

10 NOVEMBER 2021

THAILAND / DIVERSIFIED FINANCIALS

NEXT CAPITAL NCAP TB

BUY

UNCHANGED

| | |
|-----------------|-----------|
| TARGET PRICE | THB16.80 |
| CLOSE | THB9.05 |
| UP/DOWNSIDE | +85.6% |
| PRIOR TP | THB16.80 |
| CHANGE IN TP | UNCHANGED |
| TP vs CONSENSUS | +12.2% |

Wait for clarity on regulations

Robust 3Q21 performance as expected

NCAP reported a solid 3Q21 net profit of THB74m (+8% y-y, -1% q-q), driven by 1) significant loan growth of 26% y-y and 9% q-q; and 2) an increase in its fee income following the higher loan volume. Although motorcycle sales declined 20% y-y in 3Q21 due to the chip supply shortage, NCAP was able to gain more market share from both local and big players thanks to the strategic expansion of its service areas and a deeper integration of technology in its operations and credit underwriting process. Thus, its new lending volume hit a monthly record high in Sep-21. Its non-performing loans (NPLs) increased to THB78m from THB60m in 2Q21. We think this is the result of a rapid business expansion phase. On top of that, its coverage ratio remained at a high level of 366%. Accordingly, we are comfortable with its asset quality.

Unlikely to cap interest rate at 15%, but still no clear policy

The public hearing on the new restrictions for hire purchase (HP) contracts held by the Office of the Consumer Protection Board ended on 7 Nov-21. We reiterate our view that a reduced rate charge capped at 15% is unreasonable, as the risk of lending under HP contract to the low-income retail segment is quite high. On top of that, during the hearing on 20 Oct-21, the Bank of Thailand, Thai Hire-Purchase Association, and other HP operators agreed that a cap rate at 15% might destroy the lending system and car production in Thailand. As such, we believe the cap rate at 15% is unlikely to happen. We think a reasonable cap rate would be 25-30%, based on the reference rate caps for other loan types, e.g. auto title loans at 24% and nano finance at 33%. However, there has still been no official announcement regarding the new restrictions.

Bad news partly priced in, but...

We think that the c20% drop in NCAP's share price after the start of the public hearing process has partly priced in the negative impact from a potential rate cap. Based on our analysis, every 1% drop in its loan yield, ceteris paribus, could result in a 10% downside risk to our current net profit forecasts. Note that our current average loan yield assumption (excluding commissions to dealers) for NCAP is c32.4%.

... Its price will likely continue to be pressured

Although NCAP's valuation is attractive, trading at 19.4x 2022E P/E and 3.5x 2022E P/BV, we think its share price will still be pressured until a clear policy is announced. We recommend a wait-and-see approach.

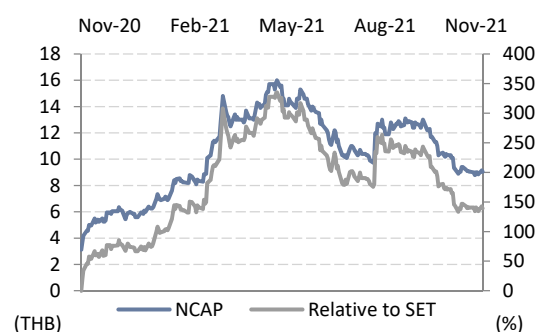


Yuvarart Suwanumphai

yuvarart.suw@fssia.com
+66 2611 3554

KEY STOCK DATA

| YE Dec (THB m) | 2020 | 2021E | 2022E | 2023E |
|----------------------|------|-------|-------|-------|
| Operating profit | 253 | 392 | 523 | 657 |
| Net profit | 202 | 315 | 420 | 528 |
| EPS (THB) | 0.22 | 0.35 | 0.47 | 0.59 |
| vs Consensus (%) | - | 2.9 | 6.8 | 11.3 |
| Core net profit | 202 | 315 | 420 | 528 |
| Core EPS (THB) | 0.22 | 0.35 | 0.47 | 0.59 |
| Chg. In EPS est. (%) | - | - | - | - |
| EPS growth (%) | - | 55.9 | 33.4 | 25.8 |
| Core P/E (x) | 40.4 | 25.9 | 19.4 | 15.4 |
| Dividend yield (%) | - | 0.6 | 0.8 | 1.0 |
| Price/book (x) | 4.9 | 4.2 | 3.5 | 3.0 |
| ROE (%) | 14.8 | 17.4 | 19.8 | 20.9 |
| ROA (%) | 4.6 | 6.3 | 6.8 | 6.5 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|----------------|---------|----------|
| Absolute (%) | (12.1) | (27.6) | 195.8 |
| Relative to country (%) | (11.7) | (31.7) | 133.1 |
| Mkt cap (USD m) | 249 | | |
| 3m avg. daily turnover (USD m) | 2.8 | | |
| Free float (%) | 34 | | |
| Major shareholder | COM7 PCL (34%) | | |
| 12m high/low (THB) | 16.40/2.92 | | |
| Issued shares (m) | 900 | | |

Sources: Bloomberg consensus; FSSIA estimates

Investment thesis

NCAP is transitioning from local motorcycle captive financing to more fully equipped hire purchase lending in Thailand. It is aiming to compete for market share from both local and big operators, with the support of its major shareholders, COM7 (COM7 TB, not rated) and Synnex (Thailand) (SYNEX TB, not rated) and its new highly experienced management. We expect NCAP to deliver outstanding net profit growth at a 38% three-year CAGR from 2020-23, mainly supported by its total outstanding loan volume more than doubling from THB4b in 2020 to an estimated THB9b in 2023.

However, due to the uncertainty regarding HP regulations, we think its share price will continue to be pressured until a clear policy is announced. We recommend investors to wait and see.

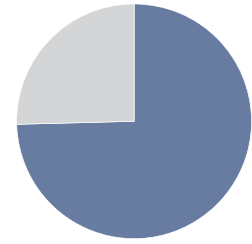
Company profile

Next Capital was founded in 2004 by Mitsui Corporation. Currently, its major shareholders are COM7 (not rated) and SYNEX (not rated). The company specialises in providing hire purchase loans for new motorcycles. Loan durations are 3-4 years. Its main customers are underbanked/unbanked people.

www.nextcapital.co.th

Principal activities (revenue, 2020)

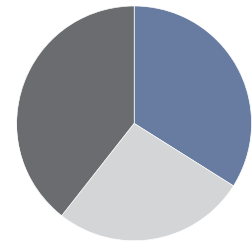
- Net interest income - 74.6 %
- Non-interest income - 25.4 %



Source: Next Capital

Major shareholders

- COM7 PCL - 33.9 %
- Synnex (Thailand) - 26.7 %
- Others - 39.4 %



Source: Next Capital

Catalysts

Potential share price catalysts for NCAP include: 1) the expansion into new businesses, e.g. personal loans and motorcycle title loans; and 2) clearer synergies with its major shareholders.

Risks to our call

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.

Event calendar

| Date | Event |
|---------------|---------------------------|
| Late Feb 2022 | 4Q21 results announcement |

Key assumptions

| | 2021E | 2022E | 2023E |
|-----------------------|-------|-------|-------|
| | (%) | (%) | (%) |
| Net profit (THB m) | 315 | 420 | 528 |
| Net profit growth (%) | 55.9 | 33.4 | 25.8 |
| NIM (%) | 20.20 | 20.09 | 19.76 |
| Loan growth (%) | 30.0 | 35.0 | 30.0 |
| Fee growth (%) | 15.0 | 10.0 | 8.0 |
| Non-NII growth (%)* | 36.5 | 10.0 | 9.3 |
| Credit cost (bp) | 820 | 780 | 770 |
| Cost to income (%)* | 40.1 | 38.2 | 36.7 |

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

| | | 2021E | | |
|------------------------|-------|-------|-------|-------|
| Loan growth | ±2ppt | 28.0 | 30.0 | 32.0 |
| % change in net profit | | (2.0) | - | 2.0 |
| NIM (%) | ±5bp | 20.15 | 20.20 | 20.25 |
| % change in net profit | | (0.6) | - | 0.6 |
| Credit cost (bp) | ±10bp | 810 | 820 | 830 |
| % change in net profit | | (1.2) | - | 1.2 |

Source: FSSIA estimates

Robust 3Q21 performance as expected

NCAP reported a solid 3Q21 net profit of THB74m (+8% y-y, -1% q-q), which was in line with our expectation. The outstanding 3Q21 net profit growth came mainly from 1) significant loan growth of 26% y-y and 9% q-q; and 2) an increase in its fee income following the higher loan volume. Although motorcycle sales declined 20% y-y in 3Q21 vs an increase of 19% y-y in 6M21 due to the chip supply shortage, NCAP was able to gain more market share from both local and big players thanks to the strategic expansion of its service areas and a deeper integration of technology in its operations and credit underwriting process. Thus, its new lending volume hit a monthly record high in Sep-21. Its NPLs increased to THB78m from THB60m in 2Q21. We think this is the result of a rapid business expansion phase. On top of that, its coverage ratio remained at a high level of 366%. Accordingly, we are comfortable with its asset quality.

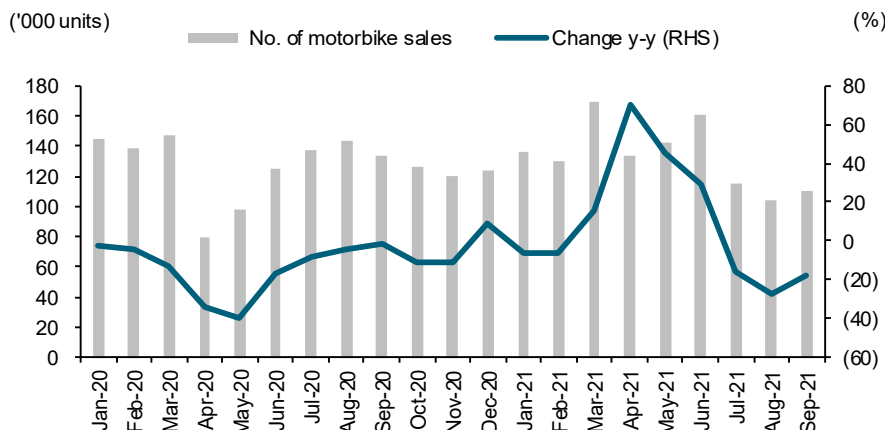
Exhibit 1: NCAP – summary of 3Q21 results

| Year-end Dec 31 | 3Q20 | 2Q21 | 3Q21 | | 9M21 | | 2021E | | 3Q21 comments | |
|--------------------------------|------------|------------|------------|-----------|------------|------------|-----------|-----------|---------------|--------------------------|
| | (THB m) | (THB m) | (THB m) | (y-y %) | (q-q %) | (THB m) | (y-y %) | %21E | (THB m) | (y-y %) |
| Net interest income | 188 | 223 | 238 | 27 | 7 | 666 | 17 | 72 | 922 | 20 |
| Non-interest income* | 74 | 79 | 88 | 18 | 11 | 249 | 33 | 70 | 357 | 36 |
| Operating income* | 262 | 302 | 326 | 24 | 8 | 915 | 21 | 72 | 1,279 | 24 |
| Operating expenses | 100 | 123 | 136 | 35 | 10 | 378 | 31 | 74 | 512 | 29 |
| PPOP before tax* | 162 | 179 | 190 | 18 | 6 | 537 | 14 | 70 | 767 | 21 |
| Expected credit loss | 77 | 87 | 98 | 27 | 13 | 258 | (12) | 69 | 374 | (1) |
| Income tax | 16 | 18 | 19 | 16 | 6 | 56 | 50 | 72 | 78 | 53 |
| Minority interest | 0 | 0 | (0) | | | (0) | n/a | | 0 | |
| Normalised profit | 68 | 75 | 74 | 8 | (1) | 223 | 61 | 71 | 315 | 56 |
| Extraordinary items | 0 | 0 | 0 | | | 0 | | | 0 | |
| Net profit | 68 | 75 | 74 | 8 | (1) | 223 | 61 | 71 | 315 | 56 |
| EPS (THB) | 0.11 | 0.08 | 0.08 | (28) | (1) | 0.25 | 7 | 71 | 0.35 | 13 |
| Asset quality ratio (%) | | | | | | | | | | |
| NPLs (THB m) | 76 | 60 | 78 | 3 | 31 | | | | 84 | 30 |
| NPLs/Loans | 1.96 | 1.33 | 1.59 | | | | | | 1.63 | |
| LLR/NPLs | 300 | 433 | 366 | | | | | | 321 | |
| Credit cost (bps) | 805 | 801 | 835 | | | | | | 820 | |
| Profitability ratio (%) | | | | | | | | | | |
| Cost to income ratio* | 38.3 | 40.7 | 41.6 | | | | | | 40.1 | |
| Average yield | 22.4 | 22.8 | 22.3 | | | | | | 22.5 | |
| Cost of fund | 4.2 | 3.9 | 3.7 | | | | | | 3.6 | |
| NIM | 19.6 | 20.6 | 20.3 | | | | | | 20.2 | |
| Non-int inc/total income | 28.4 | 26.2 | 27.0 | | | | | | 27.9 | |
| Loan growth (%) | | | | | | | | | | |
| y-y | Na. | 18.6 | 26.0 | | | | | | 30.0 | |
| q-q | 2.7 | 8.2 | 9.0 | | | | | | | Gained more market share |

*Including share of profits from associates

Sources: NCAP; FSSIA estimates

Exhibit 2: Monthly domestic motorbike sales



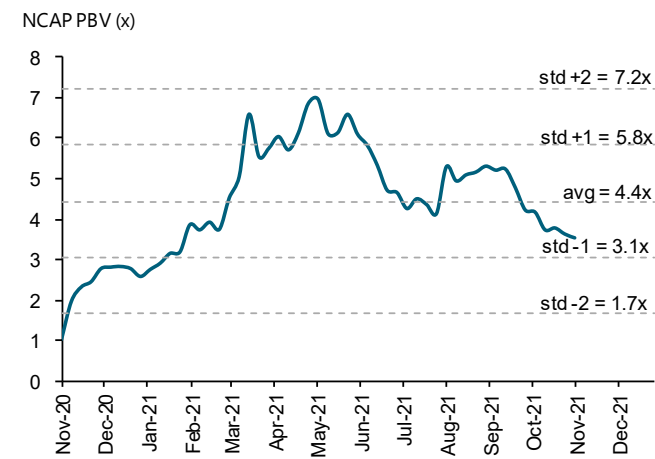
Sources: The Federation of Thai Industries; FSSIA's compilation

Exhibit 3: NCAP's credit lines and interest rate charges

| Motorbike type | Cubic centimetres (CC) | Credit line (THB k/unit) | Interest rate (EIR) (% pa) |
|----------------|------------------------|--------------------------|----------------------------|
| Small bike | 110-149 | 30-60 | c35 |
| Top small bike | 150-249 | 80-1000 | c35 |
| Medium bike | 250-600 | 100-200 | c11-17 |
| Big bike | 700+ | more than 200 | c11-17 |

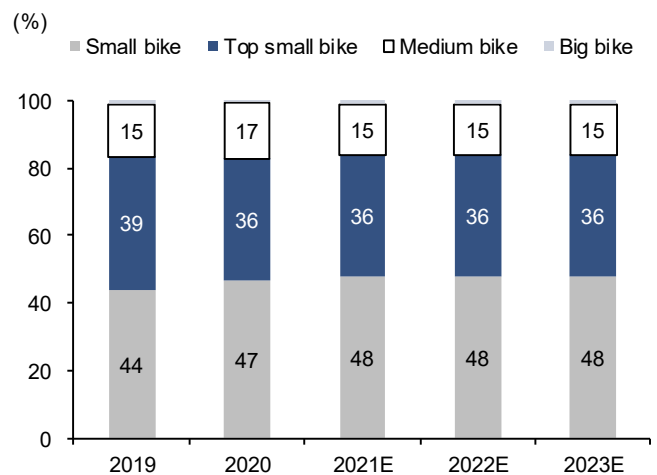
Sources: NCAP; FSSIA estimates

Exhibit 5: NCAP – prospective P/BV band



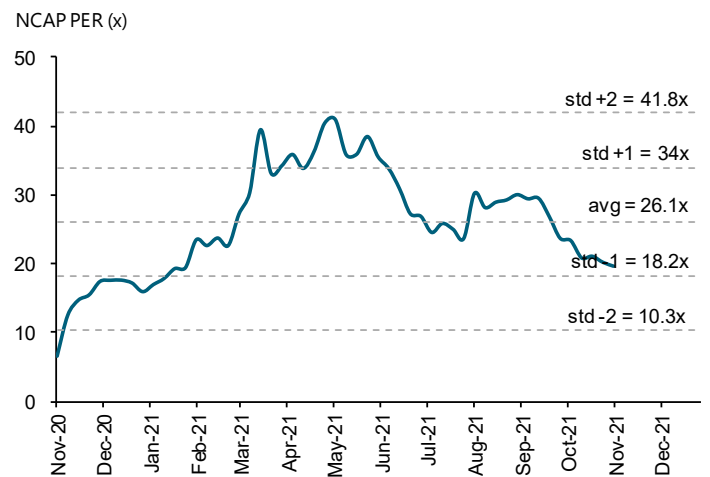
Sources: Bloomberg; FSSIA estimates

Exhibit 4: NCAP's loan breakdown by motorcycle type



Sources: NCAP; FSSIA estimates

Exhibit 6: NCAP – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 7: Key valuations of diversified financials under coverage

| | BBG code | Rec | ---Share price--- | | Up side (%) | Market Cap (USD m) | EPS growth | | --- P/E --- | | -- DivYld -- | | --- ROE --- | | --- PBV --- | |
|--------------------------|-----------|-----|-------------------|--------------|-------------|--------------------|-------------|-------------|-------------|-------------|--------------|------------|-------------|-------------|-------------|------------|
| | | | Current (THB) | Target (THB) | | | 21E (%) | 22E (%) | 21E (x) | 22E (x) | 21E (%) | 22E (%) | 21E (%) | 22E (%) | 21E (x) | 22E (x) |
| Coverage | | | | | | 11,839 | 9.6 | 21.6 | 26.2 | 23.9 | 19.7 | 1.4 | 1.6 | 19.8 | 20.0 | 4.1 |
| Auto-title lender | | | | | | 9,942 | 7.7 | 23.4 | 23.8 | 19.3 | 1.2 | 1.5 | 20.8 | 21.1 | 4.3 | 3.7 |
| Muangthai Capital | MTC TB | BUY | 63.25 | 71.00 | 12 | 4,092 | 3.1 | 26.6 | 25.0 | 19.7 | 0.6 | 0.8 | 23.4 | 24.3 | 5.3 | 4.4 |
| Srisawad Corp | SAWAD TB | BUY | 64.00 | 80.00 | 25 | 2,682 | 4.2 | 20.6 | 18.5 | 15.3 | 2.8 | 3.3 | 20.2 | 22.0 | 3.6 | 3.2 |
| Saksiam Leasing | SAK TB | BUY | 8.60 | 11.00 | 28 | 550 | (19.5) | 39.1 | 30.3 | 21.8 | 1.0 | 1.4 | 12.6 | 15.9 | 3.7 | 3.3 |
| Ngern Tid Lor | TIDLOR TB | BUY | 37.00 | 43.00 | 16 | 2,618 | 23.8 | 17.8 | 26.1 | 22.1 | 0.6 | 0.7 | 18.9 | 16.4 | 3.8 | 3.4 |
| Truck lender | | | | | | 1,649 | 13.4 | 10.6 | 24.3 | 22.0 | 2.3 | 2.8 | 14.0 | 13.4 | 2.9 | 2.3 |
| Micro Leasing | MICRO TB | BUY | 7.75 | 10.70 | 38 | 221 | 23.1 | 33.5 | 35.6 | 26.6 | 0.8 | 0.8 | 10.8 | 13.2 | 3.7 | 3.3 |
| Singer Thailand | SINGER TB | BUY | 43.75 | 51.00 | 17 | 698 | 24.8 | 2.4 | 32.2 | 31.4 | 1.2 | 1.9 | 13.0 | 9.8 | 3.6 | 2.3 |
| Ratchthani Leasing | THANI TB | BUY | 4.22 | 5.20 | 23 | 729 | (20.9) | 15.8 | 13.3 | 11.5 | 3.8 | 4.4 | 16.0 | 17.0 | 2.0 | 1.9 |
| HP motorcycle | | | | | | 249 | 55.9 | 33.4 | 25.9 | 19.4 | 0.6 | 0.8 | 17.4 | 19.8 | 4.2 | 3.5 |
| Next Capital | NCAP TB | BUY | 9.05 | 16.80 | 86 | 249 | 55.9 | 33.4 | 25.9 | 19.4 | 0.6 | 0.8 | 17.4 | 19.8 | 4.2 | 3.5 |

Share prices as of 9 Nov 2021

Source: FSSIA estimates

Financial Statements

Next Capital

| Profit and Loss (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|-------|-------|-------|-------|-------|
| Interest Income | 882 | 880 | 1,027 | 1,358 | 1,787 |
| Interest expense | (123) | (114) | (105) | (140) | (203) |
| Net interest income | 759 | 766 | 922 | 1,218 | 1,583 |
| Net fees & commission | 64 | 101 | 116 | 128 | 138 |
| Foreign exchange trading income | - | - | - | - | - |
| Securities trading income | - | - | - | - | - |
| Dividend income | 0 | 0 | 0 | 0 | 0 |
| Other income | 69 | 160 | 241 | 265 | 291 |
| Non interest income | 132 | 261 | 357 | 392 | 429 |
| Total income | 892 | 1,028 | 1,279 | 1,611 | 2,012 |
| Staff costs | (362) | (396) | (512) | (615) | (738) |
| Other operating costs | - | - | - | - | - |
| Operating costs | (362) | (396) | (512) | (615) | (738) |
| Pre provision operating profit | 530 | 631 | 767 | 996 | 1,274 |
| Provision for bad and doubtful debt | (368) | (379) | (374) | (473) | (617) |
| Other provisions | - | - | - | - | - |
| Operating profit | 162 | 253 | 392 | 523 | 657 |
| 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 | 162 | 253 | 392 | 523 | 657 |
| Tax | (35) | (51) | (78) | (103) | (130) |
| Profit after tax | 126 | 202 | 315 | 420 | 528 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 126 | 202 | 315 | 420 | 528 |
| Non recurring items & goodwill (net) | - | - | 0 | 0 | 0 |
| Recurring net profit | 126 | 202 | 315 | 420 | 528 |
| Per share (THB) | | | | | |
| Recurring EPS * | - | 0.22 | 0.35 | 0.47 | 0.59 |
| Reported EPS | - | 0.22 | 0.35 | 0.47 | 0.59 |
| DPS | 0.00 | 0.00 | 0.05 | 0.07 | 0.09 |
| Growth | | | | | |
| Net interest income (%) | 22.2 | 0.9 | 20.3 | 32.1 | 30.0 |
| Non interest income (%) | 18.3 | 97.6 | 36.5 | 10.0 | 9.3 |
| Pre provision operating profit (%) | 29.3 | 19.2 | 21.4 | 29.9 | 28.0 |
| Operating profit (%) | 39.8 | 56.3 | 55.2 | 33.3 | 25.8 |
| Reported net profit (%) | 40.4 | 59.8 | 55.9 | 33.4 | 25.8 |
| Recurring EPS (%) | - | - | 55.9 | 33.4 | 25.8 |
| Reported EPS (%) | - | - | 55.9 | 33.4 | 25.8 |
| Income Breakdown | | | | | |
| Net interest income (%) | 85.2 | 74.6 | 72.1 | 75.6 | 78.7 |
| Net fees & commission (%) | 7.1 | 9.8 | 9.1 | 7.9 | 6.8 |
| Foreign exchange trading income (%) | - | - | - | - | - |
| Securities trading income (%) | - | - | - | - | - |
| Dividend income (%) | - | - | - | - | - |
| Other income (%) | 7.7 | 15.6 | 18.8 | 16.4 | 14.5 |
| Operating performance | | | | | |
| Gross interest yield (%) | 23.18 | 21.90 | 22.50 | 22.40 | 22.30 |
| Cost of funds (%) | 4.57 | 4.04 | 3.60 | 3.70 | 3.80 |
| Net interest spread (%) | 18.61 | 17.86 | 18.90 | 18.70 | 18.50 |
| Net interest margin (%) | 20.0 | 19.1 | 20.2 | 20.1 | 19.8 |
| Cost/income(%) | 40.6 | 38.6 | 40.1 | 38.2 | 36.7 |
| Cost/assets(%) | 9.6 | 9.2 | 10.3 | 10.0 | 9.1 |
| Effective tax rate (%) | 21.9 | 20.1 | 19.8 | 19.7 | 19.7 |
| Dividend payout on recurring profit (%) | - | - | 15.0 | 15.0 | 15.0 |
| ROE (%) | 12.8 | 14.8 | 17.4 | 19.8 | 20.9 |
| ROE - COE (%) | 2.0 | 4.0 | 6.6 | 9.0 | 10.1 |
| ROA (%) | 3.3 | 4.6 | 6.3 | 6.8 | 6.5 |
| RORWA (%) | - | - | - | - | - |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Next Capital; FSSIA estimates

Financial Statements

Next Capital

| Balance Sheet (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|--|--------------|--------------|--------------|--------------|--------------|
| Gross customer loans | 4,067 | 3,970 | 5,161 | 6,967 | 9,057 |
| Total provisions | (229) | (230) | (269) | (324) | (398) |
| interest in suspense | 0 | 0 | 0 | 0 | 0 |
| Net customer loans | 3,838 | 3,740 | 4,892 | 6,643 | 8,660 |
| Bank loans | - | - | - | - | - |
| Government securities | - | - | - | - | - |
| Trading securities | - | - | - | - | - |
| Investment securities | 0 | 0 | 0 | 0 | 0 |
| Cash & equivalents | 7 | 698 | 129 | 135 | 241 |
| Other interesting assets | - | - | - | - | - |
| Tangible fixed assets | 31 | 21 | 23 | 24 | 26 |
| Associates | - | - | - | - | - |
| Goodwill | - | - | - | - | - |
| Other intangible assets | - | - | - | - | - |
| Other assets | 123 | 198 | 209 | 247 | 292 |
| Total assets | 3,998 | 4,657 | 5,252 | 7,049 | 9,219 |
| Customer deposits | 1,570 | 250 | 263 | 276 | 289 |
| Bank deposits | - | - | - | - | - |
| Other interest bearing liabilities | 1,300 | 2,504 | 2,808 | 4,223 | 5,918 |
| Non interest bearing liabilities | 153 | 227 | 238 | 250 | 262 |
| Hybrid Capital | - | - | - | - | - |
| Total liabilities | 3,023 | 2,980 | 3,309 | 4,748 | 6,469 |
| Share capital | 300 | 450 | 450 | 450 | 450 |
| Reserves | 753 | 1,226 | 1,494 | 1,850 | 2,299 |
| Total equity | 1,053 | 1,676 | 1,944 | 2,300 | 2,749 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Total liabilities & equity | 4,076 | 4,657 | 5,252 | 7,049 | 9,219 |
| Supplementary items | | | | | |
| Risk weighted assets (RWA) | n/a | n/a | n/a | n/a | n/a |
| Average interest earning assets | 3,805 | 4,018 | 4,565 | 6,064 | 8,012 |
| Average interest bearing liabilities | 2,685 | 2,812 | 2,912 | 3,785 | 5,353 |
| 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 | 65 | 84 | 109 | 136 |
| Per share (THB) | | | | | |
| Book value per share | - | 1.86 | 2.16 | 2.56 | 3.05 |
| Tangible book value per share | - | 1.86 | 2.16 | 2.56 | 3.05 |
| Growth | | | | | |
| Gross customer loans | 14.8 | (2.4) | 30.0 | 35.0 | 30.0 |
| Average interest earning assets | 26.3 | 5.6 | 13.6 | 32.8 | 32.1 |
| Total asset (%) | 12.1 | 16.5 | 12.8 | 34.2 | 30.8 |
| Risk weighted assets (%) | - | - | - | - | - |
| Customer deposits (%) | 96.3 | (84.1) | 5.0 | 5.0 | 5.0 |
| Leverage & capital measures | | | | | |
| Customer loan/deposits (%) | 244.4 | 1,495.9 | 1,863.5 | 2,410.2 | 2,992.2 |
| Equity/assets (%) | 26.3 | 36.0 | 37.0 | 32.6 | 29.8 |
| Tangible equity/assets (%) | 26.3 | 36.0 | 37.0 | 32.6 | 29.8 |
| RWA/assets (%) | - | - | - | - | - |
| Tier 1 CAR (%) | - | - | - | - | - |
| Total CAR (%) | - | - | - | - | - |
| Asset Quality | | | | | |
| Change in NPL (%) | 82.3 | (33.3) | 30.0 | 30.0 | 25.0 |
| NPL/gross loans (%) | 2.4 | 1.6 | 1.6 | 1.6 | 1.5 |
| Total provisions/gross loans (%) | 5.6 | 5.8 | 5.2 | 3.6 | 4.4 |
| Total provisions/NPL (%) | 236.8 | 356.7 | 320.7 | 297.1 | 291.6 |
| Valuation | | | | | |
| Recurring P/E (x) * | - | 40.4 | 25.9 | 19.4 | 15.4 |
| Recurring P/E @ target price (x) * | - | 74.9 | 48.1 | 36.0 | 28.6 |
| Reported P/E (x) | - | 40.4 | 25.9 | 19.4 | 15.4 |
| Dividend yield (%) | - | - | 0.6 | 0.8 | 1.0 |
| Price/book (x) | - | 4.9 | 4.2 | 3.5 | 3.0 |
| Price/tangible book (x) | - | 4.9 | 4.2 | 3.5 | 3.0 |
| Price/tangible book @ target price (x) | - | 9.0 | 7.8 | 6.6 | 5.5 |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Next Capital; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

| EXCELLENT LEVEL | | | | | | | | | | |
|-----------------|--------|--------|-------|-------|-------|--------|--------|--------|--------|-------|
| AAV | ADVANC | AF | AIRA | AKP | AKR | ALT | AMA | AMATA | AMATAV | ANAN |
| AOT | AP | ARIP | ARROW | ASP | BAFS | BANPU | BAY | BCP | BCPG | BDMS |
| BEC | BEM | BGRIM | BIZ | BKI | BLA | BOL | BPP | BRR | BTS | BWG |
| CENTEL | CFRESH | CHEWA | CHO | CIMBT | CK | CKP | CM | CNT | COL | COMAN |
| COTTO | CPALL | CPF | CPI | CPN | CSS | DELTA | DEMCO | DRT | DTAC | DTC |
| DV8 | EA | EASTW | ECF | ECL | EGCO | EPG | ETE | FNS | FPI | FPT |
| FSMART | GBX | GC | GCAP | GEL | GFPT | GGC | GPSC | GRAMMY | GUNKUL | HANA |
| HARN | HMPRO | ICC | ICI | III | ILINK | INTUCH | IRPC | IVL | JKN | JSP |
| JWD | K | KBANK | KCE | KKP | KSL | KTB | KTC | LANNA | LH | LHFG |
| LIT | LPN | MAKRO | MALEE | MBK | MBKET | MC | MCOT | METCO | MFEC | MINT |
| MONO | MOONG | MSC | MTC | NCH | NCL | NEP | NKI | NOBLE | NSI | NVD |
| NYT | OISHI | ORI | OTO | PAP | PAP | PCSGH | PDJ | PG | PHOL | PLANB |
| PLAT | PORT | PPS | PR9 | PREB | PRG | PRM | PSH | PSL | PTG | PTT |
| PTTEP | PTTGC | PYLON | Q-CON | QH | QTC | RATCH | RS | S | S & J | SAAM |
| SABINA | SAMART | SAMTEL | SAT | SC | SCB | SCC | SCCC | SCG | SCN | SDC |
| SEAFCO | SEAOIL | SE-ED | SELIC | SENA | SIRI | SIS | SITHAI | SMK | SMPC | SNC |
| SONIC | SORKON | SPALI | SPI | SPRC | SPVI | SSSC | SST | STA | SUSCO | SUTHA |
| SVI | SYMC | SYNTEC | TACC | TASCO | TCAP | TFMAMA | THANA | THANI | THCOM | THG |
| THIP | THRE | THREL | TIP | TIPCO | TISCO | TK | TKT | TTB | TMILL | TNDT |
| TNL | TOA | TOP | TPBI | TQM | TRC | TRC | TSC | TSR | TSTE | TSTH |
| TTCL | TTW | TU | TVD | TVI | TVO | TWPC | U | UAC | UBIS | UV |
| VGI | VIH | WACOAL | WAVE | WHA | WHAUP | WICE | WINNER | TRUE | | |

| VERY GOOD LEVEL | | | | | | | | | | |
|-----------------|---------|--------|-------|--------|-------|--------|--------|--------|--------|-------|
| 2S | ABM | ACE | ACG | ADB | AEC | AEONTS | AGE | AH | AHC | AIT |
| ALLA | AMANAHA | AMARIN | APCO | APCS | APURE | AQUA | ASAP | ASEFA | ASIA | ASIAN |
| ASIMAR | ASK | ASN | ATP30 | AUCT | AWC | AYUD | B | BA | BAM | BBL |
| BFIT | BGC | BJC | BJCHI | BROOK | BTW | CBG | CEN | CGH | CHARAN | CHAYO |
| CHG | CHOTI | CHOW | CI | CIG | CMC | COLOR | COM7 | CPL | CRC | CRD |
| CSC | CSP | CWT | DCC | DCON | DDD | DOD | DOHOME | EASON | EE | ERW |
| ESTAR | FE | FLOYD | FN | FORTH | FSS | FTE | FVC | GENCO | GJS | GL |
| GLAND | GLOBAL | GLOCON | GPI | GULF | GYT | HPT | HTC | ICN | IFS | ILM |
| IMH | INET | INSURE | IRC | IRCP | IT | ITD | ITEL | J | JAS | JCK |
| JCKH | JMART | JMT | KBS | KCAR | KGI | KIAT | KOOL | KTIS | KWC | KWM |
| L&E | LALIN | LDC | LHK | LOXLEY | LPH | LRH | LST | M | MACO | MAJOR |
| MBAX | MEGA | META | MFC | MGT | MILL | MITSIB | MK | MODERN | MTI | MVP |
| NETBAY | NEX | NINE | NTV | NWR | OCC | OGC | OSP | PATO | PB | PDG |
| PDI | PICO | PIMO | PJW | PL | PM | PPP | PRIN | PRINC | PSTC | PT |
| QLT | RCL | RICHY | RML | RPC | RWI | S11 | SALEE | SAMCO | SANKO | SAPPE |
| SAWAD | SCI | SCP | SE | SEG | SFP | SGF | SHR | SIAM | SINGER | SKE |
| SKR | SKY | SMIT | SMT | SNP | SPA | SPC | SPCG | SR | SRICHA | SSC |
| SSF | STANLY | STI | STPI | SUC | SUN | SYNEX | T | TAE | TAKUNI | TBSP |
| TCC | TCMC | TEAM | TEAMG | TFG | TIGER | TITLE | TKN | TKS | TM | TMC |
| TMD | TMI | TMT | TNITY | TNP | TNR | TOG | TPA | TPAC | TPCORP | TPOLY |
| TPS | TRITN | TRT | TRU | TSE | TVT | TWP | UEC | UMI | UOBKH | UP |
| UPF | UPOIC | UT | UTP | UWC | VL | VNT | VPO | WIJK | WP | XO |
| YUASA | ZEN | ZIGA | ZMICO | | | | | | | |

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

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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

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

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

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

Anti-corruption Progress Indicator 2020

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

Yuvanart Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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

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| Company | Ticker | Price | Rating | Valuation & Risks |
|--------------------|-----------|-----------|--------|--|
| Next Capital | NCAP TB | THB 9.05 | 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. |
| Muangthai Capital | MTC TB | THB 63.25 | 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 64.00 | 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. |
| Saksiam Leasing | SAK TB | THB 8.60 | 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 7.75 | 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 43.75 | BUY | Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality. |
| Ratchthani Leasing | THANI TB | THB 4.22 | 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. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 09-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.