

# SAKSAM LEASING SAK TB

THAILAND / DIVERSIFIED FINANCIALS

## BUY

UNCHANGED

## Driven by (agricultural) drones

- Drone project should gradually support SAK's performance.
- Expect NP to break a record high in every quarter from 4Q21.
- Top pick among small caps, with higher TP to THB12 from THB11.

TARGET PRICE	THB12.00
CLOSE	THB9.20
UP/DOWNSIDE	+30.4%
PRIOR TP	THB11.00
CHANGE IN TP	+9.1%
TP vs CONSENSUS	+22.4%

### Expanding to drones for agriculture segment for higher growth

SAK set up a new subsidiary, Saksiam Maker Drone, with a 70% holding. Saksiam Maker Drone will be a manufacturer and distributor of agricultural drones with comprehensive after-sales service, while SAK will lend to farmers/people who want to buy drones. Thus, SAK will receive 1) profits from selling drones – net margin of c20-25%; and 2) interest income from its lending business – rate charge of 15%. We are convinced that SAK can successfully penetrate this market thanks to the potential increase in agricultural drone demand. Moreover, based on our analysis, the returns for chemical sprayers for farmers are attractive. We think the breakeven period for a drone investment is c1.5-2 years. On top of that, there are very few players in the market which can provide a full range of services, including production, training and lending. We expect net profits from this project of THB15m/38m/85m in 2022-24.

### Remarkable net profit growth expected in 2022

We are convinced that SAK will post net profit growth of 37% y-y in 2022 vs 2021E growth of 9% y-y, driven by three factors. First, we think SAK should continue to deliver strong loan growth of 25% y-y following the realisation of its 200 new branch-expansion target in 2022. Second, we expect a lower cost to income ratio of 46.6% thanks to the economies of scale. Lastly, we expect a slight contribution from its drone project.

### Records are there to break in 4Q21

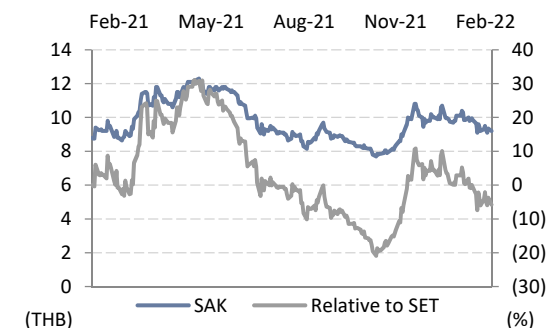
We expect SAK to report a record high 4Q21 net profit of THB191m (+25% y-y, +15% q-q), supported by strong loan growth of 6% q-q, a stable NIM thanks to the expansion of its high-yield nano-finance portfolio to its existing clients, and OPEX savings due to the economies of scale.

### Maintain BUY with higher 2022 GGM-based TP to THB12

We increase our 2021-23E net profit by 3%/2%/7% and our TP to THB12 from THB11. Due to its much smaller size vs the major players, SAK could be less impacted by the current price war among the big operators in the auto title loan market. Its new drone project should also gradually boost its performance. We have a strong conviction that SAK's net profit could hit a record high in every quarter from 4Q21 onward. Thus, among small-cap diversified financials under coverage, we choose SAK as our top pick instead of Micro Leasing (MICRO TB, BUY, TP THB10.7).

### KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	700	764	1,050	1,321
Net profit	562	613	842	1,060
EPS (THB)	0.35	0.29	0.40	0.51
vs Consensus (%)	-	(4.6)	0.5	7.8
Core net profit	562	613	842	1,060
Core EPS (THB)	0.35	0.29	0.40	0.51
Chg. In EPS est. (%)	-	3.2	1.9	6.6
EPS growth (%)	51.7	(16.9)	37.3	25.9
Core P/E (x)	26.1	31.5	22.9	18.2
Dividend yield (%)	1.5	1.0	1.3	1.6
Price/book (x)	3.3	3.9	3.5	3.1
ROE (%)	15.4	13.0	16.1	18.0
ROA (%)	7.1	6.7	7.8	8.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.9)	15.7	10.2
Relative to country (%)	(8.4)	13.9	(2.0)
Mkt cap (USD m)	579		
3m avg. daily turnover (USD m)	2.9		
Free float (%)	21		
Major shareholder	Boonsalee Family (67%)		
12m high/low (THB)	12.80/7.60		
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 maintain our BUY call due to its significantly smaller size compared to the major players, which, as a result, should help cushion it from the current price war among the big operators. Moreover, its new drone project should gradually drive its performance. We have a strong conviction that SAK's net profit could hit a record high in every quarter from 4Q21 onward. Thus, among small-cap diversified financials under coverage, we choose SAK as our top pick.

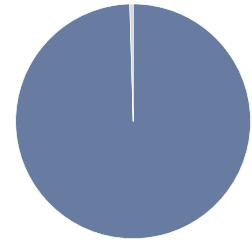
## Company profile

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](http://www.saksiam.com)

## Principal activities (revenue, 2020)

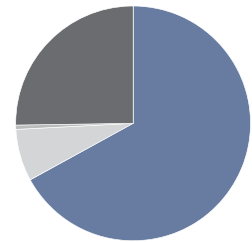
- Net interest income - 99.5 %
- Non-interest income - 0.5 %



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. Improvements in its drone project.

## 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
21 Feb 2022	4Q21 results announcement

## Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	613	842	1,060
Net profit growth	9.1	37.3	25.9
NIM	22.53	21.97	21.18
Loan growth	36.0	25.0	25.0
Credit cost (bp)	92	126	145
Cost to income*	51.9	46.6	44.1

\*Including share of profits from associates

Source: FSSIA estimates

## Earnings sensitivity

Year to Dec		2021E		
		23.0	25.0	27.0
<b>Loan growth</b>	<b>±2ppt</b>			
	% change in net profit	(1.9)	-	1.9
<b>NIM (%)</b>	<b>±5bp</b>			
	% change in net profit	(0.5)	-	0.5
<b>Credit cost (bps)</b>	<b>±10bp</b>			
	% change in net profit	1.0	-	(1.0)

Source: FSSIA estimates

## Expanding to drones for agriculture segment for higher growth

SAK and Mr. Prapungkon Choktaveechaijareern – who has long experience with drones for the agriculture business – are establishing a new company, named Saksiam Maker Drone. The registered capital of Saksiam Maker Drone is THB50m and SAK holds 70% of this company.

Saksiam Maker Drone will be a manufacturer and distributor of agricultural drones with comprehensive after-sales service. Saksiam Maker Drone will also establish a standardised training centre for its clients, while SAK will lend to farmers/people who want to buy drones. Thus, SAK will receive 1) profits from selling drones; and 2) interest income from its lending business.

### Exhibit 1: Saksiam Maker Drone's shareholding structure

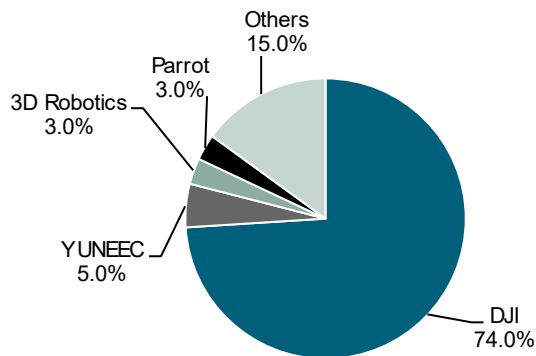
	Holding (%)	No. of shares (m shares)
SAK	70	3.5
Mr. Prapungkon Choktaveechaijareern	18	0.9
Mr. Satit Rotrin	12	0.6

Sources: SAK; FSSIA's compilation

## Agricultural drone market is on the rise

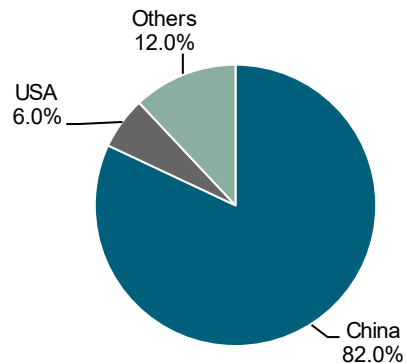
Krungthai COMPASS has said that Markets and Markets, a consulting and market research firm, expects that global agricultural drone sales will grow 31.4% annually from USD1.2b in 2019 to USD4.8b in 2025. The market is led by Chinese entrepreneurs who have a total market share of 82%.

**Exhibit 2: Drone market share by brand**



Sources: Krungthai COMPASS; FSSIA's compilation

**Exhibit 3: Drone market share by country**

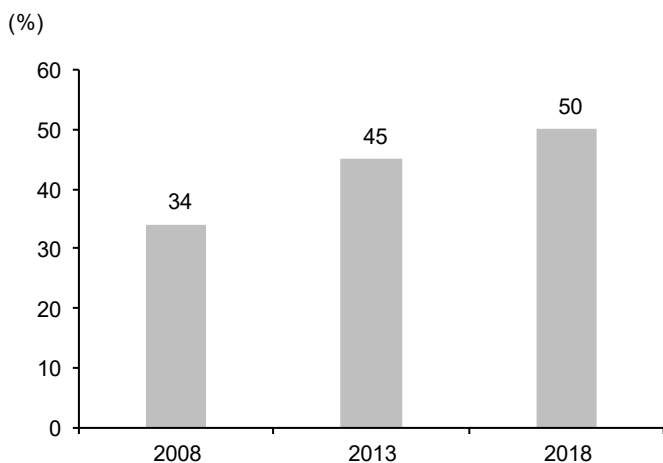


Sources: Krungthai COMPASS; FSSIA's compilation

Krungthai COMPASS stated that the key growth driver for the agricultural drone market is the decline in the agricultural workforce. The share of the global agricultural workforce is likely to decline from 33% in 2010 to 27% in 2019 (Source: World Bank 2019). This is contrary to the increase in demand for agricultural crops.

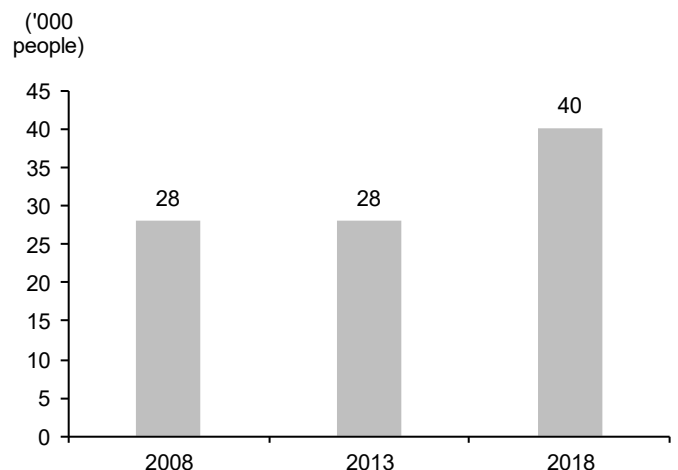
In Thailand, future labour shortages in the agricultural sector, coupled with the increase in the number of farmers who farm large plots (140 rai or more) are motivating factors, according to Krungthai COMPASS.

**Exhibit 4: The number of farmers who are more than 55 years of age is on the rise**



Sources: National Statistical Office of Thailand; Krungthai COMPASS; FSSIA's compilation

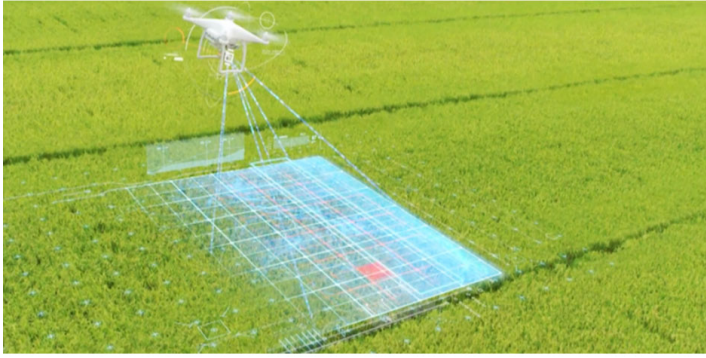
**Exhibit 5: The number of farmers who own more than 140 rai of land are also in an uptrend**



Sources: National Statistical Office of Thailand; Krungthai COMPASS; FSSIA's compilation

Agricultural drones come in many forms, which in terms of usage objective can be divided into two types: 1) data-mapping drones – to monitor the environment and plant health within the planting plot as well as planning for future cultivation; and 2) spraying drones – to help spray chemicals and water within the agricultural plots.

**Exhibit 6: Data-mapping drone**



Sources: MITRPHOL Modernfarm

**Exhibit 7: Spraying drone**



Source: Post Today

**Exhibit 8: Spraying drone**



Source: Post Today

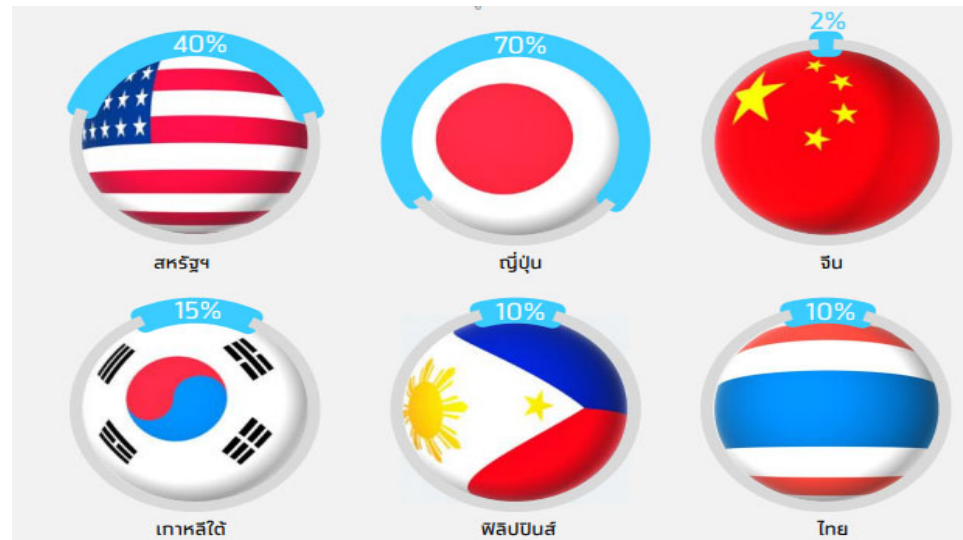
**Exhibit 9: Spraying drone**



Source: Post Today

Farmers in developed countries, e.g. the United States and Japan, mostly use drones for both objectives. On the other hand, most farmers in developing countries like the Philippines, China and Thailand use spraying drones. Accordingly, SAK will mostly focus on spraying drones first. SAK’s management believes the agricultural drone market is a high potential growth business. During 2017-20, the number of agricultural drones registered with the National Broadcasting and Telecommunications Commission (NBTC) had increased significantly. It is expected that the market for agricultural drones in the next three to five years will increase to at least 30,000 drones from only 4,000 at present, according to management.

**Exhibit 10: Proportion of farmers using drones for agriculture**



Sources: Ipsos; Krungthai COMPASS; FSSIA estimates

The company's target customers are chemical sprayers for farmers. SAK aims to sell 1,000 drones in 2022, with c50 drones sold in 1Q22. The price of a drone is cTHB100-500k, with an average ticket size of THB200k. The net margin for this business should be 20-25%, according to management. Regarding its lending business, SAK will charge a 15% p.a. interest rate. The loan duration will be two to three years.

### Exhibit 11: Summary of agricultural drone selling and lending business

	Details
Target clients	Chemical sprayers for farmers
Drone sale price (THB k)	100-500, with average of 200
Normal net margin of selling business (%)	20-25
Interest rate charge for lending business (%)	15

Sources: SAK; FSSIA estimates

We are convinced that SAK can successfully penetrate this market thanks to the potential increase in agricultural drone demand. Moreover, based on our analysis, the returns for chemical sprayers for farmers are attractive. We think the breakeven period for a drone investment is c1.5-2 years. On top of that, there are very few players in the market which can provide a full range of services, including production, training and lending.

### Exhibit 12: Comparing manual spraying and drone spraying

	Manual	Drone
Time/rai (mins)	> 60	2-3
Wages/rai (THB)	60	60-120

Sources: SAK; DEPA; FSSIA estimates

### Exhibit 14: Initial investment cost for a drone

Investment	(THB k)
Cost of drone	200
Interest cost	100
Others e.g. travel expenses, maintenance cost	70
<b>Total investment</b>	<b>370</b>

Sources: SAK; FSSIA estimates

We expect the incremental profits from the drone project to be THB15m/38m/85m in 2022-24 (assumptions below).

### Exhibit 16: Net profits from drone project

	2022E (THB m)	2023E (THB m)	2024E (THB m)
<b>1) Selling business</b>			
No. of drones (drones)	800	1,300	2,000
Sale	160	260	400
Net profit	8	39	100
<b>Contribution to SAK (70%)</b>	<b>6</b>	<b>27</b>	<b>70</b>
<b>2) Lending business</b>			
Gross loans	160	260	240
Net interest income	19	25	30
OPEX	5	8	7
ECL	2	2	3
Tax	4	5	6
<b>Net profit</b>	<b>9</b>	<b>11</b>	<b>15</b>
<b>Total incremental profit from drone project</b>	<b>15</b>	<b>38</b>	<b>85</b>

Sources: SAK; FSSIA estimates

### Exhibit 13: Details of spraying drones

Capacity (litres)	Maximum agricultural areas (rai)	Suitable minimum agricultural land (rai)	Drone price + 5- year battery cost (THB k)
5	30	21	120+45
10	100	32	199+60
16-20	>100	>100	269+112.5

Sources: Krungthai COMPASS; FSSIA estimates

### Exhibit 15: Breakeven period is c1.7 years

Return	
Wages/rai (THB)	60
Total cultivated plots (rai)/day	30
No. of working days/year (days)	120
<b>Total return/year (THB k)</b>	<b>216</b>
<b>Breakeven period (year)</b>	<b>1.7</b>

Sources: SAK; FSSIA estimates

## Records are there to break in 4Q21

We expect SAK to report a record high 4Q21 net profit of THB191m (+25% y-y, +15% q-q), supported by three factors. First, we expect SAK to deliver strong loan growth of 6% q-q due to greater utilisation on the back 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 its NIM could be relatively stable due to the expansion of its high-yield nano-finance portfolio to its existing clients and 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 10% q-q, implying an NPL ratio of 2.3%. We have little concern over this as it is usual during a rapid business expansion.

### Exhibit 16: SAK – 4Q21/2021 results forecast

Year-end Dec 31	4Q20	3Q21	4Q21E	---- Change ----		2021E	Change	4Q21E comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y %)	
Net interest income	364	461	482	32	5	1,727	17	
Non-interest income*	2	3	1	<i>n.a.</i>	<i>n.a.</i>	10	48	
<b>Operating income*</b>	<b>366</b>	<b>464</b>	<b>482</b>	<b>32</b>	<b>4</b>	<b>1,737</b>	<b>17</b>	
Operating expenses	188	232	215	15	(7)	902	15	
<b>PPOP before tax*</b>	<b>179</b>	<b>232</b>	<b>267</b>	<b>50</b>	<b>15</b>	<b>835</b>	<b>20</b>	
Provision	(13)	25	29	<i>n.a.</i>	18	71	<i>n.a.</i>	
Income tax	38	41	47	23	15	151	9	
Minority interest	0	0	0			0		
<b>Normalised profit</b>	<b>153</b>	<b>166</b>	<b>191</b>	<b>25</b>	<b>15</b>	<b>613</b>	<b>9</b>	
Extraordinary items	0	0	0			0		
<b>Net profit</b>	<b>153</b>	<b>166</b>	<b>191</b>	<b>25</b>	<b>15</b>	<b>613</b>	<b>9</b>	
EPS (THB)	0.07	0.08	0.09	25	15	0.29	(17)	
<b>Asset quality ratio</b>								
Gross NPLs (THB m)	143	183	201	40	10	201	40	A rise in NPLs following the significant increase its in loan volume
NPL ratios (%)	2.21	2.19	2.27			2.27		
LLR/NPLs (%)	113	107	109			109		
Credit cost (bp)	(80)	123	136			92		
<b>Profitability ratio (%)</b>								
Cost to income ratio*	51.2	49.9	44.6			51.9		The lowest cost to income ratio since 2019 thanks to the economies of scale
Average yield	24.6	24.2	23.9			23.9		
Cost of fund	3.0	2.8	2.9			2.5		
Net interest margin (NIM)	22.7	22.9	22.5			22.5		
Non-int inc/total income	0.5	0.6	0.1			0.6		
<b>Loan growth (%)</b>								
Year-to-date	(3.0)	28.3	36.0					
y-y	(3.0)	31.1	36.0			36.0		
q-q	2.2	7.3	6.0					

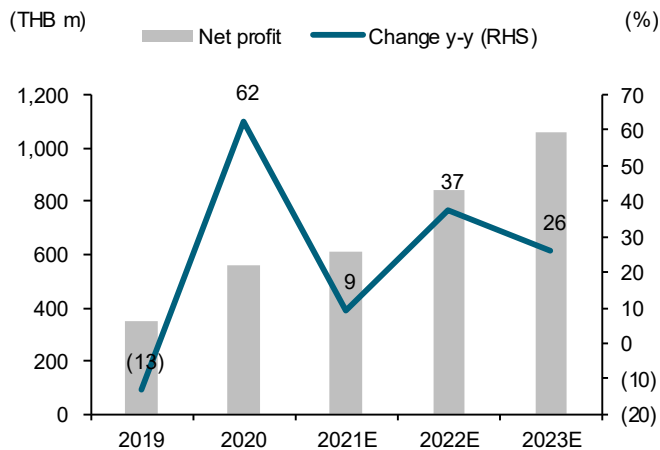
\*Including share of profits from associates

Sources: SAK; FSSIA estimates

## Remarkable net profit growth expected in 2022

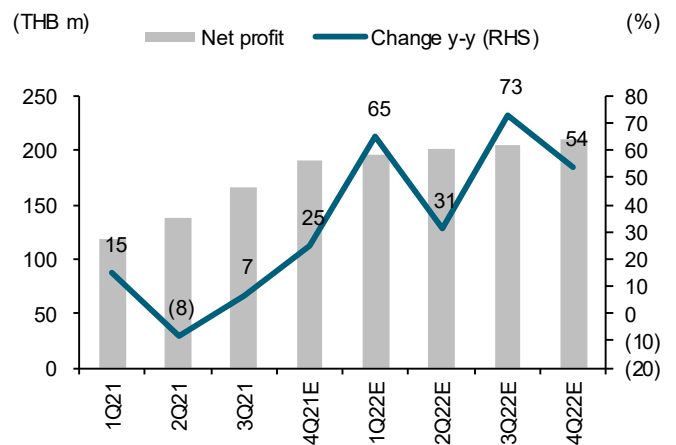
We are convinced that SAK will post substantial net profit growth of 37% y-y in 2022 vs 2021E growth of 9% y-y, driven by three factors. First, we think SAK should continue to deliver strong loan growth of 25% y-y following the realisation of its 200 new branch-expansion target in 2022. Second, we expect its cost to income ratio to lower to 46.6% in 2022 thanks to the economies of scale. Lastly, we expect a slight contribution from its drone project.

**Exhibit 17: Yearly net profit growth**



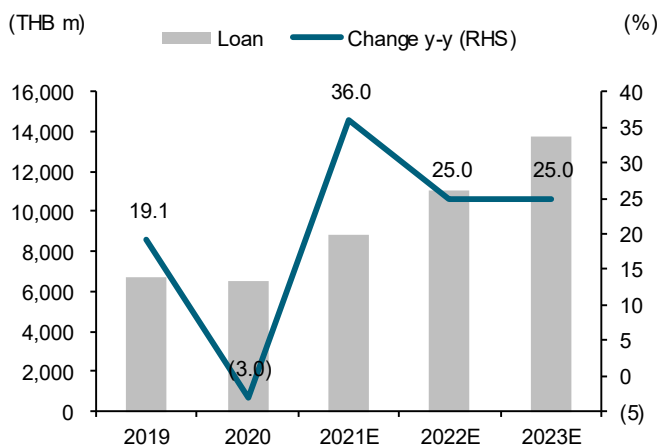
Sources: SAK; FSSIA estimates

**Exhibit 18: Quarterly net profit growth**



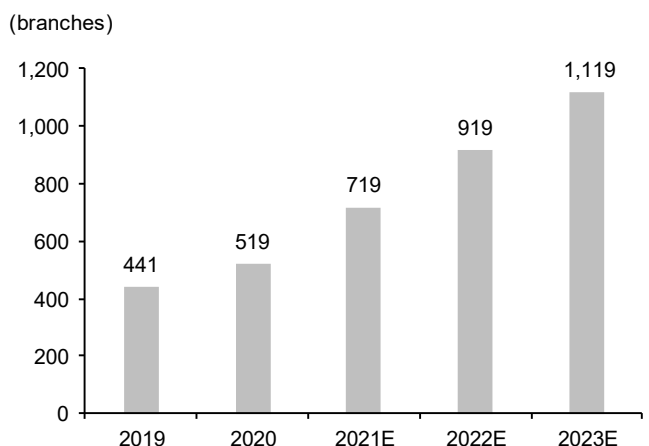
Sources: SAK; FSSIA estimates

**Exhibit 19: Loan growth**



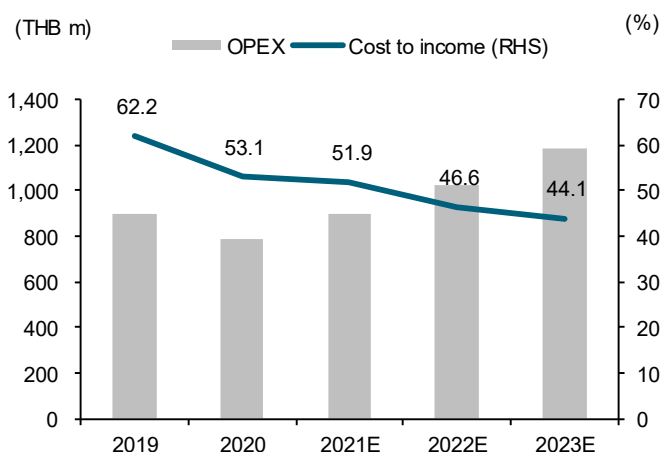
Sources: SAK; FSSIA estimates

**Exhibit 20: No. of branches in network expansion**



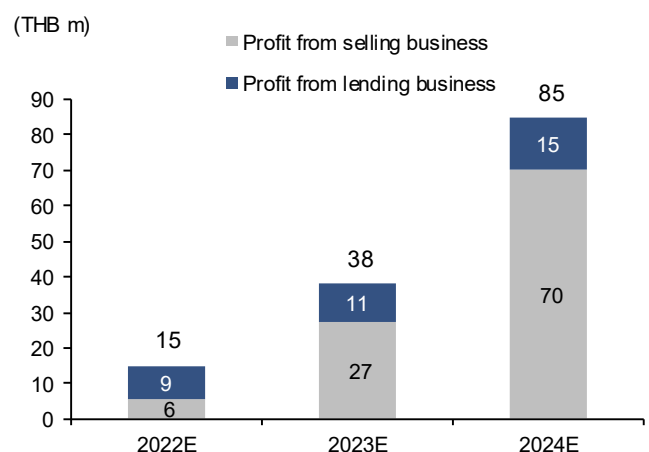
Sources: SAK; FSSIA estimates

**Exhibit 21: OPEX and cost to income**



Sources: SAK; FSSIA estimates

**Exhibit 22: Net profit from drone project**



Sources: SAK; FSSIA estimates



## Earnings and target price revisions

We increase our net profit forecasts for 2021-23 by 3%/2%/7% to mainly reflect the increase in SAK's loan volume in 2021 and the incorporation of its drone business into our assumptions for 2022-23.

### Exhibit 23: 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	1,703	1,727	1.4	2,111	2,184	3.5	2,546	2,632	3.4
Non-interest income*	7	13	10	(21.7)	14	16	17.0	14	52	264.1
Operating income*	1,482	1,716	1,737	1.2	2,125	2,200	3.5	2,560	2,684	4.8
Operating expenses	788	915	902	(1.4)	1,012	1,025	1.3	1,219	1,183	(3.0)
<b>PPOP before tax*</b>	<b>695</b>	<b>801</b>	<b>835</b>	<b>4.2</b>	<b>1,113</b>	<b>1,175</b>	<b>5.6</b>	<b>1,342</b>	<b>1,501</b>	<b>11.9</b>
Expected credit loss (Reversal)	(6)	61	71	16.5	83	125	51.6	102	180	76.8
Tax expenses	138	147	151	3.2	204	208	1.9	245	262	6.6
Minority interest	-	0	-		0	-		0	-	
<b>Normalised profit</b>	<b>562</b>	<b>594</b>	<b>613</b>	<b>3.2</b>	<b>826</b>	<b>842</b>	<b>1.9</b>	<b>994</b>	<b>1,060</b>	<b>6.6</b>
Extraordinary items	-	0	-		0	-		0	-	
<b>Net profit</b>	<b>562</b>	<b>594</b>	<b>613</b>	<b>3.2</b>	<b>826</b>	<b>842</b>	<b>1.9</b>	<b>994</b>	<b>1,060</b>	<b>6.6</b>
EPS (THB)	0.35	0.28	0.29	3.2	0.39	0.40	1.9	0.5	0.51	6.6
<b>Key statistics and ratios</b>										
<b>Asset quality ratio</b>										
Gross NPLs (THB m)	143	208	201	(3.4)	270	261	(3.4)	324	313	(3.4)
Gross NPLs / Loans (%)	2.2	2.4	2.3		2.5	2.4		2.5	2.3	
Loan loss reserve/NPLs (%)	113	101	109		102	113		104	132	
Credit cost (bps)	(9)	80	92		85	126		85	145	
<b>Profitability ratio (%)</b>										
Cost to income ratio*	53.1	53.3	51.9		47.6	46.6		47.6	44.1	
Average yield	24.4	23.9	23.9		23.2	23.5		22.9	22.9	
Cost of funds	3.20	2.60	2.45		3.00	2.85		3.10	3.00	
Net interest margin (NIM)	22.4	22.5	22.5		21.7	22.0		21.2	21.2	
<b>Loan growth (%)</b>										
y-y	(3.0)	33.0	36.0		25.0	25.0		22.0	25.0	

\*Including share of profits from associates

Sources: SAK; FSSIA estimates

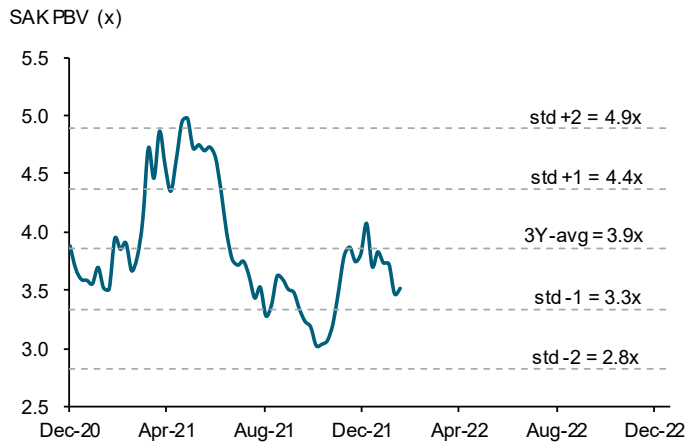
We revise up our 2022 GGM-based TP to THB12.0 from THB11.0, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022 P/BV to 4.6x from 4.2x as a result of our higher average long-term ROE target of 17.8% from 17.3% and our higher long-term growth assumption to 9.9% from 9.8%. Our TP implies a 30x 2022E P/E with 37% net profit growth in 2022. We believe SAK deserves a premium valuation, justified by its outstanding growth outlook.

### Exhibit 24: SAK – GGM-derived target price

Target price (THB)	12.0 (from 11.0)
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 (%)	9.9 (from 9.7)
ROE target (%)	17.8 (from 17.3)
Target PBV (x)	4.6 (from 4.2)
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.

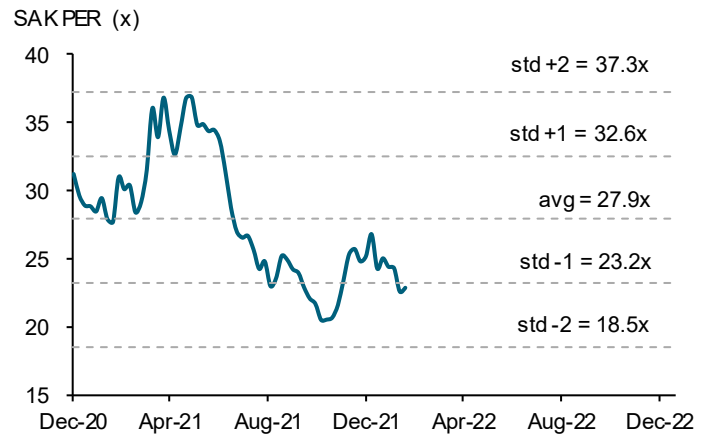
Source: FSSIA estimates

**Exhibit 25: SAK – prospective P/BV band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 26: SAK – prospective P/E band**



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	1,832	2,336	2,845
Interest expense	(159)	(131)	(105)	(152)	(213)
Net interest income	1,416	1,476	1,727	2,184	2,632
Net fees & commission	25	2	4	4	4
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	4	5	6	12	48
Non interest income	29	7	10	16	52
Total income	1,446	1,482	1,737	2,200	2,684
Staff costs	-	-	-	-	-
Other operating costs	(899)	(788)	(902)	(1,025)	(1,183)
Operating costs	(899)	(788)	(902)	(1,025)	(1,183)
Pre provision operating profit	547	695	835	1,175	1,501
Provision for bad and doubtful debt	(115)	6	(71)	(125)	(180)
Other provisions	-	-	-	-	-
Operating profit	432	700	764	1,050	1,321
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	764	1,050	1,321
Tax	(86)	(138)	(151)	(208)	(262)
Profit after tax	346	562	613	842	1,060
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	346	562	613	842	1,060
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	346	562	613	842	1,060
<b>Per share (THB)</b>					
Recurring EPS *	0.23	0.35	0.29	0.40	0.51
Reported EPS	0.23	0.35	0.29	0.40	0.51
DPS	0.00	0.14	0.09	0.12	0.15
<b>Growth</b>					
Net interest income (%)	57.3	4.2	17.1	26.4	20.5
Non interest income (%)	(88.0)	(77.2)	48.1	60.6	226.7
Pre provision operating profit (%)	0.7	27.0	20.2	40.7	27.8
Operating profit (%)	(12.8)	62.3	9.2	37.3	25.9
Reported net profit (%)	(13.2)	62.4	9.1	37.3	25.9
Recurring EPS (%)	-	51.7	(16.9)	37.3	25.9
Reported EPS (%)	-	51.7	(16.9)	37.3	25.9
<b>Income Breakdown</b>					
Net interest income (%)	98.0	99.5	99.4	99.3	98.1
Net fees & commission (%)	1.7	0.1	0.2	0.2	0.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.3	0.3	0.4	0.5	1.8
<b>Operating performance</b>					
Gross interest yield (%)	25.56	24.35	23.90	23.50	22.90
Cost of funds (%)	4.10	3.20	2.45	2.85	3.00
Net interest spread (%)	21.46	21.15	21.45	20.65	19.90
Net interest margin (%)	23.0	22.4	22.5	22.0	21.2
Cost/income(%)	62.2	53.1	51.9	46.6	44.1
Cost/assets(%)	13.7	9.9	9.8	9.5	8.9
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	13.0	16.1	18.0
ROE - COE (%)	3.3	4.6	2.2	5.3	7.2
ROA (%)	5.3	7.1	6.7	7.8	8.0
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	8,835	11,044	13,805
Total provisions	(188)	(162)	(220)	(295)	(413)
interest in suspense	125	72	106	133	166
<b>Net customer loans</b>	<b>6,637</b>	<b>6,406</b>	<b>8,722</b>	<b>10,881</b>	<b>13,558</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	1,600	0	0	0
Cash & equivalents	253	307	465	534	442
Other interesting assets	-	-	-	-	-
Tangible fixed assets	171	113	125	137	151
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	96	352	336	369	406
<b>Total assets</b>	<b>7,158</b>	<b>8,778</b>	<b>9,647</b>	<b>11,922</b>	<b>14,556</b>
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	4,132	4,072	4,492	6,166	8,047
Non interest bearing liabilities	250	198	218	229	240
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>4,382</b>	<b>4,270</b>	<b>4,710</b>	<b>6,395</b>	<b>8,287</b>
Share capital	1,550	2,096	2,096	2,096	2,096
Reserves	1,226	2,412	2,841	3,431	4,172
<b>Total equity</b>	<b>2,776</b>	<b>4,508</b>	<b>4,937</b>	<b>5,527</b>	<b>6,268</b>
Minority interests	0	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>7,158</b>	<b>8,778</b>	<b>9,647</b>	<b>11,922</b>	<b>14,556</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	6,162	6,598	7,666	9,940	12,425
Average interest bearing liabilities	3,871	4,102	4,282	5,329	7,107
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	201	261	313
<b>Per share (THB)</b>					
Book value per share	1.86	2.83	2.36	2.64	2.99
Tangible book value per share	1.86	2.83	2.36	2.64	2.99
<b>Growth</b>					
Gross customer loans	19.1	(3.0)	36.0	25.0	25.0
Average interest earning assets	30.9	7.1	16.2	29.7	25.0
Total asset (%)	20.8	22.6	9.9	23.6	22.1
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	38.8	51.4	51.2	46.4	43.1
Tangible equity/assets (%)	38.8	51.4	51.2	46.4	43.1
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality</b>					
Change in NPL (%)	90.5	48.1	40.0	30.0	20.0
NPL/gross loans (%)	1.4	2.2	2.3	2.4	2.3
Total provisions/gross loans (%)	2.8	2.5	2.5	2.1	3.0
Total provisions/NPL (%)	194.3	113.3	109.5	113.2	132.0
<b>Valuation</b>					
Recurring P/E (x) *	39.6	26.1	31.5	22.9	18.2
Recurring P/E @ target price (x) *	51.7	34.1	41.0	29.9	23.7
Reported P/E (x)	39.6	26.1	31.5	22.9	18.2
Dividend yield (%)	-	1.5	1.0	1.3	1.6
Price/book (x)	4.9	3.3	3.9	3.5	3.1
Price/tangible book (x)	4.9	3.3	3.9	3.5	3.1
Price/tangible book @ target price (x)	6.4	4.2	5.1	4.6	4.0

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

Sources: Saksiam Leasing; 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	SCC	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 Suwanumphai FSS International Investment Advisory Securities Co., Ltd

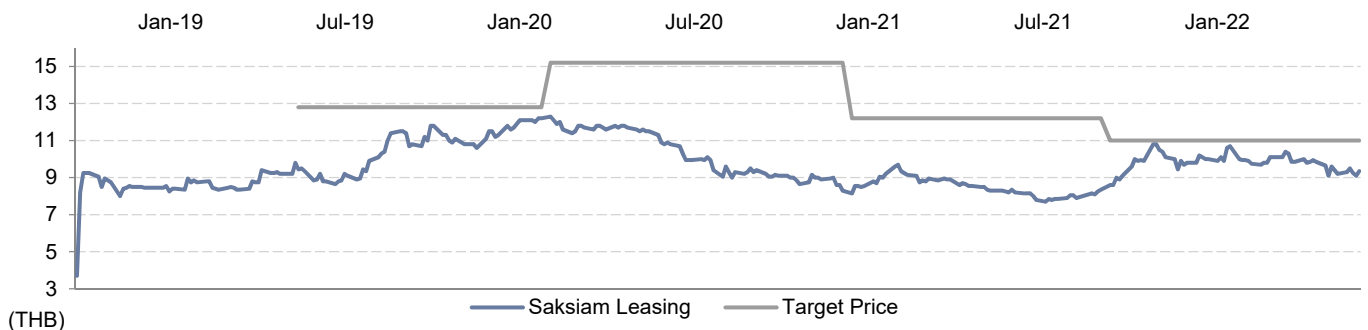
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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### History of change in investment rating and/or target price

#### Saksiam Leasing (SAK TB)



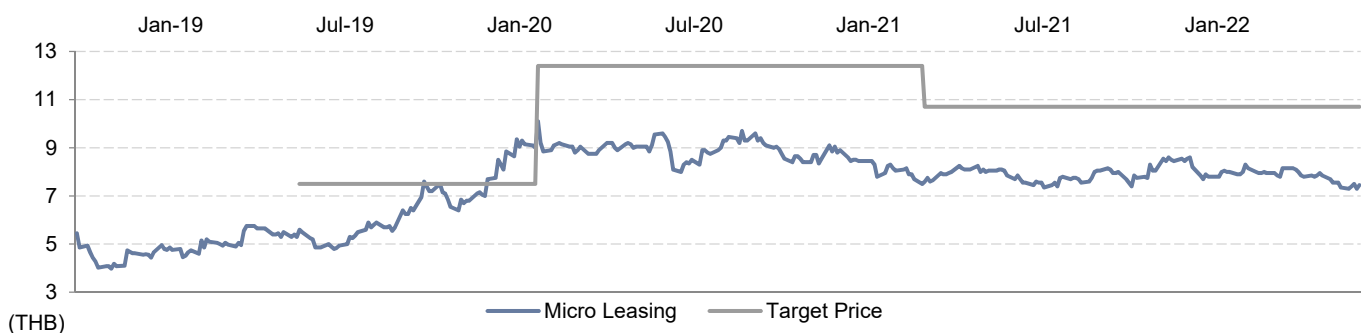
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
16-Feb-2021	BUY	12.80	13-Aug-2021	BUY	12.20	-	-	-
07-May-2021	BUY	15.20	05-Nov-2021	BUY	11.00			

Yuvanart Suwanumphai started covering this stock from 16-Feb-2021

Price and TP are in local currency

Source: FSSIA estimates

#### Micro Leasing (MICRO TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
23-Dec-2020	BUY	7.50	23-Mar-2021	BUY	12.40	16-Aug-2021	BUY	10.70

Yuvanart Suwanumphai started covering this stock from 23-Dec-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Saksiam Leasing	SAK TB	THB 9.20	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.
Micro Leasing	MICRO TB	THB 7.45	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.

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

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All share prices are as at market close on 31-Jan-2022 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.