

Thailand Diversified Financials

ตลาดใหม่เพื่อเลี่ยงการแข่งขัน

- การแข่งขันที่ดุเดือดในตลาดสินเชื่อทะเบียนรถ (ATL) กำลังก่อให้เกิดการขยายไปยังธุรกิจใหม่ ๆ MTC และ SAWAD กำลังเคลื่อนเข้าสู่ธุรกิจสินเชื่อเช่าซื้อเครื่องใช้ภายในบ้าน SAK ตั้งเป้าจับการผลิตและสินเชื่อสำหรับโดรน
- คาดการณ์กำไรสุทธิจะโตต่ำใน 4Q21; กำไรปกติน่าจะฟื้นตัวในปี 2022 ด้วยอัตราการเติบโตที่ 24% y-y.
- กลับมาสะสมในปลาย 1Q22 ถึงต้น 2Q22 สำหรับผู้ประกอบการรายใหญ่, แนะนำซื้อเลยสำหรับ SAK

การแข่งขันที่ดุเดือดในตลาด ATL ทำให้เกิดการขยายตลาดไปยังธุรกิจสินเชื่อใหม่ ๆ

กลุ่ม ATL เติบโตอย่างรวดเร็วมาเป็นเวลามากกว่าปีแล้ว นอกจากนี้เรายังคาดหวังว่าการแข่งขันจะยิ่งรุนแรงขึ้น เนื่องจากธนาคารสามารถเจาะเข้าสู่กลุ่มลูกค้าได้บ้างแล้ว ด้วยเหตุนี้จึงเห็นผู้ประกอบการ ATL ส่วนมากกำลังขยายเข้าสู่ตลาดสินเชื่ออื่น ๆ ที่มีการแข่งขันน้อยกว่า ตัวอย่างที่ควรกล่าวถึงคือ MTC และ SAWAD ทั้งสองจะเข้าสู่ตลาดสินเชื่อเช่าซื้อรถยนต์ไฮundai ใหม่เมื่อปีที่ผ่านมา นอกจากนี้ SAWAD ยังเข้าสู่ตลาดสินเชื่อเช่าซื้อเครื่องใช้ภายในบ้าน (HAHP) เมื่อสิ้นเดือน ม.ค. 22 โดยเข้าหุ้นกับ Power Buy เราคิดว่า MTC ก็มีแนวโน้มที่จะเข้าสู่ตลาด HAHP ภายใน 1Q22 แต่ยังเก็บแผนดังกล่าวไว้เป็นความลับ เช่นเดียวกัน SAK ก็วางแผนขยายเข้าสู่ธุรกิจการผลิตและสินเชื่อสำหรับโดรน จากสาขาทั่วประเทศที่มีเป็นจำนวนมาก เราคาดว่าผู้ประกอบการ ATL จะเจาะตลาดใหม่ ๆ ในภาพรวมเราชอบการเติบโตของ SAK มากที่สุด เนื่องจากเราคิดว่าการแข่งขันในตลาดสินเชื่อสำหรับโดรนจะน้อยกว่าและมีความเสี่ยงในด้านคุณภาพสินทรัพย์น้อยกว่า การควบคุมคุณภาพสินทรัพย์สำหรับ HAHP เป็นปัจจัยสำคัญที่ต้องจับตามองเนื่องจากสินเชื่อนี้มีขนาดเล็ก ในทางตรงกันข้ามเราคิดว่า TIDLOR อาจเป็นผู้ประกอบการเพียงรายเดียวที่ยังมุ่งเน้นในตลาด ATL

คาดการณ์ประกอบการ 4Q21 จะออกมาไม่ดี

เราคาดว่ากำไรสุทธิ 4Q21 รวมของกลุ่ม ATL จะอยู่ที่ 3.40 พัน ลบ. (-4% y-y, +5% q-q) จากความต้องการสินเชื่อที่ต่ำในผู้ประกอบการส่วนมาก (ยกเว้น SAWAD จากการตัดจำหน่ายหนี้ด้วยคุณภาพ (NPL) เชิงรุก) โดยคาดว่าสินเชื่อจะเติบโตรวม 16% y-y, 6% q-q อย่างไรก็ตามจากปัจจัยลบเฉพาะตัว เราคาดว่าผู้เสนอรายใหญ่ทั้งหมด (MTC, SAWAD, และ TIDLOR) จะรายงานกำไรสุทธิ 4Q21 ออกมาไม่ดี SAK อาจเป็นผู้ประกอบการเพียงรายเดียวที่รายงานกำไรสุทธิ 4Q21 โตในระดับสูง

แนะนำซื้อ SAK, กลับมาสะสมหุ้นผู้ประกอบการรายใหญ่ในปลาย 1Q22 ถึงต้น 2Q22

แม้เราจะคาดว่าผู้ประกอบการ ATL จะรายงานกำไรสุทธิรวมที่ไม่ดีใน 4Q21 เราคิดว่ากำไรน่าจะฟื้นตัวได้ในปี 2022 โดยคาดว่ากำไรสุทธิรวมจะโต 24% y-y นอกจากนี้เรายังเชื่อว่าราคาหุ้นของกลุ่ม ATL ที่ปรับตัวได้ต่ำกว่าตลาดแสดงให้เห็นว่านักลงทุนได้สะท้อนแนวโน้มที่อ่อนแอในระยะสั้นไว้ในราคาหุ้นเรียบร้อยแล้ว เราแนะนำให้ลงทุนกลับมาสะสมหุ้นผู้ประกอบการรายใหญ่ในปลาย 1Q22 ถึงต้น 2Q22 ก่อนแนวโน้มการเติบโตของกำไรที่ดีขึ้น SAWAD ยังเป็นหุ้นเด่นในกลุ่มผู้ประกอบการ ATL ขนาดใหญ่จากธุรกิจที่มีการกระจายความเสี่ยงและระดับการประเมินมูลค่าที่ต่ำ ในกลุ่มการเงินขนาดเล็กที่เราทำการศึกษา เราเลือก SAK เป็นหุ้นเด่นจากกำไรสุทธิที่คาดว่าจะโตถึง 37% y-y ในปี 2022

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Muangthai Capital	MTC TB	56.25	BUY	unchanged	69.00	69.00	unchanged	+22.7%
Srisawad Corp	SAWAD TB	60.25	BUY	unchanged	80.00	80.00	unchanged	+32.8%
Saksiam Leasing	SAK TB	9.20	BUY	unchanged	12.00	11.00	+9.09%	+30.4%
Ngern Tid Lor	TIDLOR TB	35.25	BUY	unchanged	43.00	43.00	unchanged	+22.0%

Note: Priced at close of business 31/01/2022. Share prices and TPs are in listing currency. Source: FSSIA estimates



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Investment thesis

The auto title loan (ATL) sector has faced fierce competition for more than a year. Moreover, we expect the competition to become even fiercer as banks moderately penetrate the grassroots segment. Thus, we see that most ATL operators are trying to expand into other lending businesses.

Due to their strong nationwide coverage, we expect ATL operators to try to penetrate new market segments. However, we like SAK's strategic move the most as we think the competition in the drone lending market is less intense and there is also less risk of asset quality problems. It should be noted that asset quality control for HAHP is an important factor that must be monitored thanks to the small loan ticket size.

Although we expect ATL to deliver an unimpressive aggregate net profit in 4Q21, we think the earnings recovery should come in 2022, with expected aggregate net profit growth of 24% y-y. Also, we believe the underperformance in ATL company share prices compared to the SET shows investors have already priced in the poor short-term outlook. Our strategy is to re-accumulate big players in late-1Q22 to early 2Q22 ahead of the stronger earnings growth outlook. SAWAD remains our top pick among big ATL operators thanks to its diversified business and cheap valuation.

Catalysts

1. Expansion into new lending businesses;
2. Strong loan demand;
3. Good operating cost control.

Risks to our call

1. ATL businesses have come under the Bank of Thailand's supervision, therefore, any revision of regulations could impact their business.
2. The greater deterioration of asset quality from a weak economy could result in higher provisions.
3. More intense price competition from new operators.

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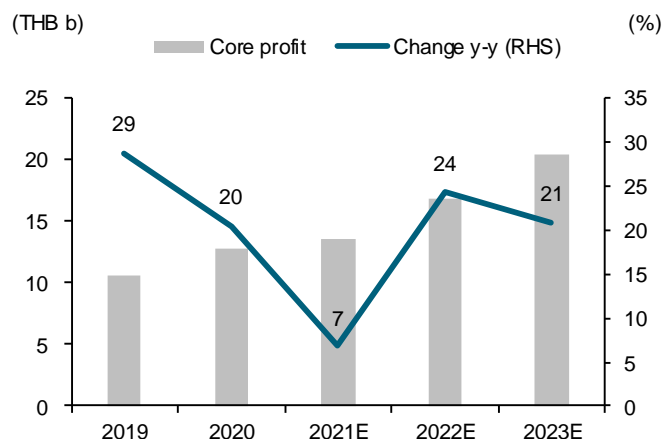
Company reports

Muangthai Capital (MTC TB, BUY TP THB69.00)
 Srisawad Corp (SAWAD TB, BUY TP THB80.00)
 Saksiam Leasing (SAK TB, BUY TP THB12.00)
 Ngern Tid Lor (TIDLOR TB, BUY TP THB43.00)

Event Calendar

Date	Event
14-28 Feb 2022	4Q21 results announcements of auto title loan lenders

Aggregate core profit growth



Source: FSSIA estimates

ATL providers are expanding into new lending businesses

The ATL sector has been engaged in a fierce price war for more than a year, and the competition is likely to get even tougher as banks achieve moderate penetration into the grassroots segment. In our view, this pressure is driving the trend of ATL operators trying to expand into other lending niches.

Last year, both MTC and SAWAD make fresh forays into new motorcycle hire purchase lending, and in late Jan-22, SAWAD took the plunge into HAHP by partnering with Power Buy – a business unit of Central Retail Corp (CRC TB, BUY, TP THB40). We expect MTC to enter the HAHP business within 1Q22, but so far it remains tight-lipped regarding new business strategies. SAK, for its part, plans to expand into the drone manufacturing and lending business. Conversely, we think TIDLOR might be the only operator that will maintain its focus on ATL.

Due to their strong nation-wide coverage, we expect ATL operators to target new market segments. However, we like SAK's latest bid the most based on our belief that competition in the drone lending market is less intense and there is lower risk of asset quality problems. It is worth noting that asset quality control for HAHP is an important factor that must be monitored thanks to the small loan ticket size.

#1 Large demand for home appliance lending within a fragmented market

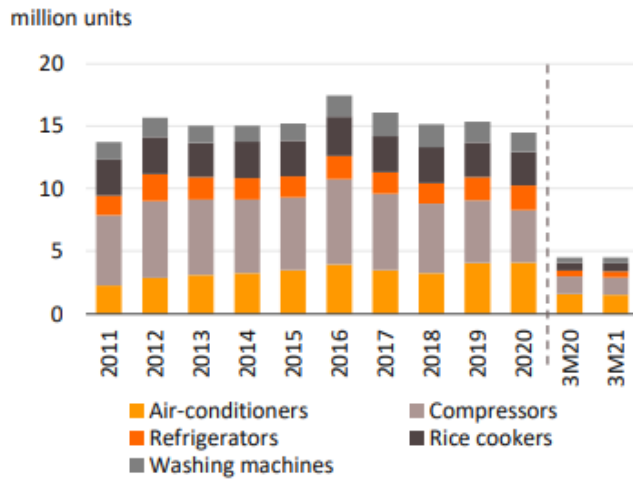
We see large demand for home appliances (HA) in Thailand, especially within the next one to two years after the economic recovery from Covid-19. According to Krungsri's research, domestic electric HA sales should increase 2-3% p.a. in 2021-24, due to: 1) a recovery in the property market; 2) new product types and marketing campaigns by HA producers; and 3) the expected increase in temperature from climate change.

Exhibit 1: Major electrical appliance manufacturers of white goods in Thailand

Company	Nationality	Major products
Sharp Appliances (Thailand) Co., Ltd.	Japanese	Microwave oven, refrigerator, air conditioner, washing machine, air-purifier
Kang Yong Electric PCL (KYE TB, not rated)	Japanese	Fan, refrigerator, water pump, washing machine, air conditioner
Thai Toshiba Electric Industries Co., Ltd.	Japanese	Refrigerator, rice cooker, hot pot, electric pan, microwave oven, freezer, fan, air-purifier
Thai Samsung Electronics Co.	Korean	Washing machine, refrigerator, microwave oven, air conditioner
LG Electronics (Thailand) Co., Ltd.	Korean	Washing machine, air conditioner, microwave oven, compressor
Haier Electric (Thailand) PCL	Chinese	Washing machine, refrigerator, freezer, air conditioner
Electrolux Thailand Co., Ltd.	Swedish	Washing machine, refrigerator, dryer, dishwasher
Fisher & Paykel Appliances (Thailand) Co., Ltd.	New Zealand	Washing machine, refrigerator, dryer, dishwasher
Beko Thai Co., Ltd.	Turkish	Washing machine, refrigerator

Sources: E&E Intelligence Unit; Krungsri Research

Exhibit 2: Domestic electric appliance sales by product



Sources: Office of Industrial Economics (OIE) survey of the domestic sales volume of Thai-made electrical goods; Krungsri Research

In Thailand, the purchase of HA is often done on an installment plan. For mid- to high-income consumers, credit card operators typically offer 0% interest on a six to 10-month installment plan. Low-income earners, on the other hand, often cannot afford to pay the full price in cash and many local HA sellers provide vendor financing for their customers. We think the HAHF market is very fragmented, with few players establishing a national presence. One of the biggest players is Siamchai (not listed), which has branches nationwide. Singer Thailand (SINGER TB, BUY, TP THB51) also has a presence nationwide, however, SINGER sells only its own brand. Other players only operate regionally or provincially.

Exhibit 4: Siamchai's advertisement

สยามชัย
แหล่งรวมเครื่องใช้ไฟฟ้าและเฟอร์นิเจอร์ใหญ่ที่สุด
พร้อมศูนย์บริการมากกว่า 700 สาขา
เครื่องใช้ไฟฟ้า แอร์ ทีวี ตู้เย็น ตู้แช่ เครื่องซักผ้า

สินค้าแนะนำ

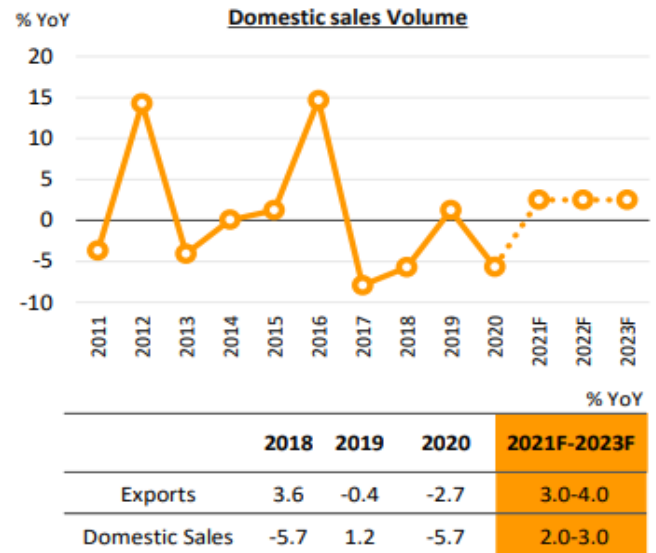
- เครื่องปรับอากาศ HAIER รุ่น HSU-12VTRA03TF ราคา 13,000 บาท
- เครื่องซักผ้า Panasonic รุ่น NA-F10MB1 ราคา 10,000 บาท
- ทีวี SAMSUNG รุ่น UA43AU7700KXXT ราคา 43 นิ้ว

Source: Siamchai's website

Therefore, we think that MTC and SAWAD could penetrate this market, supported by their nationwide networks. However, we think asset quality management is the key to monitoring performance. Due to the relatively small loan size and the current industry practice of requiring only an ID card to be considered for the credit application approval process, asset quality control is an important factor that must be monitored.

We expect MTC and SAWAD to provide more details on this new business direction at their post-4Q21 results analyst meetings.

Exhibit 3: Domestic sales volume growth



Sources: OIE; Ministry of Commerce (MOC), Forecast by Krungsri Research

Exhibit 5: Siamchai's mobile application

แอปพลิเคชัน สยามชัย
ง่าย สะดวก ครบครัน

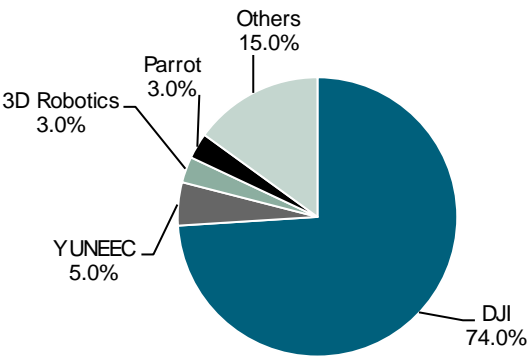
LOGIN
• ด้วยบัตรประชาชน
• สามารถเช็คค้างงวดได้
• เช็ครหัสผ่านได้ตลอด
• สามารถชำระหนี้ผ่านแอปได้

Source: Siamchai's website

#2 Agricultural drone market is on the rise

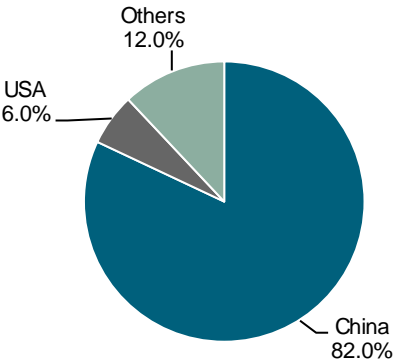
Krungthai COMPASS has said that Markets and Markets, a consulting and market research firm, expects that global agricultural drone sales will grow 31.4% annually from USD1.2b in 2019 to USD4.8b in 2025. The market is led by Chinese entrepreneurs who have a total market share of 82%.

Exhibit 6: Drone market share by brand



Sources: Krungthai COMPASS; FSSIA's compilation

Exhibit 7: Drone market share by country

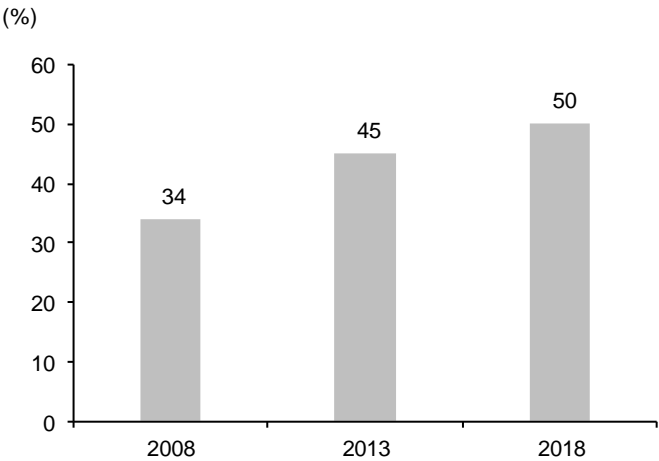


Sources: Krungthai COMPASS; FSSIA's compilation

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.

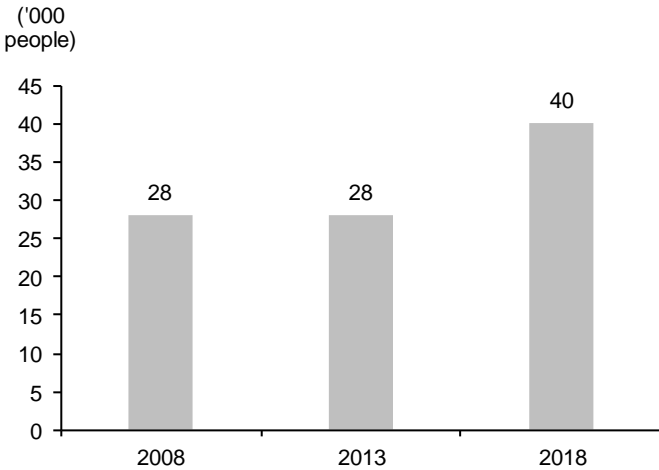
In Thailand, future labour shortages in the agricultural sector, coupled with the increase in the number of farmers who farm large plots (140 rai or more) are motivating factors, according to Krungthai COMPASS.

Exhibit 8: The number of farmers who are more than 55 years of age is on the rise



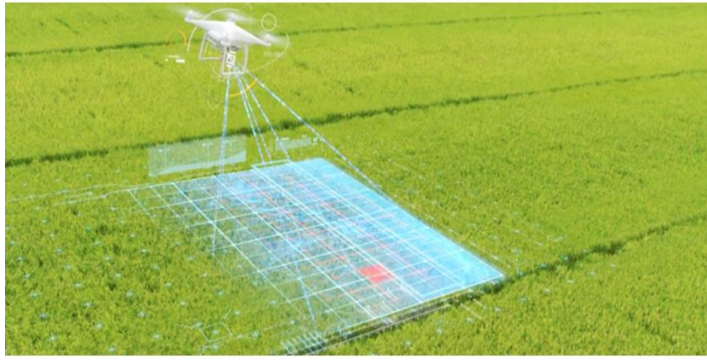
Sources: National Statistical Office of Thailand; Krungthai COMPASS; FSSIA's compilation

Exhibit 9: The number of farmers who own more than 140 rai of land is 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 10: Data-mapping drone

Source: MITRPHOL Modernfarm

Exhibit 11: Spraying drone

Source: Post Today

Exhibit 12: Spraying drone

Source: Post Today

Exhibit 13: 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 14: Proportion of farmers using drones for agriculture

Sources: Ipsos; Krungthai COMPASS; FSSIA estimates

We are convinced that SAK can successfully penetrate this market thanks to the potential increase in agricultural drone demand. 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.

Unimpressive 4Q21E results

We expect an aggregate 4Q21 net profit for the ATL sector of THB3.402b (-4% y-y, +5% q-q), and strong loan demand for most operators (except SAWAD thanks to its aggressive NPL write-offs), with aggregate loan growth of 16% y-y, 6% q-q. However, thanks to negative individual factors, we expect all the major players (MTC, SAWAD, and TIDLOR) to deliver an unimpressive 4Q21 net profit. SAK could be the only operator to report a solid 4Q21 net profit.

Exhibit 15: Summary 4Q21E results preview of ATL operators under our coverage

4Q21E	MTC	SAWAD	SAK	TIDLOR	Auto-title lender
Year end Dec 31	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net profit	1,211	1,200	191	800	3,402
<i>Change y-y %</i>	<i>(11.6)</i>	<i>(6.9)</i>	<i>24.7</i>	<i>10.4</i>	<i>(3.8)</i>
<i>Change q-q %</i>	<i>0.9</i>	<i>3.7</i>	<i>14.7</i>	<i>(1.5)</i>	<i>4.6</i>
Key ratios					
Asset quality ratio					
NPLs (THB m)	1,126	1,430	201	785	3,541
<i>Change y-y %</i>	<i>50.4</i>	<i>(3.4)</i>	<i>40.0</i>	<i>(7.7)</i>	<i>9.9</i>
<i>Change q-q %</i>	<i>13.0</i>	<i>(3.4)</i>	<i>9.7</i>	<i>(2.0)</i>	<i>2.3</i>
NPLs / Loans (%)	1.23	4.25	2.27	1.32	1.83
Loan loss reserve/NPLs (%)	161	56	109	331	153
Credit cost (bp)	110	(80)	136	94	72
Profitability ratio	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	51.4	35.8	44.6	60.1	49.8
Average yield	18.5	19.6	23.9	18.0	18.8
Cost of fund	3.6	3.5	2.9	2.7	3.3
Net interest margin (NIM)	15.7	17.5	22.4	16.2	16.5
Non-int income/total income	4.0	37.2	0.1	18.2	16.6
Loan growth	(%)	(%)	(%)	(%)	(%)
y-y	29.3	(14.7)	36.0	17.1	15.5
q-q	8.0	0.0	6.0	7.0	6.1

Source: FSSIA estimates

Exhibit 16: Details of 4Q21E results preview of ATL operators under our coverage

4Q21E	MTC	SAWAD	SAK	TIDLOR	ATL coverage
Year-end Dec 31	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net interest income	3,467	1,476	482	2,327	7,751
Change y-y %	7.7	(19.6)	32.2	17.0	4.6
Change q-q %	5.5	2.8	4.5	6.4	5.2
Non-interest income	130	883	0	519	1,533
Change y-y %	(30.4)	5.4	(69.8)	(10.8)	(5.1)
Change q-q %	(22.8)	5.1	(78.6)	11.3	3.4
Operating income	3,612	2,349	482	2,846	9,290
Change y-y %	5.4	(11.8)	31.7	10.7	2.9
Change q-q %	4.0	3.6	4.0	7.3	4.9
Operating expenses	1,855	841	215	1,711	4,622
Change y-y %	14.9	0.0	14.6	15.0	11.9
Change q-q %	4.3	(2.6)	(7.2)	14.8	5.9
PPOP before tax*	1,757	1,508	267	1,135	4,668
Change y-y %	(3.1)	(17.3)	49.7	4.9	(4.7)
Change q-q %	3.6	7.4	15.2	(2.4)	3.8
Expected credit loss	243	(67)	29	135	340
Change y-y %	123.9	(144.9)	(326.9)	(33.3)	(24.1)
Change q-q %	27.0	(33.2)	18.2	(10.7)	27.5
Normalised profit	1,211	1,200	191	800	3,402
Change y-y %	(11.6)	(6.9)	24.7	10.4	(3.8)
Change q-q %	0.9	7.9	14.7	(1.5)	3.4
Net profit	1,211	1,200	191	800	3,402
Change y-y %	(11.6)	(6.9)	24.7	10.4	(3.8)
Change q-q %	0.9	3.7	14.7	(1.5)	4.6
Key ratios	4Q21E	4Q21	4Q21E	4Q21E	4Q21
Asset quality ratio					
NPLs (THB m)	1,126	1,430	201	785	3,541
Change y-y %	50.4	(3.4)	40.0	(7.7)	9.9
Change q-q %	13.0	(3.4)	9.7	(2.0)	2.3
NPLs / Loans (%)	1.23	4.25	2.27	1.32	1.83
Loan loss reserve/NPLs (%)	161	56	109	331	153
Credit cost (bp)	110	(80)	136	94	72
Profitability ratio	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	51.4	35.8	44.6	60.1	49.8
Average yield	18.5	19.6	23.9	18.0	18.8
Cost of fund	3.6	3.5	2.9	2.7	3.3
Net interest margin (NIM)	15.7	17.5	22.4	16.2	16.5
Non-int income/total income	4.0	37.2	0.1	18.2	16.6
Loan growth	(%)	(%)	(%)	(%)	(%)
y-y	29.3	(14.7)	36.0	17.1	15.5
q-q	8.0	0.0	6.0	7.0	6.1

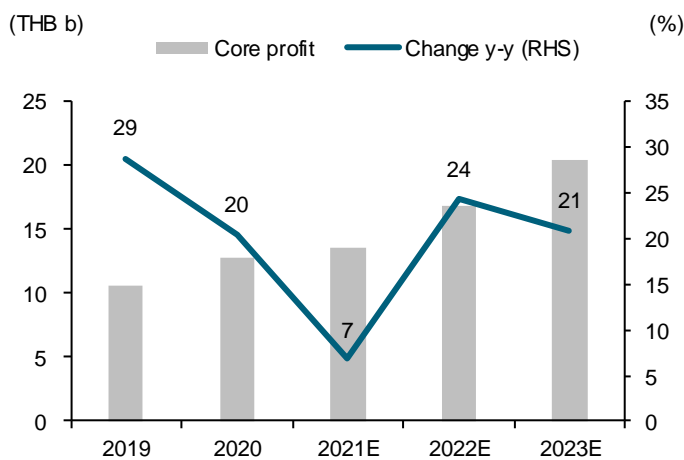
Source: FSSIA estimates

Recovery is underway

After facing a tough year in 2021, we expect ATL providers under our coverage to deliver stronger core profit growth at 24% in 2022. SAK could deliver the highest core profit growth at 37% y-y, followed by 28% from the low base for MTC, and 21% for SAWAD and TIDLOR. We think the improved performance of the sector could be driven by: 1) a rise in loan volume supported by ample demand and new business expansion; 2) an increase in non-NII due to TIDLOR and SAWAD's insurance brokerage expansions; and 3) efficient cost controlling, especially for TIDLOR due to the greater utilisation of its IT investment, and SAWAD due to the cost reallocation to its JV with the Government Savings Bank.

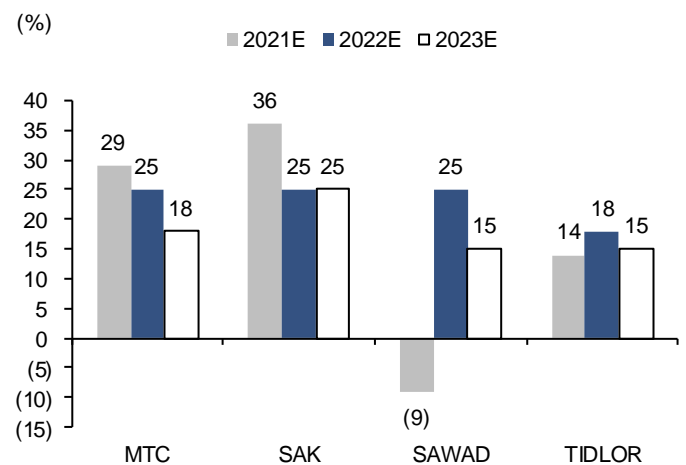
We are less concerned about ATL providers' asset quality due to their prudent loan approval processes. We expect MTC to deliver the lowest NPL ratio at 1.3% in 2022, while SAWAD could have the highest NPL ratio at 4.3% in 2022. We expect TIDLOR to maintain its higher coverage ratio at 297% in 2022.

Exhibit 17: Aggregate core profit growth



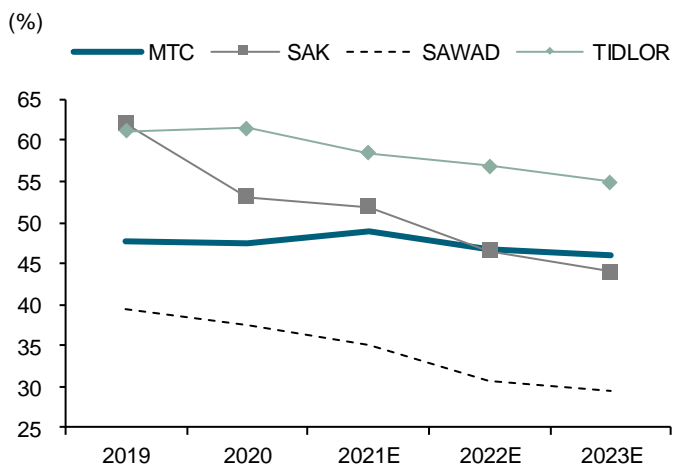
Source: FSSIA's estimates

Exhibit 18: Loan growth by company



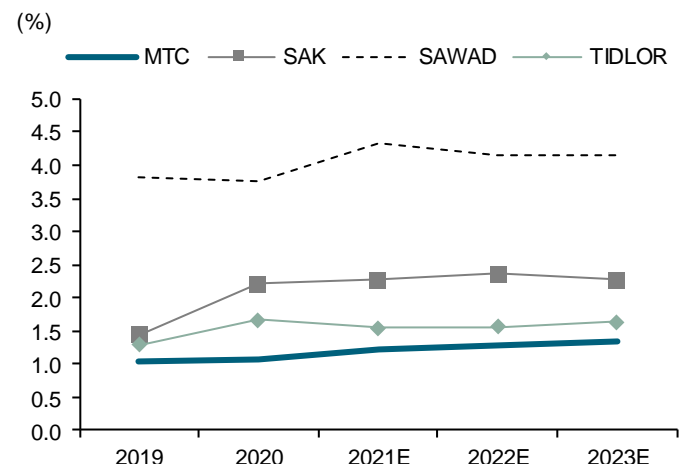
Source: FSSIA's estimates

Exhibit 19: Cost to income ratio by company



Source: FSSIA's estimates

Exhibit 20: NPL ratio by company

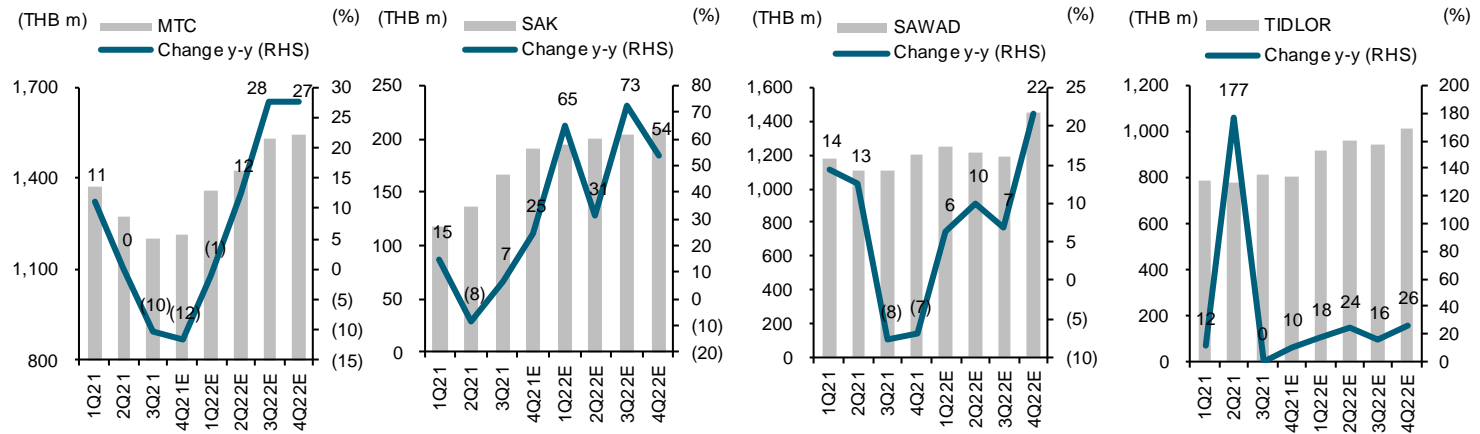


Source: FSSIA's estimates

Recommendations and top picks

Although we expect ATL lenders to deliver an unimpressive aggregate net profit in 4Q21, we think the recovery in their earnings should come in 2022. We also believe the underperformance in ATL companies' share prices compared to the SET has already been priced in for the sector's poor short-term outlook. Our strategy is to re-accumulate big players in late 1Q22 to early 2Q22 ahead of the stronger earnings growth outlook, but recommend BUY now for SAK.

Exhibit 21: ATL providers' core profit momentum



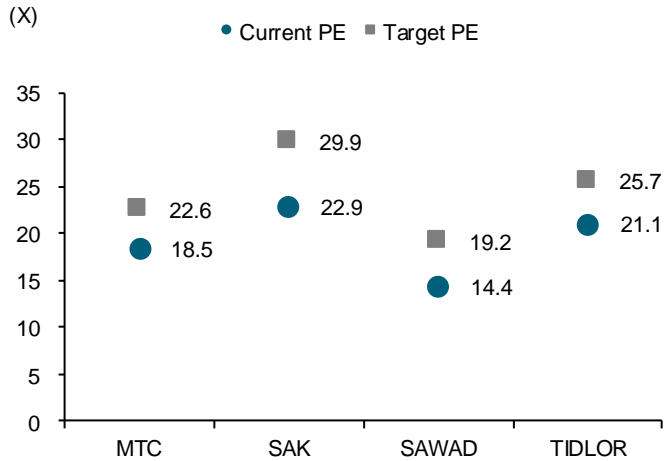
Source: FSSIA estimates

SAWAD remains our top pick among big ATL operators as we believe it should survive the disruption in the ATL industry due to its more diversified business model. On top of that, SAWAD trades at the lowest valuation among its peers at 14.4x 2022E P/E and 3.0x 2022E P/BV, even though its ROE profile and earnings growth pattern do not differ from its peers.

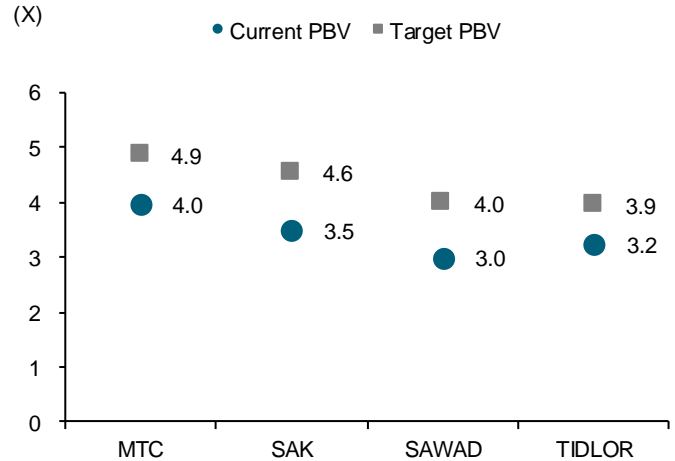
Among small-cap diversified financials under our coverage, we choose SAK as our top pick. Due to its much smaller size vs the major players, we expect SAK to be less impacted by the current price war among the big operators in the ATL market, and its new drone project should also gradually boost its performance. We have a strong conviction that SAK's net profit could hit a record high in every quarter from 4Q21 onward.

We maintain our BUY call on TIDLOR as we believe its net profit should increase at a 24% three-year CAGR in 2021-23 on: 1) its stringent asset quality control; 2) strong insurance brokerage business; and 3) its strategy to not engage in price wars but instead use its unique product strategies, e.g. TIDLOR cash card, to take on competitors.

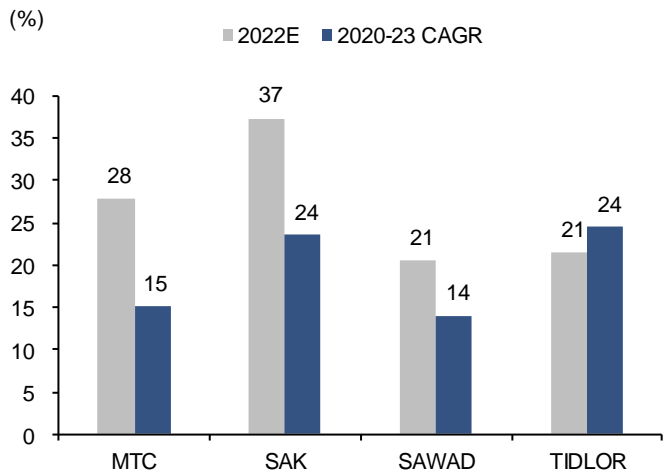
We maintain our BUY call for MTC as we think the slower recovery is priced in. However, we see muted short-term catalysts for its share price to rerate. Thus, MTC is our least preferred. It might be back on our radar once it starts to raise its interest rate charges and provides a clearer business plan.

Exhibit 22: Current 2022E P/E vs target P/E of ATL operators

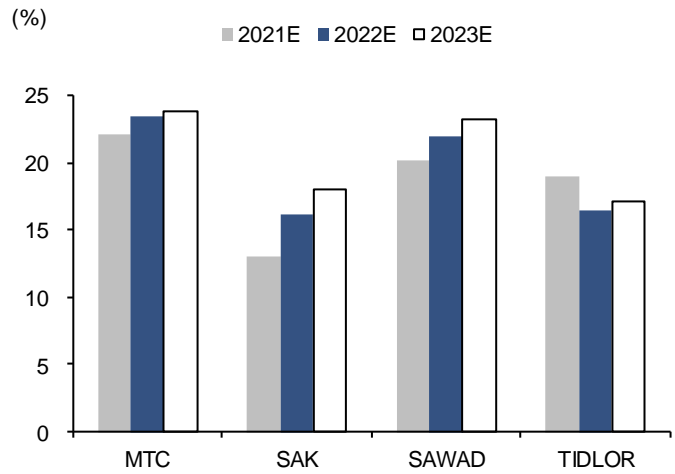
Source: FSSIA estimates

Exhibit 23: Current 2022E P/BV vs target P/BV of ATL operators

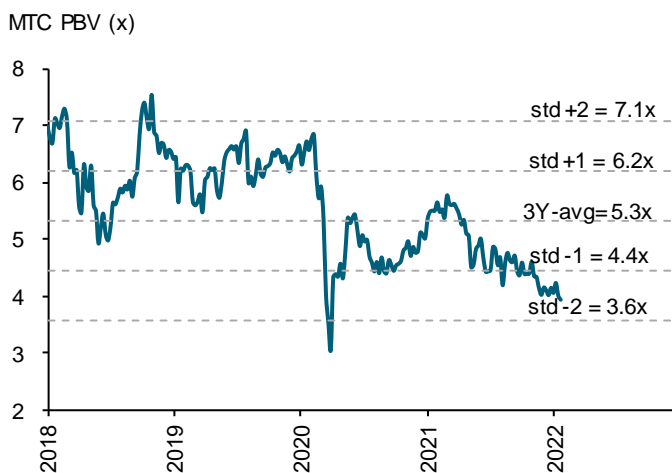
Source: FSSIA estimates

Exhibit 24: 2022E normalised profit growth of ATL operators

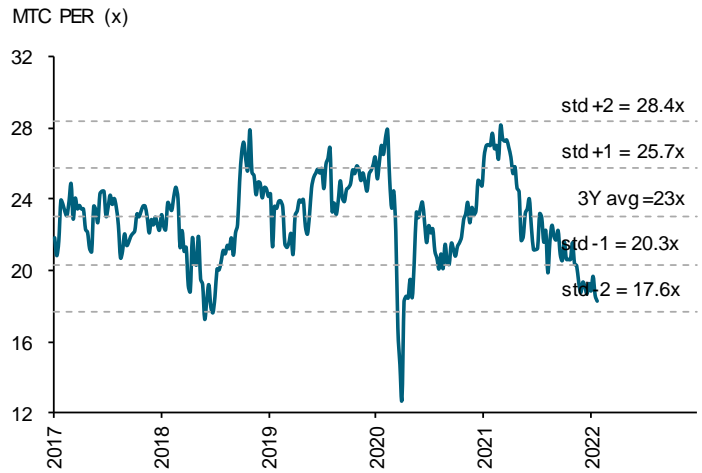
Source: FSSIA estimates

Exhibit 25: 2021-23E net ROE of ATL operators

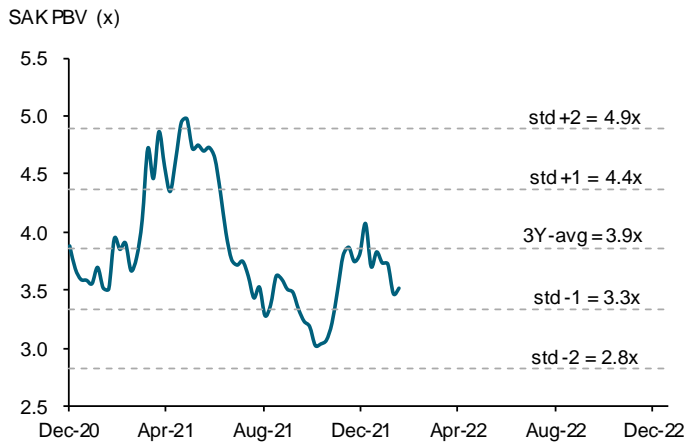
Source: FSSIA estimates

Exhibit 26: MTC – one-year rolling prospective P/BV band

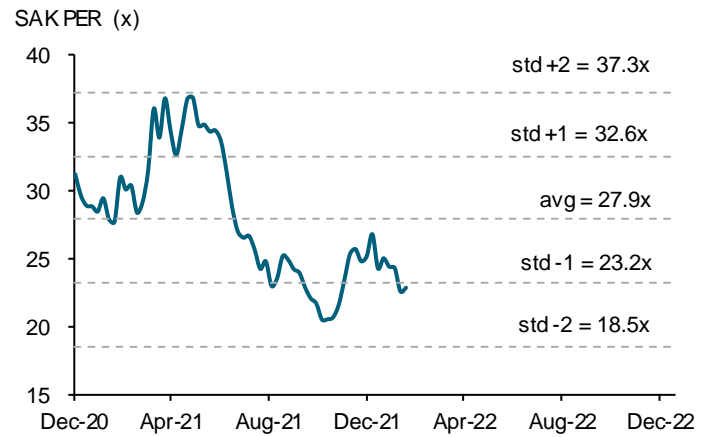
Sources: Bloomberg; FSSIA estimates

Exhibit 27: MTC – one-year rolling prospective P/E band

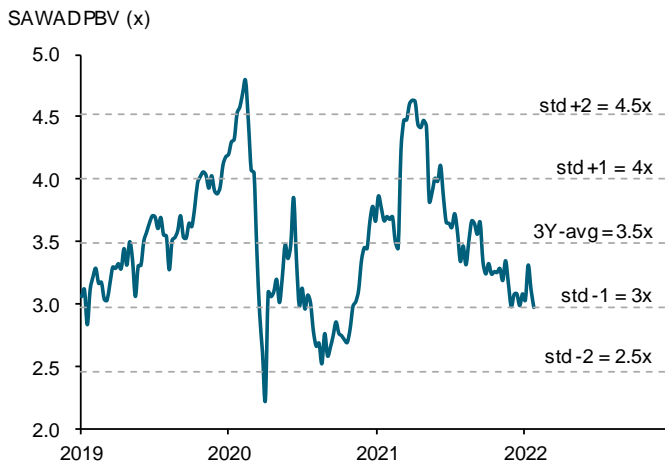
Sources: Bloomberg; FSSIA estimates

Exhibit 28: SAK – one-year rolling prospective P/BV band

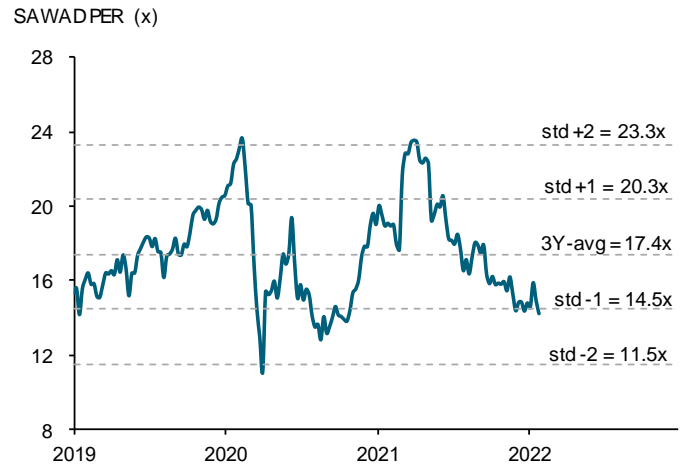
Sources: Bloomberg; FSSIA estimates

Exhibit 29: SAK – one-year rolling prospective P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 30: SAWAD – one-year rolling prospective P/BV band

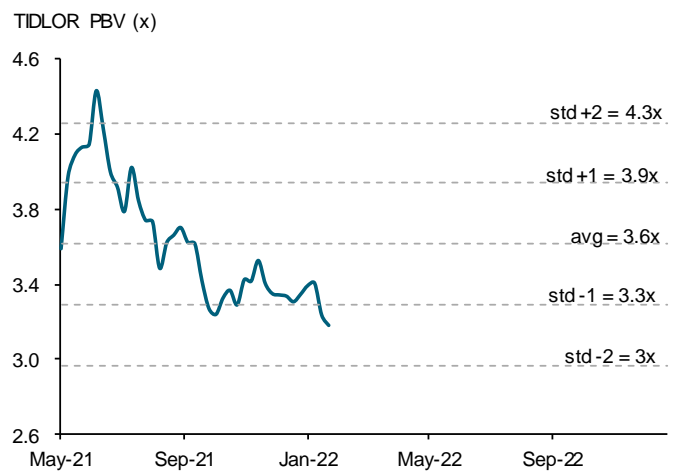
Sources: Bloomberg; FSSIA estimates

Exhibit 31: SAWAD – one-year rolling prospective P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 32: TIDLOR – one-year rolling prospective P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 33: TIDLOR – one-year rolling prospective P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 34: Diversified Financial companies under coverage – summary of key valuations

Company	BBG	Rec	---Share price---		Up	Market	EPS growth		----- P/E -----		-- DivYld --		---- ROE ----		---- PBV ---	
	code		Current	Target	side	Cap	21E	22E	21E	22E	21E	22E	21E	22E	21E	22E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)	(x)	(x)
Diversified financials						23,728	13.1	21.8	26.4	21.7	1.9	2.2	18.4	17.9	4.3	3.3
Unsecured-loan lender*						6,016	16.0	11.5	21.7	19.5	1.8	2.1	24.4	23.4	5.0	4.3
Aeon Thana Sinsap (TH)	AEONTS TB	HOLD	183.00	204.00	11	1,373	7.5	13.9	11.5	10.1	2.7	2.9	21.5	21.1	2.3	2.0
Krungthai Card	KTC TB	HOLD	60.00	52.00	(13)	4,643	17.2	11.2	24.7	22.3	1.6	1.8	25.2	24.1	5.8	5.0
Auto-title lender						9,094	5.1	23.9	22.7	18.3	1.3	1.5	20.2	20.7	4.0	3.5
Muangthai Capital	MTC TB	BUY	56.25	69.00	23	3,579	(3.0)	27.8	23.6	18.5	0.6	0.8	22.1	23.5	4.8	4.0
Srisawad Corp	SAWAD TB	BUY	60.25	80.00	33	2,483	4.2	20.6	17.4	14.4	3.0	3.5	20.2	22.0	3.4	3.0
Saksiam Leasing	SAK TB	BUY	9.20	12.00	30	579	(16.9)	37.3	31.5	22.9	1.0	1.3	13.0	16.1	3.9	3.5
Ngern Tid Lor	TIDLOR TB	BUY	35.25	43.00	22	2,453	23.8	17.8	24.8	21.1	0.6	0.7	18.9	16.4	3.6	3.2
Truck lender						2,052	12.7	9.9	27.7	25.2	1.9	2.5	13.1	12.2	3.2	2.3
Micro Leasing	MICRO TB	BUY	7.45	10.70	44	209	12.8	45.7	37.3	25.6	0.8	0.8	9.9	13.3	3.6	3.2
Singer Thailand	SINGER TB	BUY	46.25	51.00	10	1,126	24.8	2.4	34.0	33.2	1.2	1.8	13.0	9.8	3.8	2.5
Ratchthani Leasing	THANI TB	BUY	4.22	4.80	14	717	(30.2)	19.8	15.0	12.5	3.3	4.0	14.2	15.8	2.1	1.9
Asset management						5,002	17.7	31.3	42.2	32.1	1.9	2.4	13.4	11.2	5.4	2.9
Bangkok Commercial AM	BAM TB	BUY	20.40	25.50	25	1,979	30.1	33.8	27.5	20.6	3.1	4.1	5.4	6.9	1.4	1.4
Chayo Group	CHAYO TB	BUY	12.90	16.60	29	392	12.1	36.6	53.2	38.9	0.0	0.0	12.4	10.6	4.7	3.4
JMT Network Services	JMT TB	BUY	64.00	70.00	9	2,632	13.6	29.5	51.5	39.8	1.2	1.5	19.5	14.5	8.5	3.9
Other						1,275	8.1	11.6	10.3	9.2	7.4	7.4	6.4	6.8	0.6	0.6
Thanachart Capital	TCAP TB	HOLD	40.50	35.00	(14)	1,275	8.1	11.6	10.3	9.2	7.4	7.4	6.4	6.8	0.6	0.6
HP motorcycle						289	55.9	33.4	30.6	22.9	0.5	0.7	17.4	19.8	5.0	4.2
Next Capital	NCAP TB	BUY	10.70	16.80	57	289	55.9	33.4	30.6	22.9	0.5	0.7	17.4	19.8	5.0	4.2

Share prices as of 31 Jan 2022

Sources: Bloomberg; FSSIA estimates

MUANGTHAI CAPITAL

THAILAND / DIVERSIFIED FINANCIALS

MTC TB

At the base of a U-shaped recovery

- Expect a soft 4Q21 NP of THB1.2m (-12% y-y, +1% q-q).
- U-shaped recovery maintained; NP recovery potentially from 2Q22.
- Muted short-term catalysts, not our most preferred.

Expect another soft net profit in 4Q21

We expect MTC to report a weak 4Q21 net profit of THB1,211m (-12% y-y, +1% q-q). The only strong point we see is its remarkable 4Q21E loan growth over its peers at 8% q-q and 29% y-y. However, we expect another four items to be in soft territory. First, we think its fee income will plummet 30% y-y and 23% q-q due to the impact from the new debt collection fee measures. Second, its OPEX should increase moderately from the debt collection incentive paid to its staff. Third, its NPLs might increase moderately by 13% q-q due to the end of debt forbearance program and strong loan growth in the past quarters. Thus, its 4Q21 credit cost should surge to 110 bps vs 93 bps in 3Q21, in our view. Lastly, we expect a drop in its loan yield to 18.5% vs 18.7% in 3Q21.

Slow recovery

We think MTC's recovery could be U-shaped. We expect it to post only a minimal increase q-q in its 1Q22 net profit (slightly decreasing y-y). Although its loan volume could continue to grow strongly, its performance will likely be dragged down by 1) a stable but low loan yield; 2) lower fee income from the impact of the new debt collection restrictions; and 3) an increase in provisions following a moderate rise in its NPLs after the debt forbearance ends. A strong earnings recovery should start from 2Q22.

Expanding to new business, but contribution still small

In Oct-21, MTC set up a new subsidiary, Muangthai Pay Later, though has provided very little information about it. To control asset quality, MTC will target its existing clients first, according to management. We believe this new business won't generate any significant profits for MTC in the first six months of operation. It could have the same business concept as Srisawad Corp (SAWAD TB, BUY, TP THB80)'s home appliance hire purchase business. We think MTC might start this business in 1Q22. We expect MTC to provide more details at its analyst meeting on 15 Feb-22.

Negatives priced-in, but muted short-term catalysts

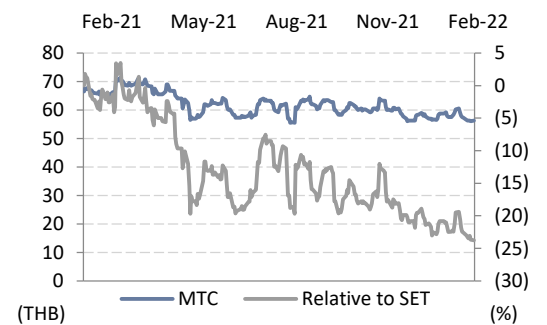
We fine-tune our 2021 net profit forecast to reflect the potentially lower earnings than we had previously forecast in 4Q21. We maintain BUY and our TP of THB69 as we think the slow recovery is priced in. However, we see muted short-term catalysts for its share price to rerate. Thus, MTC is not our top pick. It might be back on our radar once it starts to raise its interest rate charges and provides a clearer business plan.

BUY
UNCHANGED

TARGET PRICE	THB69.00
CLOSE	THB56.25
UP/DOWNSIDE	+22.7%
PRIOR TP	THB69.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+0.0%

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	6,517	6,335	8,078	9,943
Net profit	5,214	5,056	6,463	7,955
EPS (THB)	2.46	2.38	3.05	3.75
vs Consensus (%)	-	(3.3)	0.7	(0.7)
Core net profit	5,214	5,056	6,463	7,955
Core EPS (THB)	2.46	2.38	3.05	3.75
Chg. In EPS est. (%)	-	(2.5)	0.0	0.0
EPS growth (%)	23.0	(3.0)	27.8	23.1
Core P/E (x)	22.9	23.6	18.5	15.0
Dividend yield (%)	0.7	0.6	0.8	1.0
Price/book (x)	5.8	4.8	4.0	3.2
ROE (%)	28.4	22.1	23.5	23.7
ROA (%)	7.5	5.8	5.9	6.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(4.3)	(7.0)	(14.4)
Relative to country (%)	(3.7)	(8.5)	(23.9)
Mkt cap (USD m)	3,579		
3m avg. daily turnover (USD m)	13.2		
Free float (%)	21		
Major shareholder	Petaumpai Family (67%)		
12m high/low (THB)	73.75/54.75		
Issued shares (m)	2,120		



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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 and our TP of THB69 as we think the slow recovery is priced in. However, we see muted short-term catalysts for its share price to rerate. Thus, MTC is not our top pick. It might be back on our radar once it starts to raise its interest rate charges and provides a clearer business plan.

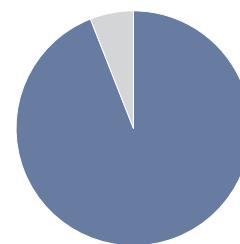
Company profile

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)

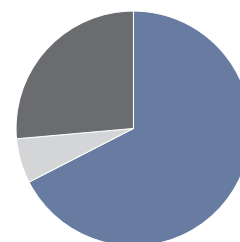
- Net interest income - 94.0 %
- Non-interest income - 6.0 %



Source: Muangthai Capital

Major shareholders

- Petaumpai Family - 67.5 %
- Thai NVDR Co., Ltd. - 6.2 %
- Others - 26.4 %



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
14 Feb 2022	4Q21 results announcement
15 Feb 2022	Analyst meeting

Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	5,056	6,463	7,955
Net profit growth	(3.0)	27.8	23.1
NIM	16.04	15.95	16.13
Loan growth	29.0	25.0	18.0
Non-NII growth	5.9	(20.5)	9.6
Credit cost (bp)	90	100	105
Cost to income*	49.0	46.7	46.0

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		2022E		
Loan growth	±2ppt	23.0	25.0	27.0
% change in net profit		(2.1)	-	2.1
NIM (%)	±5bp	15.90	15.95	16.00
% change in net profit		(0.6)	-	0.6
Credit cost (bps)	±10bp	90	100	110
% change in net profit		1.2	-	(1.2)

Source: FSSIA estimates

Expect another soft net profit in 4Q21

We expect MTC to report a weak 4Q21 net profit of THB1,211m (-12% y-y, +1% q-q). We see the only strong point as its remarkable 4Q21E loan growth over its peers at 8% q-q and 29% y-y. However, we expect another four items to be in soft territory. First, we think its fee income will plummet 30% y-y and 23% q-q due to the impact from the new debt collection fee measures. Second, its OPEX should increase moderately from the debt collection incentive paid to its staff. Third, its NPLs might increase moderately by 13% q-q due to the end of debt forbearance program and strong loan growth in the past quarters. Thus, its 4Q21 credit cost should surge to 110 bps vs 93 bps in 3Q21, in our view. Lastly, we expect a drop in its loan yield to 18.5% vs 18.7% in 3Q21.

Exhibit 35: MTC – 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	3,219	3,287	3,467	8	5	13,038	7	
Non-interest income	208	188	145	(30)	(23)	817	6	Lower fee income from debt collection fees
Operating income	3,428	3,475	3,612	5	4	13,855	7	
Operating expenses	1,614	1,778	1,855	15	4	6,788	10	
PPOP before tax	1,813	1,696	1,757	(3)	4	7,067	4	
Provision	109	191	243	124	27	731	187	
Income tax	335	304	303	(10)	(1)	1,280	(2)	
Minority interest	0	0	0			0		
Normalised profit	1,370	1,201	1,211	(12)	1	5,056	(3)	
Extraordinary items	0	0	0			0		
Net profit	1,370	1,201	1,211	(12)	1	5,056	(3)	
EPS (THB)	0.65	0.57	0.57	(12)	1	2.38	(3)	
Asset quality ratio								
Gross NPLs (THB m)	749	997	1,126	50	13	1,126	50	NPLs might increase after the end of the relief program
NPL ratios (%)	1.06	1.17	1.23			1.23		
LLR/NPLs (%)	177	160	161			146		
Credit cost (bp)	63	93	110			90		
Profitability ratio (%)								
Cost to income ratio	47.1	51.2	51.4			49.0		
Average yield	21.4	18.7	18.5			18.7		
Cost of fund	3.5	3.5	3.6			3.5		
Net interest margin (NIM)	18.6	16.0	15.7			16.0		
Non-int inc/total income	6.1	5.4	4.0			39.1		
Loan growth (%)								
Year-to-date	17.6	40.8	52.1					
y-y	17.6	26.4	29.3			29.3		
q-q	5.6	6.4	8.0					New motorcycle hire purchase loans should increase significantly

Sources: MTC; 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	15,195	19,260	23,575
Interest expense	(1,527)	(1,817)	(2,158)	(2,830)	(3,456)
Net interest income	10,353	12,145	13,038	16,429	20,119
Net fees & commission	723	726	770	601	661
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	817	650	712
Total income	11,161	12,916	13,855	17,079	20,832
Staff costs	(3,009)	(3,676)	(4,631)	(5,432)	(6,727)
Other operating costs	(2,306)	(2,469)	(2,157)	(2,539)	(2,852)
Operating costs	(5,314)	(6,144)	(6,788)	(7,971)	(9,579)
Pre provision operating profit	5,847	6,771	7,067	9,108	11,253
Provision for bad and doubtful debt	(554)	(255)	(731)	(1,030)	(1,310)
Other provisions	-	-	-	-	-
Operating profit	5,293	6,517	6,335	8,078	9,943
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	6,335	8,078	9,943
Tax	(1,056)	(1,303)	(1,280)	(1,616)	(1,989)
Profit after tax	4,237	5,214	5,056	6,463	7,955
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,237	5,214	5,056	6,463	7,955
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,237	5,214	5,056	6,463	7,955
Per share (THB)					
Recurring EPS *	2.00	2.46	2.38	3.05	3.75
Reported EPS	2.00	2.46	2.38	3.05	3.75
DPS	0.30	0.37	0.36	0.46	0.56
Growth					
Net interest income (%)	22.6	17.3	7.4	26.0	22.5
Non interest income (%)	(7.3)	(4.6)	5.9	(20.5)	9.6
Pre provision operating profit (%)	12.2	15.8	4.4	28.9	23.5
Operating profit (%)	14.4	23.1	(2.8)	27.5	23.1
Reported net profit (%)	14.1	23.0	(3.0)	27.8	23.1
Recurring EPS (%)	14.1	23.0	(3.0)	27.8	23.1
Reported EPS (%)	14.1	23.0	(3.0)	27.8	23.1
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	3.2
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	18.70	18.70	18.90
Cost of funds (%)	3.83	3.71	3.48	3.55	3.60
Net interest spread (%)	18.09	17.56	15.22	15.15	15.30
Net interest margin (%)	19.1	18.5	16.0	16.0	16.1
Cost/income(%)	47.6	47.6	49.0	46.7	46.0
Cost/assets(%)	9.6	8.8	7.7	7.2	7.2
Effective tax rate (%)	19.9	20.0	20.2	20.0	20.0
Dividend payout on recurring profit (%)	15.0	15.0	15.0	15.0	15.0
ROE (%)	30.0	28.4	22.1	23.5	23.7
ROE - COE (%)	19.2	17.6	11.3	12.7	12.9
ROA (%)	7.6	7.5	5.8	5.9	6.0
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	91,549	114,436	135,034
Total provisions	(1,713)	(1,328)	(1,647)	(1,990)	(2,490)
interest in suspense	-	0	0	0	0
Net customer loans	58,624	69,640	89,902	112,445	132,544
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	783	1,378	785	2,038	1,882
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	5,456	5,592	6,002
Total assets	61,873	77,222	98,264	122,409	142,996
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	44,163	53,699	70,302	89,155	102,824
Non interest bearing liabilities	1,737	2,841	2,983	3,132	3,288
Hybrid Capital	-	-	-	-	-
Total liabilities	45,900	56,540	73,285	92,287	106,112
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	13,863	18,567	22,865	28,008	34,769
Total equity	15,983	20,687	24,985	30,128	36,889
Minority interests	(12)	(5)	(5)	(5)	(5)
Total liabilities & equity	61,872	77,222	98,264	122,409	142,996
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	54,193	65,653	81,258	102,992	124,735
Average interest bearing liabilities	39,811	48,931	62,001	79,728	95,989
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	1,126	1,464	1,830
Per share (THB)					
Book value per share	7.54	9.76	11.79	14.21	17.40
Tangible book value per share	7.54	9.76	11.79	14.21	17.40
Growth					
Gross customer loans	25.6	17.6	29.0	25.0	18.0
Average interest earning assets	29.5	21.1	23.8	26.7	21.1
Total asset (%)	25.9	24.8	27.2	24.6	16.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	25.8	26.8	25.4	24.6	25.8
Tangible equity/assets (%)	25.8	26.8	25.4	24.6	25.8
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	15.1	20.5	50.4	30.0	25.0
NPL/gross loans (%)	1.0	1.1	1.2	1.3	1.4
Total provisions/gross loans (%)	2.8	1.9	1.8	1.5	1.8
Total provisions/NPL (%)	275.7	177.3	146.3	136.0	136.1
Valuation					
Recurring P/E (x) *	28.1	22.9	23.6	18.5	15.0
Recurring P/E @ target price (x) *	34.5	28.1	28.9	22.6	18.4
Reported P/E (x)	28.1	22.9	23.6	18.5	15.0
Dividend yield (%)	0.5	0.7	0.6	0.8	1.0
Price/book (x)	7.5	5.8	4.8	4.0	3.2
Price/tangible book (x)	7.5	5.8	4.8	4.0	3.2
Price/tangible book @ target price (x)	9.2	7.1	5.9	4.9	4.0

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

SRISAWAD CORP SAWAD TB

THAILAND / DIVERSIFIED FINANCIALS

BUY
 UNCHANGED

Diversification helps survival

- Expect a moderate 4Q21 NP of THB1.2b (-7% y-y, +8% q-q).
- Swimming into new (blue ocean) home appliance hire purchase.
- Maintain BUY with GGM-based TP of THB80.

Expect a moderate 4Q21 net profit

We expect SAWAD to report a moderate 4Q21 net profit of THB1.2b (-7% y-y, +8% q-q). We see three positives: 1) OPEX savings from reallocating some of its staff to work under Fast Money (not listed); 2) a rise in its insurance brokerage commission fees thanks to the renewal of brokerage insurance partnership contracts; and 3) a drop in its NPLs by 3% q-q following a rise in car seizures. Thanks to better asset quality and a continued decline in Srisawad Finance (BFIT TB, not rated)'s portfolio, we expect SAWAD to release ECL continuously in 4Q21. However, we estimate its loan volume to be flat q-q in 4Q21 vs 6% q-q for the auto title loan sector overall, due to the increase in its NPL write-offs.

Targets spin-off of SCAP in 2022

In 2021, SAWAD aggressively expanded its new motorcycle hire purchase (MHP) loans via its 65% holding in subsidiary Srisawad Capital (SCAP). We believe SCAP – operated by Mr. Vichit Payuhanaveechai, CEO – can expand its loan portfolio aggressively. With Mr. Vichit's vision and experience, we believe that SCAP could be more successful in its business operations. SAWAD targets an IPO for SCAP within 2022.

Good move to home appliance HP, but contribution still small

In addition to its MHP, SAWAD started a new home appliance hire purchase (HAHP) business on 26 Jan-22. SAWAD will utilise its branches to sell HA and provide loans to clients. Its partner, Power Buy – a business unit of Central Retail Corp (CRC TB, BUY, TP THB40), will be responsible for the delivery and installation of the products. SAWAD will receive: 1) profits from selling HA; and 2) interest income from lending, with an interest rate charge of c40-50% p.a. SAWAD targets a THB2b loan volume in 2022. We see this as a good opportunity to expand its business. The demand for HAHP in Thailand is very large. However, thanks to the small ticket size, we think monitoring asset quality is key. Also, as 2022 is the first year of operations, we do not expect a significant contribution from this.

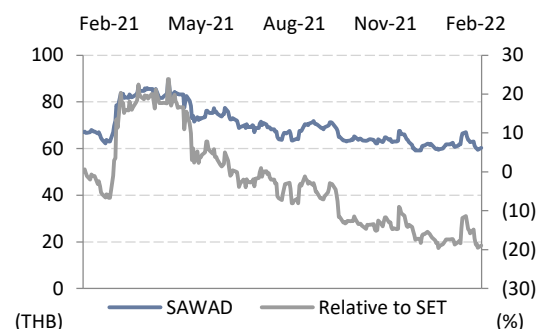
Maintain BUY for long-term investment

We reiterate our BUY call with 2022 GGM-based TP of THB80. 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.

TARGET PRICE	THB80.00
CLOSE	THB60.25
UP/DOWNSIDE	+32.8%
PRIOR TP	THB80.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+7.8%

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 (%)	-	3.3	7.5	9.8
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. (%)	-	-	-	-
EPS growth (%)	17.2	4.2	20.6	18.0
Core P/E (x)	18.1	17.4	14.4	12.2
Dividend yield (%)	3.0	3.0	3.5	4.1
Price/book (x)	3.7	3.4	3.0	2.7
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 (%)	(2.4)	(5.9)	(10.1)
Relative to country (%)	(1.9)	(7.3)	(20.0)
Mkt cap (USD m)	2,483		
3m avg. daily turnover (USD m)	16.3		
Free float (%)	67		
Major shareholder	Kaewbootta Family (33%)		
12m high/low (THB)	94.25/58.50		
Issued shares (m)	1,373		


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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 services 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.

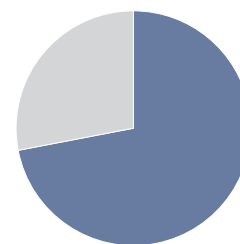
Company profile

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)

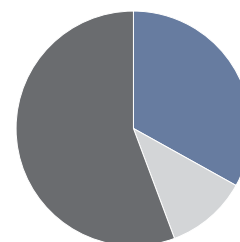
- Net interest income - 72.0 %
- Non-interest income - 28.0 %



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;
- The success of home appliance hire purchase business;
- The spin-off of Srisawad Capital (SCAP; not listed)'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 Consumer Protection Board.

Event calendar

Date	Event
End Feb 2022	4Q21 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
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

	±5bp	15.88	15.93	15.98
NIM (%)				
% 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

Expect a moderate 4Q21 net profit

We expect SAWAD to report a moderate 4Q21 net profit of THB1.2b (-7% y-y, +8% q-q). We see three positives: 1) OPEX savings from reallocating some of its staff to work under Fast Money; 2) a rise in its insurance brokerage commission fees thanks to a renewal of its brokerage insurance partnership with Generali Thailand (not listed) and Chubb Samaggi Insurance (not listed); and 3) a drop in its non-performing loans (NPLs) by 3% q-q following its more stringent debt collection processes and a rise in car seizures. Thanks to its better asset quality and a continued decline in Srisawad Finance's portfolio, we expect SAWAD to release its expected credit loss (ECL) continuously. However, we estimate its loan volume to be flat q-q vs 6% q-q for the auto title loan sector, due to the increase in its NPL write-offs. We expect its motorcycle hire purchase loans to rise, and its car and land title loans to reduce q-q. Note that we expect Fast Money to generate a loss of THB8m in 4Q21 for SAWAD vs a loss of THB10m in 3Q21 due to high OPEX.

Exhibit 36: SAWAD – 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	1,836	1,436	1,476	(20)	3	6,000	(17)	
Non-interest income*	829	831	873	5	5	3,117	10	
Operating income*	2,665	2,267	2,349	(12)	4	9,117	(10)	
Operating expenses	841	863	841	0	(3)	3,191	(16)	
PPOP before tax*	1,824	1,404	1,508	(17)	7	5,926	(6)	
Provision	150	(101)	(67)	(145)	(33)	(245)	(176)	Rundown of BFIT's portfolio and better asset quality
Income tax	337	307	316	(6)	3	1,234	4	
Minority interest	47	86	60			240	(15)	
Normalised profit	1,289	1,112	1,200	(7)	8	4,697	4	
Extraordinary items	0	0	0			178		
Net profit	1,289	1,112	1,200	(7)	8	4,875	8	
EPS (THB)	0.94	0.81	0.87	(7)	8	3.59	8	
Asset quality ratio								
Gross NPLs (THB m)	1,480	1,480	1,430	(3)	(3)			
NPL ratios (%)	3.75	4.40	4.25					
LLR/NPLs (%)	89	64	56					
Credit cost (bp)	152	(122)	(80)					
Profitability ratio (%)								
Cost to income ratio*	31.6	38.1	35.8					
Average yield	21.0	19.6	19.6					
Cost of fund	3.4	3.5	3.5					
Net interest margin (NIM)	18.7	17.3	17.5					
Non-int inc/total income	31.1	36.7	37.2					
Loan growth (%)								
Year-to-date	5.8	(14.7)	(14.7)					
y-y	5.8	(14.2)	(14.7)					Deconsolidated Fast Money's portfolio and adopted a conservative lending strategy
q-q	0.6	3.3	0.0					

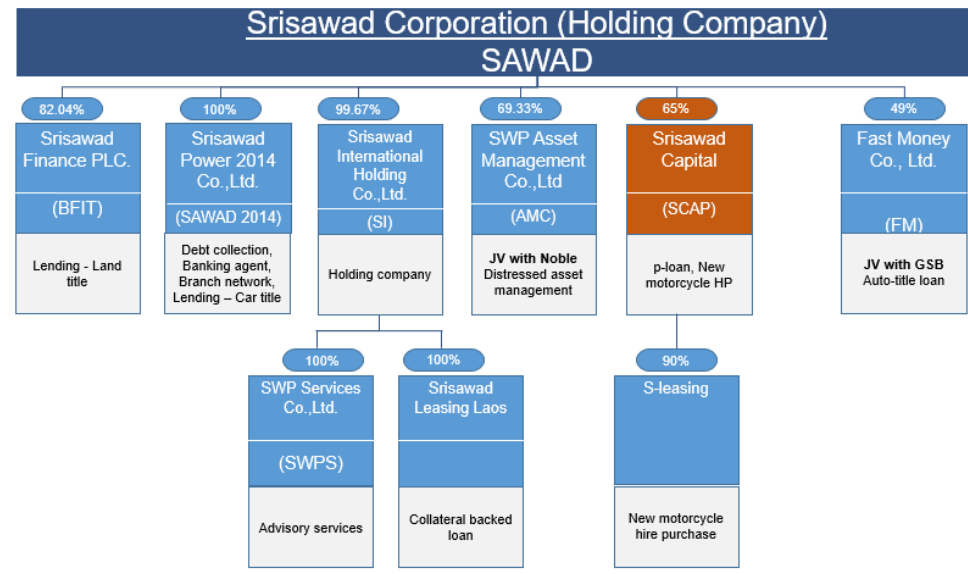
*Including share of profits from associates

Source: SAWAD; FSSIA estimates

Targets spin-off of SCAP in 2022

In 2021, SAWAD aggressively expanded its new MHP lending via its 65% holding subsidiary, SCAP. We expect SCAP's portfolio volume to reach THB6b in 2021 from THB0.2m in 2020.

Exhibit 37: SAWAD's organisational structure



Source: FSSIA's expectation

SCAP will run two main businesses, including: 1) new motorcycle hire purchase loans; and 2) unsecured personal loans targeting middle-income earners.

SCAP is operated by professional executives. Mr. Vichit Payuhanaveechai, SCAP's managing director, has more than 30 years of experience in the finance field which includes outstanding achievements at various leading financial organisations, i.e. SUMMIT Capital Leasing – one of the leaders in motorbike hire purchase loans – Bank of Ayudhya (BAY TB, not rated), HSBC, etc. We believe SCAP will expand its loan portfolio aggressively. With the CEO's vision and experience, we believe that SCAP will be successful in its business operations. SAWAD targets an IPO for SCAP within 2022.

Regarding the impact from the potential interest rate charge cap at 20% for MHP by the Office of the Consumer Protection Board (OCPB), we see a manageable downside risk to our 2022E net profit of c5-6%. In our communications with the management of many listed companies, many have said that there is a chance that the OCPB might increase the cap rate.

Exhibit 38: SCAP's motorcycle hire purchase loan characteristics

SCAP	
Yearly interest rate charge - EIR basis (%)	30-35
Loan duration (years)	2-3
Monthly instalment (THB)	3,500 - 4,000
Loan-to-value (%)	90 - 100
Ticket size (THB)	50,000
Channel	Motorcycle dealers

Sources: SAWAD; FSSIA estimates

Exhibit 39: SCAP's unsecured personal loan characteristics

SCAP	
Type of unsecured p-loan	- Traditional monthly instalment
	- Cash card
Yearly interest rate charge - EIR basis (%)	Up to 26
Target clients	- Middle income/office workers
	- Its target clients' profile would be between KTC and AEONTS' clients

Sources: SAWAD; FSSIA estimates

Good move to home appliance HP, but contribution still small

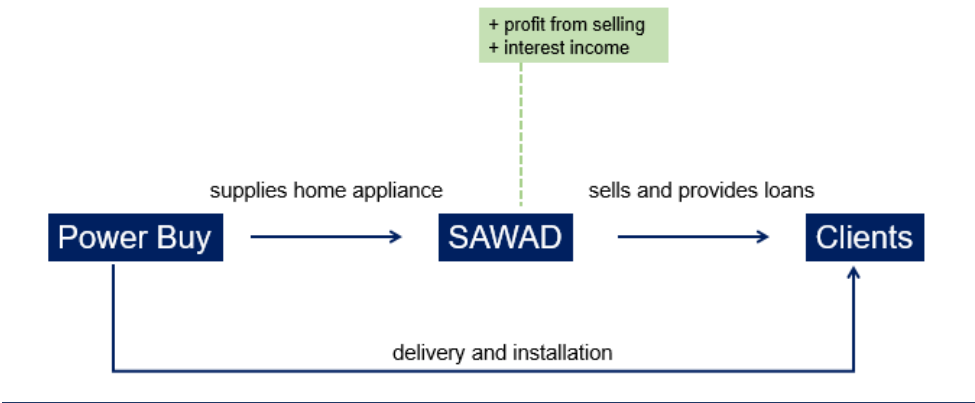
In addition to its MHP, SAWAD started a new HAHP business on 26 Jan-22. SAWAD will utilise its branches to sell HA and provide loans to clients who cannot afford to pay in cash. SAWAD plans to hold very little HA inventory at its branches and will sell online or via brochures instead. Its partner, Power Buy, a business unit of CRC, will be responsible for the delivery and installation of the products. SAWAD will receive: 1) profits from selling HA; and 2) interest income from lending, with an interest rate charge of c40-50% p.a. SAWAD targets THB2b in loan volume in 2022. It will gradually launch HAHP at its Bangkok branches first, then expand to include full coverage at its nationwide branches in the three to four months after.

Exhibit 40: Home appliance hire purchase loan characteristics

HAHP	
Yearly interest rate charge - EIR basis (%)	40-50
Loan duration (years)	1-2
Loan-to-value (%)	100
Channel	SAWAD's branches

Sources: SAWAD; FSSIA estimates

Exhibit 41: Home appliance work flow



Sources: SAWAD; FSSIA estimates

Large demand for HA lending within a fragmented market

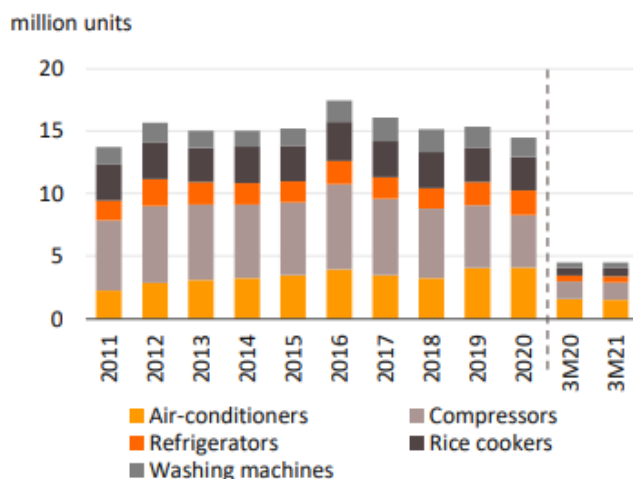
We see large demand for home appliances (HA) in Thailand, especially within the next one to two years after the economic recovery from Covid-19. According to Krungsri's research, domestic electric HA sales should increase 2-3% p.a. in 2021-24, due to: 1) a recovery in the property market; 2) new product types and marketing campaigns by HA producers; and 3) the expected increase in temperature from climate change.

Exhibit 42: Major electrical appliance manufacturers of white goods in Thailand

Company	Nationality	Major products
Sharp Appliances (Thailand) Co., Ltd.	Japanese	Microwave oven, refrigerator, air conditioner, washing machine, air-purifier
Kang Yong Electric PCL (KYE TB, not rated)	Japanese	Fan, refrigerator, water pump, washing machine, air conditioner
Thai Toshiba Electric Industries Co., Ltd.	Japanese	Refrigerator, rice cooker, hot pot, electric pan, microwave oven, freezer, fan, air-purifier
Thai Samsung Electronics Co.	Korean	Washing machine, refrigerator, microwave oven, air conditioner
LG Electronics (Thailand) Co., Ltd.	Korean	Washing machine, air conditioner, microwave oven, compressor
Haier Electric (Thailand) PCL	Chinese	Washing machine, refrigerator, freezer, air conditioner
Electrolux Thailand Co., Ltd.	Swedish	Washing machine, refrigerator, dryer, dishwasher
Fisher & Paykel Appliances (Thailand) Co., Ltd.	New Zealand	Washing machine, refrigerator, dryer, dishwasher
Beko Thai Co., Ltd.	Turkish	Washing machine, refrigerator

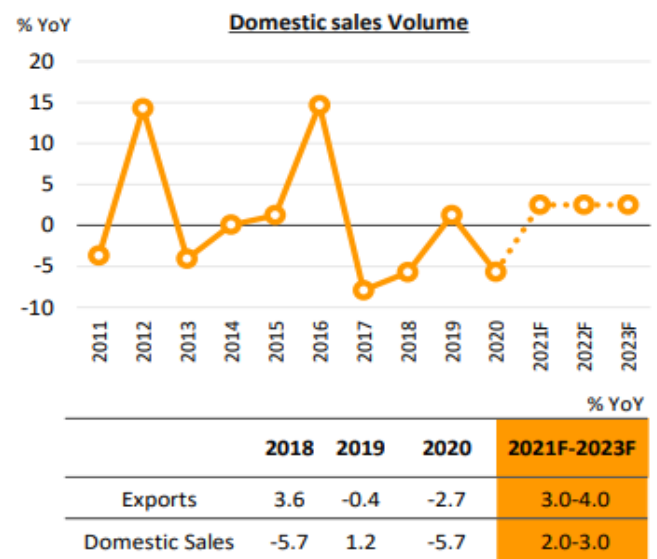
Sources: E&E Intelligence Unit; Krungsri Research

Exhibit 43: Domestic electric appliance sales by product



Sources: Office of Industrial Economics (OIE) survey of the domestic sales volume of Thai-made electrical goods; Krungsri Research

Exhibit 44: Domestic sales volume growth



Sources: OIE; Ministry of Commerce (MOC), Forecast by Krungsri Research

In Thailand, the purchase of HA is often done on an installment plan. For mid- to high-income consumers, credit card operators typically offer 0% interest on a six to 10-month installment plan. Low-income earners, on the other hand, often cannot afford to pay the full price in cash and many local HA sellers provide vendor financing for their customers. We think the HAHP market is very fragmented, with few players establishing a national presence. One of the biggest players is Siamchai (not listed), which has branches nationwide. Singer Thailand (SINGER TB, BUY, TP THB51) also has a presence nationwide, however, SINGER sells only its own brand. Other players only operate regionally or provincially.

Exhibit 45: Siamchai's advertisement

สยามชัย
แหล่งรวมเครื่องใช้ไฟฟ้าและเฟอร์นิเจอร์ใหญ่ที่สุด
พร้อมศูนย์บริการมากกว่า 700 สาขา
เครื่องใช้ไฟฟ้า แอร์ ทีวี ตู้เย็น ตู้แช่ เครื่องซักผ้า

สินค้าแนะนำ



เครื่องปรับอากาศ HAIER
รุ่น HSU-12VTRA03TF ขนาด 13,000 BTU



เครื่องซักผ้า Panasonic
รุ่น NA-F10MB1 ขนาด 10 KG



ทีวี SAMSUNG
UHD 4K รุ่น UA43AU7700KXXT ขนาด 43 นิ้ว

Source: Siamchai's website

Exhibit 46: Siamchai's mobile application

แอปพลิเคชัน สยามชัย
จ่ายง่าย สะดวก ครบครัน

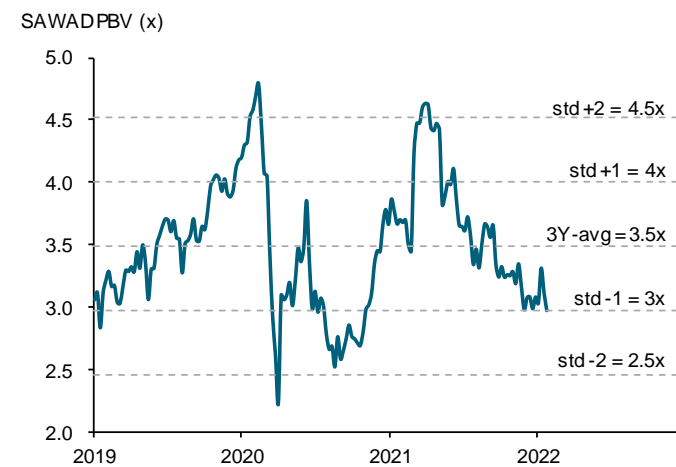
LOGIN
• ด้วยบัตรประชาชน
• สามารถเช็คค่าคงได้
• เช็คโปรโมชันได้ตลอด
• สามารถชำระเงินผ่านแอปได้



Source: Siamchai's website

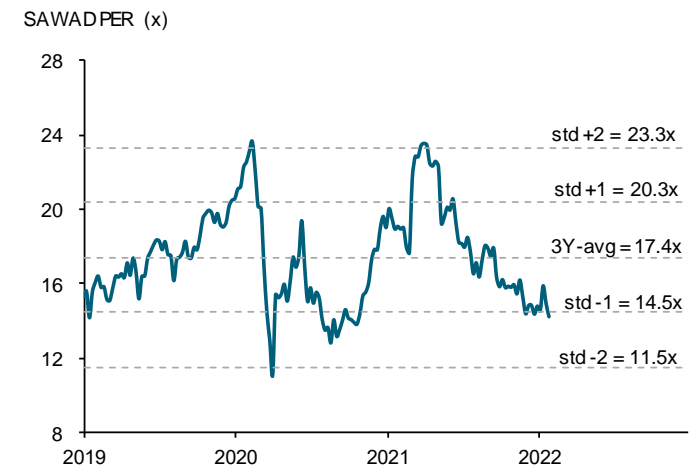
Therefore, we think that SAWAD could penetrate this market, supported by their nationwide networks. However, we think asset quality management is the key to monitoring performance. Due to the relatively small loan size and the current industry practice of requiring only an ID card to be considered for the credit application approval process, asset quality control is an important factor that must be monitored. We expect SAWAD to provide more details on this new business direction at their post-4Q21 results analyst meetings.

Exhibit 47: SAWAD – one-year rolling prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 48: SAWAD – one-year rolling prospective P/E band



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) *	21.3	18.1	17.4	14.4	12.2
Recurring P/E @ target price (x) *	28.2	24.1	23.1	19.2	16.2
Reported P/E (x)	20.8	18.1	16.8	14.4	12.2
Dividend yield (%)	2.4	3.0	3.0	3.5	4.1
Price/book (x)	4.2	3.7	3.4	3.0	2.7
Price/tangible book (x)	4.2	3.7	3.4	3.0	2.7
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

SAKSIAAM LEASING SAK TB

THAILAND / DIVERSIFIED FINANCIALS

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.

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

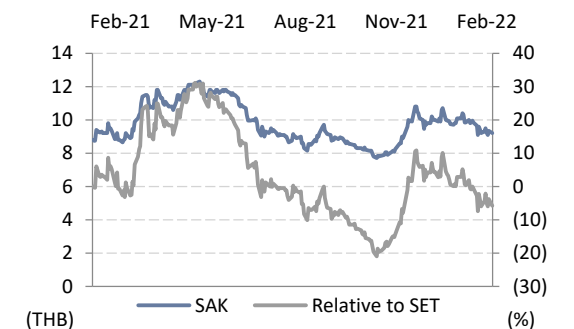
We increase our 2021-23E net profit by 3%/2%/7% and our TP to THB12 from THB11. Due to its much smaller size vs the major players, SAK could be less impacted by the current price war among the big operators in the auto title loan market. Its new drone project should also gradually boost its performance. 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).

BUY
 UNCHANGED

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%

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		



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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.

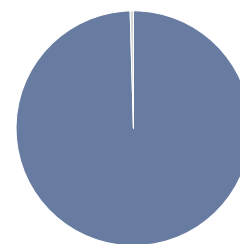
Company profile

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

Principal activities (revenue, 2020)

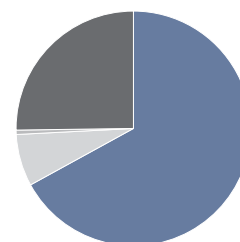
- Net interest income - 99.5 %
- Non-interest income - 0.5 %



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		
Loan growth	±2ppt	23.0	25.0	27.0
% change in net profit		(1.9)	-	1.9
NIM (%)	±5bp	21.92	21.97	22.02
% change in net profit		(0.5)	-	0.5
Credit cost (bps)	±10bp	116.0	126.0	136.0
% change in net profit		1.0	-	(1.0)

Source: FSSIA estimates

Expanding to drones for agriculture segment for higher growth

SAK and Mr. Prapungkon Choktaveechaijarern – 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 49: Saksiam Maker Drone's shareholding structure

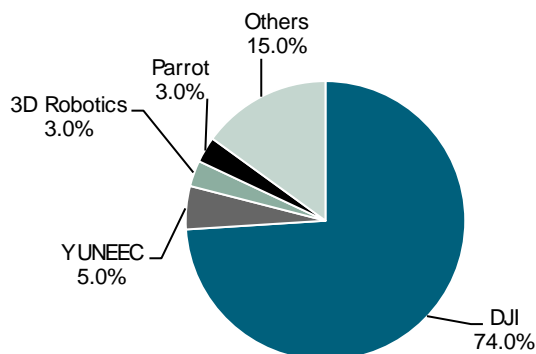
	Holding	No. of shares
	(%)	(m shares)
SAK	70	3.5
Mr. Prapungkon Choktaveechaijarern	18	0.9
Mr. Satit Rotrin	12	0.6

Sources: SAK; FSSIA's compilation

Agricultural drone market is on the rise

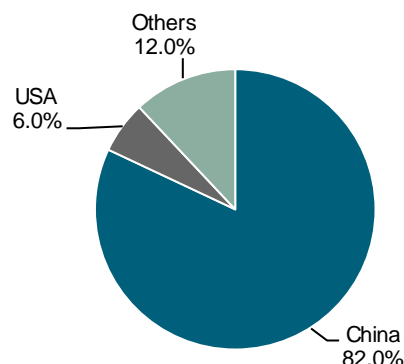
Krungthai COMPASS has said that Markets and Markets, a consulting and market research firm, expects that global agricultural drone sales will grow 31.4% annually from USD1.2b in 2019 to USD4.8b in 2025. The market is led by Chinese entrepreneurs who have a total market share of 82%.

Exhibit 50: Drone market share by brand



Sources: Krungthai COMPASS; FSSIA's compilation

Exhibit 51: Drone market share by country

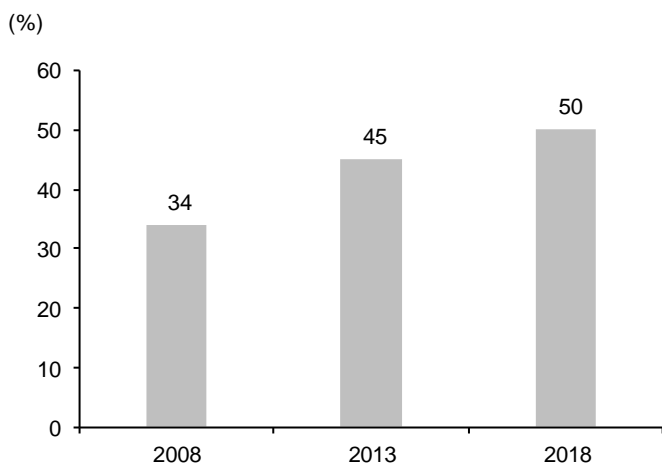


Sources: Krungthai COMPASS; FSSIA's compilation

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.

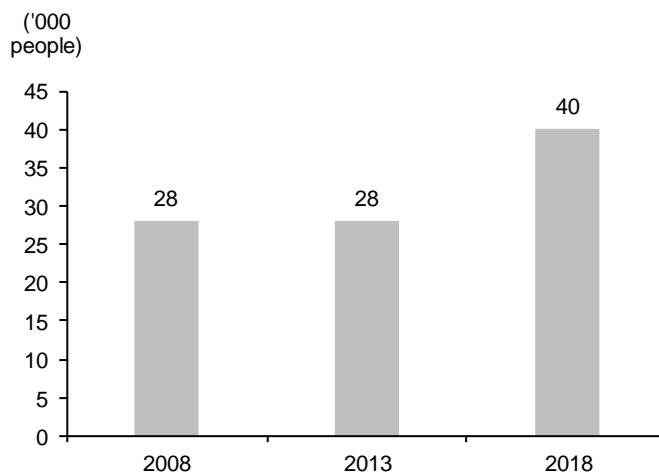
In Thailand, future labour shortages in the agricultural sector, coupled with the increase in the number of farmers who farm large plots (140 rai or more) are motivating factors, according to Krungthai COMPASS.

Exhibit 52: The number of farmers who are more than 55 years of age is on the rise



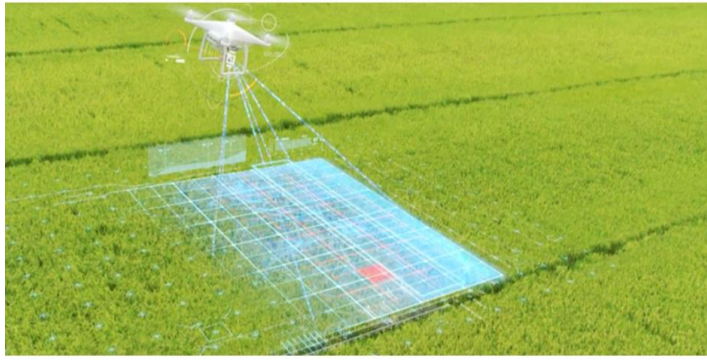
Sources: National Statistical Office of Thailand; Krungthai COMPASS; FSSIA's compilation

Exhibit 53: 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 54: Data-mapping drone

Sources: MITRPHOL Modernfarm

Exhibit 55: Spraying drone

Source: Post Today

Exhibit 56: Spraying drone

Source: Post Today

Exhibit 57: 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 58: 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 59: 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 60: 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 62: Initial investment cost for a drone

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

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

Exhibit 61: Details of spraying drones

Capacity	Maximum agricultural areas	Suitable minimum agricultural land	Drone price + 5-year battery cost
(litres)	(rai)	(rai)	(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 63: Breakeven period is c1.7 years

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

Sources: SAK; FSSIA estimates

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 64: 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	n.a.	n.a.	10	48	
Operating income*	366	464	482	32	4	1,737	17	
Operating expenses	188	232	215	15	(7)	902	15	
PPOP before tax*	179	232	267	50	15	835	20	
Provision	(13)	25	29	n.a.	18	71	n.a.	
Income tax	38	41	47	23	15	151	9	
Minority interest	0	0	0			0		
Normalised profit	153	166	191	25	15	613	9	
Extraordinary items	0	0	0			0		
Net profit	153	166	191	25	15	613	9	
EPS (THB)	0.07	0.08	0.09	25	15	0.29	(17)	
Asset quality ratio								
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		
Profitability ratio (%)								
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		
Loan growth (%)								
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					

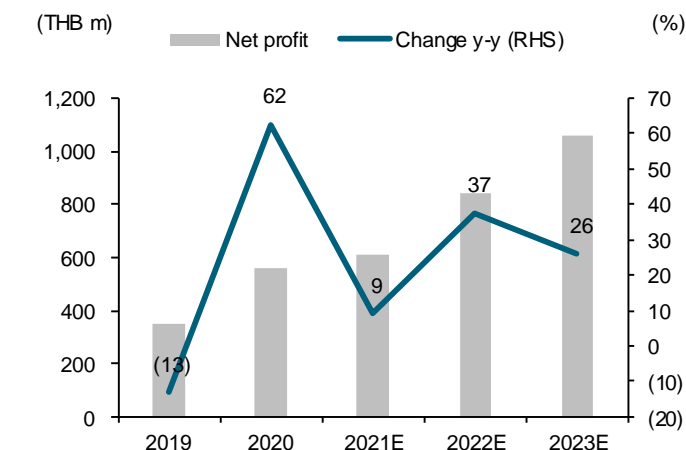
*Including share of profits from associates

Sources: SAK; FSSIA estimates

Remarkable net profit growth expected in 2022

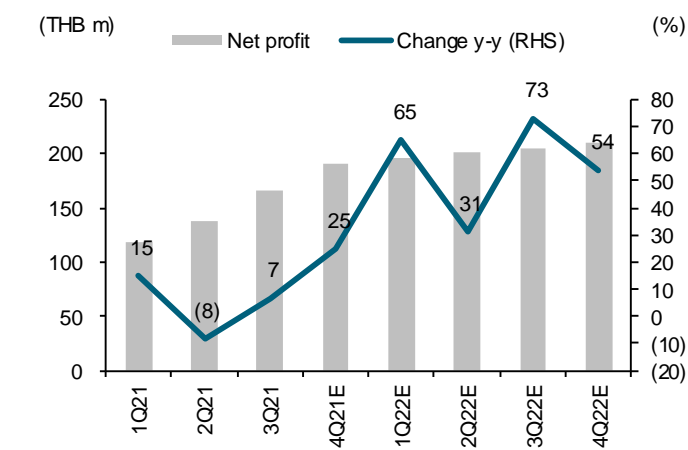
We are convinced that SAK will post substantial net profit growth of 37% y-y in 2022 vs 2021E growth of 9% y-y, driven by three factors. First, we think SAK should continue to deliver strong loan growth of 25% y-y following the realisation of its 200 new branch-expansion target in 2022. Second, we expect 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 65: Yearly net profit growth



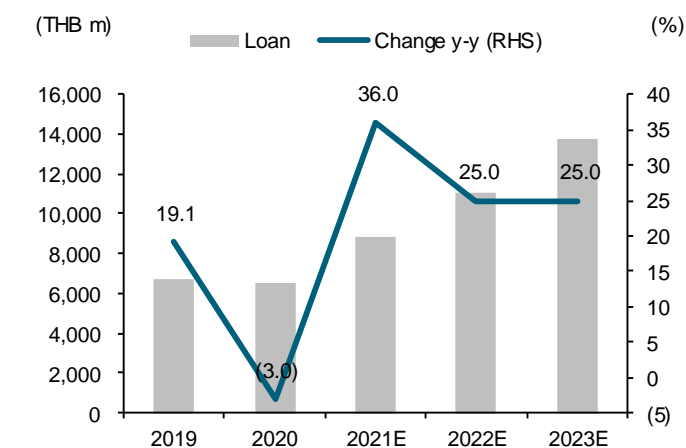
Sources: SAK; FSSIA estimates

Exhibit 66: Quarterly net profit growth



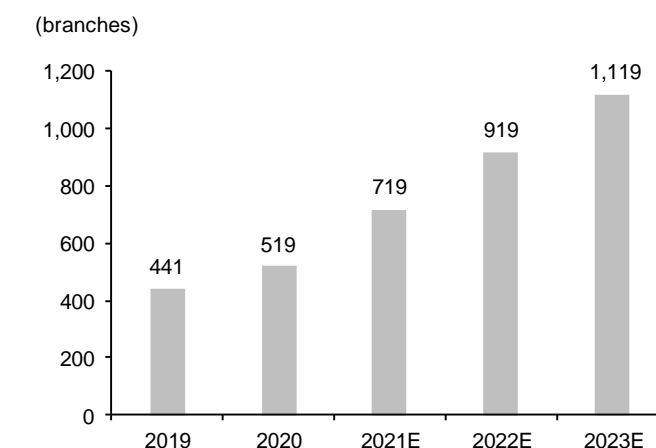
Sources: SAK; FSSIA estimates

Exhibit 67: Loan growth



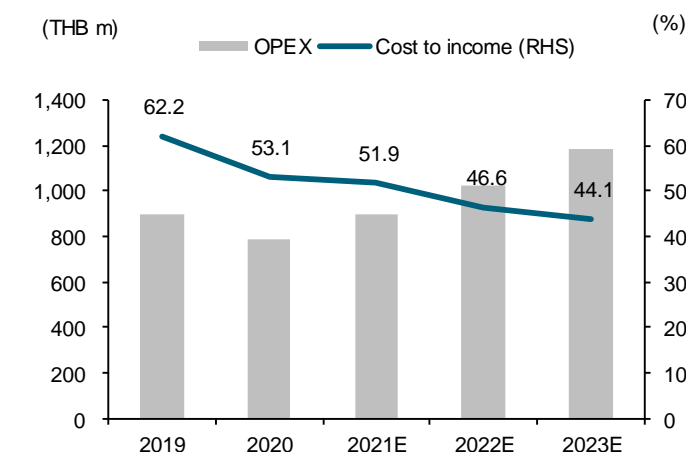
Sources: SAK; FSSIA estimates

Exhibit 68: No. of branches in network expansion



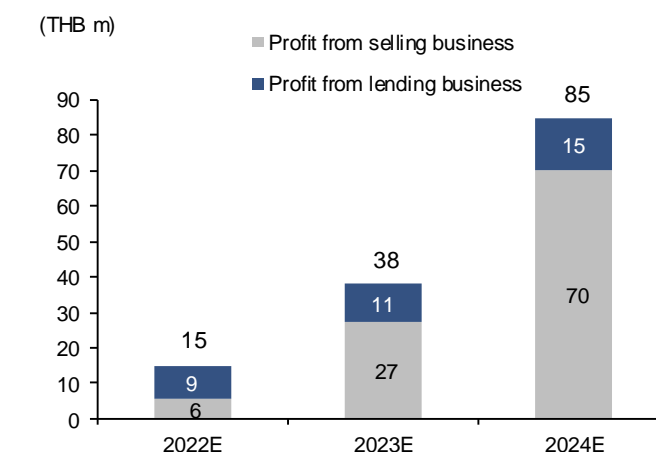
Sources: SAK; FSSIA estimates

Exhibit 69: OPEX and cost to income



Sources: SAK; FSSIA estimates

Exhibit 70: 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 71: Key changes in assumptions

	2021E				2022E			2023E		
	2020	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
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)
PPOP before tax*	695	801	835	4.2	1,113	1,175	5.6	1,342	1,501	11.9
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	-	
Normalised profit	562	594	613	3.2	826	842	1.9	994	1,060	6.6
Extraordinary items	-	0	-		0	-		0	-	
Net profit	562	594	613	3.2	826	842	1.9	994	1,060	6.6
EPS (THB)	0.35	0.28	0.29	3.2	0.39	0.40	1.9	0.5	0.51	6.6
Key statistics and ratios										
Asset quality ratio										
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	
Profitability ratio (%)										
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	
Loan growth (%)										
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

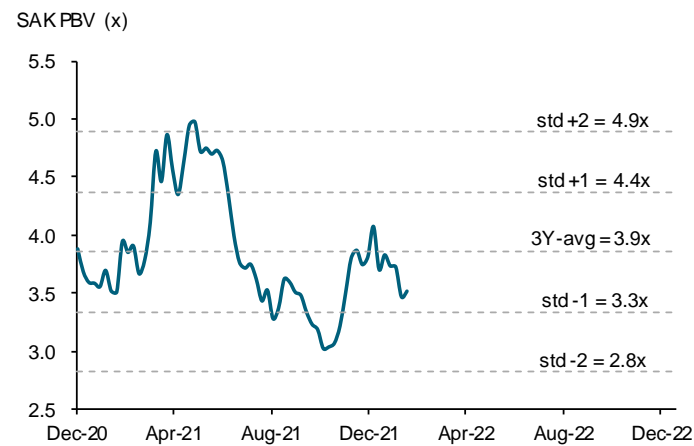
We revise up our 2022 GGM-based TP to THB12.0 from THB11.0, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022 P/BV to 4.6x from 4.2x as a result of our higher average long-term ROE target of 17.8% from 17.3% and our higher long-term growth assumption 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 72: 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.

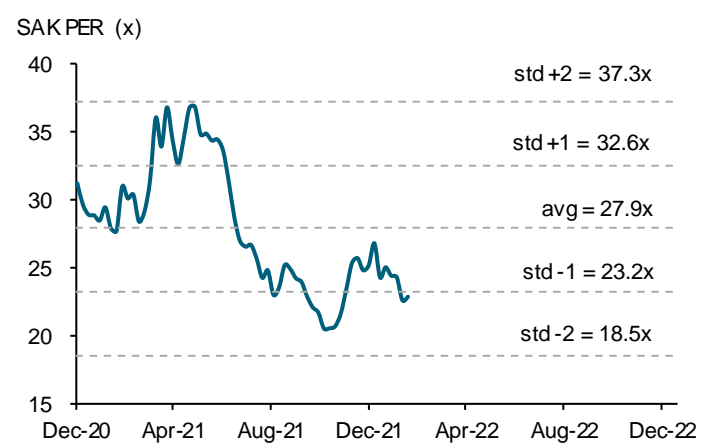
Source: FSSIA estimates

Exhibit 73: SAK – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 74: 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
Per share (THB)					
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
Growth					
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
Income Breakdown					
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
Operating performance					
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
Net customer loans	6,637	6,406	8,722	10,881	13,558
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
Total assets	7,158	8,778	9,647	11,922	14,556
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	-	-	-	-	-
Total liabilities	4,382	4,270	4,710	6,395	8,287
Share capital	1,550	2,096	2,096	2,096	2,096
Reserves	1,226	2,412	2,841	3,431	4,172
Total equity	2,776	4,508	4,937	5,527	6,268
Minority interests	0	0	0	0	0
Total liabilities & equity	7,158	8,778	9,647	11,922	14,556
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	6,162	6,598	7,666	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
Per share (THB)					
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
Growth					
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
Leverage & capital measures					
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 (%)	-	-	-	-	-
Asset Quality					
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
Valuation					
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

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THAILAND / DIVERSIFIED FINANCIALS

Recovery is underway

- Expect a mediocre 4Q21 NP of THB800m (+10% y-y, -2% q-q), reflecting a strong top line but high OPEX.
- Expect 2022 NP to increase by 22% y-y.
- Maintain BUY with GGM-based TP of THB43.

4Q21E: strong loan and fee growth hampered by higher OPEX

We see three positives in TIDLOR's 4Q21 performance. First, its loan volume could surge by 7% q-q (+17% y-y), driven by truck and motorcycle title loans. Second, its insurance brokerage fee income should increase q-q following the resumption of business activities. Lastly, we expect its NPLs to decline by 2% q-q thanks to the higher loan repayment ability of its clients following the lockdown easing. However, all these positives could be hampered by a significant rise in its OPEX due to seasonality and personnel expenses. Thus, we expect TIDLOR to report a mediocre 4Q21 net profit of THB800m (+10% y-y, -2% q-q).

Different products and diversified source of revenue

We see a new trend of auto title loan (ATL) operators expanding their businesses to include appliance hire purchase lending, which is less regulated. But, unlike its peers, we think TIDLOR will maintain its current focus on the red and regulated ATL ocean as it offers a different product: revolving cash cards. This card provides more flexibility to access funds when needed for its clients. Therefore, we expect the company could continue to expand its loan portfolio at the moderate rate of 15.7% three-year CAGR in 2021-23. Also, TIDLOR has a more diversified source of revenue, with 81% interest income and 19% fee income, mainly from insurance brokerage fees. With its online Areegator network and cross-selling opportunities, we believe TIDLOR should be able to sell more insurance products and increase its fee income.

Solid growth set to continue in 2022

We expect TIDLOR to deliver 22% y-y net profit growth in 2022, driven by a rise in its insurance brokerage fee income following the resumption of business activities and a rise in its loan volume by 18% y-y. We think its motorcycle title loans should rise thanks to its cash card. Moreover, TIDLOR might launch a cash card for car title loans this year, in our view.

Maintain BUY with GGM-based TP of THB43

We maintain our BUY call as we believe TIDLOR's net profit should increase at a 24% three-year CAGR in 2021-23 on: 1) its stringent asset quality control; 2) strong insurance brokerage business; and 3) its strategy to not engage in price wars but instead use its unique product strategies, e.g. TIDLOR cash card, to take on competitors.



Yuwanart Suwanumphai

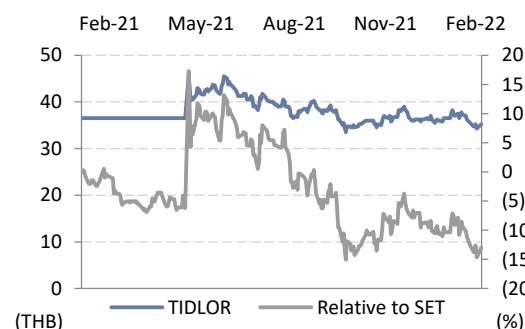
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BUY
UNCHANGED

TARGET PRICE	THB43.00
CLOSE	THB35.25
UP/DOWNSIDE	+22.0%
PRIOR TP	THB43.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-7.5%

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 (%)	-	2.2	(2.9)	(6.4)
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. (%)	-	-	-	-
EPS growth (%)	(15.0)	23.8	17.8	20.1
Core P/E (x)	30.7	24.8	21.1	17.6
Dividend yield (%)	-	0.6	0.7	0.9
Price/book (x)	6.3	3.6	3.2	2.8
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 (%)	(3.4)	0.0	n/a
Relative to country (%)	(2.9)	(1.5)	n/a
Mkt cap (USD m)	2,453		
3m avg. daily turnover (USD m)	13.0		
Free float (%)	21		
Major shareholder	Bank of Ayudhya (30%)		
12m high/low (THB)	55.50/33.25		
Issued shares (m)	2,319		



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Investment thesis

TIDLOR is one of the largest microfinance operators in Thailand. Unlike its peers, we believe it has three outstanding differences that will allow it to deliver superior and quality growth amid the intense competition in the auto title loan industry and the upcoming price competition in certain segments, including: 1) being a technology-driven microfinance operator; 2) having synergies from being part of Bank of Ayudhya (BAY TB, NR); and 3) providing sustainable growth.

We maintain BUY as we believe TIDLOR's net profit should rise at a 24% three-year CAGR in 2021-23 on: 1) its stringent asset quality control; 2) strong insurance brokerage business; and 3) its strategy to not engage in price wars but use its unique product strategies, e.g. TIDLOR cash card, to take on competitors.

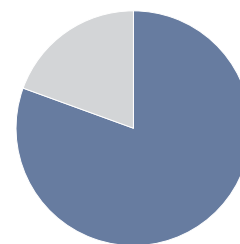
Company profile

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)

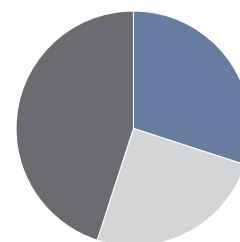
- Net interest income - 80.5 %
- Non-interest income - 19.5 %



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:

1. Stronger non-life premium growth;
2. The reversal of provisions;
3. 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
21 Feb 2022	4Q21 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
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

	±5bp	15.75	15.80	15.85
NIM (%)				
% 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

4Q21E: strong loan and fee growth hampered by higher OPEX

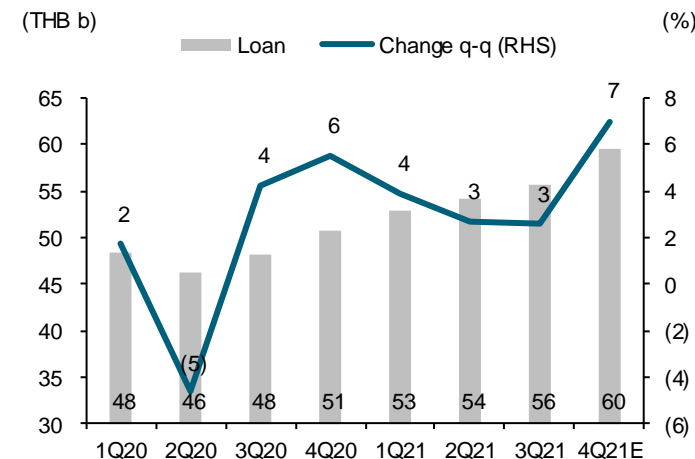
We see three positives in TIDLOR's 4Q21 performance. First, its loan volume could surge by 7% q-q (+17% y-y), driven by truck and motorcycle title loans. Second, its insurance brokerage fee income should increase q-q following the resumption of business activities. Lastly, we expect its non-performing loans (NPLs) to decline by 2% q-q thanks to the higher loan repayment ability of its clients following the lockdown easing. However, all these positives could be hampered by a significant rise in its OPEX due to seasonality and personnel expenses. Therefore, we expect TIDLOR to report a mediocre 4Q21 net profit of THB800m (+10% y-y, -2% q-q).

Exhibit 75: TIDLOR – 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	1,988	2,187	2,327	17	6	8,589	14	
Non-interest income	582	467	519	(11)	11	2,069	13	Strong insurance brokerage fees
Operating income	2,570	2,654	2,846	11	7	10,658	14	
Operating expenses	1,488	1,490	1,711	15	15	6,232	8	Seasonal OPEX and staff expense
PPOP before tax	1,083	1,163	1,135	5	(2)	4,426	23	
Provision	203	151	135	(33)	(11)	435	(25)	
Income tax	155	199	200	29	0	798	31	
Minority interest	0	0	0			0		
Normalised profit	725	813	800	10	(2)	3,193	32	
Extraordinary items	0	0	0			0		
Net profit	725	813	800	10	(2)	3,193	32	
EPS (THB)	0.34	0.35	0.35	0	(2)	1.42	24	
Asset quality ratio								
Gross NPLs (THB m)	850	801	785	(8)	(2)			
NPL ratios (%)	1.67	1.44	1.32					
LLR/NPLs (%)	325	326	331					
Credit cost (bp)	164	110	94					
Profitability ratio (%)								
Cost to income ratio	57.9	56.2	60.1					
Average yield	18.36	17.88	18.00					
Cost of funds	2.90	2.70	2.70					
Net interest margin	16.07	15.93	16.17					
Non-int inc/total income	22.65	17.58	18.25					
Loan growth (%)								
y-y	6.7	15.5	17.1					
q-q	5.5	2.6	7.0					

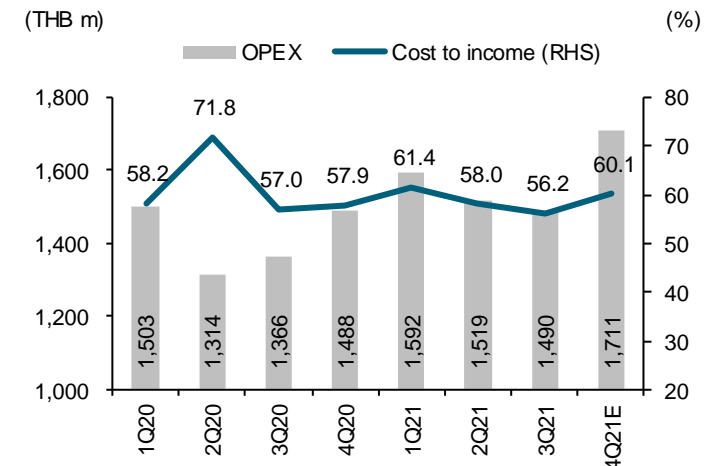
Sources: TIDLOR; FSSIA estimates

Exhibit 76: Loan growth



Sources: TIDLOR; FSSIA's estimates

Exhibit 77: OPEX and cost to income



Sources: TIDLOR; FSSIA's estimates

Different products and a diversified source of revenue

We see a new trend of ATL operators expanding their businesses to include appliance hire purchase lending, which is less regulated. Unlike its peers, we think TIDLOR will maintain its focus on competing in the red and regulated ATL ocean based on the strength of its revolving cash card product. This card provides more flexibility to access funds when needed for its clients. Therefore, we expect the company could continue to expand its loan portfolio at the moderate rate of 15.7% three-year CAGR in 2021-23. Also, TIDLOR has a more diversified source of revenue, with 81% interest income and 19% fee income, mainly from insurance brokerage fees. With its online Areegator network and cross-selling opportunities, we believe TIDLOR should be able to sell more insurance products and increase its fee income.

Exhibit 78: TIDLOR's cash card



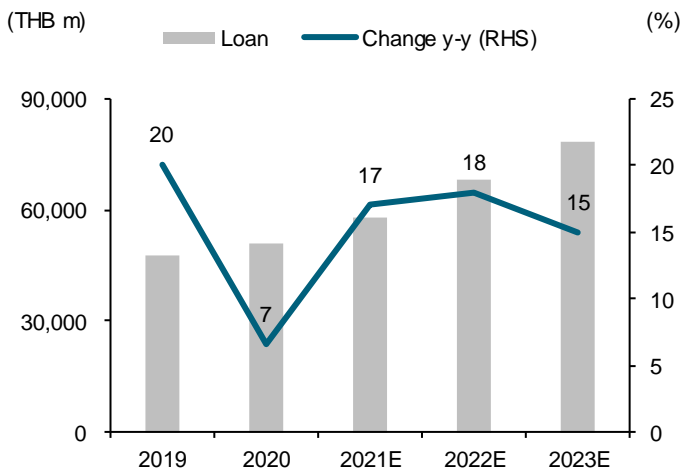
Source: TIDLOR

Exhibit 79: TIDLOR's cash card



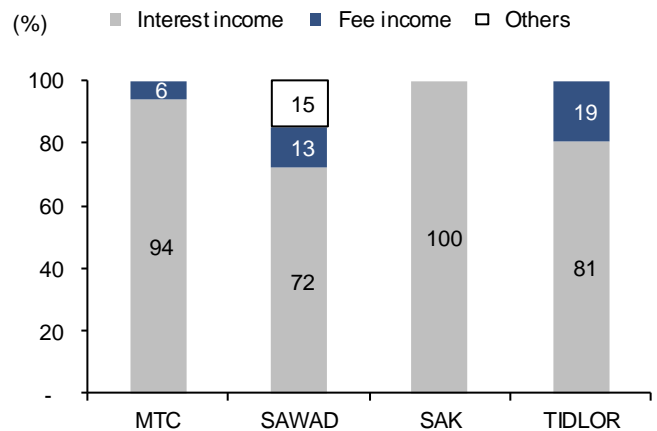
Source: TIDLOR

Exhibit 80: Expect moderate loan growth at a 15.7% three-year CAGR in 2021-23



Sources: TIDLOR; FSSIA estimates

Exhibit 81: TIDLOR has the second most diversified revenue structure

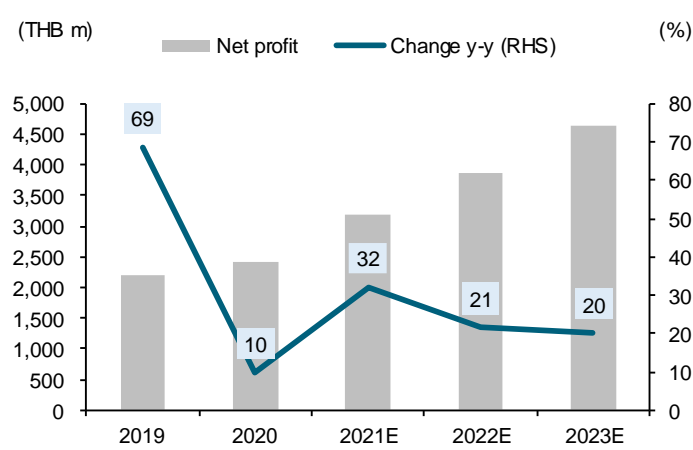


Sources: TIDLOR; FSSIA estimates

Solid growth set to continue in 2022

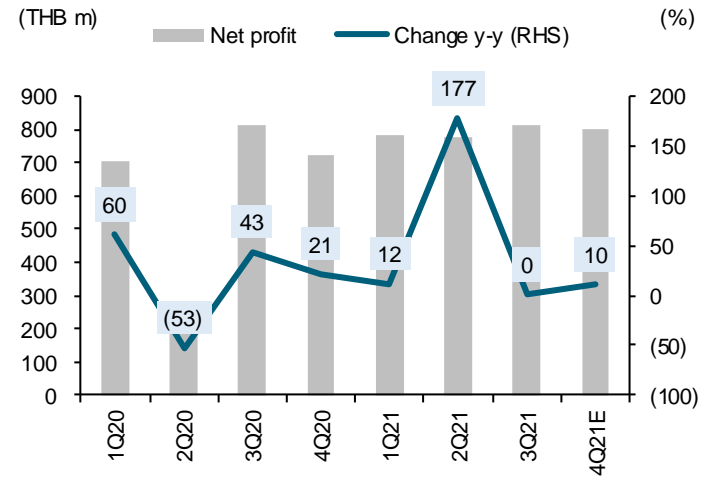
We expect TIDLOR to deliver 22% y-y net profit growth in 2022 based on two main drivers. First, with the economic recovery, the 0% interest installment campaign, and its insurance Areegator platform, we expect its insurance brokerage fees to increase significantly. Second, we expect TIDLOR’s loan volume to rise by 18% y-y. We think its motorcycle title loans should accelerate thanks to its cash card. Moreover, TIDLOR might launch a cash card for car title loans this year, in our view. We have limited concerns about its asset quality thanks to its conservative lending strategy. On top of that, we expect TIDLOR to have a substantially higher coverage ratio of 297% vs the ATL sector’s 145% average in 2022.

Exhibit 82: Yearly net profit growth



Sources: TIDLOR; FSSIA estimates

Exhibit 83: Quarterly net profit growth



Sources: TIDLOR; 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) *	26.1	30.7	24.8	21.1	17.6
Recurring P/E @ target price (x) *	31.9	37.5	30.3	25.7	21.4
Reported P/E (x)	26.1	30.7	24.8	21.1	17.6
Dividend yield (%)	5.2	-	0.6	0.7	0.9
Price/book (x)	6.2	6.3	3.6	3.2	2.8
Price/tangible book (x)	6.2	6.3	3.6	3.2	2.8
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

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	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	MITSI	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	HL	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	AMANA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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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Company	Ticker	Price	Rating	Valuation & Risks
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 183.00	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 60.00	HOLD	Upside risks to our GGM-derived TP include: 1) stronger-than-expected growth for KTB Leasing; and 2) 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 56.25	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 60.25	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.
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.
Ngern Tid Lor	TIDLOR TB	THB 35.25	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 7.45	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.
Singer Thailand	SINGER TB	THB 46.25	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 20.40	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 12.90	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 64.00	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 40.50	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 10.70	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.
Central Retail Corp	CRC TB	THB 34.00	BUY	The key downside risks to our DCF-based TP include 1) new waves of Covid-19; and 2) lower-than-expected sales from the high-margin fashion business.

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 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.