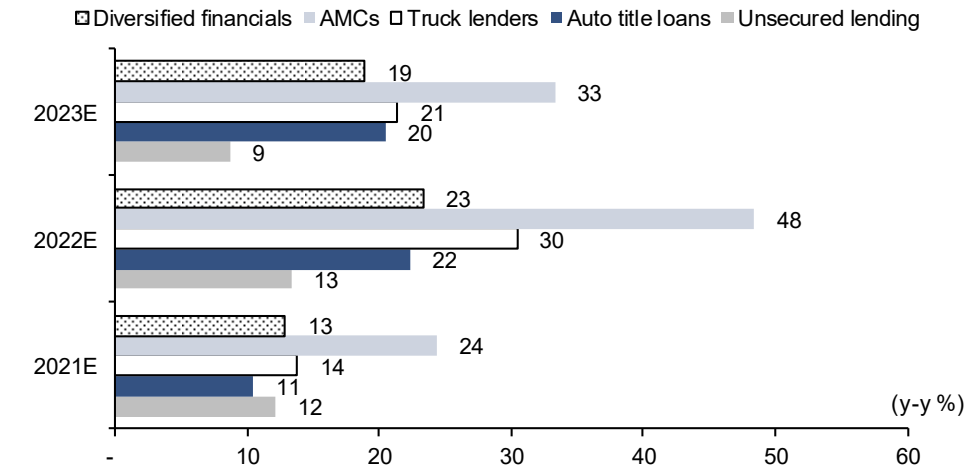
	BAM		CHAYO		JMT	
	New	Old	New	Old	New	Old
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (THB)	22.00	19.40	18.80	18.80	57.00	57.00
Cost of equity: Using CAPM (%)	6.9	6.9	11.6	11.6	9.2	9.2
Long-term growth (%)	6.6	6.4	11.4	11.4	7.4	7.4
Sustainable ROE (%)	7.2	7.1	12.5	12.5	14.0	14.0
Target P/BV multiple (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 -----				AEONTS	KTC
		MTC	SAWAD	SAK	TIDLOR	MICRO	SINGER	THANI	NCAP		
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 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						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

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%

Wait for the king to return in 1Q22

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 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.

Stronger growth in 1Q22

Earnings could slightly increase y-y in 4Q21. Strong earnings momentum should materialise starting from 1Q22, supported by its outstanding loan growth. We also expect MTC to stop paying a debt collection incentive in 1Q22 after economic activities reopen, leading to better asset quality.

Earnings and valuation revisions

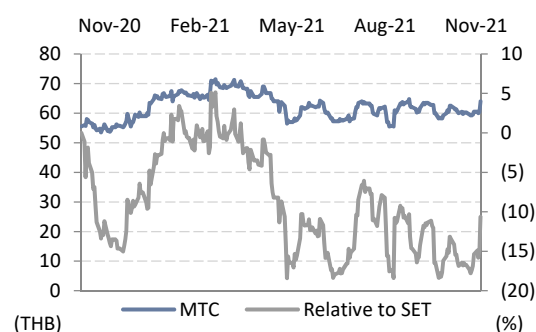
We increase our net profit forecasts for 2022-23 by 3%/4% to mainly reflect the increase in its loan yield after a rise in its motorcycle title loans by 1% in 3Q21. However, we lower our loan growth assumption in 2023 to 18% y-y from 20% y-y, as we expect tighter competition from both the major existing players and the new big player, Auto X (a subsidiary of SCBX). 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.

Maintain BUY with 2022 GGM-based TP of THB71

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 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 stock.

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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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

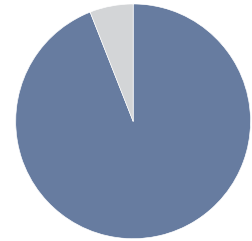
Company profile

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

Principal activities (revenue, 2020)

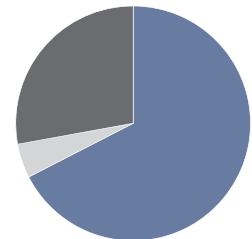
- Net interest income - 94.0 %
- Non-interest income - 6.0 %



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		
		25.0	27.0	29.0
Loan growth	±2ppt			
	% change in net profit	(1.9)	-	1.9
NIM (%)	±5bp			
	% change in net profit	(0.5)	-	0.5
Credit cost (bps)	±10bp			
	% 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 21: MTC – summary of 3Q21E results

Year-end Dec 31	3Q20 (THB m)	2Q21 (THB m)	3Q21E		9M21E			2021E	Change	3Q21E comments
			(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
PPOP before tax	1,736	1,733	1,809	4	4	5,431	10	74	7,388	9
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	
Normalised profit	1,340	1,270	1,315	(2)	4	3,958	3	74	5,374	3
Extraordinary items	0	0	0			0			0	
Net profit	1,340	1,270	1,315	(2)	4	3,958	3	74	5,374	3
EPS (THB)	0.63	0.60	0.62	(2)	4	1.87	3	74	2.53	3
Asset quality ratio (%)										
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	
Profitability ratio										
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	
Loan growth										
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 22: 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
PPOP before tax*	6,771	7,385	7,388	0.0	9,201	9,557	3.9	11,399	11,762	3.2
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	-	
Normalised profit	5,214	5,374	5,374	0.0	6,637	6,801	2.5	8,046	8,346	3.7
Extraordinary items	-	0	-		0	-		0	-	
Net profit	5,214	5,374	5,374	0.0	6,637	6,801	2.5	8,046	8,346	3.7
EPS (THB)	2.46	2.53	2.53	0.0	3.13	3.21	2.5	3.8	3.94	3.7
Key statistics and ratios										
Asset quality ratio										
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	
Profitability ratio (%)										
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	
Loan growth (%)										
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

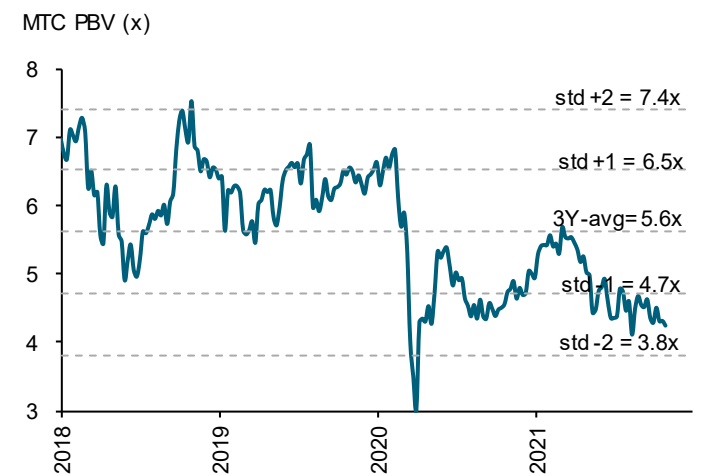
We revise up our 2022 GGM-based TP to THB71 from THB67 as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022E P/BV from 4.6x to 4.9x to reflect the increase in our average long-term ROE target of 24.4% from 23.0%, which could completely offset our higher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

Exhibit 23: 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.

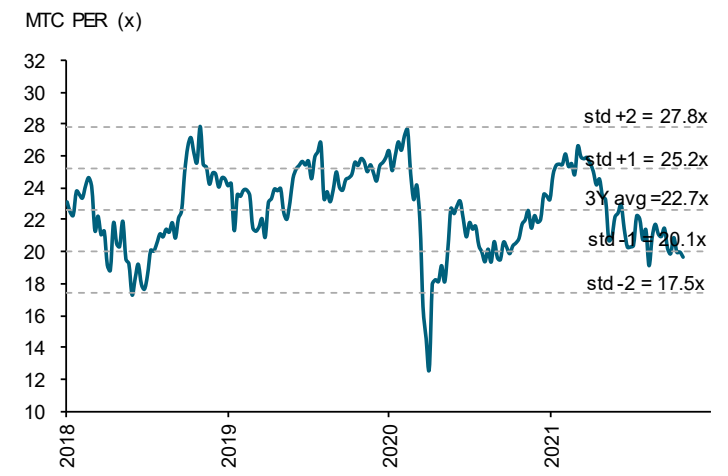
Source: FSSIA estimates

Exhibit 24: MTC – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 25: MTC – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 26: Thailand diversified financials – peers comparison

	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						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

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
Per share (THB)					
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
Growth					
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
Income Breakdown					
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
Operating performance					
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
Net customer loans	58,624	69,640	88,522	108,862	128,272
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
Total assets	61,873	77,222	97,256	117,599	136,675
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	-	-	-	-	-
Total liabilities	45,900	56,540	72,006	86,918	98,900
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	13,863	18,567	23,135	28,566	35,660
Total equity	15,983	20,687	25,255	30,686	37,780
Minority interests	(12)	(5)	(5)	(5)	(5)
Total liabilities & equity	61,872	77,222	97,256	117,599	136,675
Supplementary items					
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
Per share (THB)					
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
Growth					
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
Leverage & capital measures					
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 (%)	-	-	-	-	-
Asset Quality					
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
Valuation					
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

5 NOVEMBER 2021

THAILAND / DIVERSIFIED FINANCIALS

SRISAWAD CORP SAWAD TB

BUY

UNCHANGED

TARGET PRICE	THB80.00
CLOSE	THB64.75
UP/DOWNSIDE	+23.6%
PRIOR TP	THB86.00
CHANGE IN TP	-7.0%
TP vs CONSENSUS	+1.1%

Diversification helps survival

Stronger performance in 3Q21

We expect SAWAD to report a 3Q21 net profit of THB1,211m (+1% y-y, +9% q-q). We see two positives: 1) OPEX savings from relocating some of its staff to work under Fast Money (FM); and 2) a drop in its NPLs by 5% q-q following its more stringent debt collection processes. However, we estimate that its loan volume will moderately increase by 3.0% q-q due to its conservative lending strategy. We expect its motorcycle hire purchase loans and car title loans to rise, while we expect its land title loans to reduce q-q. Note that we expect FM to generate a loss of THB8m for SAWAD vs a profit of THB4m in 2Q21 due to high OPEX.

Decent 4Q21 expected before a solid recovery in 2022

In 4Q21, we expect SAWAD's bottom line to be relatively stable q-q. Although we expect a rise in its provisions from an ECL reversal in 3Q21, this could be offset by an increase in its loan volume and fee income. We think its loan volume will increase moderately q-q. After conservatively lending for six consecutive quarters, we expect that SAWAD will start to resume its growth path. Moreover, we expect its Non-NII to rise in 4Q21, driven by 1) debt servicing fees from FM; and 2) insurance brokerage commission fees. SAWAD will renew its brokerage insurance partnership with Generali Thailand (not listed) and Chubb Samaggi Insurance (not listed), which should result in a rise in channelling fees. In 2022, we think its normalised profit could continue to rise by 21% y-y, driven by stronger loan growth and higher fee income.

Earnings revisions and valuation de-rating

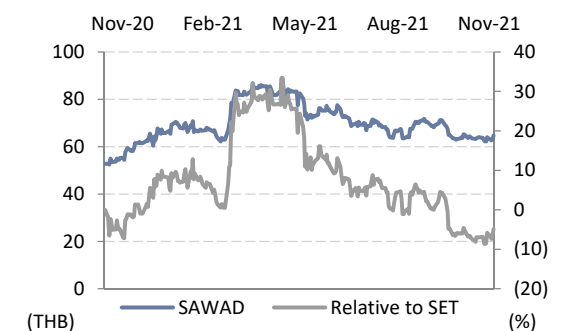
We lower our net profit forecasts for 2021-23 by 3%/1%/4% to mainly reflect the slower loan growth. We revise down our 2022 GGM-based TP to THB80 following our earnings cuts and our lower target 2022 P/BV to 4.0x from 4.3x. We believe that auto title loan operators' premium valuations should de-rate due to the continued fierce competition, leading to a lower profitability margin and a less satisfactory earnings outlook.

Maintain BUY for long-term investment

Among auto title loan lenders, SAWAD is our most preferred stock as we believe it should survive the disruption in the auto title loan industry due to its more diversified business model by 1) expanding into the AMC and insurance brokerage businesses; and 2) enlarging its target customer base to more middle-income earners under Srisawad Capital (not listed).

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	5,983	6,171	7,190	8,399
Net profit	4,508	4,875	5,664	6,686
EPS (THB)	3.32	3.59	4.17	4.92
vs Consensus (%)	-	(0.9)	3.7	6.5
Core net profit	4,508	4,697	5,664	6,686
Core EPS (THB)	3.32	3.46	4.17	4.92
Chg. In EPS est. (%)	-	(2.7)	(1.0)	(3.5)
EPS growth (%)	17.2	4.2	20.6	18.0
Core P/E (x)	19.5	18.7	15.5	13.1
Dividend yield (%)	2.8	2.8	3.2	3.8
Price/book (x)	4.0	3.6	3.2	2.9
ROE (%)	22.3	20.2	22.0	23.1
ROA (%)	9.8	9.4	10.2	10.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.0	(3.0)	27.0
Relative to country (%)	1.2	(7.8)	(4.6)
Mkt cap (USD m)	2,660		
3m avg. daily turnover (USD m)	19.2		
Free float (%)	67		
Major shareholder	Kaewbootta Family (33%)		
12m high/low (THB)	94.25/50.75		
Issued shares (m)	1,373		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

SAWAD has a solid market position as the third largest lender in the title loan market. We expect its market position to remain relatively strong over the next few years, as it plans to continuously expand its loan portfolio by opening approximately 300 new branches per year. Additionally, SAWAD has transformed its business from a grassroots lending operator into a one-stop financial service provider. Moreover, the company is accelerating its ROE via its astute deal-making and solid financial structure by partnering with Government Savings Bank (GSB, not listed) and not consolidating the JV to its financial statement.

Among auto title loan lenders, SAWAD is our most preferred stock as we believe it should survive the disruption in the auto title loan industry due to its more diversified business model.

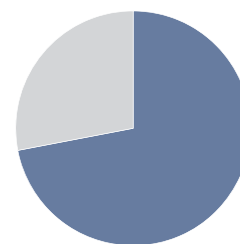
Company profile

SAWAD provides loan services to retail customers under the brand "Srisawad Ngern Sod Tun Jai". Its business operations can be classified into four main categories: 1) secured loans against all types of used vehicles, homes, and land; 2) unsecured personal loans; 3) asset management; and 4) debt collection services.

www.meebaanmeerod.com

Principal activities (revenue, 2020)

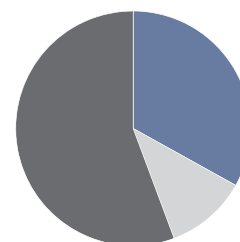
- Net interest income - 72.0 %
- Non-interest income - 28.0 %



Source: Srisawad Corp

Major shareholders

- Kaewbootta Family - 33.1 %
- Thai NVDR - 11.2 %
- Others - 55.7 %



Source: Srisawad Corp

Catalysts

Potential share price catalysts for SAWAD include:

- The synergy between SAWAD and Government Savings Bank;
- Stronger credit demand;
- The success of Srisawad Capital's business.

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 the Consumer Protection Board.

Event calendar

Date	Event
15 Nov 2021	3Q21 results announcement

Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	4,875	5,664	6,686
Net profit growth	8.1	16.2	18.0
NIM	15.93	18.26	18.40
Loan growth	(9.0)	25.0	15.0
Fee growth	21.0	24.0	6.0
Non-NII growth	10.2	15.3	8.0
Credit cost (bp)	(65)	100	120
Cost to income	35.0	30.7	29.6

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		----- 2021E -----		
Loan growth	±2ppt	(11.0)	(9.0)	(7.0)
% change in net profit		(1.0)	-	1.0
NIM (%)	±5bp	15.88	15.93	15.98
% change in net profit		(0.4)	-	0.4
Credit cost (bp)	±10bp	(75.0)	(65.0)	(55.0)
% change in net profit		0.4	-	(0.4)

Source: FSSIA estimates

Stronger performance expected in 3Q21

We expect SAWAD to report a 3Q21 net profit of THB1,211m (+1% y-y, +9% q-q). We see two positives: 1) OPEX savings from relocating some of its staff to work under FM; and 2) a drop in its non-performing assets (NPLs) by 5% q-q following its more stringent debt collection processes. However, we estimate that its loan volume will moderately increase by 3.0% q-q due to its conservative lending strategy. We expect its motorcycle hire purchase loans and car title loans to rise, while we expect its land title loans to reduce q-q. Note that we expect FM to generate a loss of THB8m for SAWAD vs a profit of THB4m in 2Q21 due to high OPEX.

3Q21E key highlights

- We estimate SAWAD's total loan volume to increase moderately by 3.0% in 3Q21 q-q vs 1.8% q-q in 2Q21, driven by its new motorcycle hire purchases and its car title loans. Meanwhile, we expect its land title loans to decline q-q due to its conservative lending strategy due to the prolonged Covid pandemic. Regarding motorbike title loans, which were booked at FM, the company has not provided any loan volume details.
- We think its loan yield is likely to decline to 19.5% from 20.1% in 2Q21. It could be dragged down by the repricing of its higher yield portfolio, which was lent before the interest rate cap mandate by the Bank of Thailand came into effect in Aug-20, resulting in a lower yield.
- SAWAD could still deliver strong Non-NII (+1% y-y, -12% q-q due to the high base in 2Q21). We expect the company to receive debt servicing fees from FM. Also, the company could increase its insurance commissions due to the expansion of its client base from Government Savings Bank.
- There is an expected credit loss (ECL) reversal of THB50m in 3Q21 due to the decline in Srisawad Finance (BFIT TB, not rated)'s loan volume.

Exhibit 27: SAWAD – 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	1,730	1,415	1,412	(18)	(0)	4,509	(17)	75	6,000	(17)	
Non-interest income*	734	835	737	1	(12)	2,255	13	72	3,117	10	
Operating income*	2,464	2,250	2,150	(13)	(4)	6,764	(9)	74	9,117	(10)	
Operating expenses	962	793	799	(17)	1	2,508	(15)	79	3,191	(16)	
PPOP before tax	1,502	1,457	1,351	(10)	(7)	4,256	(5)	72	5,926	(6)	
Expected credit loss	(97)	(48)	(50)	(49)	3	(272)	(259)	111	(245)	(176)	
Income tax	316	315	294	(7)	(7)	987	16	80	1,234	4	
Minority interest	79	84	46			191	(19)		240	(15)	
Normalised profit	1,204	1,106	1,211	1	9	3,499	9	75	4,697	4	
Extraordinary items	0	0	0			178			178		
Net profit	1,204	1,106	1,211	1	9	3,678	14	75	4,875	8	
EPS (THB)	0.88	0.81	0.88	1	9	2.68	13	75	3.59	8	
Asset quality ratio (%)	(%)	(%)	(%)						(%)		
NPLs (THB m)	1,764	1,532	1,455	(18)	(5)				1,554	5	More stringent debt collection processes
NPLs / loans	4.50	4.70	4.34						4.33		
Loan loss reserve / NPLs	75	69	64						62		
Credit cost (bps)	(100)	(59)	(60)						(65)		Reversal from BFIT
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	39.1	35.2	37.2						35.0		
Average yield	20.2	20.1	19.5						18.2		
Cost of funds	3.5	3.5	3.5						3.5		
Net interest margin (NIM)	17.8	17.5	17.1						15.9		
Non-int inc / total income	29.8	37.1	34.3						38.4		
Loan growth	(%)	(%)	(%)						(%)		
y-y	13.2	(15.4)	(14.4)						(9.0)		
q-q	1.9	1.8	3.0								

*Including share of profits from associates

Sources: SAWAD; FSSIA estimates

Earnings revisions and valuation de-rating

We lower our core profit forecasts for 2021-23 by 3%/1%/4% to mainly reflect the slower loan growth. We cut our loan volume assumption for 2021 to a 9% y-y decline from 6% y-y previously, due to the prolonged Covid outbreak. We lower our loan growth assumption in 2023 to 15% y-y from 18% y-y previously, as we expect the tighter competition from both the major existing players and a 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 a more meaningful market share. Thus, we expect the loan growth prospects for existing auto title loan lenders to be lower in 2023.

Exhibit 28: 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	7,263	6,266	6,000	(4.2)	7,588	7,373	(2.8)	9,328	8,874	(4.9)
Non-interest income*	2,827	3,182	3,117	(2.1)	3,607	3,592	(0.4)	3,896	3,880	(0.4)
Operating income*	10,090	9,448	9,117	(3.5)	11,195	10,965	(2.1)	13,223	12,753	(3.6)
Operating expenses	3,787	3,210	3,191	(0.6)	3,389	3,371	(0.5)	3,761	3,775	0.4
PPOP before tax*	6,304	6,239	5,926	(5.0)	7,806	7,594	(2.7)	9,462	8,978	(5.1)
Expected credit loss (Reversal)	321	(96)	(245)		542	404	(25.5)	707	579	(18.2)
Tax expenses	1,192	1,267	1,234	(2.6)	1,380	1,366	(1.0)	1,663	1,554	(6.6)
Minority interest	283	240	240		160	160		160	160	
Normalised profit	4,508	4,827	4,697	(2.7)	5,723	5,664	(1.0)	6,932	6,686	(3.5)
Extraordinary items	-	178	178		0	-		0	-	
Net profit	4,508	5,005	4,875	(2.6)	5,723	5,664	(1.0)	6,932	6,686	(3.5)
EPS (THB)	3.32	3.69	3.59	(2.6)	4.22	4.17	(1.0)	5.1	4.92	(3.5)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	1,480	1,776	1,554	(12.5)	2,131	1,865	(12.5)	2,451	2,144	(12.5)
Gross NPLs / loans (%)	3.75	4.8	4.3		4.6	4.2		4.5	4.2	
Loan loss reserve / NPLs (%)	89	62	62		69	63		72.9	70	
Credit cost (bps)	84	(25)	(65)		130	100		140	120	
Profitability ratio (%)										
Cost to income ratio*	37.5	34.0	35.0		30.3	30.7		28.4	29.6	
Average yield	21.3	18.7	18.2		20.5	20.5		20.7	20.7	
Cost of funds	3.62	3.45	3.47		3.45	3.45		3.5	3.5	
Net interest margin (NIM)	18.9	16.4	15.9		18.2	18.3		18.5	18.4	
Loan growth (%)										
y-y	5.8	(6.0)	(9.0)		25.0	25.0		18.0	15.0	

*Including share of profits from associates

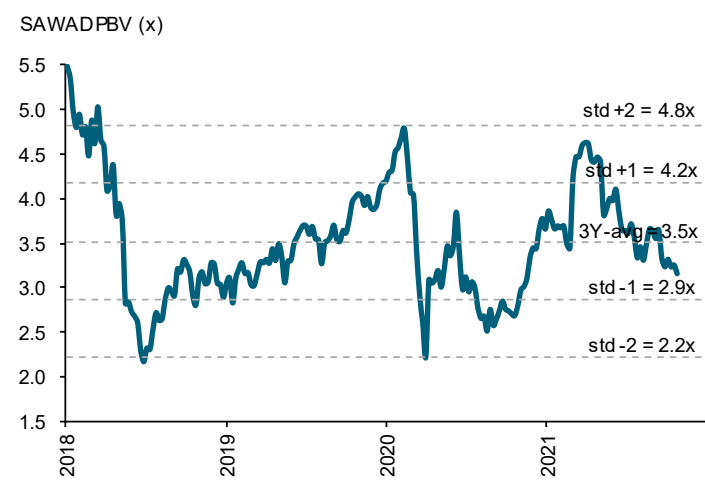
Sources: SAWAD; FSSIA estimates

We revise down our 2022 GGM-based TP to THB80 from THB86, as we 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2022 P/BV to 4.0x from 4.3x as a result of our lower average long-term ROE target of 22.5% from 23.0%; our lower long-term growth assumption to 7.8% from 7.9%; and our higher cost of equity assumption. We believe that auto title loan operators' premium valuations should de-rate due to the continued fierce price competition, leading to a lower profitability margin and a less satisfactory earnings growth outlook.

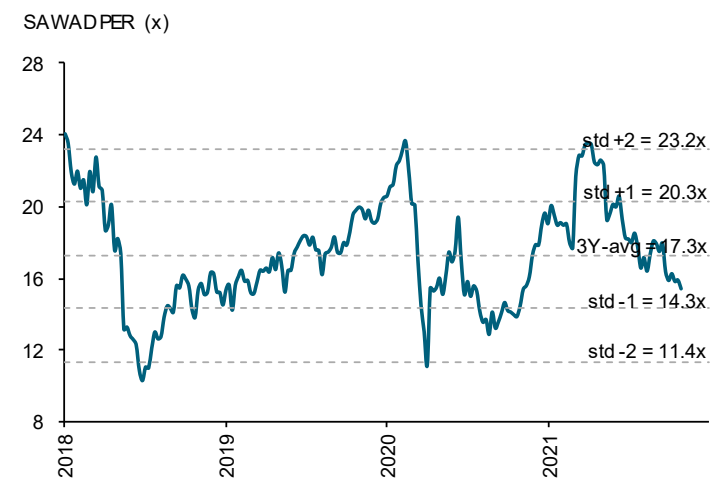
Exhibit 29: SAWAD – GGM-derived target price

Target price (THB)	80 (from 86)
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 (%)	7.8 (from 7.9)
ROE target (%)	22.5 (from 23.0)
Target PBV (x)	4.0 (from 4.3)
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 Consumer Protection Board.

Source: FSSIA estimates

Exhibit 30: SAWAD – prospective P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 31: SAWAD – prospective P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 32: Thailand diversified financials – peers comparison

	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						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

Financial Statements

Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	7,239	8,166	6,857	8,279	9,986
Interest expense	(828)	(903)	(857)	(906)	(1,112)
Net interest income	6,411	7,263	6,000	7,373	8,874
Net fees & commission	1,936	1,315	1,591	1,973	2,091
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	3	2	0	0	0
Other income	615	1,510	1,525	1,619	1,788
Non interest income	2,554	2,827	3,117	3,592	3,880
Total income	8,965	10,090	9,117	10,965	12,753
Staff costs	(1,785)	(1,869)	(1,159)	(1,136)	(1,283)
Other operating costs	(1,747)	(1,918)	(2,032)	(2,235)	(2,492)
Operating costs	(3,532)	(3,787)	(3,191)	(3,371)	(3,775)
Pre provision operating profit	5,433	6,304	5,926	7,594	8,978
Provision for bad and doubtful debt	(552)	(321)	245	(404)	(579)
Other provisions	-	-	-	-	-
Operating profit	4,881	5,983	6,171	7,190	8,399
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	178	0	0
Profit before tax	4,881	5,983	6,349	7,190	8,399
Tax	(952)	(1,192)	(1,234)	(1,366)	(1,554)
Profit after tax	3,929	4,791	5,115	5,824	6,846
Minority interests	(172)	(283)	(240)	(160)	(160)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,756	4,508	4,875	5,664	6,686
Non recurring items & goodwill (net)	-	-	(178)	0	0
Recurring net profit	3,756	4,508	4,697	5,664	6,686
Per share (THB)					
Recurring EPS *	2.83	3.32	3.46	4.17	4.92
Reported EPS	2.90	3.32	3.59	4.17	4.92
DPS	1.43	1.80	1.80	2.09	2.46
Growth					
Net interest income (%)	26.3	13.3	(17.4)	22.9	20.4
Non interest income (%)	22.5	10.7	10.2	15.3	8.0
Pre provision operating profit (%)	32.1	16.0	(6.0)	28.2	18.2
Operating profit (%)	31.0	22.6	3.1	16.5	16.8
Reported net profit (%)	35.7	20.0	8.1	16.2	18.0
Recurring EPS (%)	17.5	17.2	4.2	20.6	18.0
Reported EPS (%)	17.6	14.5	8.1	16.2	18.0
Income Breakdown					
Net interest income (%)	71.5	72.0	65.8	67.2	69.6
Net fees & commission (%)	21.6	13.0	17.5	18.0	16.4
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.0	0.0	-	-	-
Other income (%)	6.9	15.0	16.7	14.8	14.0
Operating performance					
Gross interest yield (%)	21.34	21.28	18.20	20.50	20.70
Cost of funds (%)	3.45	3.62	3.47	3.45	3.50
Net interest spread (%)	17.89	17.66	14.73	17.05	17.20
Net interest margin (%)	18.9	18.9	15.9	18.3	18.4
Cost/income(%)	39.4	37.5	35.0	30.7	29.6
Cost/assets(%)	8.3	7.8	6.1	5.9	5.7
Effective tax rate (%)	19.5	19.9	19.4	19.0	18.5
Dividend payout on recurring profit (%)	50.3	54.2	51.9	50.0	50.0
ROE (%)	24.8	22.3	20.2	22.0	23.1
ROE - COE (%)	14.0	11.5	9.4	11.2	12.3
ROA (%)	9.3	9.8	9.4	10.2	10.4
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Financial Statements

Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	37,294	39,450	35,899	44,874	51,605
Total provisions	(813)	(1,312)	(959)	(1,184)	(1,505)
interest in suspense	3	206	179	224	258
Net customer loans	36,485	38,344	35,119	43,915	50,359
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	551	0	0	0	0
Cash & equivalents	1,649	1,838	1,022	435	2,433
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,411	1,306	1,216	1,139	1,072
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	5,366	10,519	15,413	16,035	16,451
Total assets	45,462	52,007	52,771	61,522	70,315
Customer deposits	6,348	5,234	2,617	2,617	2,617
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	17,518	20,731	20,791	26,522	31,775
Non interest bearing liabilities	1,403	1,972	2,958	3,106	3,262
Hybrid Capital	-	-	-	-	-
Total liabilities	25,270	27,937	26,367	32,246	37,654
Share capital	1,336	1,373	1,373	1,373	1,373
Reserves	17,052	20,712	23,006	25,838	29,181
Total equity	18,388	22,085	24,379	27,211	30,554
Minority interests	1,803	1,985	2,025	2,065	2,107
Total liabilities & equity	45,462	52,007	52,771	61,522	70,315
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	33,930	38,372	37,674	40,387	48,240
Average interest bearing liabilities	23,974	24,916	24,687	26,274	31,766
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)	1,429	1,480	1,554	1,865	2,144
Per share (THB)					
Book value per share	14.19	16.27	17.96	20.04	22.51
Tangible book value per share	14.19	16.27	17.96	20.04	22.51
Growth					
Gross customer loans	22.0	5.8	(9.0)	25.0	15.0
Average interest earning assets	24.8	13.1	(1.8)	7.2	19.4
Total asset (%)	15.9	14.4	1.5	16.6	14.3
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(12.8)	(17.6)	(50.0)	-	-
Leverage & capital measures					
Customer loan/deposits (%)	574.7	732.6	1,341.9	1,678.0	1,924.3
Equity/assets (%)	40.4	42.5	46.2	44.2	43.5
Tangible equity/assets (%)	40.4	42.5	46.2	44.2	43.5
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	26.7	3.6	5.0	20.0	15.0
NPL/gross loans (%)	3.8	3.8	4.3	4.2	4.2
Total provisions/gross loans (%)	2.2	3.3	2.7	2.3	2.9
Total provisions/NPL (%)	56.9	88.7	61.7	63.5	70.2
Valuation					
Recurring P/E (x) *	22.8	19.5	18.7	15.5	13.1
Recurring P/E @ target price (x) *	28.2	24.1	23.1	19.2	16.2
Reported P/E (x)	22.3	19.5	18.0	15.5	13.1
Dividend yield (%)	2.2	2.8	2.8	3.2	3.8
Price/book (x)	4.6	4.0	3.6	3.2	2.9
Price/tangible book (x)	4.6	4.0	3.6	3.2	2.9
Price/tangible book @ target price (x)	5.6	4.9	4.5	4.0	3.6

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

5 NOVEMBER 2021

THAILAND / DIVERSIFIED FINANCIALS

SAKSIAM LEASING SAK TB

BUY

UNCHANGED

TARGET PRICE	THB11.00
CLOSE	THB8.25
UP/DOWNSIDE	+33.3%
PRIOR TP	THB12.20
CHANGE IN TP	-9.8%
TP vs CONSENSUS	+9.3%

Small but strong

Record high net profit expected in 3Q21

We expect SAK to report a record high 3Q21 net profit of THB162m (+4% y-y, +18% q-q), supported by three factors. First, we expect SAK to deliver strong loan growth of 7% q-q due to the greater utilisation of its aggressive branch expansion in 1H21, having opened 200 additional branches. It currently has 719 branches, in line with its 2021 target. Second, amid the price competition between major players, we think SAK could maintain its NIM due to its unique client segment; more than 50% of its portfolio consists of farmers. Third, its OPEX should decline q-q after its front-loaded branch expansion in 1H21. Regarding its asset quality, we expect its NPLs to moderately rise by 12% q-q in 3Q21. We have little concern over this as it is usual during a rapid business expansion.

Promising outlook in 4Q21 and 2022

We think SAK's bottom line should hit a record high again in 4Q21. Moreover, we expect its net profit to rise by 39% y-y in 2022. The solid outlook in the short to medium term is supported by 1) its solid loan growth, thanks mainly to the large potential demand for auto title loans and its extensive network expansion; 2) effective asset quality control; and 3) a lower cost to income ratio, owing to the economies of scale.

Earnings revisions and valuation de-rating

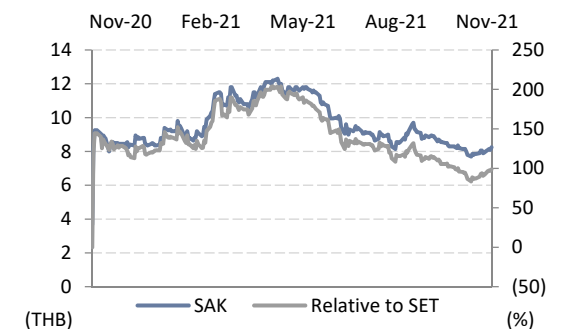
We lower our net profit forecasts for 2021-23 by 3%/3%/8% to reflect the slower loan growth and higher OPEX than expected. We revise down our 2022 GGM-based TP to THB11 following our earnings cuts and our lower target 2022 P/BV to 4.2x from 4.6x. We believe that auto title loan operators' premium valuations should de-rate due to the continued fierce competition from both the major existing players and the new big player, Auto X (a subsidiary of SCBX), leading to a lower profitability margin and a less satisfactory earnings outlook in the long run.

Maintain BUY with GGM-based TP of THB11

We think that in the short term, SAK's share price might be pressured by the concerns over the tight competition in the sector. However, due to its significantly smaller size compared to the major players, SAK could be less impacted by the current price war. We think SAK should deliver solid performance starting from 3Q21. Moreover, its valuation looks attractive, currently trading at 3.1x 2022E P/BV vs its peak level of 5.0x. Hence, we maintain our BUY call.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	700	741	1,030	1,240
Net profit	562	594	826	994
EPS (THB)	0.35	0.28	0.39	0.47
vs Consensus (%)	-	(4.4)	(2.0)	(5.1)
Core net profit	562	594	826	994
Core EPS (THB)	0.35	0.28	0.39	0.47
Chg. In EPS est. (%)	-	(2.7)	(3.3)	(7.9)
EPS growth (%)	51.7	(19.5)	39.1	20.3
Core P/E (x)	23.4	29.1	20.9	17.4
Dividend yield (%)	1.7	1.0	1.4	1.7
Price/book (x)	2.9	3.5	3.1	2.8
ROE (%)	15.4	12.6	15.9	17.0
ROA (%)	7.1	6.6	8.1	7.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.6)	(8.3)	n/a
Relative to country (%)	(1.3)	(12.9)	n/a
Mkt cap (USD m)	517		
3m avg. daily turnover (USD m)	1.3		
Free float (%)	21		
Major shareholder	Boonsalee Family (67%)		
12m high/low (THB)	12.80/6.75		
Issued shares (m)	935		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

Saksiam Leasing is the third largest non-bank personal and auto title loan service provider in Thailand, with more than 34 years of experience in the debt collection and retail finance businesses.

We think that in the short term, SAK's share price might be pressured by the concerns over the tight competition in the sector. However, due to its significantly smaller size compared to the major players, SAK could be less impacted by the current price war. We think SAK should deliver solid performance starting from 3Q21. Moreover, its valuation looks attractive, currently trading at 3.1x 2022E P/BV vs its peak level of 5.0x. Hence, we maintain our BUY call.

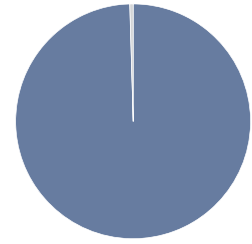
Company profile

Saksiam Leasing is the third largest non-bank personal and auto title loan service provider listed on the SET, with a focus on the north, northeast, central, and western regions of Thailand. The company has four product categories: 1) auto title loans under BoT regulations; 2) personal loans under BoT regulations; 3) nano finance; and 4) other financial products, such as hire purchase.

www.saksiam.com

Principal activities (revenue, 2020)

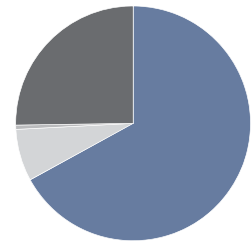
- Net interest income - 99.5 %
- Non-interest income - 0.5 %



Source: Saksiam Leasing

Major shareholders

- Boonsalee Family - 67.0 %
- Bualuang Asset Management - 7.2 %
- Mr. Aiyawatt Srivaddhanaprabha - 0.6 %
- Others - 25.2 %



Source: Saksiam Leasing

Catalysts

Potential share price catalysts for SAK include:

1. Stronger loan growth;
2. Faster network expansion;
3. Policy rate cuts.

Risks to our call

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.

Event calendar

Date	Event
11 Nov-21	3Q21 results announcement

Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	594	826	994
Net profit growth	5.7	39.1	20.3
NIM	22.51	21.72	21.24
Loan growth	33.0	25.0	22.0
Credit cost (bp)	80	85	85
Cost to income*	53.3	47.6	47.6

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		2021E		
		31.0	33.0	35.0
Loan growth	±2ppt	31.0	33.0	35.0
% change in net profit		(2.0)	-	2.0
NIM (%)	±5bp	22.46	22.51	22.56
% change in net profit		(0.5)	-	0.5
Credit cost (bps)	±10bp	70.0	80.0	90.0
% change in net profit		0.5	-	(0.5)

Source: FSSIA estimates

Record high net profit expected in 3Q21

We expect SAK to report a record high 3Q21 net profit of THB162m (+4% y-y, +18% q-q), supported by three factors. First, we expect SAK to deliver strong loan growth of 7% q-q due to the greater utilisation of its aggressive branch expansion in 1H21, having opened 200 additional branches. It currently has 719 branches, in line with its 2021 target. Second, amid the price competition between major players, we think SAK could maintain its NIM due to its unique client segment; more than 50% of its portfolio are farmers. Third, its OPEX should decline q-q after its front-loaded branch expansion in 1H21. Regarding its asset quality, we expect its non-performing loans (NPLs) to moderately rise by 12% q-q. We have little concern over this as it is usual during a rapid business expansion.

Exhibit 33: SAK – summary of 3Q21E results

Year-end Dec 31	3Q20 (THB m)	2Q21 (THB m)	3Q21E		9M21E			2021E	Change	3Q21E comments	
			(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%21E	(THB m)	(y-y %)	
Net interest income	368	417	449	22	8	1,234	11	72	1,703	15	
Non-interest income*	2	3	1	(23)	(57)	8	68	63	13	89	
Operating income*	370	420	451	22	7	1,242	11	72	1,716	16	
Operating expenses	197	238	233	18	(2)	688	15	75	915	16	Lower branch expansion-related OPEX
PPOP before tax	173	183	218	26	20	554	7	69	801	15	
Expected credit loss	(21)	12	18	(185)	54	35	386	57	61	(1,163)	
Income tax	38	34	38	(0)	13	101	1	69	147	6	
Minority interest											
Normalised profit	156	137	162	4	18	418	2	70	594	6	
Extraordinary items	0	0	0			0			0		
Net profit	156	137	162	4	18	418	2	70	594	6	
EPS (THB)	0.10	0.07	0.08	(23)	18	0.20	(24)	70	0.28	(20)	EPS dilution from IPO
Asset quality ratio (%)											
NPLs (THB m)	168	167	186	10	12				208	45	
NPLs / loans	2.65	2.14	2.23						2.40		
Loan loss reserve/NPLs	107	104	101						101		
Credit cost (bps)	(135)	64	90						80		
Profitability ratio (%)											
Cost to income ratio	53.2	56.5	51.6						53.3		
Average yield	25.2	23.9	23.8						23.9		
Cost of funds	2.9	2.7	3.0						2.6		
Net interest margin (NIM)	23.5	22.8	22.4						22.6		
Non-int inc / total income	0.5	0.8	0.3						0.7		
Loan growth (%)											
y-y		25.3	30.8						33.0		
q-q	2.5	12.2	7.0								

*Including share of profits from associates

Sources: SAK; FSSIA estimates

Earnings revisions and valuation de-rating

We lower our core profit forecasts for 2021-23 by 3%/3%/8% to mainly reflect the increase in its OPEX in 2021-22. We lower our loan growth assumption in 2023 to 22% y-y from 25% y-y previously, 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 a more meaningful market share. Thus, we expect the loan growth prospects of existing auto title loan lenders to be lower in 2023.

Exhibit 34: 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	1,476	1,685	1,703	1.1	2,104	2,111	0.3	2,604	2,546	(2.2)
Non-interest income*	7	13	13	0.0	14	14	0.0	14	14	0.0
Operating income*	1,482	1,698	1,716	1.1	2,118	2,125	0.3	2,618	2,560	(2.2)
Operating expenses	788	876	915	4.4	969	1,012	4.4	1,168	1,219	4.4
PPOP before tax*	695	821	801	(2.5)	1,149	1,113	(3.1)	1,450	1,342	(7.5)
Expected credit loss (Reversal)	(6)	61	61	0.0	83	83	(0.9)	105	102	(2.9)
Tax expenses	138	151	147	(2.7)	211	204	(3.3)	266	245	(7.9)
Minority interest	-	0	-		0	-		0	-	
Normalised profit	562	610	594	(2.7)	854	826	(3.3)	1,079	994	(7.9)
Extraordinary items	-	0	-		0	-		0	-	
Net profit	562	610	594	(2.7)	854	826	(3.3)	1,079	994	(7.9)
EPS (THB)	0.35	0.29	0.28	(2.7)	0.41	0.39	(3.3)	0.5	0.47	(7.9)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	143	208	208	0.0	270	270	0.0	324	324	0.0
Gross NPLs / Loans (%)	2.2	2.4	2.4		2.5	2.5		2.4	2.5	
Loan loss reserve/NPLs (%)	113	101	101		102	102		105	104	
Credit cost (bps)	(9)	80	80		85	85		85	85	
Profitability ratio (%)										
Cost to income ratio*	53.1	51.6	53.3		45.8	47.6		44.6	47.6	
Average yield	24.4	23.8	23.9		23.0	23.2		22.8	22.9	
Cost of funds	3.20	2.80	2.60		3.00	3.00		3.10	3.10	
Net interest margin (NIM)	22.4	22.3	22.5		21.5	21.7		21.1	21.2	
Loan growth (%)										
y-y	(3.0)	33.0	33.0		27.0	25.0		25.0	22.0	

*Including share of profits from associates

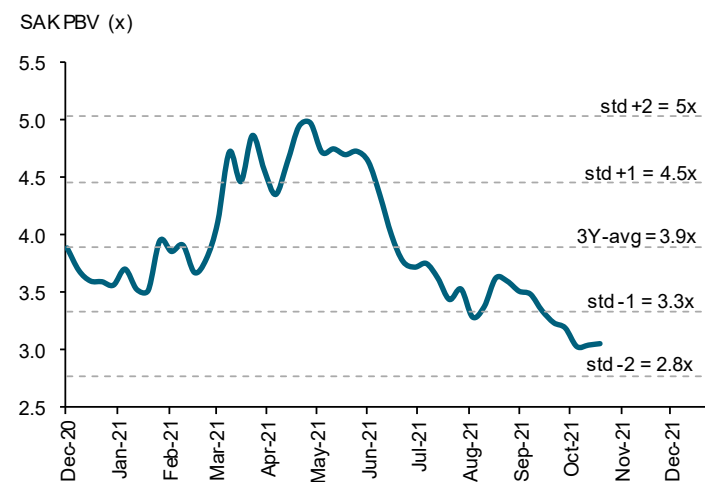
Sources: SAK; FSSIA estimates

We revise down our 2022 GGM-based TP to THB11.0 from THB12.2, as we 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2022 P/BV to 4.2x from 4.6x as a result of our lower average long-term ROE target of 17.3% from 18.0%; our lower long-term growth assumption to 9.7% from 9.8%; and our higher cost of equity assumption. We believe that auto title loan operators' premium valuations should de-rate due to the continued fierce price competition, leading to a lower profitability margin and a less satisfactory earnings growth outlook.

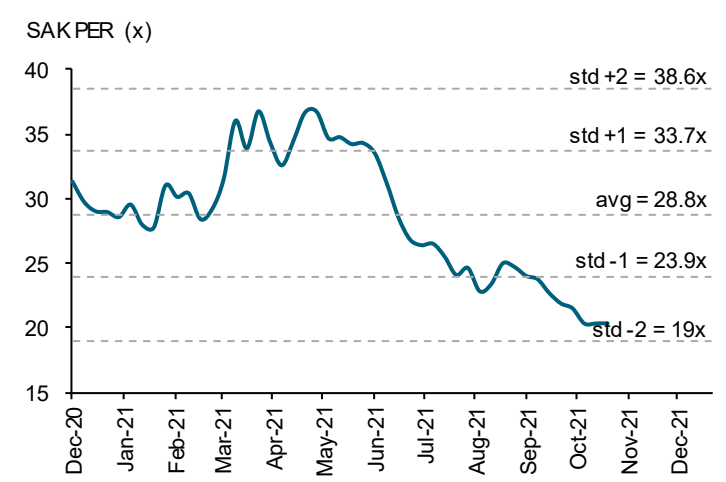
Exhibit 35: SAK – GGM-derived target price

Target price (THB)	11.0 (from 12.2)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.7 (from 11.6)
Terminal growth (%)	9.7 (from 9.8)
ROE target (%)	17.3 (from 18.0)
Target PBV (x)	4.2 (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 36: SAK – prospective P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 37: SAK – prospective P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 38: Thailand diversified financials – peers comparison

	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						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

Financial Statements

Saksiam Leasing

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	1,575	1,607	1,809	2,255	2,745
Interest expense	(159)	(131)	(105)	(144)	(199)
Net interest income	1,416	1,476	1,703	2,111	2,546
Net fees & commission	25	2	6	7	7
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	4	5	6	7	7
Non interest income	29	7	13	14	14
Total income	1,446	1,482	1,716	2,125	2,560
Staff costs	-	-	-	-	-
Other operating costs	(899)	(788)	(915)	(1,012)	(1,219)
Operating costs	(899)	(788)	(915)	(1,012)	(1,219)
Pre provision operating profit	547	695	801	1,113	1,342
Provision for bad and doubtful debt	(115)	6	(61)	(83)	(102)
Other provisions	-	-	-	-	-
Operating profit	432	700	741	1,030	1,240
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	432	700	741	1,030	1,240
Tax	(86)	(138)	(147)	(204)	(245)
Profit after tax	346	562	594	826	994
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	346	562	594	826	994
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	346	562	594	826	994
Per share (THB)					
Recurring EPS *	0.23	0.35	0.28	0.39	0.47
Reported EPS	0.23	0.35	0.28	0.39	0.47
DPS	0.00	0.14	0.09	0.12	0.14
Growth					
Net interest income (%)	57.3	4.2	15.4	23.9	20.6
Non interest income (%)	(88.0)	(77.2)	89.1	7.5	5.0
Pre provision operating profit (%)	0.7	27.0	15.4	38.9	20.5
Operating profit (%)	(12.8)	62.3	5.8	39.1	20.3
Reported net profit (%)	(13.2)	62.4	5.7	39.1	20.3
Recurring EPS (%)	-	51.7	(19.5)	39.1	20.3
Reported EPS (%)	-	51.7	(19.5)	39.1	20.3
Income Breakdown					
Net interest income (%)	98.0	99.5	99.3	99.4	99.4
Net fees & commission (%)	1.7	0.1	0.4	0.3	0.3
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.3	0.3	0.4	0.3	0.3
Operating performance					
Gross interest yield (%)	25.56	24.35	23.90	23.20	22.90
Cost of funds (%)	4.10	3.20	2.60	3.00	3.10
Net interest spread (%)	21.46	21.15	21.30	20.20	19.80
Net interest margin (%)	23.0	22.4	22.5	21.7	21.2
Cost/income(%)	62.2	53.1	53.3	47.6	47.6
Cost/assets(%)	13.7	9.9	10.2	9.9	9.7
Effective tax rate (%)	19.8	19.8	19.8	19.8	19.8
Dividend payout on recurring profit (%)	-	39.4	30.0	30.0	30.0
ROE (%)	14.1	15.4	12.6	15.9	17.0
ROE - COE (%)	3.3	4.6	1.8	5.1	6.2
ROA (%)	5.3	7.1	6.6	8.1	7.9
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

Financial Statements

Saksiam Leasing

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	6,700	6,497	8,640	10,800	13,177
Total provisions	(188)	(162)	(210)	(276)	(339)
interest in suspense	125	72	104	130	158
Net customer loans	6,637	6,406	8,534	10,654	12,996
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	1,600	80	8	8
Cash & equivalents	253	307	105	146	176
Other interesting assets	-	-	-	-	-
Tangible fixed assets	171	113	125	137	151
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	96	352	332	363	398
Total assets	7,158	8,778	9,175	11,308	13,729
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	4,132	4,072	4,034	5,577	7,291
Non interest bearing liabilities	250	198	218	229	240
Hybrid Capital	-	-	-	-	-
Total liabilities	4,382	4,270	4,251	5,806	7,531
Share capital	1,550	2,096	2,096	2,096	2,096
Reserves	1,226	2,412	2,828	3,406	4,102
Total equity	2,776	4,508	4,924	5,502	6,198
Minority interests	0	0	0	0	0
Total liabilities & equity	7,158	8,778	9,175	11,308	13,729
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	6,162	6,598	7,568	9,720	11,989
Average interest bearing liabilities	3,871	4,102	4,053	4,805	6,434
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)	97	143	208	270	324
Per share (THB)					
Book value per share	1.86	2.83	2.35	2.63	2.96
Tangible book value per share	1.86	2.83	2.35	2.63	2.96
Growth					
Gross customer loans	19.1	(3.0)	33.0	25.0	22.0
Average interest earning assets	30.9	7.1	14.7	28.4	23.3
Total asset (%)	20.8	22.6	4.5	23.2	21.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	38.8	51.4	53.7	48.7	45.1
Tangible equity/assets (%)	38.8	51.4	53.7	48.7	45.1
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	90.5	48.1	45.0	30.0	20.0
NPL/gross loans (%)	1.4	2.2	2.4	2.5	2.5
Total provisions/gross loans (%)	2.8	2.5	2.4	2.1	2.6
Total provisions/NPL (%)	194.3	113.3	101.0	102.3	104.5
Valuation					
Recurring P/E (x) *	35.5	23.4	29.1	20.9	17.4
Recurring P/E @ target price (x) *	47.4	31.2	38.8	27.9	23.2
Reported P/E (x)	35.5	23.4	29.1	20.9	17.4
Dividend yield (%)	-	1.7	1.0	1.4	1.7
Price/book (x)	4.4	2.9	3.5	3.1	2.8
Price/tangible book (x)	4.4	2.9	3.5	3.1	2.8
Price/tangible book @ target price (x)	5.9	3.9	4.7	4.2	3.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

5 NOVEMBER 2021

THAILAND / DIVERSIFIED FINANCIALS

NGERN TID LOR TIDLOR TB

BUY

UNCHANGED

TARGET PRICE	THB43.00
CLOSE	THB37.00
UP/DOWNSIDE	+16.2%
PRIOR TP	THB47.00
CHANGE IN TP	-8.5%
TP vs CONSENSUS	-7.1%

Stronger medium-term outlook

Decent performance expected in 3Q21

We expect TIDLOR to report a 3Q21 net profit of THB819m (+1% y-y, +5% q-q). We think the company was able to control its OPEX effectively, potentially leading to the lowest cost to income ratio at 55.5% in the last 11 quarters. We also expect its NPLs to drop by 5% q-q following its more stringent debt collection process. However, we expect its Non-NII to decline by 1% y-y and 9% q-q, pressured by 1) lower insurance brokerage fees due to the Covid impact, resulting in lower purchasing power for its clients; and 2) lower collection fees following the new restrictions on debt collection fees. Its 3Q21E loan volume should moderately increase by 3.0% q-q. Its motorcycle hire purchase and truck title loans should rise in 3Q21, while its car title loans may drop q-q.

Improving core operations in 4Q21

In 4Q21, we expect its bottom line to jump y-y and be relatively stable q-q. The core operations of both its loan growth and insurance brokerage businesses should slightly improve after Covid-19 abates. In 2022, we expect its normalised profit to continue to rise by 22% y-y, driven by stronger loan growth and higher insurance brokerage fee income.

Earnings revisions and valuation de-rating

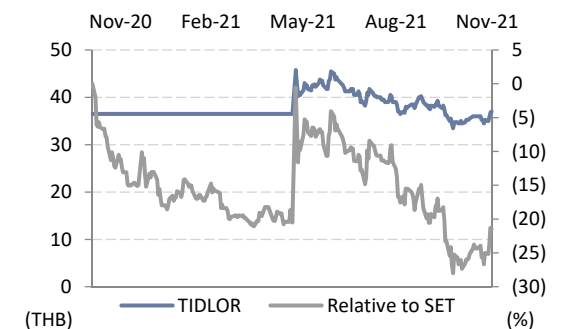
We slightly revise up our 2021 net profit forecast by 2% to reflect the better OPEX control and asset quality. However, we lower our core profit forecast for 2023 by 5% to mainly reflect our lower loan growth assumption to 15% y-y from 18% y-y previously, as we expect tighter competition from both the major existing players and the new big player, Auto X (a subsidiary of SCBX). We revise down our 2022 GGM-based TP to THB43 to reflect our lower target 2022 P/BV to 4.0x from 4.3x.

Maintain BUY but not our most preferred

We maintain our BUY call as we believe its stringent asset quality control and strong insurance brokerage business should allow TIDLOR's net profit to increase at a 24% three-year CAGR from 2020-23. However, in the longer run, we think TIDLOR may be one of the companies affected by Auto X's expansion. We think Auto X will use the same method as TIDLOR to penetrate the market by using both technology and traditional branches. TIDLOR might lose its competitive advantage in the future. Thus, among major title loan lenders, TIDLOR is not our most preferred stock at the moment.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	3,027	3,991	4,847	5,821
Net profit	2,416	3,193	3,878	4,657
EPS (THB)	1.15	1.42	1.67	2.01
vs Consensus (%)	-	2.8	(2.0)	(6.2)
Core net profit	2,416	3,193	3,878	4,657
Core EPS (THB)	1.15	1.42	1.67	2.01
Chg. In EPS est. (%)	-	1.5	0.0	(5.1)
EPS growth (%)	(15.0)	23.8	17.8	20.1
Core P/E (x)	32.3	26.1	22.1	18.4
Dividend yield (%)	-	0.6	0.7	0.8
Price/book (x)	6.6	3.8	3.4	3.0
ROE (%)	22.9	18.9	16.4	17.2
ROA (%)	4.7	5.5	5.7	6.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.5	(8.6)	n/a
Relative to country (%)	5.7	(13.2)	n/a
Mkt cap (USD m)	2,567		
3m avg. daily turnover (USD m)	19.8		
Free float (%)	21		
Major shareholder	Bank of Ayudhya (30%)		
12m high/low (THB)	55.50/33.25		
Issued shares (m)	2,319		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

TIDLOR is one of the largest microfinance operators in Thailand. We believe its stringent asset quality control and strong insurance brokerage business should allow its net profit to increase at a 24% three-year CAGR from 2020-23. However, in the longer run, we think TIDLOR may be one of the companies affected by Auto X's expansion. We think Auto X will use the same method as TIDLOR to penetrate the market by using both technology and traditional branches. TIDLOR might lose its competitive advantage in the future. Thus, among major title loan lenders, TIDLOR is not our most preferred stock at the moment.

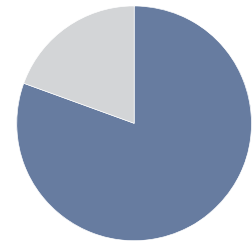
Company profile

TIDLOR, currently, has two main businesses, namely auto title loans and insurance brokerage services. In 2019, it was the largest auto title loan provider in Thailand, with a market share of 16%. Regarding its insurance broker businesses, it was one of top five insurance brokerages for retail segments and was the eighth-largest non-life insurance broker in Thailand.

www.ngerntidlor.com

Principal activities (revenue, 2020)

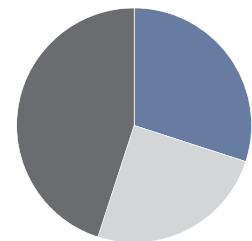
- Net interest income - 80.5 %
- Non-interest income - 19.5 %



Source: Ngern Tid Lor

Major shareholders

- Bank of Ayudhya - 30.0 %
- Siam Asia Credit Access PTE Ltd - 25.0 %
- Others - 45.0 %



Source: Ngern Tid Lor

Catalysts

Potential share price catalysts for TIDLOR include:

- Stronger non-life premium growth;
- The reversal of provisions;
- Effective cost control.

Risks to our call

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.

Event calendar

Date	Event
15 Nov 2021	3Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	3,193	3,878	4,657
Net profit growth (%)	32.2	21.5	20.1
NIM (%)	15.80	15.72	15.56
Loan growth (%)	14.0	18.0	15.0
Fee growth (%)	14.8	26.0	26.6
Non-NII growth (%)*	13.5	25.9	26.5
Credit cost (bp)	80	87	110
Cost to income (%)*	58.5	56.9	55.0

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2021E		
Loan growth	±2ppt	12.0	14.0	16.0
% change in net profit		(2.1)	-	2.1
NIM (%)	±5bp	15.75	15.80	15.85
% change in net profit		(0.7)	-	0.7
Credit cost (bp)	±10bp	70	80	90
% change in net profit		1.4	-	(1.4)

Source: FSSIA estimates

Decent performance expected in 3Q21

We expect TIDLOR to report a 3Q21 net profit of THB819m (+1% y-y, +5% q-q). We think the company was able to control its OPEX effectively, potentially leading to the lowest cost to income ratio at 55.5% in the last 11 quarters. We also expect its NPLs to drop by 5% q-q following its more stringent debt collection process. However, we expect its Non-NII to decline by 1% y-y and 9% q-q, pressured by 1) lower insurance brokerage fees due to the Covid impact, resulting in lower purchasing power for its clients; and 2) lower collection fees following the new restrictions on debt collection fees. Its 3Q21E loan volume should moderately increase by 3.0% q-q. Its motorcycle hire purchase and truck title loans should rise in 3Q21, while its car title loans may drop q-q.

3Q21E key highlights

- Total loan volume should increase moderately by 3.0% q-q, driven by its new motorcycle hire purchase and truck title loans. We think TIDLOR's cash card is one of the key factors to push its motorbike title loans.
- Its loan yield is likely to decline to 17.9% from 18.0% in 2Q21 due to the lower interest rate charge campaign for truck title loans in Sep-21. However, its cost of funds is also likely to decline. Thus, we expect a stable NIM q-q at 15.8%.
- We expect an 11% q-q increase in its expected credit loss (ECL). The company is still taking a conservative approach by not releasing excess ECL.

Exhibit 39: TIDLOR – 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	1,936	2,113	2,177	12	3	6,331	14	74	8,589	14	
Non-interest income*	463	506	459	(1)	(9)	1,517	22	73	2,069	13	Drop in insurance brokerage and debt collection fees
Operating income*	2,398	2,619	2,636	10	1	7,848	15	74	10,658	14	
Operating expenses	1,366	1,519	1,462	7	(4)	4,572	9	73	6,232	8	
PPOP before tax	1,032	1,100	1,174	14	7	3,275	25	74	4,426	23	
Expected credit loss	12	130	144	1,101	11	297	(22)	68	435	(25)	
Income tax	209	192	210	0	9	598	31	75	798	31	
Minority interest	0	0	0			0			0		
Normalised profit	811	777	819	1	5	2,380	33	75	3,193	32	
Extraordinary items	0	0	0			0			0		
Net profit	811	777	819	1	5	2,380	33	75	3,193	32	
EPS (THB)	0.39	0.34	0.35	(8)	5	1.06	25	75	1.42	24	
Asset quality ratio (%)											
NPLs (THB m)	589	853	811	38	(5)				893	5	More stringent debt collection process
NPLs / loans	1.22	1.57	1.45						1.54		
Loan loss reserve/NPLs	469	306	323						329		
Credit cost (bps)	10	97	105						80		
Profitability ratio (%)											
Cost to income ratio	57.0	58.0	55.5						58.5		
Average yield	18.8	18.0	17.9						18.0		
Cost of funds	2.8	2.9	2.8						3.0		
Net interest margin (NIM)	16.4	15.8	15.8						15.8		
Non-int inc / total income	19.3	19.3	17.4						19.4		
Loan growth (%)											
y-y		17.3	16.0						14.0		
q-q	4.2	2.7	3.0								

*Including share of profits from associates

Sources: TIDLOR; FSSIA estimates

Earnings revisions and valuation de-rating

We slightly revise up our 2021 net profit forecast by 2% to reflect the better OPEX control and asset quality. However, we lower our core profit forecast for 2023 by 5% to mainly reflect our lower loan growth assumption to 15% y-y from 18% y-y previously, 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 40: 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	7,557	8,558	8,589	0.4	10,078	9,927	(1.5)	11,775	11,435	(2.9)
Non-interest income*	1,824	2,160	2,069	(4.2)	2,646	2,605	(1.5)	3,445	3,294	(4.4)
Operating income*	9,381	10,717	10,658	(0.6)	12,724	12,532	(1.5)	15,220	14,729	(3.2)
Operating expenses	5,770	6,289	6,232	(0.9)	7,170	7,136	(0.5)	8,174	8,099	(0.9)
PPOP before tax*	3,611	4,428	4,426	(0.0)	5,554	5,397	(2.8)	7,045	6,630	(5.9)
Expected credit loss (Reversal)	583	494	435	(11.9)	707	549	(22.3)	910	808	(11.2)
Tax expenses	611	787	798	1.5	969	969	0.0	1,227	1,164	(5.1)
Minority interest	-	0	-	-	0	-	-	0	-	-
Normalised profit	2,416	3,147	3,193	1.5	3,878	3,878	0.0	4,909	4,657	(5.1)
Extraordinary items	-	0	-	-	0	-	-	0	-	-
Net profit	2,416	3,147	3,193	1.5	3,878	3,878	0.0	4,909	4,657	(5.1)
EPS (THB)	1.15	1.40	1.42	1.5	1.72	1.72	0.0	2.2	2.07	(5.1)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	850	1,105	893	(19.2)	1,326	1,071	(19.2)	1,591	1,285	(19.2)
Gross NPLs / Loans (%)	1.67	1.9	1.5	-	1.9	1.6	-	1.9	1.6	-
Loan loss reserve/NPLs (%)	325	271	329	20.7	255	297	16.5	247	283	15.4
Credit cost (bps)	118	90	80	(9.9)	110	87	(21.8)	120	110	(9.1)
Profitability ratio (%)										
Cost to income ratio*	61.5	58.7	58.5	(0.2)	56.4	56.9	0.5	53.7	55.0	1.3
Average yield	17.7	17.7	18.0	0.3	17.6	17.7	0.1	17.5	17.6	0.1
Cost of funds	3.1	3.0	3.0	(0.1)	3.0	3.0	0.0	3.0	3.1	0.1
Net interest margin (NIM)	15.4	15.6	15.8	0.2	15.7	15.7	0.0	15.5	15.6	0.1
Loan growth (%)										
y-y	6.7	16.0	14.0	(13.8)	18.0	18.0	0.0	18.0	15.0	(16.7)

*Including share of profits from associates

Sources: TIDLOR; FSSIA estimates

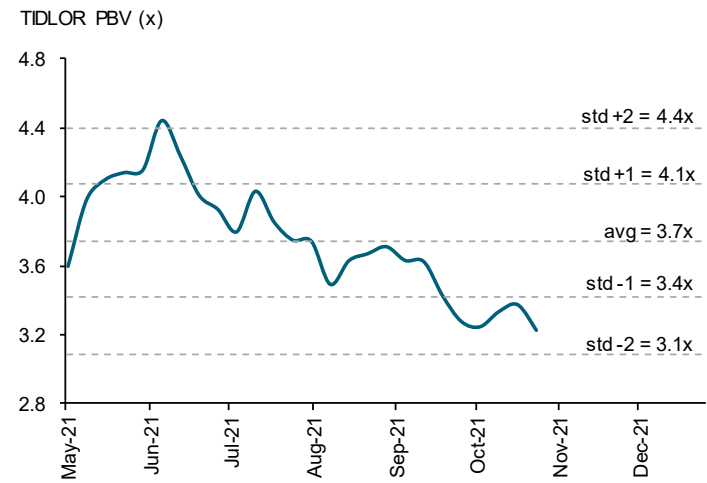
We revise down our 2022 GGM-based TP to THB43 from THB47, as we revise down our target 2022 P/BV to 4.0x from 4.3x as a result of our lower average long-term ROE target of 18.0% from 18.6%; our lower long-term growth assumption to 8.3% from 8.4%; and our higher cost of equity assumption. We believe that auto title loan operators' premium valuations should de-rate due to the continued fierce competition, leading to a lower profitability margin and a less satisfactory earnings growth outlook.

Exhibit 41: TIDLOR – GGM-derived target price

Target price (THB)	43 (from 47)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	10.9 (from 10.8)
Terminal growth (%)	8.3 (from 8.4)
ROE target (%)	18.0 (from 18.6)
Target PBV (x)	4.0 (from 4.3)
Risk to TP	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (SCB's subsidiary); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.

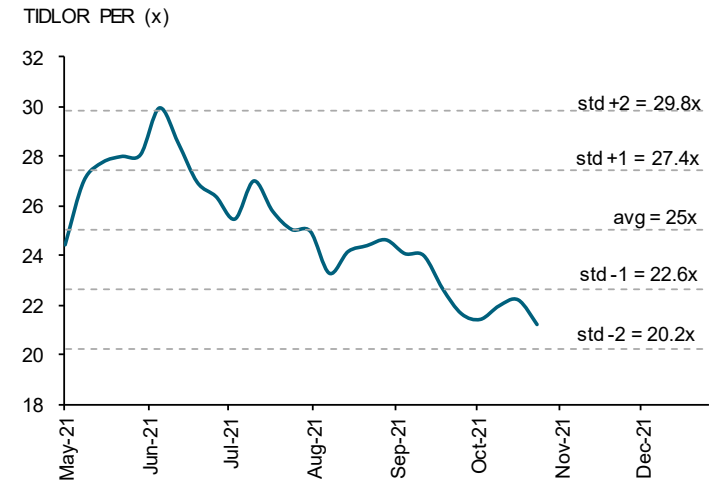
Source: FSSIA estimates

Exhibit 42: TIDLOR – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 43: TIDLOR – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 44: Thailand diversified financials – peers comparison

	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						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

Financial Statements

Ngern Tid Lor

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	7,635	8,735	9,758	11,175	12,931
Interest expense	(1,006)	(1,178)	(1,169)	(1,247)	(1,496)
Net interest income	6,630	7,557	8,589	9,927	11,435
Net fees & commission	1,803	1,792	2,057	2,592	3,281
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	19	33	14	15	15
Non interest income	1,823	1,825	2,071	2,607	3,296
Total income	8,452	9,383	10,660	12,534	14,731
Staff costs	(5,168)	(5,772)	(6,234)	(7,138)	(8,101)
Other operating costs	-	-	-	-	-
Operating costs	(5,168)	(5,772)	(6,234)	(7,138)	(8,101)
Pre provision operating profit	3,284	3,611	4,426	5,397	6,630
Provision for bad and doubtful debt	(531)	(583)	(435)	(549)	(808)
Other provisions	-	-	-	-	-
Operating profit	2,753	3,027	3,991	4,847	5,821
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	2,753	3,027	3,991	4,847	5,821
Tax	(551)	(611)	(798)	(969)	(1,164)
Profit after tax	2,202	2,416	3,193	3,878	4,657
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	2,202	2,416	3,193	3,878	4,657
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	2,202	2,416	3,193	3,878	4,657
Per share (THB)					
Recurring EPS *	1.35	1.15	1.42	1.67	2.01
Reported EPS	1.35	1.15	1.42	1.67	2.01
DPS	1.84	0.00	0.22	0.26	0.31
Growth					
Net interest income (%)	15.9	14.0	13.6	15.6	15.2
Non interest income (%)	52.8	0.1	13.5	25.9	26.4
Pre provision operating profit (%)	23.4	9.9	22.6	21.9	22.8
Operating profit (%)	68.8	10.0	31.8	21.5	20.1
Reported net profit (%)	68.6	9.7	32.2	21.5	20.1
Recurring EPS (%)	21.6	(15.0)	23.8	17.8	20.1
Reported EPS (%)	21.6	(15.0)	23.8	17.8	20.1
Income Breakdown					
Net interest income (%)	78.4	80.5	80.6	79.2	77.6
Net fees & commission (%)	21.3	19.1	19.3	20.7	22.3
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.2	0.4	0.1	0.1	0.1
Operating performance					
Gross interest yield (%)	17.49	17.75	17.95	17.70	17.60
Cost of funds (%)	2.95	3.07	2.95	2.95	3.10
Net interest spread (%)	14.54	14.68	15.00	14.75	14.50
Net interest margin (%)	15.2	15.4	15.8	15.7	15.6
Cost/income(%)	61.1	61.5	58.5	56.9	55.0
Cost/assets(%)	11.7	11.3	10.7	10.5	10.4
Effective tax rate (%)	20.0	20.2	20.0	20.0	20.0
Dividend payout on recurring profit (%)	136.3	-	15.5	15.5	15.5
ROE (%)	26.4	22.9	18.9	16.4	17.2
ROE - COE (%)	15.6	12.1	8.1	5.6	6.4
ROA (%)	5.0	4.7	5.5	5.7	6.0
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ngern Tid Lor; FSSIA estimates

Financial Statements

Ngern Tid Lor

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	47,639	50,807	57,921	68,346	78,598
Total provisions	(2,702)	(2,763)	(2,937)	(3,179)	(3,634)
interest in suspense	340	524	579	683	786
Net customer loans	45,277	48,568	55,562	65,851	75,751
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	446	1,265	3,946	1,943	1,906
Other interesting assets	-	-	-	-	-
Tangible fixed assets	698	1,378	1,506	1,646	1,801
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	1,990	2,124	2,542	2,893	3,311
Total assets	48,411	53,336	63,556	72,333	82,769
Customer deposits	7,558	2,600	520	546	573
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	29,536	37,095	39,072	44,425	51,004
Non interest bearing liabilities	1,971	1,892	1,986	2,086	2,190
Hybrid Capital	-	-	-	-	-
Total liabilities	39,065	41,587	41,578	47,057	53,767
Share capital	7,800	7,800	8,580	8,580	8,580
Reserves	1,546	3,948	13,398	16,696	20,422
Total equity	9,346	11,749	21,978	25,276	29,002
Minority interests	0	0	0	0	0
Total liabilities & equity	48,411	53,336	63,556	72,333	82,769
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	43,656	49,223	54,364	63,133	73,472
Average interest bearing liabilities	34,086	38,395	39,644	42,281	48,274
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)	616	850	893	1,071	1,285
Per share (THB)					
Book value per share	5.72	5.58	9.77	10.90	12.51
Tangible book value per share	5.72	5.58	9.77	10.90	12.51
Growth					
Gross customer loans	20.1	6.7	14.0	18.0	15.0
Average interest earning assets	32.1	12.8	10.4	16.1	16.4
Total asset (%)	20.8	10.2	19.2	13.8	14.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	42.6	(65.6)	(80.0)	5.0	5.0
Leverage & capital measures					
Customer loan/deposits (%)	599.0	1,868.0	10,685.1	12,060.5	13,213.1
Equity/assets (%)	19.3	22.0	34.6	34.9	35.0
Tangible equity/assets (%)	19.3	22.0	34.6	34.9	35.0
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	40.2	38.1	5.0	20.0	20.0
NPL/gross loans (%)	1.3	1.7	1.5	1.6	1.6
Total provisions/gross loans (%)	5.7	5.4	5.1	4.0	4.6
Total provisions/NPL (%)	438.8	325.1	329.1	296.8	282.7
Valuation					
Recurring P/E (x) *	27.4	32.3	26.1	22.1	18.4
Recurring P/E @ target price (x) *	31.9	37.5	30.3	25.7	21.4
Reported P/E (x)	27.4	32.3	26.1	22.1	18.4
Dividend yield (%)	5.0	-	0.6	0.7	0.8
Price/book (x)	6.5	6.6	3.8	3.4	3.0
Price/tangible book (x)	6.5	6.6	3.8	3.4	3.0
Price/tangible book @ target price (x)	7.5	7.7	4.4	3.9	3.4

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ngern Tid Lor; FSSIA estimates

5 NOVEMBER 2021

THAILAND / DIVERSIFIED FINANCIALS

MICRO LEASING MICRO TB

BUY

UNCHANGED

TARGET PRICE	THB10.70
CLOSE	THB7.85
UP/DOWNSIDE	+36.3%
PRIOR TP	THB10.70
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-7.5%

Trucks are in demand

Competing for more new lending market share in 3Q21

We expect MICRO to report a 3Q21 net profit of THB42m (+30% y-y, -17% q-q). We are not concerned about its earnings dropping q-q as we expect this would mainly come from the change in the laws regarding NPL write-off criteria, leading to a faster write-off process. In terms of its core operations, amid the lockdown measures, we expect MICRO to post a significant increase in its PPOP by 66% y-y and 4% q-q, driven by a surge in its loan growth by 8% q-q, as MICRO gained more market share from local operators due to its branch expansion. Its NPLs could increase moderately by 10% q-q in 3Q21 due to the prolonged pandemic. We expect this trend could improve after business activities resume.

Riding the higher demand for trucks

Despite the lockdown measures in 3Q21, new truck and registered used truck sales were relatively stable q-q. Accordingly, amid the resumption of business activities, we believe that the demand for trucks could grow continuously. We expect MICRO will benefit from this trend. On top of that, the company increased its 2021 network expansion plan to six from four branches originally. This would allow MICRO to provide better services to tent operators, which are key in the decision-making process for customers to borrow with any operator. We estimate that MICRO's new loan volume was at THB1.5b in 9M21, +91% y-y. This is equivalent to 8.4% of the total used truck market share. We believe that MICRO can continue to compete for market share with local operators, leading us to believe that its 4Q21 net profit could hit a record high. Moreover, we expect the company to deliver solid net profit growth of 33% in 2022.

New businesses to enhance long-term growth

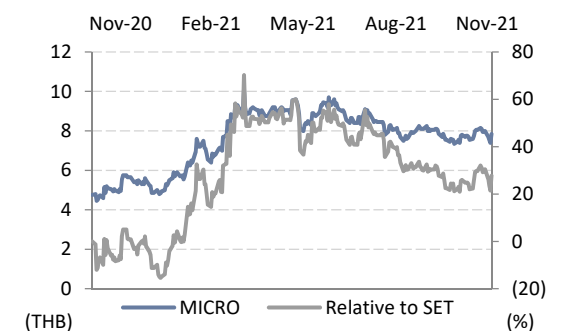
MICRO will jump into two new truck lending-related businesses: truck title loans and an insurance broker business. The target markets are mostly its existing customers. Although we think these businesses might not provide a significant upside risk to our current 2022 net profit forecast, they should enhance MICRO's long-term growth.

Maintain BUY with 2022 GGM-based TP of THB10.7

We maintain our positive view on MICRO with our GGM-based TP of THB10.7. We think it is in a good position to benefit from the higher demand for trucks.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	176	237	332	421
Net profit	135	204	272	345
EPS (THB)	0.18	0.22	0.29	0.37
vs Consensus (%)	-	(3.1)	(7.3)	(2.6)
Core net profit	135	204	272	345
Core EPS (THB)	0.18	0.22	0.29	0.37
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	11.8	23.1	33.5	26.9
Core P/E (x)	44.4	36.0	27.0	21.3
Dividend yield (%)	0.9	0.8	0.7	0.9
Price/book (x)	3.3	3.8	3.4	3.0
ROE (%)	9.3	10.8	13.2	14.9
ROA (%)	5.5	6.2	6.2	6.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.4	(5.4)	64.9
Relative to country (%)	4.6	(10.1)	24.0
Mkt cap (USD m)	220		
3m avg. daily turnover (USD m)	0.6		
Free float (%)	21		
Major shareholder	Auchyawat family (57%)		
12m high/low (THB)	10.20/4.46		
Issued shares (m)	935		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

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

We maintain our BUY call as we think its long-term outlook is promising due to 1) its outstanding net profit growth that we estimate at a 37% 3-yr 2021-23 CAGR; and 2) its good position to benefit from the higher demand for used trucks as a pure play used truck lender.

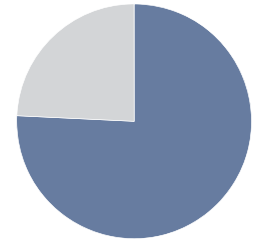
Company profile

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

www.microleasingplc.com

Principal activities (revenue, 2020)

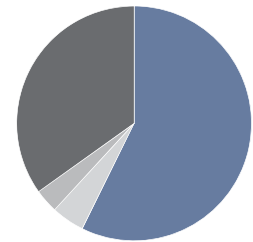
- Net interest income - 75.8 %
- Non-interest income - 24.2 %



Source: Micro Leasing

Major shareholders

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



Source: Micro Leasing

Catalysts

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

Risks to our call

Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) a slower-than-expected reduction in the cost of funds due to a shift toward more long-term loans.

Event calendar

Date	Event
9 Nov 2021	3Q21 results announcement

Key assumptions

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

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

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

Source: FSSIA estimates

Competing for more new lending market share in 3Q21

We expect MICRO to report a 3Q21 net profit of THB42m (+30% y-y, -17% q-q). We are not concerned about its earnings dropping q-q as we expect this would mainly come from the change in the laws regarding non-performing loan (NPL) write-off criteria. This has led MICRO to accelerate its write-off process to receive tax benefits since 2Q21. There is usually a lag time of 6-9 months before the company can collect money from writing off its bad debts. Thus, MICRO should face higher expected credit losses (ECL) until 4Q21. In terms of its core operations, amid the lockdown measures, we expect MICRO to post a significant increase in its pre-provision operating profit (PPOP) by 66% y-y and 4% q-q. This was driven by a surge in its loan growth (we estimate +8% q-q) as MICRO gained more market share from local operators due to its branch expansion, with an expected new lending used truck market share of 8.4% in 3Q21 from 8.3% in 2Q21. Moreover, its cost to income is likely to remain in a downward trend at 31.7% in 3Q21 thanks to the economies of scale. Its NPLs could increase moderately by 10% q-q due to the prolonged pandemic. We expect this trend could improve after business activities resume.

Exhibit 45: MICRO – summary of 3Q21E results

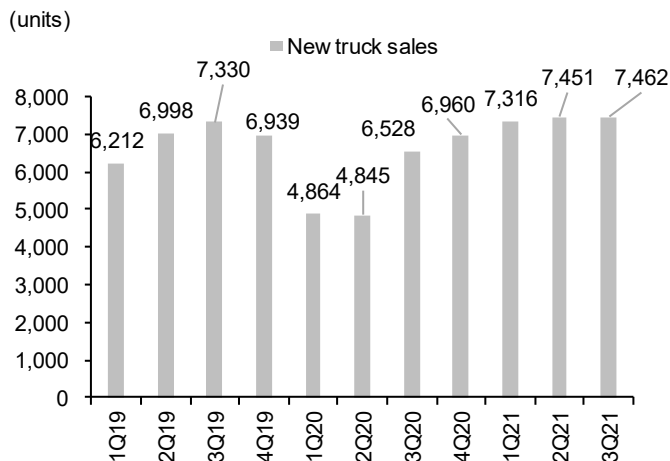
Year-end Dec 31	3Q20	2Q21	3Q21E		9M21E			2021E	Change	3Q21E comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%21E	(THB m)	(y-y %)
Net interest income	77	106	114	48	7	317	44	73	433	41
Non-interest income*	24	37	34	44	(6)	102	81	80	127	29
Operating income*	101	143	148	47	4	419	51	75	560	38
Operating expenses	40	45	47	18	4	136	21	73	186	22
PPOP before tax	61	97	101	66	4	283	72	76	374	48
Expected credit loss	21	43	49	133	14	113	175	82	137	77
Income tax	8	4	10	31	134	28	(7)	83	33	(19)
Minority interest	0	0	0			0			0	
Normalised profit	32	50	42	30	(17)	143	51	70	204	51
Extraordinary items	0	0	0			0			0	
Net profit	32	50	42	30	(17)	143	51	70	204	51
EPS (THB)	0.04	0.05	0.04	(0)	(17)	0.15	14	70	0.22	23
Asset quality ratio (%)										
NPLs (THB m)	113	117	129	14	10				141	45
NPLs / loans	4.99	3.74	3.81						3.82	
Loan loss reserve/NPLs	87	98	114						107	
Credit cost (bps)	382	573	600						440	
Profitability ratio (%)										
Cost to income ratio	39.5	31.8	31.7						33.3	
Average yield	16.2	16.0	16.0						15.8	
Cost of funds	4.6	4.6	4.6						4.6	
Net interest margin (NIM)	14.0	14.2	13.9						13.9	
Non-int inc / total income	23.7	25.7	23.2						22.7	
Loan growth (%)										
y-y	22.0	46.4	49.7						45.0	
q-q	5.6	10.4	8.0							Gained market share from local operators

*Including share of profits from associates
Sources: MICRO; FSSIA estimates

Riding the higher demand for trucks

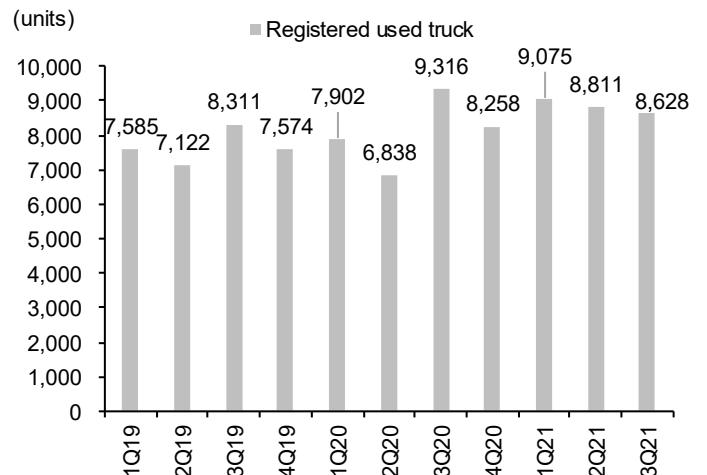
Despite the lockdown measures in 3Q21, new truck and registered used truck sales were relatively stable q-q. This confirms our view that the demand for trucks in Thailand is still high. Accordingly, amid the resumption of business activities, we believe that the demand for trucks could grow continuously, supported by the expansion of agricultural production, food products, the fast-moving consumer goods sector, the construction sector, and especially the e-commerce industry. We expect MICRO will benefit from this trend.

Exhibit 46: New truck sales



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

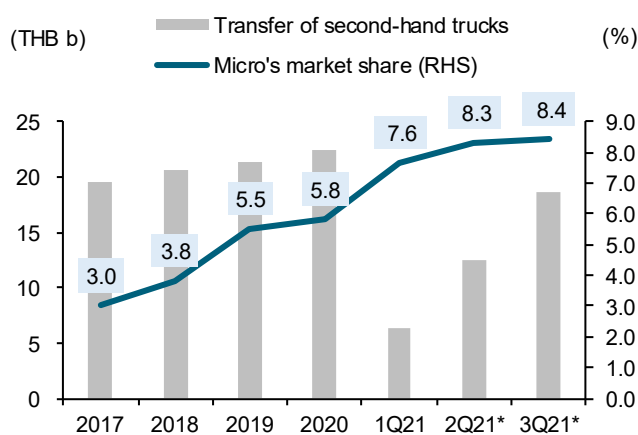
Exhibit 47: Registered used trucks



Sources: Department of Land Transportation; FSSIA's compilation

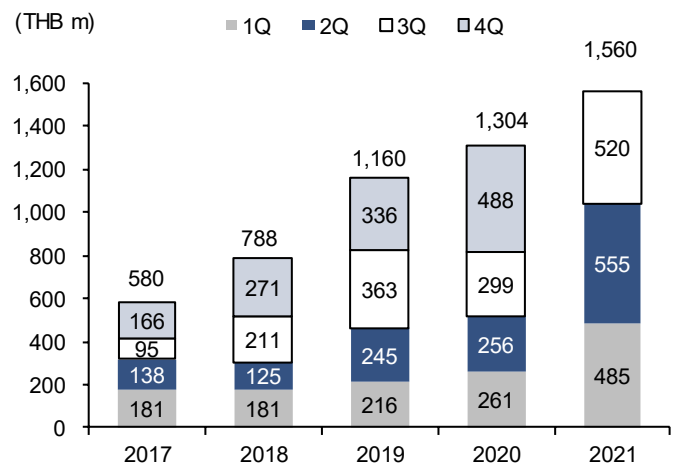
On top of that, MICRO is a growth-seeking company, in our view. It plans to expand its loan portfolio more aggressively after unlocking its source of funding via its IPO, expanding its network more aggressively to gain more market share from local competitors. At our exclusive talk event with MICRO's management in Oct-21, management stated that the company had increased its 2021 network expansion plan to six branches from four branches originally. This would allow MICRO to provide better services to tent operators, which are key in the decision-making process for customers to borrow with any operator. We estimate that MICRO's new loan volume was at THB1.5b in 9M21, +91% y-y. This is equivalent to 8.4% of the total used truck market share. We believe that MICRO can continue to compete for market share with local operators. Thus, we estimate its loan growth could continue to increase by 30% y-y in 2022.

Exhibit 48: MICRO's new lending vs the transferred value of used trucks



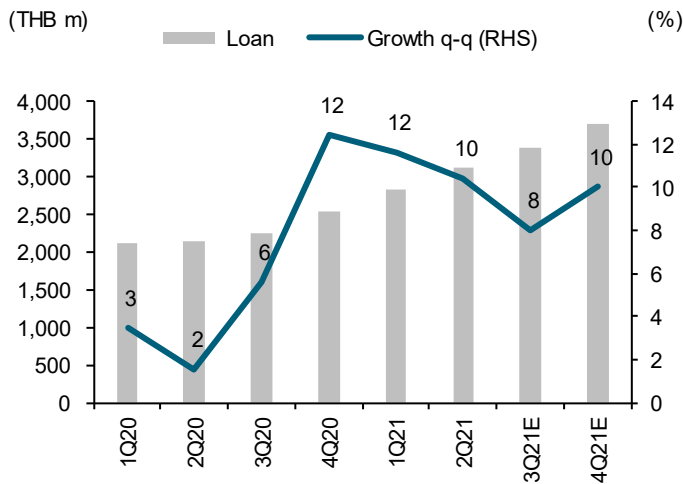
*Cumulative transfer of second-hand trucks and new lending of MICRO since 1Q21
Sources: MICRO; Department of Land Transportation; FSSIA estimates

Exhibit 49: MICRO's new lending – quarterly



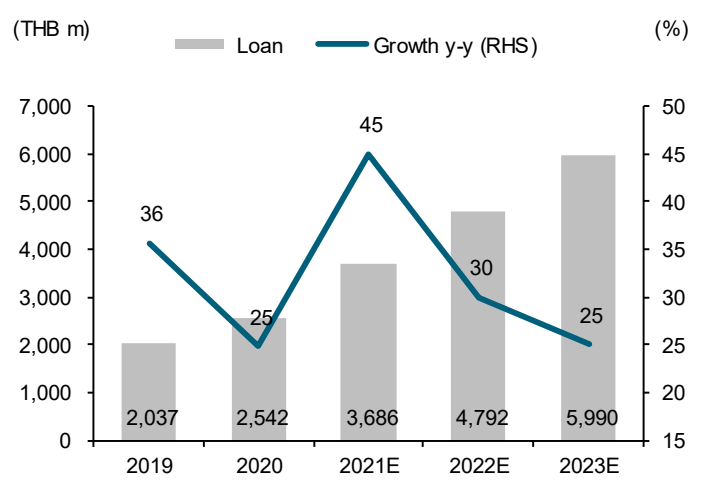
Sources: MICRO; FSSIA's compilation

Exhibit 50: Quarterly loan growth



Sources: MICRO; FSSIA's compilation

Exhibit 51: Yearly loan growth

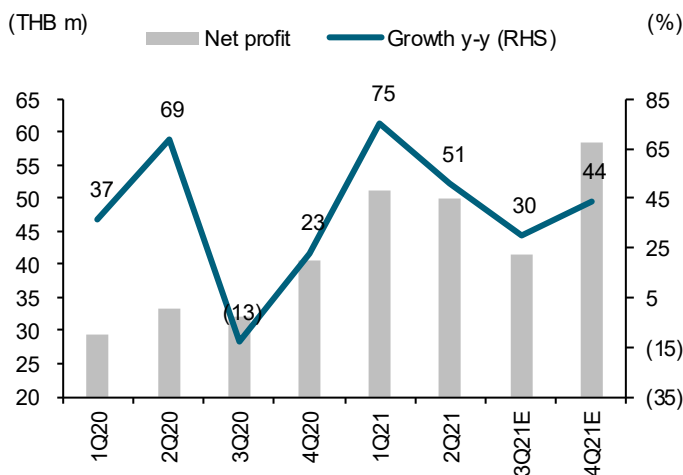


Sources: MICRO; FSSIA's compilation

Record high net profit expected in 4Q21

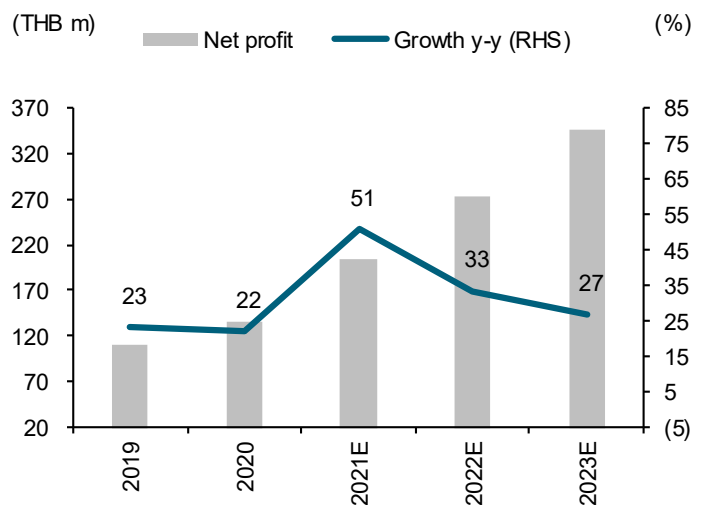
Solid loan growth could be the key catalyst to drive MICRO's bottom line. We expect its 4Q21 net profit to hit a record high. Moreover, we expect the company to deliver solid net profit growth of 33% in 2022.

Exhibit 52: Quarterly net profit growth



Sources: MICRO; FSSIA's compilation

Exhibit 53: Yearly net profit growth

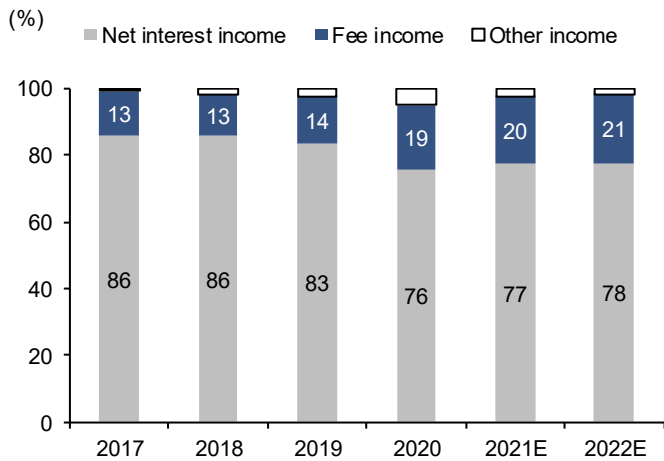


Sources: MICRO; FSSIA's compilation

New businesses to enhance long-term growth

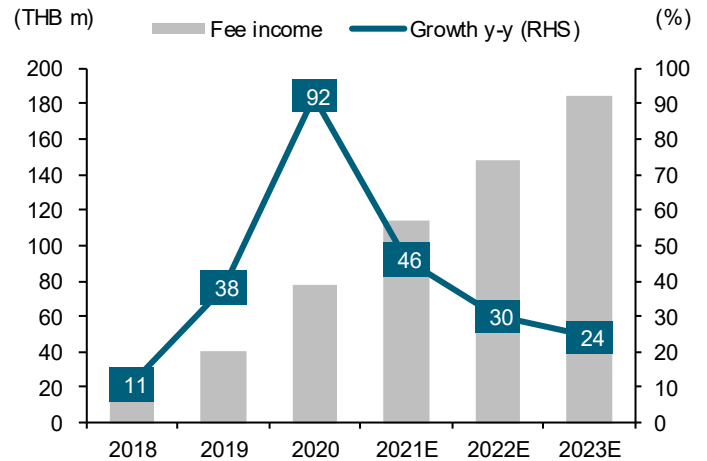
MICRO will jump into two new truck lending-related businesses: truck title loans and an insurance broker business. In Oct-21, MICRO set its new subsidiary to expand into the truck title loan business, which is expected to operate in 2Q22. The company aims to lend to its existing customers. Moreover, MICRO established a life and non-life insurance broker subsidiary in Aug-21, which is expected to be operational in 4Q21. Currently, MICRO does not have an insurance broker license. Thus, it can only sell compulsory motor insurance to customers who originate loans. However, it loses the opportunity to sell insurance in the following year to these customers. Once the company can fully utilise its new subsidiary to sell insurance, it should enhance its Non-NII in the next one to two years, in our view. Additionally, we believe that selling insurance could also enhance its margin, as this would allow MICRO to better utilise its network and staff. Although we think these businesses might not provide a significant upside risk to our current 2022 net profit forecast, they should enhance MICRO's long-term growth.

Exhibit 54: Revenue breakdown



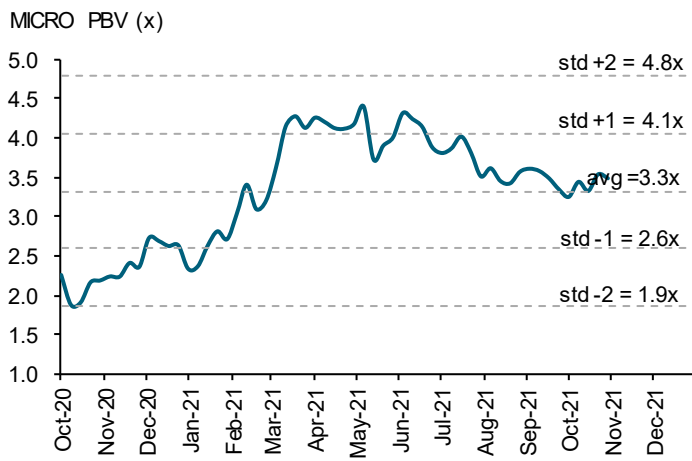
Sources: MICRO; FSSIA estimates

Exhibit 55: Non-NII growth



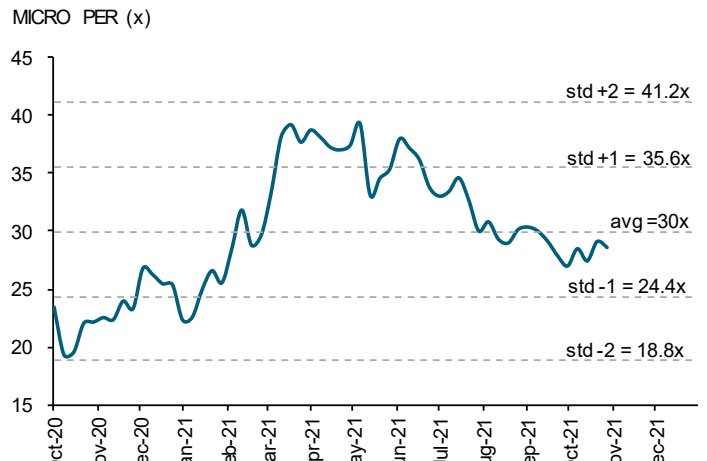
Sources: MICRO; FSSIA estimates

Exhibit 56: MICRO – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 57: MICRO – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 58: Thailand diversified financials – peers comparison

	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						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

Financial Statements

Micro Leasing

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

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Micro Leasing; FSSIA estimates

Financial Statements

Micro Leasing

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	2,037	2,542	3,686	4,792	5,990
Total provisions	(112)	(98)	(151)	(200)	(250)
interest in suspense	0	0	0	0	0
Net customer loans	1,925	2,444	3,535	4,591	5,739
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	46	128	101	44	52
Other interesting assets	-	-	-	-	-
Tangible fixed assets	4	7	12	20	35
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	143	176	159	336	383
Total assets	2,118	2,755	3,806	4,991	6,209
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	986	823	1,738	2,700	3,636
Non interest bearing liabilities	52	109	115	120	126
Hybrid Capital	-	-	-	-	-
Total liabilities	1,038	932	1,853	2,820	3,762
Share capital	700	935	935	935	935
Reserves	380	888	1,018	1,236	1,512
Total equity	1,080	1,823	1,953	2,171	2,447
Minority interests	0	0	0	0	0
Total liabilities & equity	2,118	2,755	3,806	4,991	6,209
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	1,769	2,289	3,114	4,239	5,391
Average interest bearing liabilities	753	905	1,280	2,219	3,168
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	91	97	141	183	210
Per share (THB)					
Book value per share	1.54	2.39	2.09	2.32	2.62
Tangible book value per share	1.54	2.39	2.09	2.32	2.62
Growth					
Gross customer loans	35.7	24.8	45.0	30.0	25.0
Average interest earning assets	27.8	29.4	36.0	36.1	27.2
Total asset (%)	37.8	30.1	38.1	31.1	24.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	51.0	66.2	51.3	43.5	39.4
Tangible equity/assets (%)	51.0	66.2	51.3	43.5	39.4
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	5.9	6.6	45.0	30.0	15.0
NPL/gross loans (%)	4.5	3.8	3.8	3.8	3.5
Total provisions/gross loans (%)	5.5	3.9	4.1	3.3	4.2
Total provisions/NPL (%)	123.0	100.9	107.2	109.4	118.9
Valuation					
Recurring P/E (x) *	49.6	44.4	36.0	27.0	21.3
Recurring P/E @ target price (x) *	67.6	60.5	49.1	36.8	29.0
Reported P/E (x)	49.6	44.4	36.0	27.0	21.3
Dividend yield (%)	-	0.9	0.8	0.7	0.9
Price/book (x)	5.1	3.3	3.8	3.4	3.0
Price/tangible book (x)	5.1	3.3	3.8	3.4	3.0
Price/tangible book @ target price (x)	6.9	4.5	5.1	4.6	4.1

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Micro Leasing; FSSIA estimates

5 NOVEMBER 2021

THAILAND / DIVERSIFIED FINANCIALS

SINGER THAILAND SINGER TB

BUY

UNCHANGED

TARGET PRICE	THB51.00
CLOSE	THB39.50
UP/DOWNSIDE	+29.1%
PRIOR TP	THB51.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+11.6%

Ready, steady, go

Seasonality should lead to a net profit drop in 3Q21

We expect SINGER to report a 3Q21 net profit of THB162m (+38% y-y, -11% q-q). The expected q-q decline in its net profit would come from the high base of the home and electrical appliance sales in 2Q21. However, we are not too concerned over its main businesses, both lending and home and electrical appliance sales. We think it will still deliver strong performance, with 3Q21E loan growth of 7.7% q-q and revenue growth from home appliance sales expected at 20% y-y and -16% q-q. Thanks to its stringent credit underwriting and debt collection processes, we believe the company will have healthy asset quality in 3Q21.

Record high net profit expected in 4Q21

We are convinced that SINGER will post a record high net profit in 4Q21, driven by 1) continued strong loan growth, truck title loans in particular; and 2) an increase in its home appliance sales from the seasonal low in 3Q. On top of that, we think that SINGER will climb a J-curve again next year. We believe that SINGER will utilise the new funds from its recent capital increase effectively. We expect its loan portfolio to jump 63% y-y to THB15.7b in 2022. This would result in a surge in its net profit by 67% y-y. Note that its 2022 EPS might grow at slower rate of 2% y-y thanks to the dilution effect.

Good start to its new business, "Click to gold"

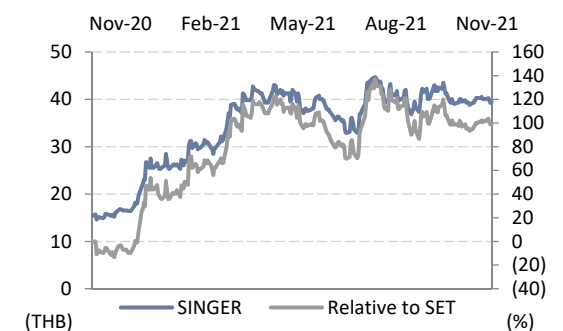
In Sep-21, SINGER partnered with Aurora (not listed), to offer online gold instalments, called "Click to gold". The company is targeting low-income earners in both cities and provinces. This business operates under a loan license with a maximum rate charge of 15% p.a. Currently, SINGER is aiming for this portfolio to reach THB100m. According to management, this portfolio is growing well so far. Although we think this portfolio will not have a significant impact on the company's earnings growth, we see it as a business extension and expansion into new products to meet the needs of existing customers, as well as possibly attracting new customers.

Maintain BUY and GGM-based TP of THB51

We reiterate SINGER as one of our top picks in the diversified financial sector. We think that it will deliver strong performance in both the short and long term supported by its unique business model, leading to lower competition and a strong capital base to accelerate its loan portfolio.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	439	825	1,428	1,919
Net profit	443	685	1,142	1,535
EPS (THB)	1.09	1.36	1.39	1.83
vs Consensus (%)	-	21.4	2.7	(5.9)
Core net profit	443	685	1,142	1,535
Core EPS (THB)	1.09	1.36	1.39	1.83
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	136.7	24.8	2.4	31.6
Core P/E (x)	36.3	29.1	28.4	21.6
Dividend yield (%)	0.6	1.4	2.1	2.8
Price/book (x)	6.4	3.2	2.1	2.0
ROE (%)	17.2	13.0	9.8	9.6
ROA (%)	5.9	5.2	5.6	6.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.5	(8.6)	151.3
Relative to country (%)	(0.2)	(13.2)	88.9
Mkt cap (USD m)	608		
3m avg. daily turnover (USD m)	4.3		
Free float (%)	21		
Major shareholder	JAYMART Public Company (35%)		
12m high/low (THB)	46.43/14.35		
Issued shares (m)	455		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

SINGER is one of the major players in electrical and home appliance sales and providing instalment loans. It started its auto title loan business, focusing on trucks, in 2017 under the name 'Rod Tum Ngern'. After unlocking its source of funds via a recent capital increase, the company expects to be the leader in truck title loans within three to four years.

We expect SINGER to deliver strong net profit growth supported by 1) remarkable loan growth; 2) an increase in electrical and home appliance sales; and 3) a stable gross profit margin for its electrical products and home appliances due to competitive dealer pricing policies.

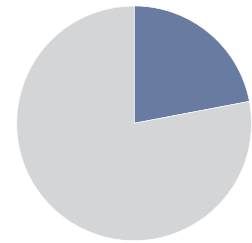
Company profile

Singer Thailand PCL operates two business lines: 1) the distribution of various electrical products and appliances, together with commercial appliances under the "Singer" brand through its outlets and sales representatives; and 2) a loan provider. SINGER offers loans for more than 90% of its electrical products and appliances. SINGER entered into auto title loans in 2017, specializing in trucks for fleets.

www.singerthai.co.th

Principal activities (revenue, 2020)

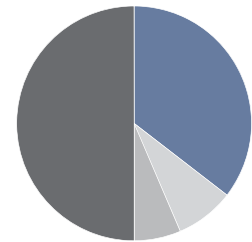
- Net interest income - 22.0 %
- Non-interest income - 78.0 %



Source: Singer Thailand

Major shareholders

- JAYMART Public Company - 35.5 %
- Kara Family - 8.1 %
- Ngamrueangpong Family - 6.4 %
- Others - 50.0 %



Source: Singer Thailand

Catalysts

Potential share price catalysts for SINGER include: 1) the spin-off of its lending business; 2) a new instalment product announcement; and 3) synergies from its capital increase.

Risks to our call

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.

Event calendar

Date	Event
Mid Nov-21	3Q21 results announcement

Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	685	1,142	1,535
Net profit growth	54.5	66.7	34.4
NIM	13.95	14.85	15.79
Loan growth	46.3	63.0	26.3
Credit cost (bp)	50	200	250
Revenue from sales of goods growth	15.0	25.0	20.0
Gross margin of sales business	48.0	48.0	49.0
SG&A to revenue ratio	40.0	36.6	36.2

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		2021E		
		44.3	46.3	48.3
Loan growth	±2ppt	44.3	46.3	48.3
% change in net profit		(1.4)	-	-
NIM (%)	±5bp	13.90	13.95	14.00
% change in net profit		(0.6)	-	0.6
Credit cost (bps)	±10bp	40.0	50.0	60.0
% change in net profit		0.7	-	(0.7)

Source: FSSIA estimates

Seasonality should lead to a net profit drop in 3Q21

We expect SINGER to report a 3Q21 net profit of THB162m (+38% y-y, -11% q-q). The expected q-q decline in its net profit would come from the high base of the home and electrical appliance sales in 2Q21. However, we are not too concerned over its main businesses, both lending and home and electrical appliance sales. We think it will still deliver strong performance, with 3Q21E loan growth of 7.7% q-q and revenue growth from home appliance sales expected at 20% y-y and -16% q-q. Thanks to its stringent credit underwriting and debt collection processes, we believe the company will have healthy asset quality in 3Q21. We think SINGER could see a smaller impact from the prolonged Covid spread compared with its peers.

3Q21E key highlights

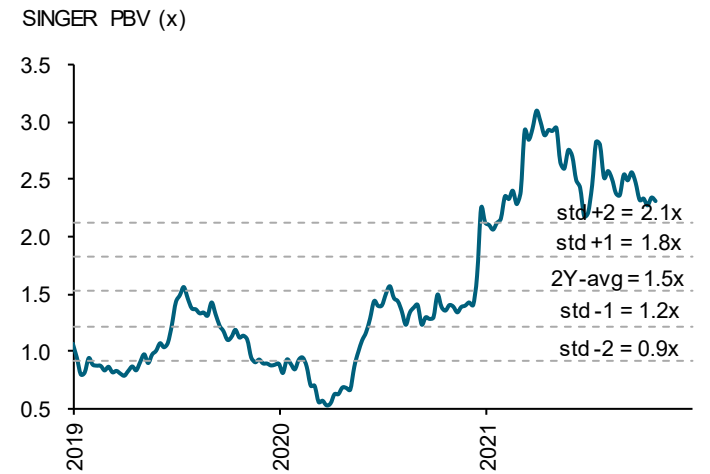
- 3Q21E total loan volume should rise by 7.7% q-q, supported by a rise in the auto title loan volume, especially the truck segment. Its clients still need cash to run their businesses and for consumption purposes, in our view. Moreover, a marketing push by offering credit services at customers' workplaces could allow SINGER to reach untapped clients.
- 3Q21E non-performing loans (NPLs) are likely to increase moderately by 11% q-q, implying an NPL ratio of 4.2%. However, we are less concerned about its asset quality. We think SINGER's clients will see a smaller impact on their cash flows, as most of them are located in rural areas which are only subject to partial lockdowns in certain locations. Moreover, some of SINGER's clients are agriculturists, whose income stream is potentially better than that of other vocations. The farm income index is still in an uptrend.

Exhibit 59: SINGER – 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	202	261	300	49	15	799	12	71	1,132	51	
Non-interest income*	585	787	713	22	(9)	2,178	(5)	72	3,044	15	
Operating income*	786	1,047	1,013	29	(3)	2,976	(1)	71	4,176	23	
Operating expenses	641	809	805	26	(0)	2,349	(2)	71	3,310	17	
PPOP before tax	146	239	208	43	(13)	628	4	72	866	49	
Expected credit loss	27	8	11	(60)	32	20	(79)	49	41	(71)	
Income tax	1	48	35	4,038	(26)	123	108	88	140	nm.	
Minority interest	0	0	0			0			0		
Normalised profit	117	183	162	38	(11)	484	8	71	685	55	
Extraordinary items	0	0	0			0			0		
Net profit	117	183	162	38	(11)	484	8	71	685	55	
EPS (THB)	0.27	0.37	0.33	20	(11)	1.00	2	74	1.36	25	
Asset quality ratio (%)											
NPLs (THB m)	277	352	389	40	11				408	40	More stringent debt collection process
NPLs / loans	5.08	4.12	4.22						4.24		
Loan loss reserve / NPLs	100	78	69						73		
Credit cost (bps)	217	42	50						50		
Profitability ratio (%)											
Cost to income ratio	81.5	77.2	79.4						79.3		
Average yield	20.7	18.0	17.9						18.8		
Cost of funds	5.7	6.2	5.6						5.7		
Net interest margin (NIM)	14.2	11.9	12.7						14.0		
Non-int inc / total income	74.4	75.1	70.4						72.9		
Loan growth (%)											
y-y	58.6	84.1	68.7						46.3		
q-q	17.6	14.0	7.7								Driven mainly by truck title loans

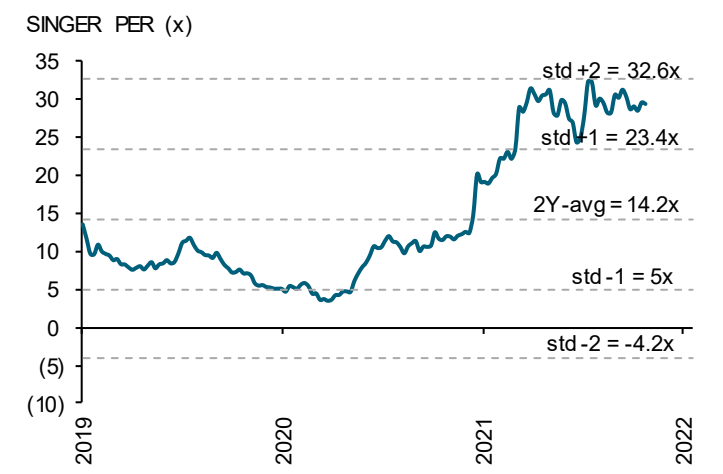
*Including share of profits from associates
Sources: SINGER; FSSIA estimates

Exhibit 60: SINGER – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 61: SINGER – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 62: Thailand diversified financials – peers comparison

	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						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

Financial Statements

Singer Thailand

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	753	972	1,525	2,278	3,130
Interest expense	(163)	(225)	(393)	(396)	(324)
Net interest income	590	748	1,132	1,882	2,806
Net fees & commission	31	34	36	39	42
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	1,779	2,616	3,008	3,877	4,444
Non interest income	1,810	2,651	3,044	3,916	4,486
Total income	2,400	3,398	4,176	5,798	7,292
Staff costs	-	-	-	-	-
Other operating costs	(1,835)	(2,819)	(3,310)	(4,117)	(4,929)
Operating costs	(1,835)	(2,819)	(3,310)	(4,117)	(4,929)
Pre provision operating profit	565	580	866	1,681	2,363
Provision for bad and doubtful debt	(409)	(141)	(41)	(253)	(444)
Other provisions	-	-	-	-	-
Operating profit	156	439	825	1,428	1,919
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	156	439	825	1,428	1,919
Tax	10	4	(140)	(286)	(384)
Profit after tax	166	443	685	1,142	1,535
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	166	443	685	1,142	1,535
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	166	443	685	1,142	1,535
Per share (THB)					
Recurring EPS *	0.46	1.09	1.36	1.39	1.83
Reported EPS	0.46	1.09	1.36	1.39	1.83
DPS	0.10	0.24	0.54	0.84	1.10
Growth					
Net interest income (%)	9.3	26.7	51.4	66.3	49.1
Non interest income (%)	(16.0)	46.5	14.9	28.6	14.6
Pre provision operating profit (%)	42.3	2.6	49.4	94.2	40.6
Operating profit (%)	nm	181.7	88.1	73.0	34.4
Reported net profit (%)	nm	166.6	54.5	66.7	34.4
Recurring EPS (%)	nm	136.7	24.8	2.4	31.6
Reported EPS (%)	nm	136.7	24.8	2.4	31.6
Income Breakdown					
Net interest income (%)	24.6	22.0	27.1	32.5	38.5
Net fees & commission (%)	1.3	1.0	0.9	0.7	0.6
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	74.1	77.0	72.0	66.9	60.9
Operating performance					
Gross interest yield (%)	21.30	19.08	18.80	17.98	17.61
Cost of funds (%)	5.78	5.42	5.70	5.20	5.40
Net interest spread (%)	15.52	13.66	13.10	12.78	12.21
Net interest margin (%)	16.7	14.7	14.0	14.9	15.8
Cost/income(%)	76.5	82.9	79.3	71.0	67.6
Cost/assets(%)	33.4	37.2	25.1	20.1	21.2
Effective tax rate (%)	(6.7)	(1.0)	17.0	20.0	20.0
Dividend payout on recurring profit (%)	21.7	21.9	40.0	60.0	60.0
ROE (%)	8.6	17.2	13.0	9.8	9.6
ROE - COE (%)	(2.2)	6.4	2.2	(1.0)	(1.2)
ROA (%)	3.0	5.9	5.2	5.6	6.6
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Singer Thailand; FSSIA estimates

Financial Statements

Singer Thailand

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	3,608	6,587	9,635	15,708	19,839
Total provisions	(84)	(287)	(298)	(473)	(719)
interest in suspense	4	17	24	39	50
Net customer loans	3,528	6,318	9,361	15,274	19,170
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	321	403	3,615	5,422	2
Cash & equivalents	552	715	2,029	556	896
Other interesting assets	-	-	-	-	-
Tangible fixed assets	426	433	441	448	456
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	1,080	1,378	1,664	2,068	2,221
Total assets	5,907	9,247	17,109	23,768	22,745
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	2,850	5,442	8,348	6,868	5,118
Non interest bearing liabilities	713	995	1,064	1,185	1,298
Hybrid Capital	-	-	-	-	-
Total liabilities	3,563	6,437	9,411	8,053	6,417
Share capital	402	413	629	838	838
Reserves	1,942	2,398	7,068	14,877	15,490
Total equity	2,344	2,810	7,698	15,715	16,328
Minority interests	0	0	0	0	0
Total liabilities & equity	5,907	9,247	17,109	23,768	22,745
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	3,537	5,098	8,111	12,671	17,774
Average interest bearing liabilities	2,826	4,146	6,895	7,608	5,993
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)	334	292	408	612	827
Per share (THB)					
Book value per share	5.84	6.17	12.23	18.75	19.49
Tangible book value per share	5.84	6.17	12.23	18.75	19.49
Growth					
Gross customer loans	4.1	82.6	46.3	63.0	26.3
Average interest earning assets	22.0	44.1	59.1	56.2	40.3
Total asset (%)	16.0	56.6	85.0	38.9	(4.3)
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	39.7	30.4	45.0	66.1	71.8
Tangible equity/assets (%)	39.7	30.4	45.0	66.1	71.8
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	(8.1)	(12.7)	40.0	50.0	35.0
NPL/gross loans (%)	9.3	4.4	4.2	3.9	4.2
Total provisions/gross loans (%)	2.3	4.4	3.1	2.4	3.6
Total provisions/NPL (%)	25.2	98.3	73.0	77.3	87.0
Valuation					
Recurring P/E (x) *	85.9	36.3	29.1	28.4	21.6
Recurring P/E @ target price (x) *	110.9	46.8	37.5	36.6	27.8
Reported P/E (x)	85.9	36.3	29.1	28.4	21.6
Dividend yield (%)	0.3	0.6	1.4	2.1	2.8
Price/book (x)	6.8	6.4	3.2	2.1	2.0
Price/tangible book (x)	6.8	6.4	3.2	2.1	2.0
Price/tangible book @ target price (x)	8.7	8.3	4.2	2.7	2.6

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Singer Thailand; FSSIA estimates

5 NOVEMBER 2021

THAILAND / DIVERSIFIED FINANCIALS

RATCHTHANI LEASING THANI TB

BUY

UNCHANGED

TARGET PRICE	THB5.20
CLOSE	THB4.22
UP/DOWNSIDE	+23.2%
PRIOR TP	THB5.20
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+2.3%

Waiting for a recovery next year

Weak performance set to continue in 3Q21

We expect THANI to deliver a weak 3Q21 net profit of THB418m (-11% y-y, -2% q-q), dragged down by three factors. First, amid the moderate growth in truck sales, we expect THANI to lend new loans conservatively at cTHB5.4b per quarter – relatively stable q-q. This would result in only a slight increase in its loan volume of 1% q-q. Second, we expect a rise in losses on repossessed trucks as the company began to seize more trucks after the relief measures ended. Third, its ECL is likely to increase following a moderate deterioration in its asset quality.

Moderate asset quality deterioration in 3Q21

We expect THANI's asset quality to deteriorate moderately in 3Q21. We see a gradual increase in losses on repossessed trucks. The number of repossessed trucks increased while the loss ratio per truck was relatively stable, according to management. On top of that, we expect its NPLs to increase moderately by 8% q-q in 3Q21. The prolonged Covid outbreak and the lockdown measures caused some of its clients, especially in the construction segment, to face short-term liquidity problems. Thus, we expect its ECL to continuously go up by 10% q-q in 3Q21.

Earnings recovery should occur in 1Q22

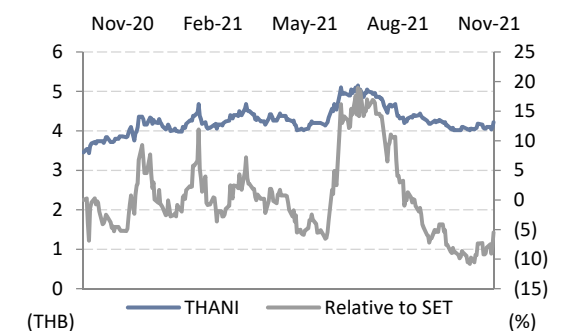
We think its net profit will continue to decline y-y in 4Q21, dragged down mainly by an increase in its provisioning setup. Although the quality of its assets might slightly improve after the economic reopening, we expect THANI to continue set a high credit cost of c90-100 bps in 4Q21, as the company wants to build up its coverage ratio to 80-85% from an expected coverage ratio of 76% in 3Q21. The strong earnings recovery should start from 1Q22, supported by a lower ECL and higher loan growth. Once the Covid situation abates, management could turn more aggressive on its business expansion. We believe THANI could utilise its market leading position to capture the strong demand for trucks.

Maintain BUY for long-term investment

We maintain BUY and our 2022 GGM-based TP of THB5.2 for long-term investment, as we believe THANI is still the market leader in the truck lending business, and we expect its bottom-line growth to accelerate in 2022 by 16% y-y. However, in the short term, we believe THANI will likely deliver inferior performance vs its peers. Hence, THANI is not one of our top picks at the moment. A good time to accumulate THANI would be in late 4Q21 to early 1Q22, in our view.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	2,324	2,239	2,592	2,923
Net profit	1,860	1,802	2,087	2,353
EPS (THB)	0.40	0.32	0.37	0.42
vs Consensus (%)	-	3.2	7.6	5.5
Core net profit	1,860	1,802	2,087	2,353
Core EPS (THB)	0.40	0.32	0.37	0.42
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(22.6)	(20.9)	15.8	12.8
Core P/E (x)	10.5	13.3	11.5	10.2
Dividend yield (%)	4.0	3.8	4.4	4.9
Price/book (x)	2.2	2.0	1.9	1.7
ROE (%)	20.1	16.0	17.0	17.6
ROA (%)	3.7	3.7	4.0	4.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.0	(9.4)	19.9
Relative to country (%)	4.2	(13.9)	(9.9)
Mkt cap (USD m)	715		
3m avg. daily turnover (USD m)	3.5		
Free float (%)	21		
Major shareholder	THANACHART SPVI (59%)		
12m high/low (THB)	5.30/3.36		
Issued shares (m)	5,663		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

THANI has a longstanding and strong business position in hire purchase loans in niche markets, mainly for commercial trucks and luxury cars.

We maintain our BUY call for long-term investment as we believe THANI is still the market leader in the truck lending business, and we expect its bottom-line growth to accelerate in 2022. However, in the short term, we believe THANI will likely deliver inferior performance compared to its peers. Therefore, THANI is not one of our top picks at the moment.

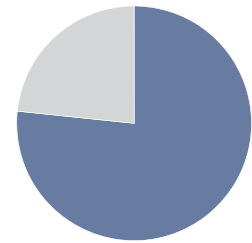
Company profile

The company's main businesses are hire purchase loans, targeting new and used trucks, and financial leasing, as well as services related to its core businesses.

www.ratchthani.com

Principal activities (revenue, 2020)

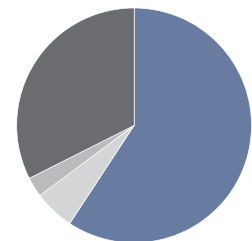
- Net interest income - 76.7 %
- Non-interest income - 23.3 %



Source: Ratchthani Leasing

Major shareholders

- THANACHART SPVI - 59.3 %
- Raffles Nominees - 5.6 %
- Mr. Jaroensuk Kijitti - 2.7 %
- Others - 32.4 %



Source: Ratchthani Leasing

Catalysts

Potential share price catalysts for THANI include:

- Lower credit cost due to the effective management of its non-performing loans (NPL);
- Strong private investment;
- The growth of logistics activities which would push its loan growth.

Risks to our call

Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.

Event calendar

Date	Event
Mid-Nov 2021	3Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	1,802	2,087	2,353
Net profit growth	(3.1)	15.8	12.8
NIM	5.11	5.15	5.14
Loan growth	6.0	10.0	12.0
Fee growth	12.0	5.0	5.0
Non-NII growth*	9.7	5.0	5.0
Credit cost (bp)	110	80	65
Cost to income*	16.8	16.3	16.2

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2021E		
Loan growth	±2ppt	4.0	6.0	8.0
% change in net profit		(1.2)	-	1.2
NIM (%)	±5bp	5.06	5.11	5.16
% change in net profit		(1.1)	-	1.1
Credit cost (bp)	±10bp	100.0	110.0	120.0
% change in net profit		1.1	-	(1.1)

Source: FSSIA estimates

Weak performance set to continue in 3Q21

We expect THANI to deliver a weak 3Q21 net profit of THB418m (-11% y-y, -2% q-q), dragged down by three factors. First, amid the moderate growth in truck sales, we expect THANI to lend new loans conservatively at cTHB5.4b per quarter – relatively stable q-q. This would result in only a slight increase in its loan volume of 1% q-q. Second, we expect a rise in losses on repossessed trucks as the company began to seize more trucks after the relief measures ended. Third, its expected credit loss (ECL) is likely to increase following a moderate deterioration in its asset quality.

3Q21E key highlights

- Due to its conservative lending strategy, we expect THANI to deliver slower loan growth than its peers at 1% q-q, 3.3% YTD.
- We expect its OPEX in 3Q21 to rise 4% y-y, 7% q-q due to an increase in losses on repossessed trucks. The number of repossessed trucks increased while the loss ratio per truck was relatively stable, according to management.
- Its NPLs are likely to moderately increase by 8% q-q, accounting for an NPL ratio of 3.73% vs 3.49% in 2Q21.

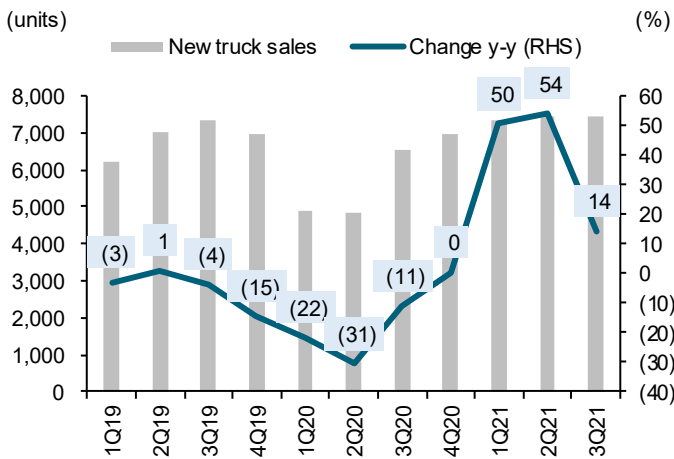
Exhibit 63: THANI – summary of 3Q21E results

Year-end Dec 31	3Q20	2Q21	3Q21E			9M21E			2021E	Change
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%21E	(THB m)	
Net interest income	586	616	626	7	2	1,855	2	73	2,526	3
Non-interest income*	178	190	197	11	4	577	3	70	819	10
Operating income*	764	806	823	8	2	2,432	2	73	3,346	5
Operating expenses	140	137	146	4	7	425	4	75	563	5
PPOP before tax	624	669	677	8	1	2,007	2	72	2,783	5
Expected credit loss	37	140	154	313	10	400	65	74	544	61
Income tax	114	101	105	(9)	3	334	(6)	77	437	(6)
Minority interest	0	0	0			0	33		0	
Normalised profit	472	428	418	(11)	(2)	1,273	(8)	71	1,802	(3)
Extraordinary items	0	0	0			0			0	
Net profit	472	428	418	(11)	(2)	1,273	(8)	71	1,802	(3)
EPS (THB)	0.13	0.08	0.07	(41)	(2)	0.22	(39)	71	0.32	(20)
Asset quality ratio										
NPLs (THB m)	2,669	1,714	1,851	(31)	8				1,951	30
NPLs / loans (%)	5.40	3.49	3.73						3.84	
Loan loss reserve / NPLs (%)	90	77	74						83	
Credit cost (bps)	30	115	125						110	
Profitability ratio (%)										
Cost to income ratio	18.4	17.0	17.8						16.8	
Average yield	6.9	6.9	6.9						7.0	
Cost of funds	2.6	2.5	2.4						2.5	
Net interest margin (NIM)	4.7	5.0	5.1						5.1	
Non-int inc / total income	23.3	23.6	24.0						24.5	
Loan growth (%)										
y-y	(4.6)	(2.0)	0.3						6.0	
q-q	(1.4)	1.3	1.0							

*Including share of profits from associates

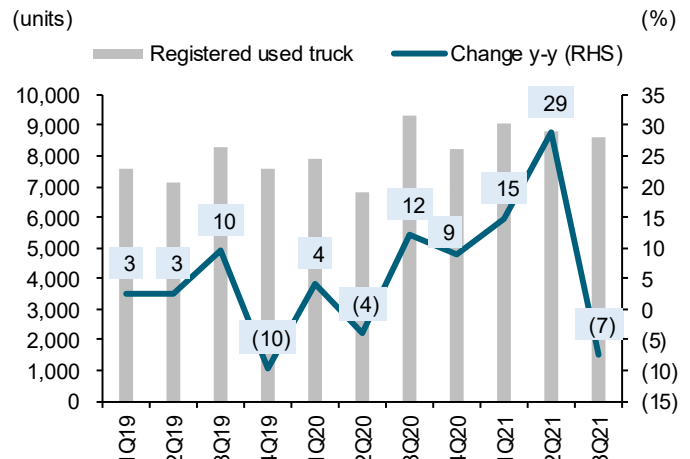
Sources: THANI; FSSIA estimates

Exhibit 64: Quarterly new truck sales



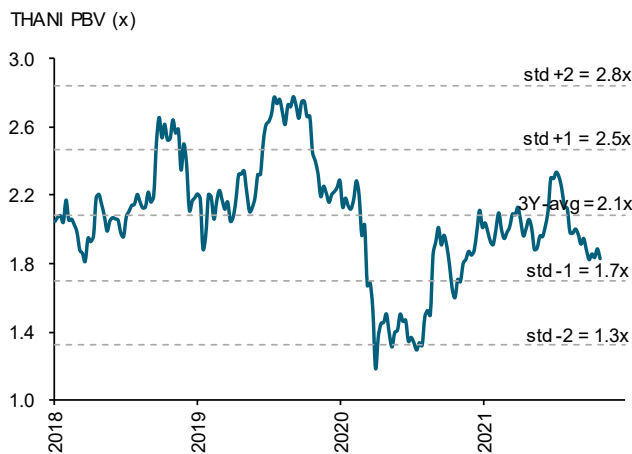
Sources: The Federation of Thai Industries; FSSIA's compilation

Exhibit 65: Quarterly used truck sales



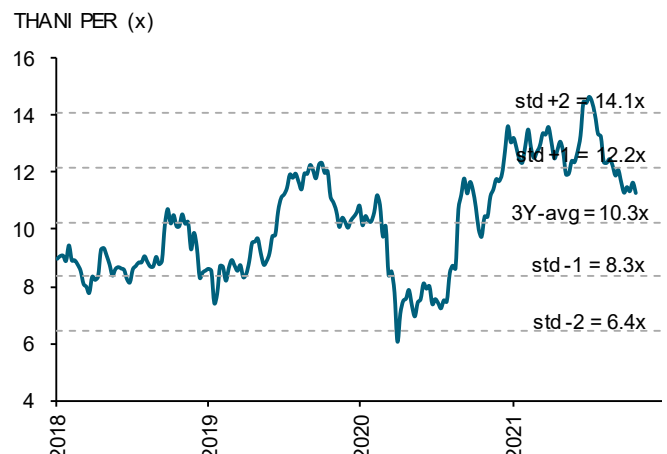
Note that there was an unusual 7,500 used truck transfer transaction from Kerry Express (KEX TB), which were converted from personal to transport vehicles in Oct and Nov 2020
Sources: Department of Land Transport; FSSIA's compilation

Exhibit 66: THANI – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 67: THANI – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 68: Thailand diversified financials – peers comparison

	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						22,451	11.6	21.6	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	22.7	23.9	19.5	20.8	21.1	4.4	3.8
Muangthai Capital	MTC TB	BUY	64.00	67.00	5	4,059	3.1	25.1	25.2	20.2	23.4	24.1	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

Financial Statements

Ratchthani Leasing

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	3,539	3,516	3,434	3,711	4,151
Interest expense	(1,011)	(1,063)	(908)	(963)	(1,106)
Net interest income	2,527	2,452	2,526	2,748	3,045
Net fees & commission	328	316	354	372	390
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	371	431	465	489	513
Non interest income	700	747	819	860	903
Total income	3,227	3,199	3,346	3,609	3,949
Staff costs	(177)	(188)	(199)	(211)	(224)
Other operating costs	(393)	(350)	(364)	(378)	(416)
Operating costs	(570)	(538)	(563)	(589)	(640)
Pre provision operating profit	2,657	2,662	2,783	3,019	3,309
Provision for bad and doubtful debt	(194)	(338)	(544)	(427)	(385)
Other provisions	-	-	-	-	-
Operating profit	2,463	2,324	2,239	2,592	2,923
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	2,463	2,324	2,239	2,592	2,923
Tax	(500)	(464)	(437)	(505)	(570)
Profit after tax	1,964	1,860	1,802	2,087	2,353
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,964	1,860	1,802	2,087	2,353
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	1,964	1,860	1,802	2,087	2,353
Per share (THB)					
Recurring EPS *	0.52	0.40	0.32	0.37	0.42
Reported EPS	0.52	0.40	0.32	0.37	0.42
DPS	0.32	0.17	0.16	0.18	0.21
Growth					
Net interest income (%)	8.4	(3.0)	3.0	8.8	10.8
Non interest income (%)	11.9	6.8	9.7	5.0	5.0
Pre provision operating profit (%)	8.3	0.2	4.5	8.5	9.6
Operating profit (%)	20.1	(5.7)	(3.6)	15.8	12.8
Reported net profit (%)	19.7	(5.3)	(3.1)	15.8	12.8
Recurring EPS (%)	(4.3)	(22.6)	(20.9)	15.8	12.8
Reported EPS (%)	(4.3)	(22.6)	(20.9)	15.8	12.8
Income Breakdown					
Net interest income (%)	78.3	76.7	75.5	76.2	77.1
Net fees & commission (%)	10.2	9.9	10.6	10.3	9.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	11.5	13.5	13.9	13.5	13.0
Operating performance					
Gross interest yield (%)	7.04	7.04	6.95	6.95	7.00
Cost of funds (%)	2.48	2.70	2.45	2.45	2.48
Net interest spread (%)	4.56	4.34	4.50	4.50	4.52
Net interest margin (%)	5.0	4.9	5.1	5.1	5.1
Cost/income(%)	17.7	16.8	16.8	16.3	16.2
Cost/assets(%)	1.2	1.1	1.1	1.1	1.1
Effective tax rate (%)	20.3	19.9	19.5	19.5	19.5
Dividend payout on recurring profit (%)	61.5	42.2	50.0	50.0	50.0
ROE (%)	26.4	20.1	16.0	17.0	17.6
ROE - COE (%)	15.6	9.3	5.2	6.2	6.8
ROA (%)	4.0	3.7	3.7	4.0	4.0
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ratchthani Leasing; FSSIA estimates

Financial Statements

Ratchthani Leasing

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	51,933	47,976	50,855	55,940	62,653
Total provisions	(2,225)	(1,228)	(1,619)	(1,823)	(2,020)
interest in suspense	0	0	0	0	0
Net customer loans	49,709	46,748	49,236	54,118	60,633
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	429	1,044	291	298	1,690
Other interesting assets	-	-	-	-	-
Tangible fixed assets	251	147	96	69	53
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	492	579	603	532	753
Total assets	50,881	48,518	50,226	55,016	63,129
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	42,187	36,691	37,447	41,141	48,022
Non interest bearing liabilities	1,023	1,008	1,059	1,112	1,167
Hybrid Capital	-	-	-	-	-
Total liabilities	43,210	37,699	38,506	42,253	49,190
Share capital	3,775	5,663	5,663	5,663	5,663
Reserves	3,896	5,156	6,057	7,100	8,277
Total equity	7,671	10,819	11,720	12,763	13,940
Minority interests	0	0	0	0	0
Total liabilities & equity	50,881	48,518	50,226	55,016	63,129
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	50,239	49,955	49,415	53,398	59,297
Average interest bearing liabilities	40,735	39,439	37,069	39,294	44,582
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)	2,049	1,500	1,951	2,185	2,294
Per share (THB)					
Book value per share	2.03	1.91	2.07	2.25	2.46
Tangible book value per share	2.03	1.91	2.07	2.25	2.46
Growth					
Gross customer loans	7.0	(7.6)	6.0	10.0	12.0
Average interest earning assets	12.9	(0.6)	(1.1)	8.1	11.0
Total asset (%)	7.0	(4.6)	3.5	9.5	14.7
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	15.1	22.3	23.3	23.2	22.1
Tangible equity/assets (%)	15.1	22.3	23.3	23.2	22.1
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	14.5	(26.8)	30.0	12.0	5.0
NPL/gross loans (%)	3.9	3.1	3.8	3.9	3.7
Total provisions/gross loans (%)	4.3	2.6	3.2	2.9	3.2
Total provisions/NPL (%)	108.6	81.9	83.0	83.4	88.1
Valuation					
Recurring P/E (x) *	8.1	10.5	13.3	11.5	10.2
Recurring P/E @ target price (x) *	10.0	12.9	16.3	14.1	12.5
Reported P/E (x)	8.1	10.5	13.3	11.5	10.2
Dividend yield (%)	7.6	4.0	3.8	4.4	4.9
Price/book (x)	2.1	2.2	2.0	1.9	1.7
Price/tangible book (x)	2.1	2.2	2.0	1.9	1.7
Price/tangible book @ target price (x)	2.6	2.7	2.5	2.3	2.1

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ratchthani Leasing; FSSIA estimates

5 NOVEMBER 2021

THAILAND / ASSET MANAGEMENT COMPANIES

BANGKOK COMMERCIAL ASSET MNGT.

BAM TB

BUY
 UNCHANGED

TARGET PRICE	THB22.00
CLOSE	THB18.90
UP/DOWNSIDE	+16.4%
PRIOR TP	THB19.40
CHANGE IN TP	+13.4%
TP vs CONSENSUS	+2.4%

Taxiing before taking off next year

Strong NPA but still slow NPL business in 3Q21

We estimate that BAM will post a 3Q21 net profit of THB537m (+80% y-y, -32% q-q). We expect its NPL business to deliver soft performance due to the closure of the LED and the partial nationwide lockdown, leading to slow property sales. There was no big NPL deal completion in 3Q21. However, we think BAM was able to collect cash from its NPL restructuring portfolio. On top of that, we think its NPA business should have performed well in 3Q21, driven by its pricing strategy. We think BAM was able to settle some small to mid-size NPA sales. Thus, we expect its cash collection in 3Q21 to be at THB3.9b (+20% y-y, -7% q-q), slightly missing the company's target of THB4.2b. Regarding its NPL acquisitions, BAM is still applying a wait-and-see strategy. Thus, we expect its NPL purchases to amount to only cTHB600m in 3Q21.

Gradual recovery in 4Q21

We expect a gradual recovery q-q in BAM's bottom line in 4Q21 (still decreasing y-y from the high base in 4Q21), backed by 1) the reopening of the LED, which could boost BAM's collection of NPLs based on legal processes; 2) the resumption of business activities, resulting in the setting up of physical sales booths and contact with prospective clients; and 3) the LTV easing measures mandated by the Bank of Thailand, which should support some clients who are interested in buying residential properties once the economy recovers. In 1Q22, we expect BAM to deliver strong performance supported by both its NPL and NPA business, leading to solid cash collection.

Earnings and valuation revisions

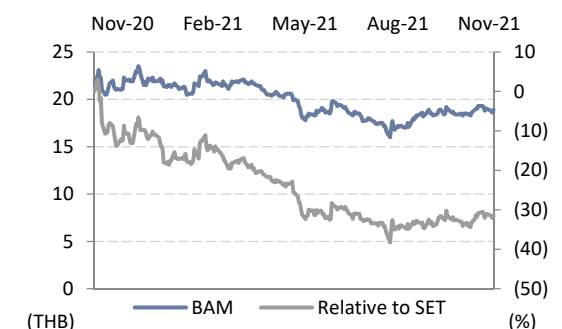
We increase our 2021-23 net profit forecasts by 7%/5%/7%, mainly to reflect the better-than-expected gain on NPLs (revenue from fully amortised portfolio) and the lower expected credit loss. As a result, we revise up our cash collection estimates for 2021-23 by 13%/7%/2%. We are starting to see BAM's pricing strategy and growing debt restructuring portfolio strategy as a benefit to its cash collection and revenue generation. We revise up our GGM-based TP to THB22 from THB19.4.

More positive view on BAM; gradually re-accumulate

We maintain our BUY call. We have a more positive view on BAM as we believe its bottom will pass in 3Q21. BAM is now at a recovery inflection point, in our view. We recommend gradually re-accumulating BAM ahead of the material increase in its net profit that we expect in 2022 by 36%.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	2,196	2,781	3,776	4,709
Net profit	1,841	2,225	3,020	3,767
EPS (THB)	0.57	0.69	0.93	1.17
vs Consensus (%)	-	(2.3)	0.8	3.2
Core net profit	1,841	2,225	3,020	3,767
Core EPS (THB)	0.57	0.69	0.93	1.17
Chg. In EPS est. (%)	-	6.5	4.9	7.3
EPS growth (%)	(73.8)	20.9	35.8	24.7
Core P/E (x)	33.2	27.5	20.2	16.2
Dividend yield (%)	2.7	3.1	4.2	5.2
Price/book (x)	1.5	1.3	1.3	1.1
ROE (%)	4.4	5.1	6.5	7.5
ROA (%)	1.5	1.7	2.3	2.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.7	6.8	(10.0)
Relative to country (%)	2.0	1.5	(32.3)
Mkt cap (USD m)	1,828		
3m avg. daily turnover (USD m)	10.3		
Free float (%)	21		
Major shareholder	FIDF (46%)		
12m high/low (THB)	23.70/15.80		
Issued shares (m)	3,232		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

BAM is the largest asset management company (AMC) in Thailand. We believe BAM will be able to deliver sustainable growth in the long run, since nearly 100% of its portfolio consists of secured distressed assets, for which the asset price will appreciate over time.

We maintain our BUY call. We have a more positive view on BAM as we believe its bottom will pass in 3Q21. BAM is now at a recovery inflection point, in our view. We recommend gradually re-accumulating BAM ahead of the material increase in its net profit that we expect in 2022 by 36%.

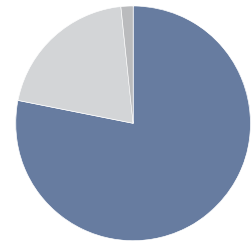
Company profile

BAM was established in 1998 following the financial crisis in Thailand. Its key businesses include the purchase or transfer of non-performing loans (NPLs) and non-performing assets (NPAs) for management or for further disposal or transfer.

www.bam.co.th

Principal activities (revenue, 2020)

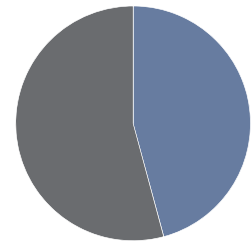
- NPLs management - 78.1 %
- NPAs management - 20.2 %
- Other income - 1.7 %



Source: Bangkok Commercial Asset Mngt.

Major shareholders

- FIDF - 45.8 %
- Others - 54.2 %



Source: Bangkok Commercial Asset Mngt.

Catalysts

Potential catalysts to drive BAM's share price include:

- 1) Higher-than-expected distressed asset purchases;
- 2) Cash collection from mid- to large-sized NPLs/NPAs.

Risks to our call

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.

Event calendar

Date	Event
11 Nov 2021	3Q21 results announcement

Key assumptions

	2021E (THB m)	2022E (THB m)	2023E (THB m)
Norm profit	2,225	3,020	3,767
<i>Norm profit growth (%)</i>	20.9	35.8	24.7
Cash collection	14,881	15,294	17,759
<i>Cash collection ratio (%)</i>	11.8	11.7	12.9
NPL + NPA purchases	5,445	11,018	11,764
<i>NPL + NPA purchase growth (%)</i>	(53.6)	102.3	6.8
Cost to income (%)	26.0	24.7	24.9

Source: FSSIA estimates

Earnings sensitivity

		----- 2021E -----		
Cash collection ratio	±50bp	11.3	11.8	12.3
<i>% change in net profit</i>		(7.0)	-	7.0
Cost to income	±1ppt	25.0	26.0	27.0
<i>% change in net profit</i>		(4.0)	-	4.0

Source: FSSIA estimates

Strong NPA but still slow NPL business in 3Q21

We estimate that BAM will post a 3Q21 net profit of THB537m (+80% y-y, -32% q-q). We expect its non-performing loan (NPL) business to deliver soft performance due to the closure of the Legal Execution Department (LED) and the partial nationwide lockdown, leading to slow property sales. There was no big NPL deal completion in 3Q21. However, we think BAM was able to collect cash from its NPL restructuring portfolio. On top of that, we think its non-performing asset (NPA) business should have performed well in 3Q21, driven by its pricing strategy. We think BAM was able to settle some small to mid-size NPA sales. Thus, we expect its cash collection in 3Q21 to be at THB3.9b (+20% y-y, -7% q-q), slightly missing the company's target of THB4.2b.

Regarding its NPL acquisitions, BAM is still applying a wait-and-see strategy. Thus, we expect its NPL purchases to amount to only cTHB600m in 3Q21.

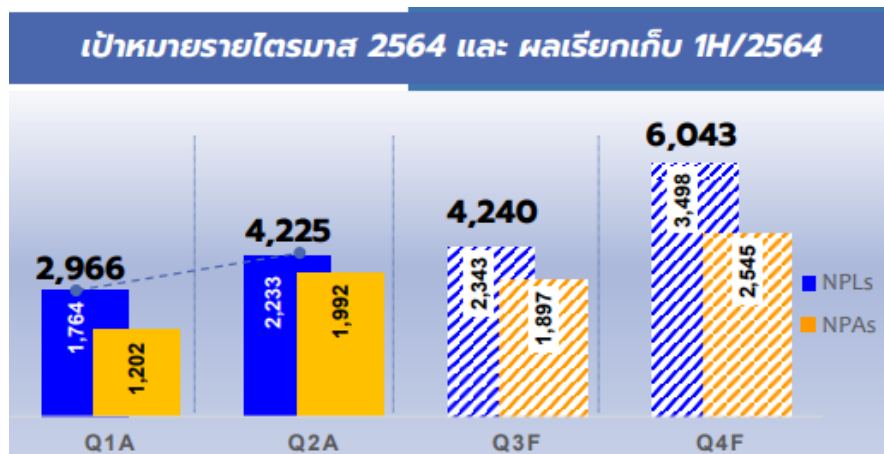
Exhibit 69: BAM – 3Q21E results preview

	3Q20	2Q21	3Q21E		9M21E			2021E	3Q21E comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%21E	
Interest income									
- Interest income from NPLs	1,530	1,509	1,596	4	6	4,593	5	73	6,264
- Gain on NPLs+	513	822	612	19	(25)	2,029	(29)	71	2,858
- Instalment sale	26	32	112	331	250	175	143	72	242
- Other interest income	32	25	39	21	55	86	(15)	31	272
Total interest income	2,101	2,388	2,359	12	(1)	6,883	(7)	71	9,635
Interest expense	592	670	611	3	(9)	1,897	8	73	2,613
Net interest income	1,510	1,718	1,748	16	2	4,987	(12)	71	7,022
Non-interest income						0	nm	nm	
- Gain on properties for sale	712	650	616	(14)	(5)	1,863	36	62	2,993
- Gain on instalment sale	16	472	140	764	(70)	648	1,285	214	302
- Others	15	14	17	10	21	41	(5)	47	87
Total non-interest income	743	1,135	772	4	(32)	2,552	74	75	3,382
Total operating income	2,253	2,853	2,521	12	(12)	7,538	6	72	10,404
Operating expenses	653	655	620	(5)	(5)	1,874	(4)	69	2,706
Pre provision operating profit	1,600	2,198	1,900	19	(14)	5,664	10	74	7,698
Expected credit loss	1,263	1,214	1,233	(2)	2	3,700	(6)	75	4,917
Operating profit	337	984	667	98	(32)	1,964	61	71	2,781
Income tax expenses	39	194	130	236	(33)	389	165	70	556
Profit before minority interest	298	790	537	80	(32)	1,574	47	71	2,225
Minority	0	0	0	nm	nm	0	nm	nm	0
Normalised profit	298	790	537	80	(32)	1,574	47	71	2,225
Extra items	0	0	0	nm	nm	0	nm	nm	0
Net profit	298	790	537	80	(32)	1,574	47	71	2,225
Key financial highlights	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)				(THB m)
Gross NPLs outstanding	85,946	82,676	81,369	(5)	(2)				83,318
Gross NPAs outstanding	38,757	39,695	38,946	0	(2)				44,193
NPL & NPA purchases	8,157	752	602	(93)	(20)	1,687	(92)	31	5,445
NPL & NPA cash collection	3,266	4,215	3,911	20	(7)	11,090	21	75	14,881
Cash collection/NPL & NPA (%)	10.5	13.7	12.9						11.8
Key financial ratio	(x)	(x)	(x)						(x)
Liabilities/equity (x)	2.3	2.1	1.8						1.8
Interest-bearing debt/equity (x)	2.2	2.0	1.8						1.8
ROA (%)	1.0	2.5	1.7						1.7
ROE (%)	3.2	7.6	5.2						5.1
Cost of funds (%)	2.9	3.3	3.1						3.0
Cost to income (%)	29.0	23.0	24.6						26.0

+ Fully amortised;

Sources: BAM; FSSIA estimates

Exhibit 70: Quarterly cash collection target



Source: BAM

Net profit and target price revisions

We increase our 2021-23 net profit forecasts by 7%/5%/7%, mainly to reflect the better-than-expected gain on NPLs (revenue from fully amortised portfolio) and the lower expected credit loss. As a result, we revise up our cash collection estimates for 2021-23 by 13%/7%/2%. We are starting to see BAM's pricing strategy and growing debt restructuring portfolio strategy as a benefit to its cash collection and revenue generation.

Exhibit 71: Change of key assumptions

	2021E			2022E			2023E		
	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Interest income	9,304	9,635	3.6	11,396	10,654	(6.5)	12,679	11,756	(7.3)
- Interest income from NPLs	6,199	6,264	1.0	7,600	6,775	(10.8)	7,977	6,868	(13.9)
- Gain on NPLs (fully amortised)	2,688	2,858	6.3	3,366	3,397	0.9	4,301	4,464	3.8
- Other	417	514	23.2	430	482	12.2	400	424	5.8
Interest expense	2,438	2,613	7.2	2,578	2,488	(3.5)	2,747	2,498	(9.1)
Net interest income	6,866	7,022	2.3	8,818	8,167	(7.4)	9,933	9,258	(6.8)
Non-interest income	3,693	3,382	(8.4)	4,068	4,090	0.6	4,137	4,105	(0.8)
- Gain on sale of properties for sale	3,486	2,993	(14.1)	3,847	3,826	(0.5)	3,890	3,829	(1.6)
- Other	208	389	87.3	221	264	19.8	247	276	11.8
Total operating income	10,559	10,404	(1.5)	12,886	12,257	(4.9)	14,069	13,363	(5.0)
Operating expense	2,706	2,706	0.0	3,031	3,031	0.0	3,334	3,334	0.0
Pre-operating profit before tax	7,853	7,698	(2.0)	9,855	9,226	(6.4)	10,735	10,029	(6.6)
Expected credit loss	5,242	4,917	(6.2)	6,256	5,450	(12.9)	6,347	5,320	(16.2)
Taxes expenses	522	556	6.5	720	755	4.9	878	942	7.3
Norm. profit	2,089	2,225	6.5	2,879	3,020	4.9	3,510	3,767	7.3
Extraordinary items	0	0		0	0		0	0	
Net profit	2,089	2,225	6.5	2,879	3,020	4.9	3,510	3,767	7.3
EPS (THB)	0.65	0.69	6.5	0.89	0.93	4.9	1.09	1.17	7.3
Key statistic and ratio									
Leverage ratios (x)									
Liabilities / equity	2.0	1.8		2.0	1.9		1.7	1.5	
Interest-bearing debt / equity	2.0	1.8		2.0	1.9		1.7	1.5	
Profitability ratio (%)									
Cost of funds	2.7	3.0		2.8	2.9		3.0	3.0	
Cost to income	25.6	26.0		23.5	24.7		23.7	24.9	
Specific data for business									
NPL and NPA purchases (THB m)	10,745	5,445	(49.3)	12,427	11,018	(11.3)	13,272	11,764	(11.4)
NPL and NPA cash collection (THB m)	13,140	14,881	13.2	14,326	15,294	6.8	17,500	17,759	1.5
Cash collection to gross NPLs and NPAs (%)	10.2	11.8		10.4	11.7		11.9	12.9	
Change y-y (%)									
Core profit (y-y %)	13.5	20.9		37.8	35.8		21.9	24.7	
NPL and NPA purchases (y-y %)	(8.5)	(53.6)		15.7	102.3		6.8	6.8	
NPL and NPA cash collection (y-y %)	0.1	13.3		9.0	2.8		22.2	16.1	

Sources: BAM; FSSIA estimates

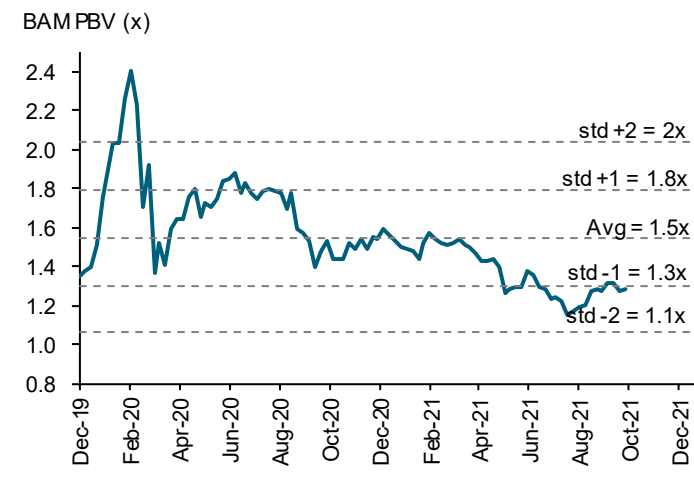
We revise up our GGM-based TP to THB22 from THB19.4, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022 P/BV from 1.3x to 1.5x to reflect our higher long-term growth assumption to 6.6% from 6.4% and ROE increase to 7.2% from 7.1%.

Exhibit 72: BAM – GGM-derived target price

Target price	THB 22.0 (from 19.4)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Terminal growth (%)	6.6 (from 6.4)
ROE target (%)	7.2 (from 7.1)
Target PBV (x)	1.5 (from 1.3)
Risk to TP	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.

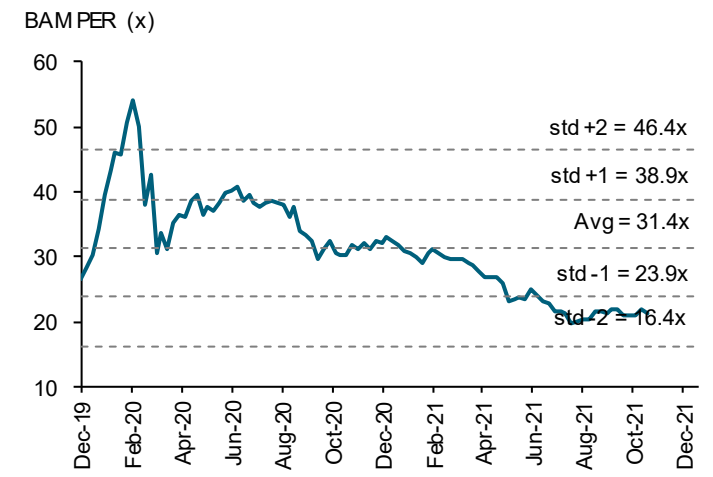
Source: FSSIA estimates

Exhibit 73: BAM – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 74: BAM – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 75: Thailand diversified financials – peers comparison

	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						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

Financial Statements

Bangkok Commercial Asset Mngt.

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	9,140	9,946	9,635	10,654	11,756
Interest expense	(2,132)	(2,391)	(2,613)	(2,488)	(2,498)
Net interest income	7,007	7,555	7,022	8,167	9,258
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	38	0	0	0	0
Other income	3,058	2,498	3,382	4,090	4,105
Non interest income	3,096	2,498	3,382	4,090	4,105
Total income	10,104	10,053	10,404	12,257	13,363
Staff costs	-	-	-	-	-
Other operating costs	(3,757)	(2,658)	(2,706)	(3,031)	(3,334)
Operating costs	(3,757)	(2,658)	(2,706)	(3,031)	(3,334)
Pre provision operating profit	6,347	7,395	7,698	9,226	10,029
Provision for bad and doubtful debt	(135)	(5,199)	(4,917)	(5,450)	(5,320)
Other provisions	-	-	-	-	-
Operating profit	6,212	2,196	2,781	3,776	4,709
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	4,130	0	0	0	0
Profit before tax	10,342	2,196	2,781	3,776	4,709
Tax	337	(355)	(556)	(755)	(942)
Profit after tax	10,679	1,841	2,225	3,020	3,767
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	10,679	1,841	2,225	3,020	3,767
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	6,549	1,841	2,225	3,020	3,767
Per share (THB)					
Recurring EPS *	2.17	0.57	0.69	0.93	1.17
Reported EPS	3.54	0.57	0.69	0.93	1.17
DPS	1.05	0.51	0.59	0.79	0.99
Growth					
Net interest income (%)	50.9	7.8	(7.1)	16.3	13.4
Non interest income (%)	(7.2)	(19.3)	35.4	20.9	0.4
Pre provision operating profit (%)	25.7	16.5	4.1	19.8	8.7
Operating profit (%)	19.2	(64.7)	26.7	35.8	24.7
Reported net profit (%)	105.3	(82.8)	20.9	35.8	24.7
Recurring EPS (%)	14.2	(73.8)	20.9	35.8	24.7
Reported EPS (%)	86.2	(83.9)	20.9	35.8	24.7
Income Breakdown					
Net interest income (%)	69.4	75.2	67.5	66.6	69.3
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.4	-	-	-	-
Other income (%)	30.3	24.8	32.5	33.4	30.7
Operating performance					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	3.20	2.93	3.03	2.88	2.96
Net interest spread (%)	(3.20)	(2.93)	(3.03)	(2.88)	(2.96)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	37.2	26.4	26.0	24.7	24.9
Cost/assets(%)	3.3	2.1	2.1	2.3	2.5
Effective tax rate (%)	(3.3)	16.2	20.0	20.0	20.0
Dividend payout on recurring profit (%)	48.3	90.0	85.0	85.0	85.0
ROE (%)	15.8	4.4	5.1	6.5	7.5
ROE - COE (%)	5.0	(6.4)	(5.7)	(4.3)	(3.3)
ROA (%)	5.8	1.5	1.7	2.3	2.8
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Bangkok Commercial Asset Mngt.; FSSIA estimates

Financial Statements

Bangkok Commercial Asset Mngt.

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	83,622	85,922	83,318	86,339	89,653
Total provisions	(6,247)	(13,243)	(16,494)	(20,217)	(23,744)
interest in suspense	0	5,047	4,999	5,180	5,379
Net customer loans	77,375	77,726	71,824	71,303	71,288
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	70	451	474	498	522
Cash & equivalents	5	5	574	231	449
Other interesting assets	25,927	36,514	41,343	44,703	47,711
Tangible fixed assets	1,243	1,190	1,197	1,221	1,245
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	15,299	16,183	15,517	16,395	13,522
Total assets	119,920	132,069	130,929	134,350	134,737
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	75,688	87,421	84,798	87,766	81,184
Non interest bearing liabilities	3,036	2,852	0	0	0
Hybrid Capital	-	-	-	-	-
Total liabilities	78,724	90,273	84,798	87,766	81,184
Share capital	15,075	16,160	16,160	16,160	16,160
Reserves	26,121	25,637	29,971	30,424	37,393
Total equity	41,196	41,797	46,131	46,584	53,553
Minority interests	0	0	0	0	0
Total liabilities & equity	119,920	132,070	130,929	134,350	134,737
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	66,699	81,555	86,110	86,282	84,475
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)	n/a	n/a	n/a	n/a	n/a
Per share (THB)					
Book value per share	13.66	12.93	14.27	14.41	16.57
Tangible book value per share	13.66	12.93	14.27	14.41	16.57
Growth					
Gross customer loans	2.3	2.8	(3.0)	3.6	3.8
Average interest earning assets	-	-	-	-	-
Total asset (%)	11.4	10.1	(0.9)	2.6	0.3
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	34.4	31.6	35.2	34.7	39.7
Tangible equity/assets (%)	34.4	31.6	35.2	34.7	39.7
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Total provisions/gross loans (%)	7.5	15.4	19.8	22.6	26.5
Total provisions/NPL (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	8.7	33.2	27.5	20.2	16.2
Recurring P/E @ target price (x) *	10.1	38.6	32.0	23.5	18.9
Reported P/E (x)	5.3	33.2	27.5	20.2	16.2
Dividend yield (%)	5.6	2.7	3.1	4.2	5.2
Price/book (x)	1.4	1.5	1.3	1.3	1.1
Price/tangible book (x)	1.4	1.5	1.3	1.3	1.1
Price/tangible book @ target price (x)	1.6	1.7	1.5	1.5	1.3

Sources: Bangkok Commercial Asset Mngt.; FSSIA estimates

5 NOVEMBER 2021

THAILAND / ASSET MANAGEMENT COMPANIES

CHAYO GROUP CHAYO TB

BUY

UNCHANGED

TARGET PRICE	THB18.80
CLOSE	THB11.70
UP/DOWNSIDE	+60.7%
PRIOR TP	THB18.80
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+14.1%

Getting back on track

Record high net profit expected in 3Q21

We expect CHAYO to post a record high 3Q21 net profit of THB68m (+113% y-y, +95% q-q), driven mainly by the NPA business. According to management, the company was able to sell a big-value NPA, valued at more than THB100m. We expect pre-tax profit from the NPA side of THB50m. The solid NPA business should outweigh the softening NPL business. The company was not able to complete any NPL deals in 3Q21 due to the two-month closure of the LED. Also, the cash collection from unsecured NPLs should be lower q-q due to the Covid-19 pandemic. Regarding other businesses (c8% of total revenue), we see a gradual improvement in revenue due mainly to its lending business.

Strong NPA sales to outweigh soft NPL business in 3Q21

We expect CHAYO's NPL cash collection in 3Q21 to be relatively stable q-q at THB50m. The ability of some clients to repay loans slightly deteriorated due to the lockdown impact. However, the company sold a big-value NPA. Thus, we expect strong total cash collection of THB161m (+209% y-y, +95% q-q).

More aggressive loan business expansion

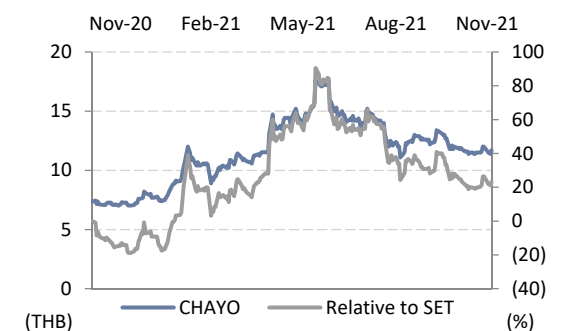
CHAYO's lending business revenue accounted for 1% of its total revenue, with its outstanding loan portfolio at THB64m as of 2Q21. Management said it expanded this business more aggressively in 3Q21, with expected outstanding loans of more than THB130m. It intends to lend secured loans to the small SME segment, with a 15% interest rate charge and less than 50% loan-to-value. The average ticket size would be cTHB20m. In the longer run, the company aims to have an IPO for this business. However, we read this as neutral in the short term. We think the revenue contribution from this business will still be small at less than 5% next year.

Maintain BUY with 2022 GGM-based TP of THB18.8

After a 35% drop in its share price from its peak in May 2021 due to the disappointing 2Q and prolonged Covid outbreak, we think its valuation looks interesting, trading at 0.8x 2022E PEG. We also believe CHAYO has distinct advantages over its competitors. These include 1) a hybrid portfolio of unsecured and secured distressed assets – a well-balanced portfolio that should provide sustainable growth in the long term; and 2) a smaller asset size than its peers, giving it greater operational flexibility.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	195	335	550	719
Net profit	155	251	388	509
EPS (THB)	0.22	0.26	0.36	0.43
vs Consensus (%)	-	6.1	2.9	16.2
Core net profit	155	251	388	509
Core EPS (THB)	0.22	0.26	0.36	0.43
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	22.7	18.5	39.6	19.4
Core P/E (x)	54.1	45.6	32.7	27.4
Dividend yield (%)	0.0	0.0	0.0	0.0
Price/book (x)	7.4	4.1	3.3	2.6
ROE (%)	14.7	12.8	11.7	10.9
ROA (%)	6.7	6.3	6.8	6.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.7)	(6.4)	57.0
Relative to country (%)	(2.4)	(11.0)	18.0
Mkt cap (USD m)	337		
3m avg. daily turnover (USD m)	2.3		
Free float (%)	21		
Major shareholder	Yasasin Family (48%)		
12m high/low (THB)	18.20/6.84		
Issued shares (m)	0		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

CHAYO is the smallest asset management company (AMC), in terms of assets, among the AMCs under our coverage. However, the small asset size doesn't diminish the attractiveness of the company, in our view. In contrast, we believe its small asset size allows CHAYO greater operational agility. Furthermore, its unique and well-balanced hybrid portfolio, that includes unsecured and secured distressed assets, should provide sustainable growth for CHAYO in both the short and long term.

We expect that CHAYO will enter a substantial growth phase, with remarkable core profit growth of 62% in 2021 supported by stronger cash collection, more aggressive distressed asset acquisitions from its JV and efficient cost control.

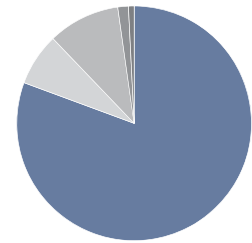
Company profile

CHAYO provides services relating to debt collection, managing non-performing assets from purchases, transferring secured and non-secured non-performing assets from financial institutions and credit facility companies, providing call centre services, loans, and selling goods and/or providing services.

www.chayo555.com

Principal activities (revenue, 2020)

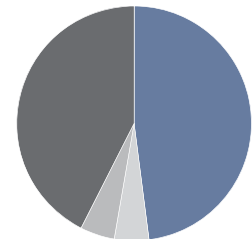
- NPLs management - 80.6 %
- NPAs management - 7.2 %
- Debt collection - 9.9 %
- Loan business - 1.5 %
- Other income - 0.8 %



Source: Chayo Group

Major shareholders

- Yasasin Family - 48.0 %
- Sura Kanittaweekul - 4.8 %
- Pongsak Thammathataree - 4.8 %
- Others - 42.5 %



Source: Chayo Group

Catalysts

Potential catalysts to drive CHAYO's share price include:

- 1) The significant purchase of non-performing loans (NPLs);
- 2) The sale of big-value assets in the range of THB100m-150m.

Risks to our call

Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.

Event calendar

Date	Event
Mid Nov 2021	3Q21 results announcement

Key assumptions

	2021E (THB m)	2022E (THB m)	2023E (THB m)
Norm profit (THB m)	251.0	388.4	509.0
<i>Norm profit growth (%)</i>	62	55	31
Cash collection (THB m)	458.2	685.8	876.8
<i>Cash collection ratio (%)</i>	17.8	17.4	17.8
NPL and NPA purchases (THB m)	1,701	1,195	840
<i>NPL and NPA purchase growth (%)</i>	167	(30)	(30)
Cost to income (%)	35.4	35.2	33.4

Source: FSSIA estimates

Earnings sensitivity

		----- 2021E -----		
Cash collection ratio	±50bp	17.3	17.8	18.3
<i>% change in net profit</i>		(3.9)	-	3.9
Cost to income	±1ppt	34.4	35.4	36.4
<i>% change in net profit</i>		(3.0)	-	3.0

Source: FSSIA estimates

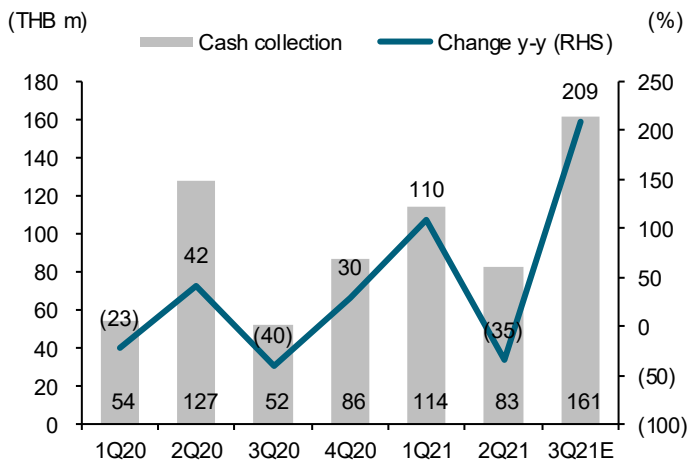
Record high 3Q21 net profit expected

We expect CHAYO to post a record high 3Q21 net profit of THB68m (+113% y-y, +95% q-q), driven mainly by the non-performing asset (NPA) business. According to management, the company was able to sell a big-value NPA, valued at more than THB100m. We expect pre-tax profit from the NPA side of THB50m. The solid NPA business should outweigh the softening non-performing loan (NPL) business, both secured and unsecured NPLs. The company was not able to complete any NPL deals in 3Q21 due to the two-month closure of the Legal Execution Department (LED). Also, the cash collection from unsecured NPLs should be lower q-q due to the weaker repayment ability of clients affected by the Covid-19 pandemic. Regarding other businesses (c8% of total revenue), we see a gradual improvement in revenue due mainly to its lending business.

Key highlights

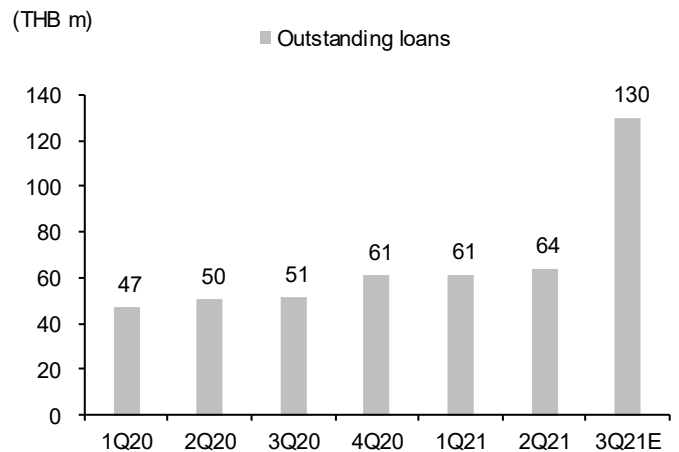
- We expect CHAYO’s NPL cash collection in 3Q21 to be relatively stable q-q at THB50m. The ability of some clients to repay loans slightly deteriorated due to the lockdown impact. However, the company sold a big-value NPA. Thus, we expect strong total cash collection of THB161m (+209% y-y, +95% q-q).
- According to its reported NPL acquisitions in 3Q21, CHAYO purchased only secured NPLs for a total claim value of THB229m in 3Q21 vs THB653m in 2Q21. The company aims to acquire NPLs more aggressively in 4Q21. Its 2021 total NPL acquisition target (CHAYO and CHAYO JV) is THB2b-2.5b vs our current forecast of THB1.7b. Its 9M21E NPLs should amount to cTHB500m. Thus, we see a slight to moderate downside risk to its NPL purchases. However, if the company can increase its NPL purchases early next year, we see no material downside to our bottom-line forecasts.
- We expect its outstanding loan portfolio to be at THB130m in 3Q21 vs THB64m in 2Q21. CHAYO aggressively lent to the small SME segment.

Exhibit 76: Expect highest cash collection in 3Q21



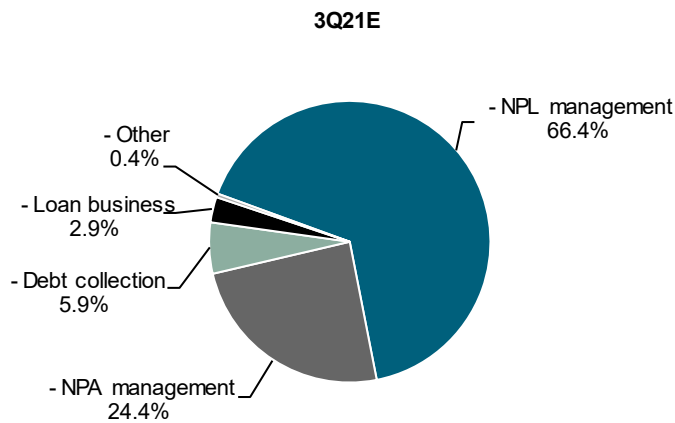
Sources: CHAYO; FSSIA estimates

Exhibit 77: Aggressive loan expansion in 3Q21



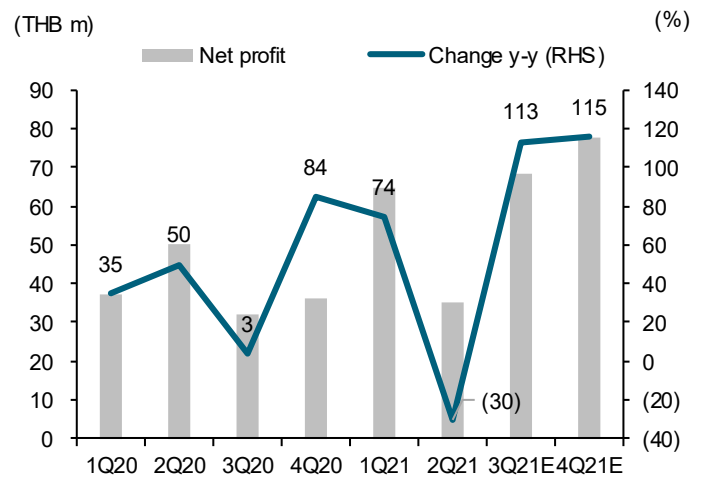
Sources: CHAYO; FSSIA estimates

Exhibit 78: 3Q21E revenue breakdown



Sources: CHAYO; FSSIA estimates

Exhibit 79: Quarterly net profit



Sources: CHAYO; FSSIA estimates

Exhibit 80: CHAYO – 3Q21E results preview

	3Q20	2Q21	3Q21E		9M21E			2021E	3Q21E Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%21E	(THB m)
Interest income									
- Interest income from NPLs	105	144	136	30	(6)	442	45	72	617
Total interest income	106	146	142	34	(3)	452	46	70	642
Interest expense	13	25	17	27	(32)	68	107	79	87
Net interest income	93	121	125	34	3	384	38	69	556
Non-interest income									
- Gain on properties for sale	0	9	50	na	461	59	145	84	70
- Service income from debt collection services	12	10	12	(3)	15	34	(13)	56	61
- Others	3	1	1	(71)	(46)	5	16	26	19
Total non-interest income	15	21	63	322	204	98	45	65	151
Total operating income	108	141	188	74	33	483	40	68	706
Operating expenses	46	54	55	20	3	160	18	64	250
Pre provision operating profit	62	88	132	114	51	323	53	71	456
Expected credit loss	21	54	47	129	(12)	122	99	101	121
Operating profit	41	34	85	107	149	201	34	60	335
Income tax expenses	10	(1)	17	79	nm	33	5	49	67
Profit before minority interest	32	35	68	115	94	168	42	63	268
Minority	(0)	0	0	nm	nm	1	nm	nm	17
Normalised profit	32	35	68	113	95	168	41	67	251
Extra items	0	0	0	nm	nm	0	nm	nm	0
Net profit	32	35	68	113	95	168	41	67	251
Key financial highlights									
Gross NPL outstanding	1,232	1,833	1,882	53	3				3,182
Gross NPA outstanding	122	399	445	265	11				200
NPL & NPA purchases	181	392	110	(39)	(72)				1,701
NPL & NPA cash collection	52	83	161	209	95	358	53	78	458
Cash collection/NPL & NPA (%)	16.5	16.1	28.3						17.8
Key financial ratio									
Liabilities / equity (x)	0.9	0.5	0.3						0.6
Interest-bearing debt/equity (x)	0.8	0.4	0.3						0.6
ROA (%)	6.7	3.5	5.9						5.9
ROE (%)	11.9	6.8	9.3						12.8
Cost of funds (%)	7.3	8.6	6.5						4.8
Cost to income (%)	42.7	37.9	29.4						35.4

Sources: CHAYO; FSSIA estimates

Exhibit 81: NPL acquisition summary, 2018-19

No.	Winning date	Claim value (THB m)	Collateral
2018			
1	9-Feb-18	138	Vacant land, next to the beach, Rayong
2	10-May-18	7,952	Clean loan
3	16-May-18	346	Land & Building - Klongtoey, Bangkok
4	13-Jun-18	90	Land & Building - Chaengwattana, Bangkok
5	20-Jun-18	136	Land & Building - Ngamwongwan, Bangkok
6	13-Jul-18	27	Land & Building - Rayong
7	26-Jul-18	20	Land & Building - Watcharaphol
8	26-Jul-18	31	Land & Building - Nonthaburi
9	9-Aug-18	24	Land & Building - Lumlookka
10	16-Aug-18	73	Land & Building - Chonburi
11	17-Aug-18	17	Land & Building - Huaykwang
12	5-Sep-18	31	Vacant land - Rayong
13	5-Sep-18	41	Land & Building - Samutprakarn
14	6-Sep-18	35	Land & Building - Sukhumvit
15	14-Sep-18	60	Land & Building - Ramindra
16	19-Sep-18	189	Land & Building (Mortgage loan or Housing loan)
17	18-Oct-18	47	Land & Building - Bangbuathong
18	18-Oct-18	12	Land & Building - Dusit
19	19-Oct-18	42	Vacant land - Pakkret
20	24-Oct-18	64	Vacant land - Bangbhor
21	26-Oct-18	105	Vacant land - Pakkret
22	7-Nov-18	86	Land & Building - Bangkhae
23	9-Nov-18	34	Land & Building - Pravhet
24	12-Nov-18	174	Land & Building - Chatuchak
25	25-Dec-18	20	Land & Building - Bangsue
26	25-Dec-18	46	Land & Building - Ramindra
Sub-total		9,837	
2019			
B/F	Already reported	199	
1	31-May-19	61	Land & Building - Ladprao
2	7-Jun-19	184	Land & Building - Samsen
3	10-Jun-19	5	Land & Building - Taerange
4	10-Jun-19	708	Land & Building - Minburi
5	14-Jun-19	384	Land & Building - Nonthaburi
6	24-Oct-19	1	Land & Building - Sriracha
7	22-Oct-19	51	Land & Building - Watcharaphol
8	1-Nov-19	3	Land & Building - Chonburi
9	15-Nov-19	704	Vacant land - Salaya, Nakornphathom
10	20-Nov-19	6,966	Vacant land - Pangnga
11	20-Nov-19	1,275	Unsecured land
12	11-Dec-19	14	Land & Building - Pakkret
13	11-Dec-19	17	Land & Building - Bangchak
14	13-Dec-19	44	Land & Building - Phakhanong
15	18-Dec-19	8	Land & Building - Ladplakhao
16	18-Dec-19	9	Land & Building - Bangvak
17	25-Dec-19	8	Land & Building - Thepharak
Sub-total		10,639	

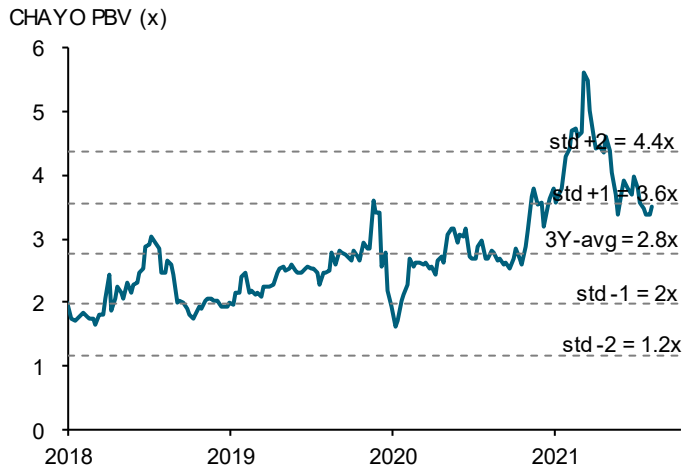
Sources: CHAYO; FSSIA's compilation

Exhibit 82: NPL acquisition summary, 2020-21 to date

No.	Winning date	Claim value (THB m)	Collateral
2020			
1	23-Apr-20	46	Land & Building - Sukhumvit
2	23-Apr-20	63	Land & Building - Sukhumvit
3	8-Jun-20	147	Land & Building - Samrong Nuea
4	23-Jun-20	293	Land & Building - Pathumthani
5	7-Jul-20	158	Land & Building - Samuthprakan
6	24-Aug-20	320	Unsecured loan (motorcycle)
7	27-Aug-20	149	Land & Building - Chiangrai
8	28-Aug-20	1,580	Unsecured loan (motorcycle)
9	18-Sep-20	6	Single detached house - Watcharaphol
10	24-Sep-20	126	Land & Building - Chatuchak
11	28-Sep-20	58	Land & Building - Donmuang
12	7-Oct-20	66	Single detached house - Bangkok
13	27-Oct-20	51	Land & Building - Chonburi
14	30-Oct-20	369	Land Chachangsao and Rayong
15	13-Nov-20	979	Unsecured loans (motorcycles)
16	20-Nov-20	3,692	Unsecured loans (cars)
17	16-Nov-20	646	Land & Building - Pathum Thani and Chatujak
18	16-Nov-20	316	Land & Building - Minburi
19	16-Nov-20	162	Land & Building - Chiang Mai
20	23-Dec-20	6,289	Unsecured loans
Sub-total		15,517	
2021			
1	9-Feb-21	22	Land & Building - Chiang Mai
2	17-Mar-21	1,364	Unsecured loan (loss on sales)
3	23-Mar-21	241	Land & Building - Chiang Mai & Chiang Rai
4	29-Mar-21	61	Motorcycle, P-loan and Nanofinance
5	27-May-21	65	Land & Building - Charansanitwong
6	25-May-21	123	Vacant land at Sriracha and Phuket
7	10-Jun-21	465	Land & Building - southern part
8	29-Sep-21	229	Apartment in Samutprakarn and land in Petchburi
Sub-total		2,571	

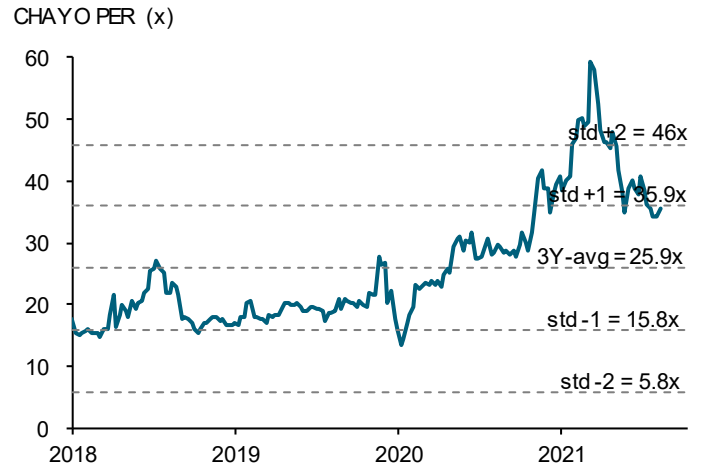
Sources: CHAYO; FSSIA's compilation

Exhibit 83: CHAYO – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 84: CHAYO – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 85: Thailand diversified financials – peers comparison

	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						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

Financial Statements

Chayo Group

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	234	425	642	971	1,249
Interest expense	(9)	(53)	(87)	(111)	(141)
Net interest income	225	372	556	860	1,108
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	84	96	151	207	240
Non interest income	84	96	151	207	240
Total income	309	467	706	1,067	1,348
Staff costs	-	-	-	-	-
Other operating costs	(169)	(185)	(250)	(375)	(450)
Operating costs	(169)	(185)	(250)	(375)	(450)
Pre provision operating profit	140	282	456	692	897
Provision for bad and doubtful debt	0	(87)	(121)	(142)	(178)
Other provisions	-	-	-	-	-
Operating profit	140	195	335	550	719
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	140	195	335	550	719
Tax	(29)	(41)	(67)	(110)	(144)
Profit after tax	111	155	268	440	575
Minority interests	0	1	(17)	(51)	(66)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	111	155	251	388	509
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	111	155	251	388	509
Per share (THB)					
Recurring EPS *	0.18	0.22	0.26	0.36	0.43
Reported EPS	0.18	0.22	0.26	0.36	0.43
DPS	0.04	0.01	0.00	0.00	0.00
Growth					
Net interest income (%)	6.9	65.6	49.5	54.7	28.8
Non interest income (%)	62.9	13.4	57.5	37.8	15.7
Pre provision operating profit (%)	28.1	101.5	61.7	51.7	29.7
Operating profit (%)	28.1	39.4	71.9	64.0	30.8
Reported net profit (%)	30.0	39.7	61.8	54.7	31.0
Recurring EPS (%)	15.5	22.7	18.5	39.6	19.4
Reported EPS (%)	15.5	22.7	18.5	39.6	19.4
Income Breakdown					
Net interest income (%)	72.7	79.6	78.7	80.6	82.2
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	27.3	20.4	21.3	19.4	17.8
Operating performance					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	3.01	4.91	4.75	4.75	4.80
Net interest spread (%)	(3.01)	(4.91)	(4.75)	(4.75)	(4.80)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	54.7	39.6	35.4	35.2	33.4
Cost/assets(%)	12.7	8.0	5.9	5.8	5.3
Effective tax rate (%)	20.7	20.8	20.0	20.0	20.0
Dividend payout on recurring profit (%)	21.6	2.6	0.8	0.5	0.4
ROE (%)	12.8	14.7	12.8	11.7	10.9
ROE - COE (%)	2.0	3.9	2.0	0.9	0.1
ROA (%)	8.4	6.7	6.3	6.8	6.8
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Chayo Group; FSSIA estimates

Financial Statements

Chayo Group

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	1,131	1,573	3,182	4,311	5,076
Total provisions	(9)	(90)	(211)	(354)	(532)
interest in suspense	0	210	414	474	558
Net customer loans	1,122	1,693	3,384	4,431	5,103
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	101	2	944	1,321	1,850
Cash & equivalents	360	708	765	893	1,856
Other interesting assets	145	328	431	512	623
Tangible fixed assets	31	33	34	36	38
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	66	47	113	147	193
Total assets	1,825	2,811	5,672	7,340	9,662
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	575	1,570	2,073	2,612	3,265
Non interest bearing liabilities	247	94	103	114	125
Hybrid Capital	-	-	-	-	-
Total liabilities	823	1,664	2,176	2,725	3,390
Share capital	315	353	516	571	624
Reserves	672	778	2,280	3,292	4,831
Total equity	987	1,130	2,796	3,863	5,455
Minority interests	15	16	700	751	818
Total liabilities & equity	1,825	2,811	5,672	7,340	9,662
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	303	1,073	1,822	2,342	2,938
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)	n/a	n/a	n/a	n/a	n/a
Per share (THB)					
Book value per share	1.57	1.58	2.86	3.56	4.58
Tangible book value per share	1.57	1.58	2.86	3.56	4.58
Growth					
Gross customer loans	87.5	39.0	102.3	35.5	17.8
Average interest earning assets	-	-	-	-	-
Total asset (%)	120.2	54.0	101.8	29.4	31.6
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	54.1	40.2	49.3	52.6	56.5
Tangible equity/assets (%)	54.1	40.2	49.3	52.6	56.5
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Total provisions/gross loans (%)	0.8	5.7	6.6	7.0	10.5
Total provisions/NPL (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	66.4	54.1	45.6	32.7	27.4
Recurring P/E @ target price (x) *	106.7	86.9	73.3	52.5	44.0
Reported P/E (x)	66.4	54.1	45.6	32.7	27.4
Dividend yield (%)	0.3	0.0	0.0	0.0	0.0
Price/book (x)	7.5	7.4	4.1	3.3	2.6
Price/tangible book (x)	7.5	7.4	4.1	3.3	2.6
Price/tangible book @ target price (x)	12.0	11.9	6.6	5.3	4.1

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Chayo Group; 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	AMANAHA	AMARIN	APCO	APCS	AQUA	APURE	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	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAHA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	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)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

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

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
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 $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.