

Thailand Diversified Financials

Trucks firmly in the sweet spot

- Expect sanguine outlook for truck lenders on the back of solid demand and low price competition.
- Solid NP expected in 1Q22 from strong loan growth, stable yields, and limited NPL concerns.
- OVERWEIGHT for truck lenders due to outstanding NP growth; SINGER is our top pick.

Continued solid truck loan demand with price competition still far away

New and used truck sales have been higher than the pre-Covid levels since 2021. This has resulted in an impressive growth rate for truck loans, including for new trucks, used trucks, and truck title loans. We think this trend should continue in 2022. The increase in new truck sales should be higher than used truck sales, given the expected stronger GDP growth in 2022. As for truck title loans, we believe that there is still a large potential demand as truck owners will no doubt want cash flow for business and consumption purposes. We also think the potential market for truck title loans is extremely large. Based on our estimate, we believe the market size would be at least cTHB250b. Regarding price competition, we reiterate our view that intense price competition among truck-related lenders should not occur soon as 1) most competitors charge the relatively same average interest rates suited to the risks associated with each truck's age; 2) there are still no major competitors trying to pressure interest rate charges downward to compete for more market share; and 3) customers are not very price sensitive.

Strong performance expected in 1Q22, driven by SINGER

We expect truck-related lenders to deliver a solid 1Q22 aggregate net profit of THB718m (+16% y-y, +1% q-q). We see three positives. First, we expect strong loan growth of 2.9% q-q. SINGER should deliver the strongest growth, followed by MICRO, in our view. Second, we expect the loan yield of all operators to be relatively stable q-q as the price competition is not intense. Third, there is no cause for non-performing loan (NPL) alarm. As for the increase in energy prices, most truck lenders' clients can pass through the higher costs to employers (for mid- to large-scale business operators) and clients (for small business operators/retail segment). SINGER should deliver the most solid 1Q22 net profit growth, while we expect MICRO and THANI to deliver unimpressive net profit growth in 1Q22.

Overweight for truck lenders; SINGER is the most preferred

We maintain our view that, among the covered diversified financials (CDF), truck-related lenders are our second most preferred segment (most preferred is asset management) for their significant 2022E net profit growth outlook at 32%. SINGER remains one of our top picks as we believe it will deliver the highest 2022E net profit growth at 78% y-y among our CDF, on the back of 1) the bright outlook of truck title loans; 2) its aggressive business expansion; 3) its new business initiatives; and 4) its ecosystem from being in the JMART group. Although MICRO and THANI are not our most preferred stocks, we maintain our BUY call as we think both of them will benefit from the solid demand for truck loans.

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Micro Leasing	MICRO TB	7.35	BUY	unchanged	10.70	10.70	unchanged	+45.6%
Singer Thailand	SINGER TB	55.75	BUY	unchanged	74.00	62.00	+19.35%	+32.7%
Ratchthani Leasing	THANI TB	4.36	BUY	unchanged	4.80	4.80	unchanged	+10.1%

Note: Priced at close of business 19/04/2022. Share prices and TPs are in listing currency; Source: FSSIA estimates



Yuvanart Suwanumphai

yuvanart.suw@fssia.com
+66 2611 3554

Investment thesis

New and used truck sales have been higher than the pre-Covid levels since 2021. This has resulted in an impressive growth rate for truck loans, including for new trucks, used trucks, and truck title loans. We think this trend should continue in 2022. The increase in new truck sales should be higher than used truck sales, given the expected stronger GDP growth in 2022. As for truck title loans, we believe that there is still a large potential demand as truck owners will no doubt want cash flow for business and consumption purposes. We also think the potential market for truck title loans is extremely large. Based on our estimate, we believe the market size would be at least cTHB250b. Regarding price competition, we reiterate our view that intense price competition among truck-related lenders should not occur soon as 1) most competitors charge the relatively same average interest rates suited to the risks associated with each truck's age; 2) there are still no major competitors trying to pressure interest rate charges downward to compete for more market share; and 3) customers are not very price sensitive.

We maintain our view that, among the diversified financials under our coverage, truck-related lenders are our second most preferred segment – the most preferred is asset management companies – due to their significant 2022E net profit growth outlook at 32%, supported by 1) a stronger demand for truck loans; and 2) low price competition.

Catalysts

- 1) Higher demand for trucks;
- 2) Strong revenue and profit contributions from new businesses;
- 3) Good operating cost control.

Risks to our call

- 1) A slower-than-expected economic recovery leading to a slowdown in logistics activities and private investment;
- 2) Deteriorating asset quality;
- 3) Changes in financial regulations from the Bank of Thailand and the Office of the Consumer Protection Board.

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Event Calendar

Date	Event
Mid-May 22	1Q22 results announcement

Strong demand for trucks should continue

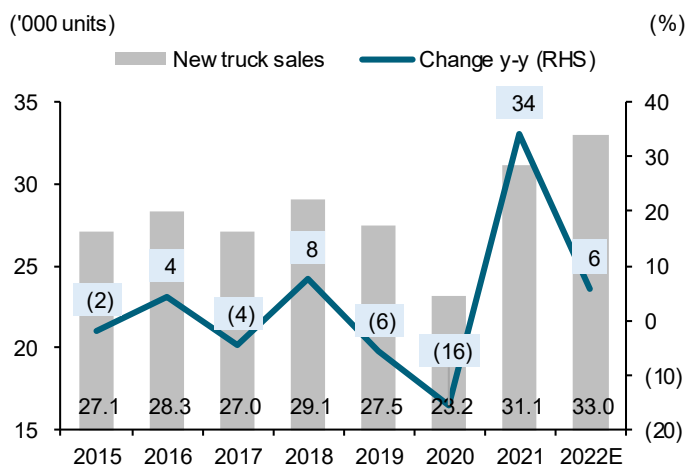
Truck transportation is one of the most popular transportation methods in Thailand since it normally offers lower costs compared with other transportation means. Also, Thailand is one of the main ASEAN transport points and a logistics hub. In 2021, the demand for truck loans, including for new trucks, used trucks, and truck title loans, increased at an impressive rate. We think this trend should continue in 2022.

#1 Demand for trucks has been higher than pre-Covid level since 2021

We track the demand for trucks by using two main reported numbers: 1) new truck sales from the Federation of Thai Industries (FTI); and 2) the registered trucks (both new and used trucks) from the Department of Land Transport (DLT). Note that the numbers of new trucks from sales and registrations will normally move in the same direction. However, the increasing/decreasing momentum might differ for some periods due to the transfer process.

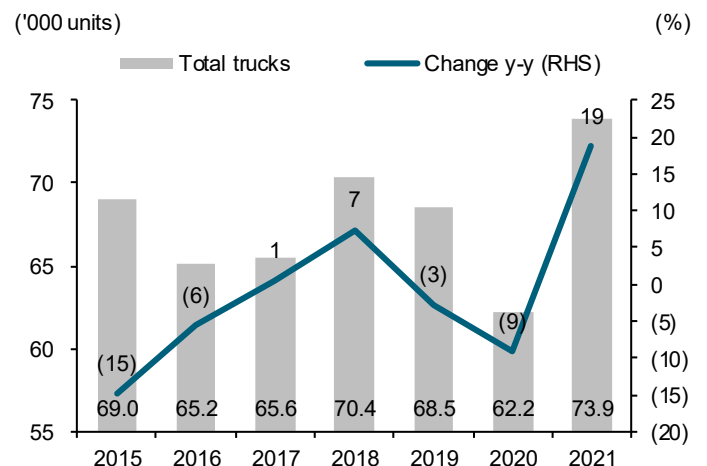
Before Covid-19, the five-year average during 2015-19 for new truck sales in Thailand was at 27.8k units per year. In 2020, new truck sales plummeted to 23.2k units. Then, in 2021, this number increased significantly by 34% y-y to 31.1k units, which was higher than the pre-Covid level. According to THANI's management, the projected new truck sales by the Truck Association is 33k units in 2022.

Exhibit 1: New truck sales



New trucks = 2 to 4-tonne trucks, and trucks over 4 tonnes and buses
Sources: FTI; FSSIA's compilation

Exhibit 2: Total registered trucks

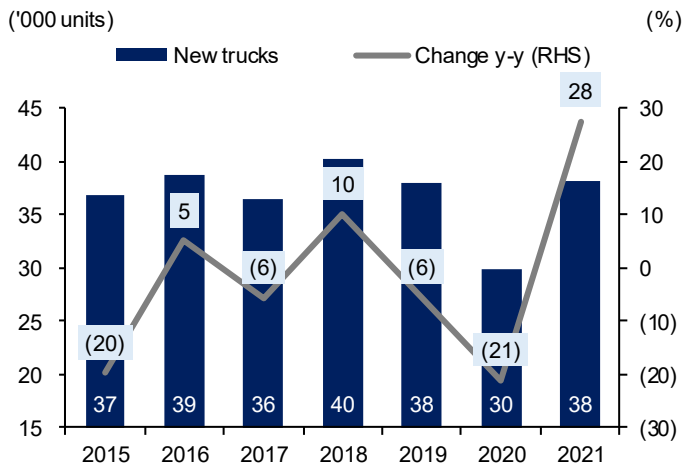


Sources: DTL; FSSIA's compilation

This trend was in-line with the total number of registered trucks. The five-year average during 2015-19 for total registered trucks in Thailand was at 67.7k units per year. In 2020, total registered trucks – excluding 7.5k extra units transferred from Kerry Express (KEX TB, REDUCE, TP THB19) – plunged to 62.2k units. Then, in 2021, it rose materially by 19% y-y to 73.9k units, which was higher than the pre-Covid level. The registered new truck trend followed the total registered truck trend. However, we note that the demand for used trucks has outpaced the pre-Covid level since 2020.

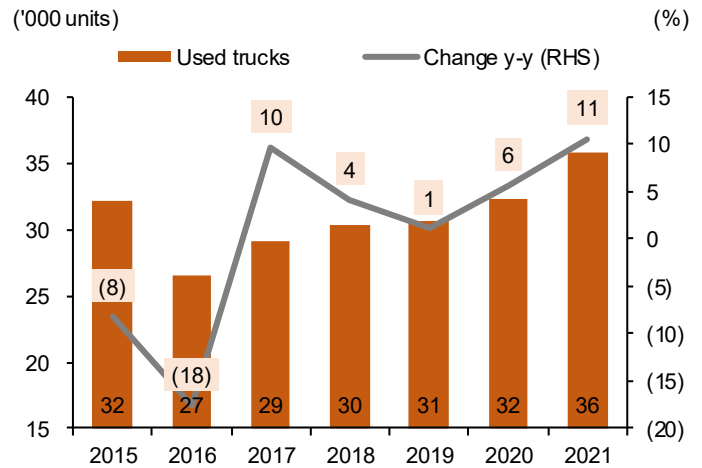
Based on our analysis, during the economic slowdown and the slow recovery phase, the demand for used trucks should be higher than for new trucks. For example, in 2011-12 when Thailand experienced massive flooding and when Thailand's GDP declined due to the Covid pandemic in 2020, the number of used trucks registered was higher than new truck registrations. This follows, because the price of used trucks is lower by half compared with the cost of new trucks. Moreover, second-hand trucks are assembled and ready to be used immediately, while it might take time to adjust new trucks to operate efficiently for their intended purpose.

Exhibit 3: New registered trucks



Sources: DTL; FSSIA's compilation

Exhibit 4: Used registered trucks

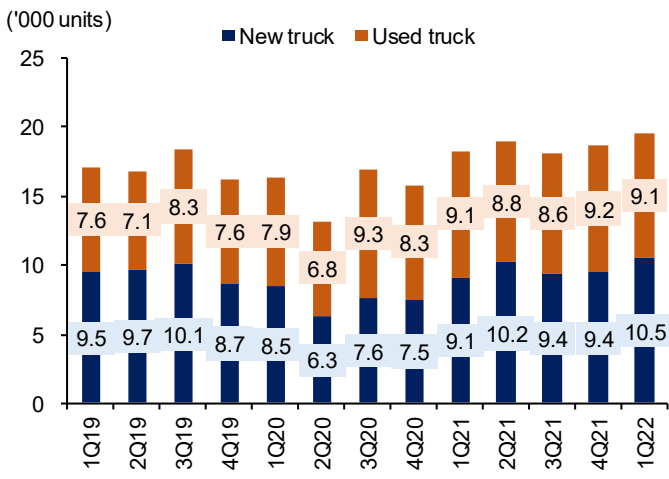


Sources: DTL; FSSIA's compilation

#2 New truck growth should outpace used truck growth in 2022

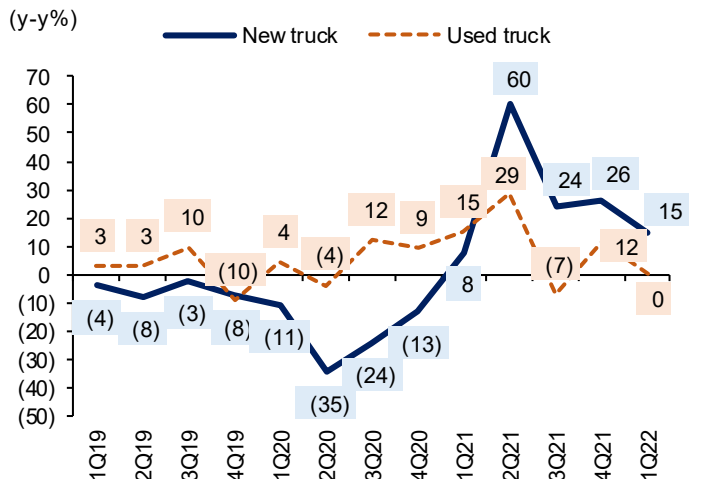
In 2022, we have strong conviction that the demand for trucks could grow continuously, supported by the expansion of agriculture and food products, the fast-moving consumer goods sector, the construction sector, and especially the e-commerce industry. Given the expected stronger GDP growth in 2022 compared with 2021, together with an improvement in the new truck supply shortage, we think the increase in new truck sales should outweigh the rise in used truck sales. In 1Q22, new registered trucks increased by 15% y-y, while used registered trucks were relatively stable y-y.

Exhibit 5: The number of new registered trucks and used registered trucks



Sources: DTL; FSSIA's compilation

Exhibit 6: The increase in new registered trucks has outpaced registered used trucks since 2Q21

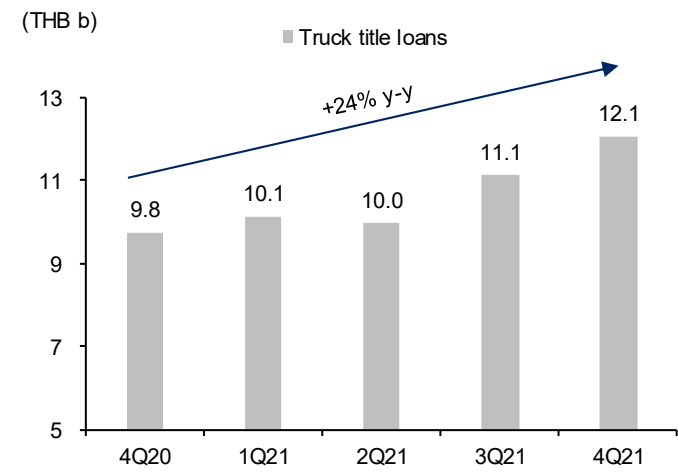


Sources: DTL; FSSIA's compilation

#3 Sanguine outlook for truck title loans

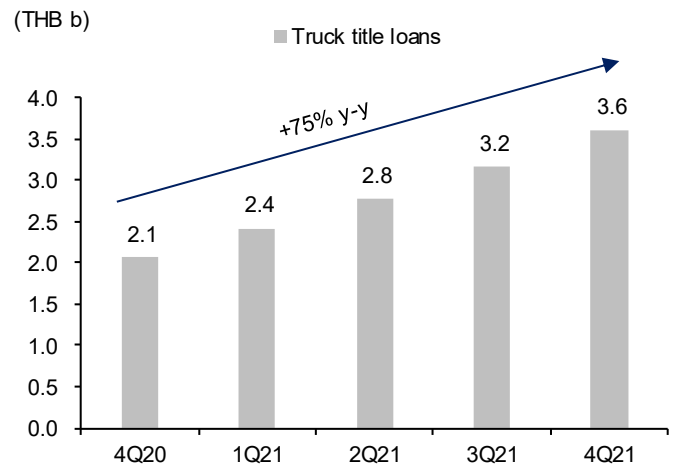
We believe that truck title lending is a fragmented industry. The majority of lenders are non-bank players, while there are only few banks that have penetrated this industry, such as Tisco Financial Group (TISCO TB, BUY, TP THB110). At present, there is no official data to show the need for truck title loans. We have therefore observed the demand for this loan type from key players that we have access to information for. We think Ngern Tid Lor (TIDLOR TB, BUY, TP THB43) and SINGER are two of the key players. Thus, we have tracked their portfolios to determine the demand for truck title loans. We found that their portfolios increased significantly in 2021. This implies that there is plenty of demand for truck title loans.

Exhibit 7: TIDLOR's truck title loan portfolio in 2021 increased 24% y-y



Note that we assume that 80% of TIDLOR's truck portfolio is truck title loans
Sources: TIDLOR; FSSIA estimates

Exhibit 8: SINGER's truck title loan portfolio in 2021 increased 75% y-y



Note that we assume that 60% of SINGER's cars for cash portfolio is truck title loans
Sources: SINGER; FSSIA's estimates

In 2022, we believe that there is still a large potential demand for truck title loans as truck owners will doubtlessly want cash flow for business and consumption purposes. Also, we think the potential market for truck title loans is extremely large. Based on our estimate, we believe the market size would be at least cTHB250b. As of 2021, TIDLOR and SINGER's truck title loan portfolios together accounted for only c6% of the total potential market. Moreover, as previously mentioned, the supply of both new and used trucks might be higher, potentially leading to a higher supply of trucks being used as collateral in the future. As a result, we expect to see solid loan growth for truck title operators.

Our methodology to estimate the potential auto title loan market size is as follows:

- 1) 30% of registered vehicles are eligible for use as collateral for truck title loans;
- 2) The average ticket size per contract for trucks is THB700,000.

Exhibit 9: The market size of truck title loans would be at least cTHB250b

	Nationwide	BKK	Central	East	West	North	Northeast	South
Accumulated registered trucks (m units) – as of Mar-22	1.21	0.16	0.17	0.14	0.15	0.19	0.30	0.10
Assume 30% of registered trucks are eligible to use as collateral for truck title loans (m units)	0.36	0.05	0.05	0.04	0.04	0.06	0.09	0.03
Assume average ticket size for truck title loans is THB700k								
Total potential market of truck title loans (THB b)	253	33	35	30	31	39	63	22

Sources: DLT; FSSIA estimates

Price competition is not intense

We reiterate our view that intense price competition among truck-related lenders will not occur soon. The interest rate charges for new and used trucks should remain stable or only slightly decrease in the next two to three years at least, in our view, as 1) most competitors charge the relatively same average interest rates suited to the risks associated with each truck's age; 2) there are still no major competitors trying to pressure interest rate charges downward to compete for more market share; and 3) customers are not very price sensitive. The strengths of the loan products are their reasonable LTV and the speed of approval, not the cheapest interest rate charge.

Exhibit 10: Interest rate charge and LTV of truck lenders

	----- New truck loans -----		----- Used truck and refinancing loans -----		----- Truck title loans -----	
	Interest rate charge (%)	LTV (%)	Interest rate charge (%)	LTV (%)	Interest rate charge (%)	LTV (%)
Bank	5-7	c80	n/a	n/a	n/a	n/a
Non-bank						
ASK	6-8	c80	12-14 (majority is trucks aged below 7 yrs)	70-85	Just started / requested a license to operate business	
THANI	6-8	c80	12-14 (majority is trucks aged below 7 yrs)	70-85		
MICRO			17-30 (majority is trucks aged 6-15 yrs)	70-85		
SINGER	Does not run this business		Does not run this business		14-16	60-80
TIDLOR			n/a	n/a	10-16	60-80

Sources: Company data; FSSIA estimates

Strong performance expected in 1Q22, driven by SINGER

We expect truck-related lenders to deliver a solid 1Q22 aggregate net profit of THB718m (+16% y-y, +1% q-q). We see three positives. First, we expect strong loan growth of 2.9% q-q. SINGER should deliver the strongest growth, followed by MICRO, in our view. THANI should deliver the lowest growth due to its conservative strategy. Second, we expect the loan yield of all operators to be relatively stable q-q as the price competition is not intense. Third, we expect a minimal rise in the NPLs of truck lenders following the increase in loan volumes. There is no cause for alarm, in our view. As for the increase in energy prices, according to truck lenders' management, they currently do not see a significant impact. Most truck lenders' clients can pass through the higher costs to employers (for mid- to large-scale business operators) and clients (for small business operators/retail segment).

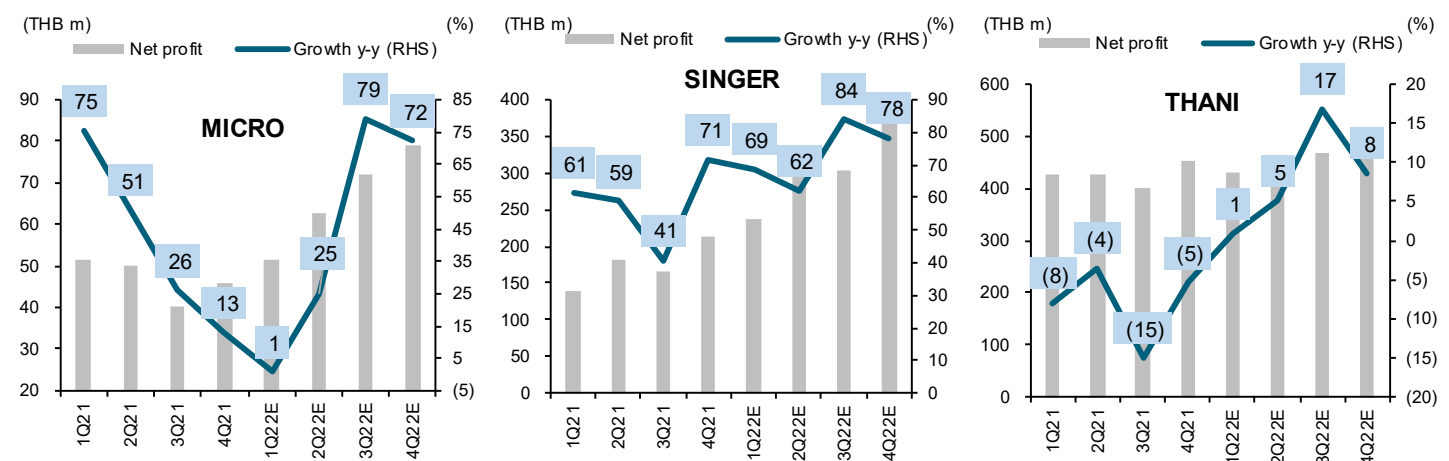
SINGER should deliver the most solid 1Q22 net profit growth due to its aggressive expansion strategy both in truck title loans and the instalment of home appliances with the sufficient capital from its recent capital increase. Meanwhile, we expect MICRO and THANI to deliver unimpressive net profit growth in 1Q22.

Exhibit 11: Summary of 1Q22E results preview of truck-related lenders

1Q22E Year-end Dec 31	MICRO (THB m)	THANI (THB m)	SINGER (THB m)	Truck lenders (THB m)
Net profit	52	430	236	718
Change y-y (%)	0.6	0.8	68.6	16.2
Change q-q (%)	12.5	(5.1)	11.1	0.8
Key ratios				
Asset quality ratio (%)				
NPLs (THB m)	148	1,863	456	2,467
Change y-y	43.2	19.2	43.1	24.3
Change q-q	12.0	0.0	8.0	2.1
NPL ratio (NPLs / Loans)	3.62	3.72	3.87	3.74
Coverage ratio (Loan loss reserve/NPLs)	129	82	62	81
Credit cost (bp)	550	110	138	142
Profitability ratio (%)				
Cost to income ratio	31.1	17.7	71.7	48.1
Average yield	16.0	6.7	17.0	9.1
Cost of fund	4.0	2.5	5.4	3.1
Net interest margin (NIM)	13.9	4.9	12.9	6.8
Non-int income/total income	20.7	25.0	68.8	48.4
Loan growth (%)				
y-y	43.7	3.4	57.0	12.2
q-q	7.4	1.5	7.7	2.9

Sources: Company data; FSSIA's estimates

Exhibit 12: Quarterly net profit growth of MICRO, SINGER, and THANI



Sources: Company data; FSSIA estimates

Overweight for truck lenders; SINGER is the most preferred

We maintain our view that, among the diversified financials under our coverage, truck-related lenders are our second most preferred segment – the most preferred is asset management companies – due to their significant 2022E net profit growth outlook at 32%, supported by 1) a stronger demand for truck loans; and 2) low price competition.

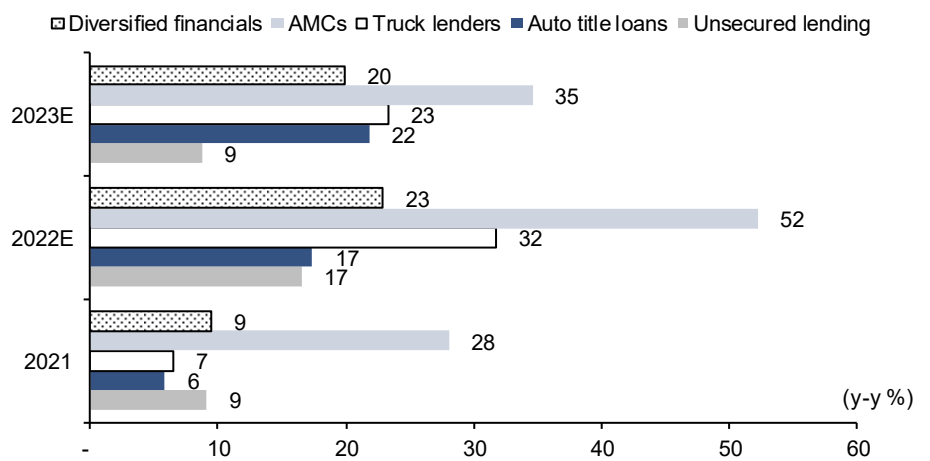
SINGER remains one of our top picks as we believe it will deliver the highest 2022E net profit growth at 78% y-y among our covered diversified financial stocks, on the back of 1) the bright outlook of truck title loans; 2) its aggressive business expansion in both auto title loans and home appliance hire purchase, enabling SINGER to deliver outstanding growth vs its peers; 3) its new business initiatives, e.g. solar rooftops, which should enhance its long-term growth; and 4) its ecosystem from being in the Jay Mart (JMART TB, BUY, TP THB62) group. Its premium valuation is justified by its sustained and robust growth, in our view.

Although MICRO and THANI are not our most preferred stocks, we maintain our BUY call as we think both of them will benefit from the solid demand for truck loans.

As for MICRO, we think its net profit should surge in 2H22. MICRO is continuing its branch expansion plan and building good relationships with dealers. We believe it will capture more market share from local competitors, and we forecast MICRO's net profit growth at a 29% three-year CAGR from 2021-24.

Regarding THANI, we expect it to deliver stronger net profit growth in 2H22 following higher loan growth and lower expected credit losses. Also, we think THANI's valuation is undemanding at 13.0x 2022E P/E and 2.0x 2022E P/BV.

Exhibit 13: Net profit growth (y-y %) of diversified financials under our coverage



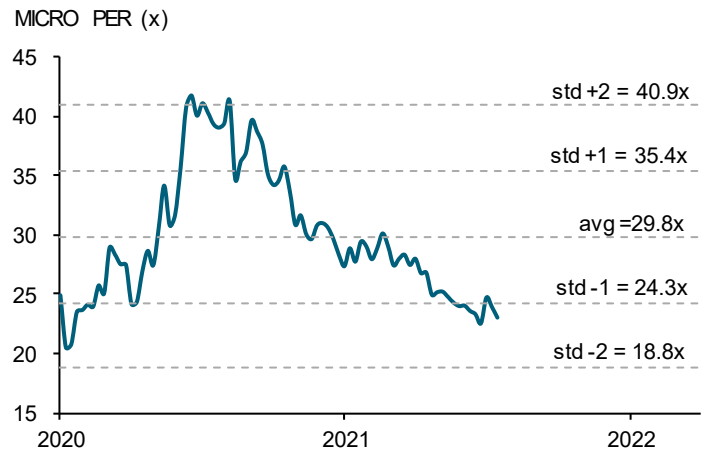
Source: FISSIA estimates

Exhibit 14: MICRO – one-year prospective P/BV



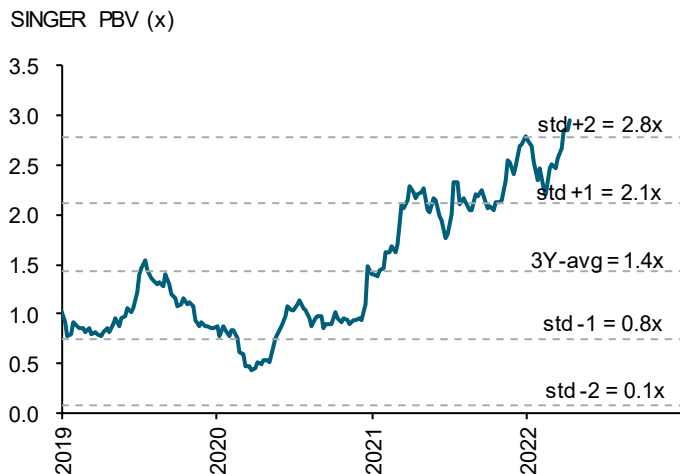
Sources: Bloomberg; FSSIA estimates

Exhibit 15: MICRO – one-year prospective P/E



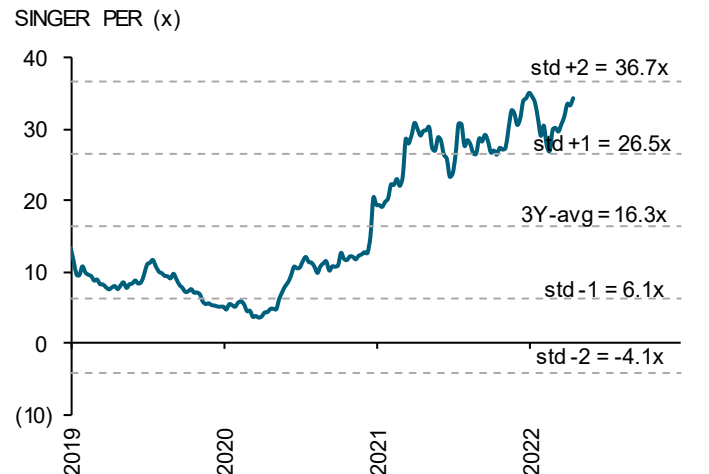
Sources: Bloomberg; FSSIA estimates

Exhibit 16: SINGER – one-year prospective P/BV



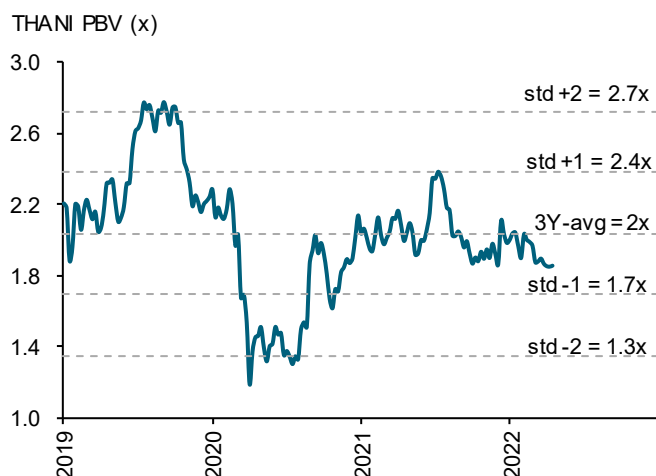
Sources: Bloomberg; FSSIA estimates

Exhibit 17: SINGER – one-year prospective P/E



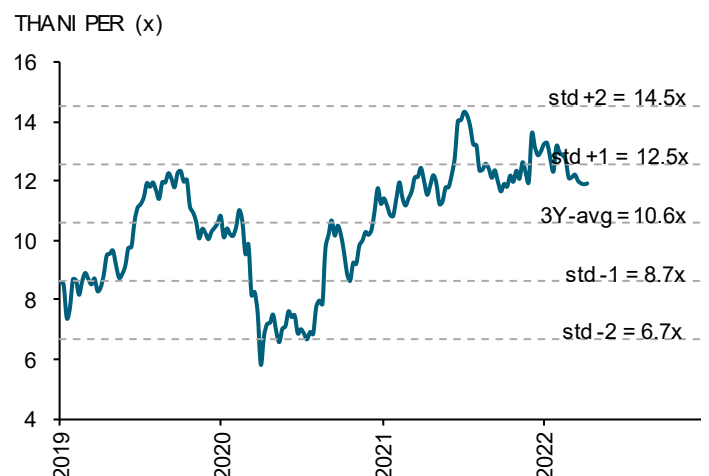
Sources: Bloomberg; FSSIA estimates

Exhibit 18: THANI – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 19: THANI – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 20: Key valuations of companies under coverage

	BBG code	Rec	--- Share price ---		Up side (%)	Market Cap (USD m)	EPS growth		---- P/E ----		---- ROE ----		---- PBV ----	
			Current (THB)	Target (THB)			22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)
Diversified financials						24,089	17.6	21.7	24.3	19.4	16.5	17.1	3.4	3.0
Unsecured loan lenders						5,894	11.9	9.0	19.0	17.4	23.4	22.1	4.2	3.7
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	192.50	204.00	6	1,426	13.9	7.4	10.7	9.9	21.1	19.6	2.1	1.8
Krungthai Card	KTC TB	REDUCE	58.50	52.00	(11)	4,468	11.2	9.5	21.7	19.8	24.1	22.9	4.9	4.3
Auto-title lenders						8,487	18.7	21.9	18.7	15.3	19.2	20.2	3.3	2.8
Muangthai Capital	MTC TB	BUY	50.25	60.00	19	3,156	17.6	24.6	18.3	14.7	21.4	22.3	3.6	3.0
Srisawad Corp	SAWAD TB	BUY	54.25	74.00	36	2,207	15.5	19.3	14.0	11.8	20.2	21.8	2.7	2.4
Saksiam Leasing	SAK TB	BUY	9.10	12.00	32	565	38.5	25.9	22.7	18.0	16.2	18.1	3.5	3.1
Ngern Tid Lor	TIDLOR TB	BUY	37.25	43.00	15	2,559	18.6	20.1	22.3	18.5	16.1	16.9	3.4	2.9
Truck lenders						2,284	12.2	27.5	28.2	21.6	11.0	12.9	2.7	2.5
Micro Leasing	MICRO TB	BUY	7.35	10.70	46	204	45.1	26.8	25.3	19.9	13.2	15.0	3.2	2.8
Singer Thailand	SINGER TB	BUY	55.75	74.00	33	1,349	7.7	35.1	37.0	27.4	8.1	10.5	2.9	2.8
Ratchthani Leasing	THANI TB	BUY	4.36	4.80	10	731	11.5	13.6	13.0	11.4	15.9	16.7	2.0	1.8
Asset management						5,878	27.6	35.9	39.5	28.6	9.8	11.7	3.8	3.3
Bangkok Commercial Asset Mngt.	BAM TB	BUY	20.50	25.50	24	1,963	23.2	26.6	20.7	16.3	7.5	8.6	1.5	1.3
Chayo Group	CHAYO TB	BUY	12.50	16.60	33	387	44.4	17.2	37.7	32.2	10.6	9.4	3.3	2.6
JMT Network Services	JMT TB	BUY	83.00	80.00	(4)	3,529	28.3	43.1	50.2	35.1	11.0	13.6	5.1	4.5
Other						1,258	4.1	8.5	7.7	7.1	8.0	8.2	0.6	0.6
Thanachart Capital	TCAP TB	HOLD	40.50	42.00	4	1,258	4.1	8.5	7.7	7.1	8.0	8.2	0.6	0.6
Hire purchase motorcycle						288	1.3	(2.6)	30.9	31.7	11.3	8.6	3.0	2.5
Next Capital	NCAP TB	BUY	10.80	12.80	19	288	1.3	(2.6)	30.9	31.7	11.3	8.6	3.0	2.5

Share prices as of 19 Apr 2022

Source: FSSIA estimates

MICRO LEASING MICRO TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

UNCHANGED

Stronger growth expected in 2H22

- Expect unimpressive 1Q22 NP of THB52m (+1% y-y, +13% q-q).
- Stronger outlook projected in 2H22 following solid loan growth.
- Maintain BUY with GGM-based TP of THB10.7.

TARGET PRICE	THB10.70
CLOSE	THB7.35
UP/DOWNSIDE	+45.6%
PRIOR TP	THB10.70
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-7.0%

Unimpressive 1Q22E net profit growth

We expect MICRO to continue to compete for market share from local operators, with an expected new lending used truck market share of 10% in 1Q22 from 8.9% in 2021. As a result, its loan volume should increase by 44% y-y and 7% q-q. We also believe that MICRO has been able to contain its asset quality, with an NPL ratio of 3.6% vs 3.5% in 4Q21. However, thanks to the change in the law regarding NPL write-off criteria, MICRO has had to accelerate its write-off process to receive tax benefits since 2Q21. This should result in a significant increase in its credit cost to 550 bps in 1Q22 vs 310 bps in 1Q21. Thus, we expect MICRO to deliver an unimpressive 1Q22 net profit of THB52m (+1% y-y, +13% q-q).

Limited impact from rising energy prices

We think MICRO's clients will still see a limited impact from rising energy prices due to the cost-plus pricing structure. Truck borrowers should finally pass through these costs to their clients. As a result, asset quality is not our key concern. However, if abnormally high inflation persists in the long term, MICRO might lend new loans more selectively.

Expanding to motorcycle HP business should benefit in long term

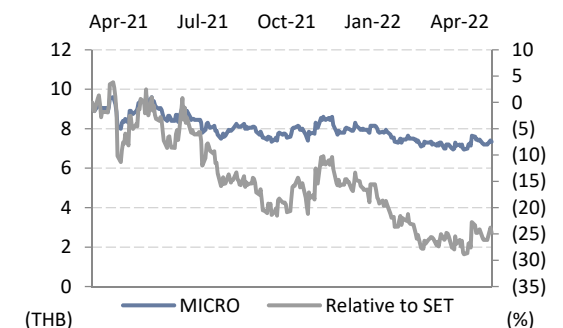
In Mar-22, MICRO established a JV, "Micro Plus Leasing", which will operate new motorcycle HP with registered capital of THB400m. MICRO holds a 51% stake; Mr. Thammasak (co-founder of MICRO)'s group holds 30%; and Mr. Thaveephol's group holds 19%. Mr. Thaveephol has expertise in the motorcycle HP industry with more than 20 years of experience. The JV is expected to operate within early 3Q22. MICRO targets a THB400m portfolio in 2022. The JV's yield charge should be 24% p.a., according to management. We like the strategy to expand to motorbike HP as this should benefit MICRO in terms of diversification to a higher yield portfolio and client base, while enhancing long-term growth. However, we expect the JV to contribute a minor loss in 2022.

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

Although MICRO's net profit is not attractive in the short term, we maintain our positive view with our GGM-based TP of THB10.7. We think its net profit should surge in 2H22. MICRO is continuing its branch expansion plan and building good relationships with dealers. We believe it will capture more market share from local competitors, and we forecast MICRO's net profit growth at a 29% three-year CAGR from 2021-24.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	227	340	420	498
Net profit	187	272	345	403
EPS (THB)	0.20	0.29	0.37	0.43
vs Consensus (%)	-	3.6	0.5	44.8
Core net profit	187	272	345	403
Core EPS (THB)	0.20	0.29	0.37	0.43
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	13.3	45.1	26.8	17.0
Core P/E (x)	36.7	25.3	19.9	17.0
Dividend yield (%)	1.0	0.8	1.0	1.8
Price/book (x)	3.5	3.2	2.8	2.5
ROE (%)	9.9	13.2	15.0	15.7
ROA (%)	5.5	5.9	6.0	5.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.8	(2.6)	(20.1)
Relative to country (%)	3.0	(3.7)	(24.9)
Mkt cap (USD m)	204		
3m avg. daily turnover (USD m)	0.5		
Free float (%)	21		
Major shareholder	Auchyawat Family (57%)		
12m high/low (THB)	10.10/6.70		
Issued shares (m)	935		

Sources: Bloomberg consensus; FSSIA estimates


Yuvanart Suwanumphai

 yuvanart.suw@fssia.com
 +66 2611 3554

Investment thesis

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

We maintain our BUY call as we think its long-term outlook is promising due to 1) its outstanding net profit growth that we estimate at a 29% three-year 2021-24 CAGR; and 2) its good position to benefit from the higher demand for used trucks as a pure play used truck lender.

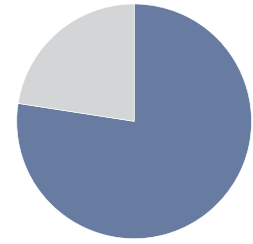
Company profile

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

www.microleasingplc.com

Principal activities (revenue, 2021)

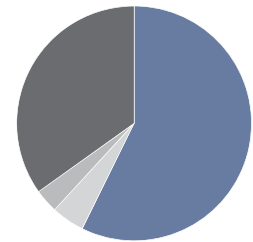
- Net interest income - 77.4 %
- Non-interest income - 22.6 %



Source: Micro Leasing

Major shareholders

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



Source: Micro Leasing

Catalysts

Potential share price catalysts for MICRO include: 1) higher loan growth due to gaining more market share from local peers; 2) better-than-expected fee income; and 3) faster ramping up of its new businesses, including new motorcycle hire purchase loans, truck title loans, and insurance brokerage.

Risks to our call

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

Event calendar

Date	Event
Mid-May 2022	1Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	272	345	403
Net profit growth	45.1	26.8	17.0
NIM	13.45	12.49	11.64
Loan growth	30.0	25.0	25.0
Fee growth	30.0	33.0	28.0
Non-NII growth	28.3	31.5	27.2
Credit cost (bps)	419	400	400
Cost to income	30.5	29.4	28.4

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		2022E		
		28.0	30.0	32.0
Loan growth	±2ppt	28.0	30.0	32.0
% change in net profit		(1.3)	-	1.3
NIM (%)	±5bp	13.40	13.45	13.50
% change in net profit		(2.3)	-	2.3
Credit cost (bps)	±10bp	409.0	419.0	429.0
% change in net profit		2.0	-	(2.0)

Source: FSSIA estimates

Unimpressive 1Q22E net profit growth

We expect MICRO to continue to compete for market share from local operators due to its branch expansion, with an expected new lending used truck market share of 10% in 1Q22 from 8.9% in 2021. As a result, its loan volume should increase by 44% y-y and 7% q-q. Moreover, we expect its fee income to increase following a surge in its loan volume. We also believe that MICRO has been able to contain its asset quality, with a non-performing loan (NPL) ratio of 3.6% vs 3.5% in 4Q21. MICRO's clients should still see a limited impact from rising energy prices due to the cost-plus pricing structure. We think truck borrowers should finally pass through these costs to their clients. However, thanks to the change in the law regarding NPL write-off criteria, MICRO has had to accelerate its write-off process to receive tax benefits since 2Q21. This should result in a significant increase in its credit cost to 550 bps in 1Q22 vs 310 bps in 1Q21. Thus, we expect MICRO to deliver an unimpressive 1Q22 net profit of THB52m (+1% y-y, +13% q-q).

Exhibit 21: MICRO – 1Q22E results preview

Year-end Dec 31	1Q21 (THB m)	4Q21 (THB m)	1Q22E (THB m)	----- Change -----		2021 (THB m)	2022E (THB m)	Change (y-y %)	1Q22E comments
				(y-y%)	(q-q%)				
Net interest income	97	124	136	40	10	441	587	33	
Non-interest income	31	29	36	14	23	128	165	28	Higher fee income following a rise in loan volume
Operating income	128	153	172	34	12	569	752	32	
Operating expenses	43	50	53	23	7	186	229	23	
PPOP before tax	85	103	119	40	15	383	523	36	
Provision	21	45	54	159	20	156	183	18	Accelerated its write-off process to receive tax benefits
Income tax	13	12	13	1	6	40	68	70	
Minority interest	0	0	0			0	0		
Normalised profit	51	46	52	1	13	187	272	45	
Extraordinary items	0	0	0			0	0		
Net profit	51	46	52	1	13	187	272	45	
EPS (THB)	0.05	0.05	0.06	1	13	0.20	0.29	45	
Asset quality ratio									
Gross NPLs (THB m)	103	132	148	43	12	132	177	34	
NPL ratios (%)	3.64	3.47	3.62			3.47	3.58		
LLR/NPLs (%)	108	123	129			123	115		
Credit cost (bp)	310	501	550			491	419		
Profitability ratio (%)									
Cost to income ratio	33.9	32.7	31.1			32.7	30.5		
Average yield	16.0	16.4	16.0			15.9	15.8		
Cost of fund	4.4	5.2	4.0			7.4	5.5		
Net interest margin (NIM)	14.5	13.8	13.9			13.9	13.4		
Non-int inc/total income	24.3	19.0	20.7			22.6	21.9		
Loan growth (%)									
y-y	34.6	49.3	43.7			49.3	30.0		
q-q	11.6	12.1	7.4						Gained more market share from local operators

Sources: MICRO; FSSIA estimates

Expanding to motorcycle HP business should benefit in long term

In Mar-22, MICRO established a JV company named “Micro Plus Leasing”, which will operate new motorcycle hire purchase (HP) loans with registered capital of THB400m. MICRO holds a 51% stake in the JV, while Mr. Thammasak (Co-founder of MICRO)’s group holds 30%, and Mr. Thaveephol’s group holds 19%. Mr. Thaveephol has expertise in the motorcycle HP industry with more than 20 years of experience, as he was the founder and managing director of Worldlease Co., Ltd. The JV is expected to operate within early 3Q22. MICRO targets a THB400m portfolio in 2022, later reaching THB2b within the next three years. The JV’s yield charge should be 24% p.a., according to management. We like the strategy to expand to motorbike HP as this should benefit MICRO in terms of diversification to a higher yield portfolio and client base, while enhancing long-term growth. However, we expect the JV to contribute a minor loss in 2022.

Exhibit 22: MICRO’s business structure



Source: MICRO

Financial Statements

Micro Leasing

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	356	504	690	877	1,096
Interest expense	(48)	(63)	(103)	(184)	(288)
Net interest income	308	441	587	694	808
Net fees & commission	78	120	156	207	265
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	20	9	9	9	10
Non interest income	98	128	165	217	276
Total income	406	569	752	910	1,084
Staff costs	(153)	(186)	(229)	(268)	(308)
Other operating costs	-	-	-	-	-
Operating costs	(153)	(186)	(229)	(268)	(308)
Pre provision operating profit	253	383	523	642	776
Provision for bad and doubtful debt	(77)	(156)	(183)	(222)	(278)
Other provisions	-	-	-	-	-
Operating profit	176	227	340	420	498
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	176	227	340	420	498
Tax	(41)	(40)	(68)	(76)	(95)
Profit after tax	135	187	272	345	403
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	135	187	272	345	403
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	135	187	272	345	403
Per share (THB)					
Recurring EPS *	0.18	0.20	0.29	0.37	0.43
Reported EPS	0.18	0.20	0.29	0.37	0.43
DPS	0.07	0.08	0.06	0.07	0.13
Growth					
Net interest income (%)	26.5	43.2	33.2	18.2	16.5
Non interest income (%)	104.8	30.5	28.3	31.5	27.2
Pre provision operating profit (%)	56.6	51.2	36.5	22.9	20.7
Operating profit (%)	27.0	29.1	49.5	23.7	18.5
Reported net profit (%)	21.9	38.8	45.1	26.8	17.0
Recurring EPS (%)	11.8	13.3	45.1	26.8	17.0
Reported EPS (%)	11.8	13.3	45.1	26.8	17.0
Income Breakdown					
Net interest income (%)	75.8	77.4	78.1	76.2	74.6
Net fees & commission (%)	19.2	21.1	20.7	22.8	24.5
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	5.0	1.5	1.2	1.0	1.0
Operating performance					
Gross interest yield (%)	15.53	15.90	15.80	15.80	15.80
Cost of funds (%)	5.30	7.39	5.50	5.50	6.36
Net interest spread (%)	10.23	8.51	10.30	10.30	9.44
Net interest margin (%)	13.4	13.9	13.4	12.5	11.6
Cost/income(%)	37.6	32.7	30.5	29.4	28.4
Cost/assets(%)	6.3	5.5	5.0	4.6	4.2
Effective tax rate (%)	23.3	17.6	20.0	18.0	19.0
Dividend payout on recurring profit (%)	38.1	38.4	20.0	20.0	30.0
ROE (%)	9.3	9.9	13.2	15.0	15.7
ROE - COE (%)	(1.5)	(0.9)	2.4	4.2	4.9
ROA (%)	5.5	5.5	5.9	6.0	5.5
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Micro Leasing; FSSIA estimates

Financial Statements

Micro Leasing

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	2,542	3,796	4,935	6,168	7,710
Total provisions	(98)	(162)	(203)	(256)	(495)
interest in suspense	0	0	0	0	0
Net customer loans	2,444	3,634	4,732	5,912	7,215
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	128	142	84	70	355
Other interesting assets	-	-	-	-	-
Tangible fixed assets	7	11	19	32	53
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	176	248	325	401	504
Total assets	2,755	4,034	5,159	6,415	8,127
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	823	885	2,851	3,823	5,245
Non interest bearing liabilities	109	1,191	154	162	170
Hybrid Capital	-	-	-	-	-
Total liabilities	932	2,076	3,005	3,985	5,415
Share capital	935	935	935	935	935
Reserves	888	1,023	1,219	1,495	1,777
Total equity	1,823	1,958	2,154	2,430	2,712
Minority interests	0	0	0	0	0
Total liabilities & equity	2,755	4,034	5,159	6,415	8,127
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	2,289	3,169	4,365	5,551	6,939
Average interest bearing liabilities	905	854	1,868	3,337	4,534
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	132	177	212	254
Per share (THB)					
Book value per share	2.39	2.09	2.30	2.60	2.90
Tangible book value per share	2.39	2.09	2.30	2.60	2.90
Growth					
Gross customer loans	24.8	49.3	30.0	25.0	25.0
Average interest earning assets	29.4	38.4	37.8	27.2	25.0
Total asset (%)	30.1	46.4	27.9	24.3	26.7
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	66.2	48.5	41.8	37.9	33.4
Tangible equity/assets (%)	66.2	48.5	41.8	37.9	33.4
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	6.6	35.8	34.0	20.0	20.0
NPL/gross loans (%)	3.8	3.5	3.6	3.4	3.3
Total provisions/gross loans (%)	3.9	4.3	4.1	3.3	6.4
Total provisions/NPL (%)	100.9	122.9	114.8	120.9	194.7
Valuation					
Recurring P/E (x) *	41.5	36.7	25.3	19.9	17.0
Recurring P/E @ target price (x) *	60.5	53.4	36.8	29.0	24.8
Reported P/E (x)	41.5	36.7	25.3	19.9	17.0
Dividend yield (%)	0.9	1.0	0.8	1.0	1.8
Price/book (x)	3.1	3.5	3.2	2.8	2.5
Price/tangible book (x)	3.1	3.5	3.2	2.8	2.5
Price/tangible book @ target price (x)	4.5	5.1	4.6	4.1	3.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Micro Leasing; FSSIA estimates

SINGER THAILAND SINGER TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

UNCHANGED

Why is SINGER a solid investment?

- Strong recommendation to invest in SINGER due to 1) outstanding performance vs peers; 2) upcoming listing of SGC; and 3) it's one of the most resilient stocks amid challenging economic conditions.
- Rolling forward GGM-based TP to 2023 at THB74.

The starting point of new S-curve growth

Although SINGER's share price has outperformed its peers since 2020, we are convinced that investors should stay with SINGER rather than switch to other lenders due to three reasons. First, we think SINGER has just entered into a new S-curve growth phase. After unlocking its source of funds, it has effectively employed the new capital by lending new loans. We expect impressive loan growth of 7.7% q-q in 1Q22, resulting in a record high 1Q22 net profit of THB236m. We expect its net profit to surge by 78% y-y in 2022, with strong momentum in every quarter. In 2023, we have a solid conviction that its net profit should jump 37% y-y.

Unlocking shareholder value by listing its subsidiary

Second, we think the listing of SG Capital (SGC) would unlock value for shareholders as we believe it would allow the market to more accurately assess the stock's valuation. A higher valuation re-rating for SGC would benefit SINGER's share price. On top of that, SINGER might offer a preemptive right to its current shareholders to buy SGC IPO shares, according to management. This could enhance shareholder returns, in our view. Listing SGC is not new information, but we believe that more attention should be paid to the stock the closer to the listing period it gets.

One of the most resilient amid challenging economic conditions

Third, we think that SINGER will see a limited impact from high inflation and rate hikes. High inflation raises concerns about the lower debt servicing ability of retail clients. We believe SINGER has lower risks compared with its peers. The majority of its clients are truck owners and grassroots people whose main source of income is from the agricultural sector. Farming sector incomes have been in an improving trend since Jan-22. As for truck owners, they can pass through the higher costs to employers/clients. Thus, we affirm our view that SINGER should deliver healthy asset quality. As for rate hikes, we believe that SINGER's performance would be less negatively affected vs its peers due to its sufficient capital. Also, once the company resumes raising funds, we think its cost of funds will be lower due to the upgraded rating from TRIS.

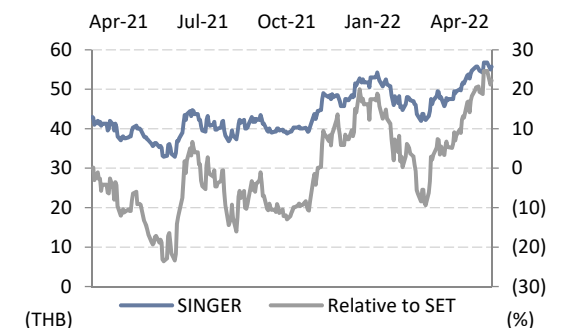
Maintain as top pick and roll forward GGM-based TP to 2023

We maintain our forecasts while rolling forward our GGM-based TP to 2023 and derive a new TP of THB74, pegged to a 2023E P/BV of 3.7x (36.3x 2023E P/E). Looking at its valuation toward 2023 better represents the full benefit potential from its capital increase, in our view.

TARGET PRICE	THB74.00
CLOSE	THB55.75
UP/DOWNSIDE	+32.7%
PRIOR TP	THB62.00
CHANGE IN TP	+19.4%
TP vs CONSENSUS	+25.5%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	902	1,555	2,135	2,654
Net profit	701	1,244	1,708	2,123
EPS (THB)	1.40	1.51	2.04	2.53
vs Consensus (%)	-	5.4	1.3	(4.5)
Core net profit	701	1,244	1,708	2,123
Core EPS (THB)	1.40	1.51	2.04	2.53
Chg. In EPS est. (%)	6.1	-	-	-
EPS growth (%)	28.6	7.7	35.1	24.3
Core P/E (x)	39.8	37.0	27.4	22.0
Dividend yield (%)	0.2	1.6	2.2	1.1
Price/book (x)	3.0	2.9	2.8	2.6
ROE (%)	7.9	8.1	10.5	12.2
ROA (%)	4.2	5.3	7.5	8.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	12.6	18.0	33.5
Relative to country (%)	12.8	16.8	25.5
Mkt cap (USD m)	1,349		
3m avg. daily turnover (USD m)	6.9		
Free float (%)	21		
Major shareholder	JAYMART Public Company (26%)		
12m high/low (THB)	56.75/32.42		
Issued shares (m)	811		

Sources: Bloomberg consensus; FSSIA estimates


Yuvanart Suwanumphai

 yuvanart.suw@fssia.com
 +66 2611 3554

Investment thesis

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

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

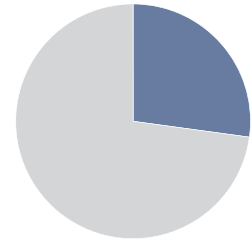
Company profile

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

www.singerthai.co.th

Principal activities (revenue, 2021)

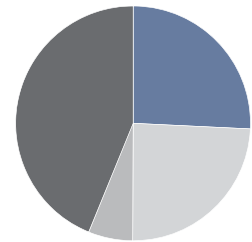
- Net interest income - 27.2 %
- Non-interest income - 72.8 %



Source: Singer Thailand

Major shareholders

- JAYMART Public Company - 25.8 %
- U City Public Company - 24.3 %
- Kara Family - 6.1 %
- Others - 43.8 %



Source: Singer Thailand

Catalysts

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

Risks to our call

Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.

Event calendar

Date	Event
Mid-May 2022	1Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	1,244	1,708	2,123
Net profit growth	77.5	37.3	24.3
NIM	14.07	14.52	14.50
Loan growth	42.2	31.2	27.3
Credit cost (bp)	220	240	240
Revenue from sales of goods growth	25.0	20.0	20.0
Gross margin of sales business	47.0	47.0	47.0
SG&A to revenue ratio	31.5	29.8	29.6

Source: FSSIA estimates

Earnings sensitivity

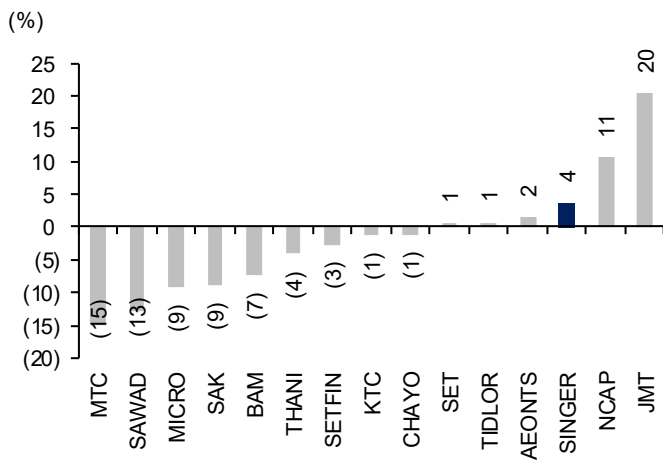
Year to Dec		2022E		
Loan growth	±2ppt	40.2	42.2	44.2
% change in net profit		(1.1)	-	1.1
NIM (%)	±5bp	14.02	14.07	14.12
% change in net profit		(0.4)	-	0.4
Credit cost (bps)	±10bp	210.0	220.0	230.0
% change in net profit		1.0	-	(1.0)

Source: FSSIA estimates

Why is SINGER a solid investment?

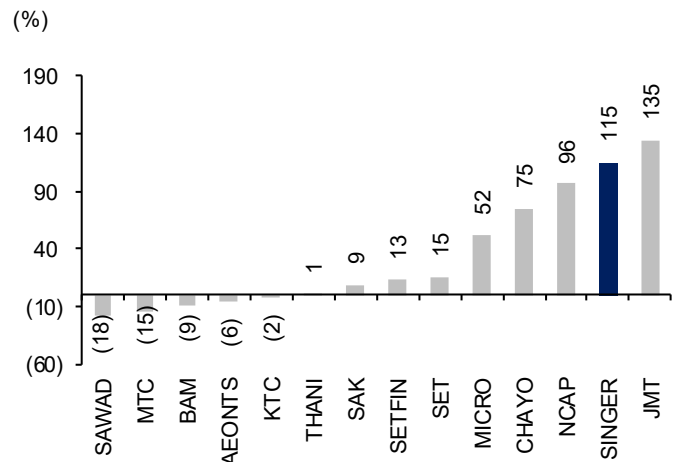
Since 2020, SINGER’s share price always outperformed its peers. Thus, investors have questioned whether or not they should still firmly invest in SINGER. We are convinced that investors should stay with SINGER rather than switch to other lenders due to three reasons: 1) we see SINGER being at the starting point of a new S-curve growth phase; 2) it is intending to unlock shareholder value by listing its subsidiary; and 3) it is one of the most resilient stocks amid challenging economic conditions, including high inflation and rate hikes, in our opinion.

Exhibit 23: Comparing current share price performance of diversified financials under our coverage with their closing prices as of 30 Dec-21



Source: Bloomberg

Exhibit 24: Comparing current share price performance of diversified financials under our coverage with their closing prices as of 30 Dec-20



Source: Bloomberg

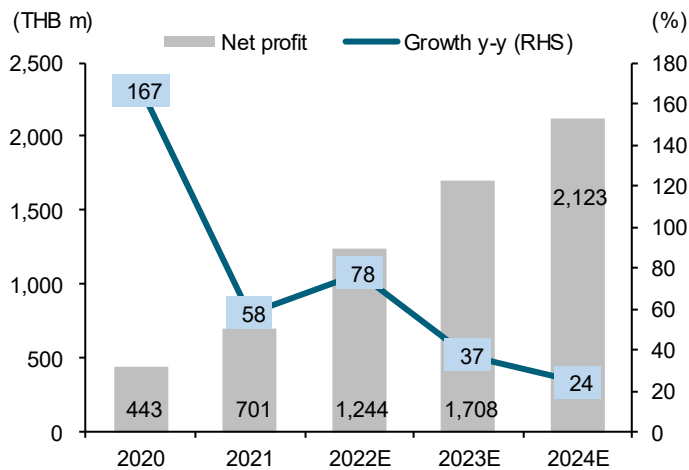
1) Just the starting point of new S-curve growth

We think that SINGER has just entered into a new S-curve growth phase on the back of the efficient utilisation of its capital increase and its new business initiatives.

At the end of 2021, SINGER raised THB11b from its capital increase. After unlocking its source of funds, the company stated that it plans to 1) expand its business to untapped clients; and 2) increase the loan volume with its existing customers by asking for more collateral. In 1Q22, SINGER proved that it has effectively employed its new capital by lending new loans. We expect impressive loan growth of 7.7% in 1Q22. We believe the company will continue to utilise its capital productively in the next two years. On top of that, with the benefit from being in Jay Mart (JMART TB, BUY, TP THB62) group’s ecosystem and its active management, which is regularly launching new businesses, e.g. solar rooftop hire purchase, we are convinced that this should enhance SINGER’s long-term growth. Our present projection for earnings from its solar rooftops is conservative in 2023-24. Thus, we think there is room for an upside.

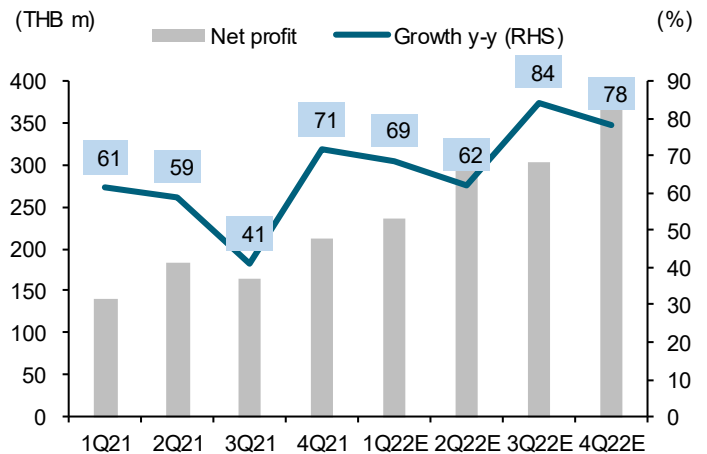
Therefore, we believe that SINGER has just started to enter into a new S-curve growth phase. We expect its net profit to surge by 78% y-y in 2022 from 58% y-y in 2021. We expect that its earnings momentum in 2022 should rise strongly in every quarter. In 2023, with the potentially high net profit base, we still have a solid conviction that its net profit should increase at an attractive rate of 37% y-y.

Exhibit 25: Yearly net profit growth outlook



Sources: SINGER; FSSIA estimates

Exhibit 26: Quarterly net profit growth outlook



Sources: SINGER; FSSIA estimates

2) Unlocking shareholder value by listing its subsidiary

Due to the aggressive growth of its lending business, SINGER plans to list SGC on the Thai stock market in the financial sector in 2H22. According to management, SINGER will not sell its SGC portion. The company would rather issue 25% new SGC shares to investors. This should reassure investors that SINGER remains confident in the strong growth of its subsidiary, in our view.

Exhibit 27: Company structure



Source: SINGER

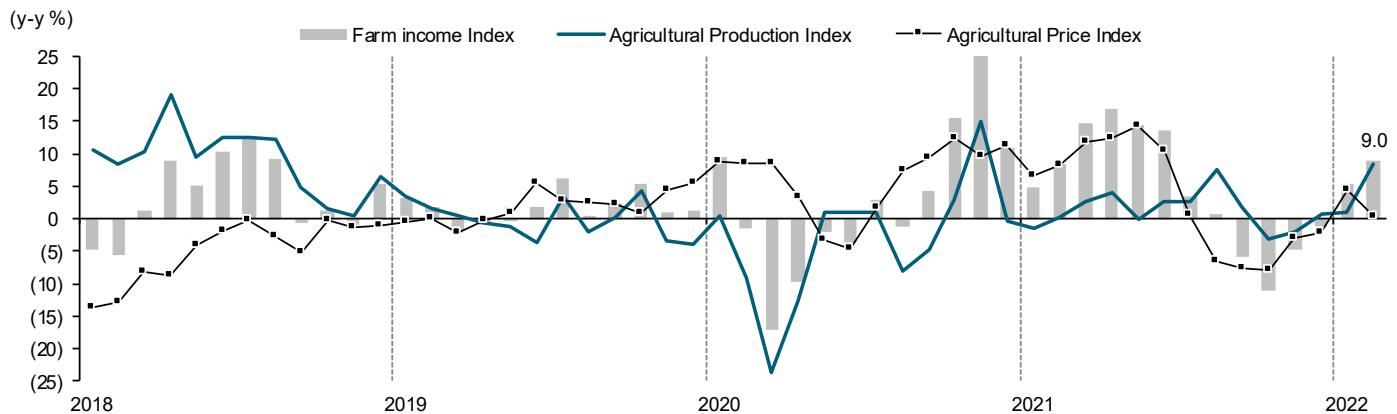
The listing of SGC would unlock value for shareholders as we think it would allow the market to more accurately assess the stock’s valuation. A higher valuation re-rating for SGC would eventually benefit SINGER’s share price. On top of that, SINGER might offer a pre-emptive right to its current shareholders to buy SGC IPO shares, according to management. This could enhance shareholder returns, in our view.

Listing SGC is not new information, but we believe that more attention should be paid to the stock the closer to the listing period it gets.

3) One of the most resilient stocks amid challenging economic conditions

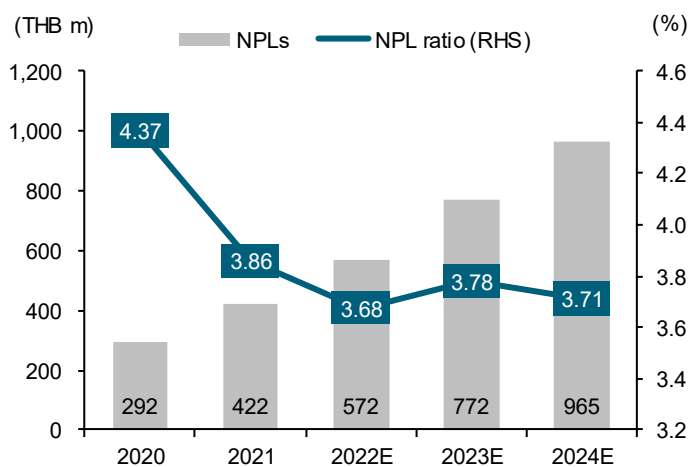
High inflation raises concerns about the lower debt servicing ability of retail clients. This would result in a lower profitability margin for non-bank lending operators. We believe SINGER has lower risks compared with its peers due to differences in client segments. The majority of its clients are truck owners and grassroots people living in rural areas whose main source of income is from the agricultural sector. We believe these groups will be less affected by inflation than salary earners. Farming sector incomes have been in an improving trend since Jan-22. Thus, this should provide a cushion for the rise in production costs, e.g. fertilizer costs due to the Ukraine crisis. As for truck owners, they can pass through the higher costs to employers (for mid- to large-scale business operators) and clients (for small business operators/retail segment). Thus, we affirm our view that SINGER should deliver healthy asset quality.

Exhibit 28: Improving farm income trend since Jan-22



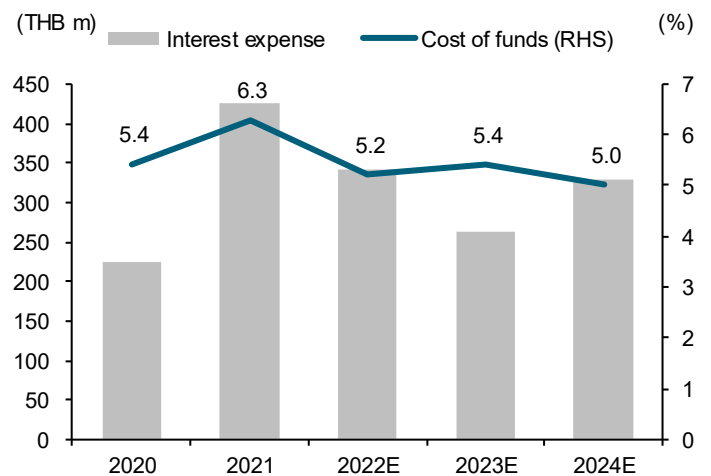
Sources: Office of Agricultural Economics; FSSIA's compilation

Exhibit 29: Non-performing loans (NPLs)



Sources: SINGER; FSSIA estimates

Exhibit 30: Interest expense and cost of funds



Sources: SINGER; FSSIA estimates

As for rate hikes, which always increase negative sentiment toward non-banks' share prices due to the potential margin squeeze, we believe that SINGER's performance would be less negatively affected vs its peers. We think SINGER can deploy its capital to accelerate its loan growth without any additional borrowing until 2023, whereas normally it would need to issue new debentures of around THB3b-4b per year. On top of that, once the company resumes raising funds, we think its cost of funds will be lower from 5.5-6% due to the upgraded company rating from Thai Rating and Information Services (TRIS rating).

Exhibit 31: Debenture maturities of diversified financials under our coverage

Year	AEONTS (THB m)	ASK (THB m)	BAM (THB m)	CHAYO (THB m)	JMT (THB m)	KTC (THB m)	MTC (THB m)	SAWAD (THB m)	SINGER (THB m)	THANI (THB m)	TIDLOR (THB m)	MICRO (THB m)	Grand Total (THB m)
2022	3,800	3,464	6,400	300	1,698	8,500	11,306	5,298	1,500	5,585	4,850		52,701
2023		3,870	9,950		2,649	4,640	17,427	5,053	1,800	6,125	5,300	849	57,662
2024	1,000	4,200	7,400	1,130	1,849	6,515	11,530	3,247	3,000	6,594	2,500	204	49,168
2025			8,940			3,500	5,869		1,700	5,093			25,102
2026			7,300			6,230	3,887			1,700			19,117
2027			6,500			5,500	1,000			1,300			14,300
2028			4,900			3,315							8,215
2029			5,000			3,200							8,200
2030			1,280			1,000							2,280
2031			3,500			500							4,000
2034			1,000										1,000
Grand Total	4,800	11,533	62,170	1,430	6,195	42,900	51,018	13,598	8,000	26,397	12,650	1,053	241,745

Sources: Thai Bond Market Association as of 23 Mar-22; FSSIA's compilation

1Q22: Records are there to break

Once again, we expect SINGER to report a record high net profit in 1Q22 of THB236m (+69% y-y, +11% q-q). The strong performance would come from its solid loan growth, especially truck title loans. Also, we think its home appliance sales should increase y-y (but drop q-q due to seasonality) following its aggressive franchisee expansion to 4,200 franchisees vs 3,200 in 4Q21. As for asset quality, thanks to its stringent credit underwriting and debt collection processes, we believe the company will have healthy asset quality in 1Q22. We think SINGER could see a smaller impact from the geopolitical crisis vs its peers.

1Q22E key highlights

- 1Q22E total loan volume should rise by 57% y-y and 8% q-q, supported by a rise in the auto title loan volume, especially the truck segment. Its clients still need cash to run their businesses and for consumption purposes, in our view. Moreover, a marketing push by offering credit services at customers' workplaces could allow SINGER to reach untapped clients.
- Revenue from the sales of goods should grow by 20% y-y. The sales of fuel station vending machines and freezers should still perform well due to the increase in its sales channels.
- 1Q22E NPLs are likely to increase moderately by 8% q-q, implying an NPL ratio of 3.9%. However, we are not too concerned about its asset quality. We think SINGER's clients will see a smaller impact on their cash flows due to inflation, as most of them are agriculturists whose income stream is potentially better than that of other vocations. The farm income index is still in an uptrend.

Exhibit 32: SINGER – 1Q22E results preview

Year-end Dec 31	1Q21	4Q21	1Q22E	----- Change ----		2021	2022E	Change	1Q22E comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(THB m)	(y-y %)	
Net interest income	238	316	365	53	16	1,074	1,863	73	
Non-interest income	678	883	804	19	(9)	2,882	3,685	28	Solid growth in home appliance sales
Operating income	915	1,199	1,169	28	(3)	3,956	5,548	40	
Operating expenses	735	784	838	14	7	2,903	3,702	28	
PPOP before tax	180	415	331	83	(20)	1,054	1,846	75	
Provision	0	127	39	nm.	(69)	152	291	92	
Income tax	40	75	55	39	(26)	202	311	nm.	
Minority interest	0	0	0			0	0		
Normalised profit	140	213	236	69	11	701	1,244	78	
Extraordinary items	0	0	0			0	0		
Net profit	140	213	236	69	11	701	1,244	78	
EPS (THB)	0.31	0.27	0.30	(4)	11	1.40	1.51	14	
Asset quality ratio									
Gross NPLs (THB m)	318	422	456	43	8	422	572	79	
NPL ratios (%)	4.24	3.86	3.87			3.86	3.68		
LLR/NPLs (%)	86	65	62			65	65		
Credit cost (bp)	2	495	138			172	220		
Profitability ratio (%)									
Cost to income ratio	80.3	65.4	71.7			73.4	66.7		
Average yield	18.1	17.2	17.0			17.0	16.7		
Cost of fund	5.6	6.3	5.7			6.3	5.2		
Net interest margin (NIM)	12.3	7.9	7.0			12.2	14.1		
Non-int inc/total income	74.0	73.7	68.8			72.8	66.4		
Loan growth (%)									
y-y	90.0	63.7	57.0			63.7	42.2		
q-q	12.4	13.3	7.7						Driven by truck title loans

Sources: SINGER; FSSIA's estimates

Rolling forward GGM-based TP to 2023

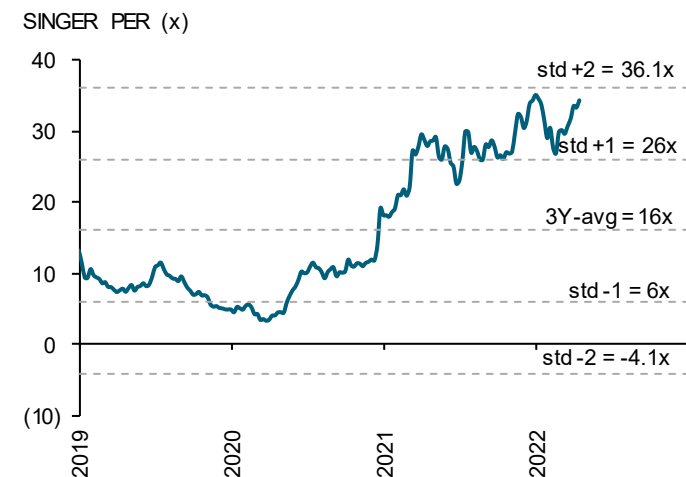
We maintain our forecasts while rolling forward our GGM-based TP to 2023 and derive a new TP of THB74, pegged to a 2023E P/BV of 3.7x, based on a 10.6% cost of equity, 10.4% long-term growth, and 11.2% ROE. Our target price implies a 36.3x 2023E P/E. We believe that looking at SINGER's valuation toward 2023 better represents the full benefit potential from its capital increase.

Exhibit 33: SINGER – 2022 GGM-derived target price

Target price (THB)	THB 74 (from THB62)
Recommendation	BUY
Risk-free rate (%)	3.0
Market risk premium (%)	8.0
Cost to equity (%)	10.6
Terminal growth (%)	10.4
ROE target (%)	11.2
Target P/BV (x)	3.7
Implied P/E (x)	36.3
Risk to TP	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.

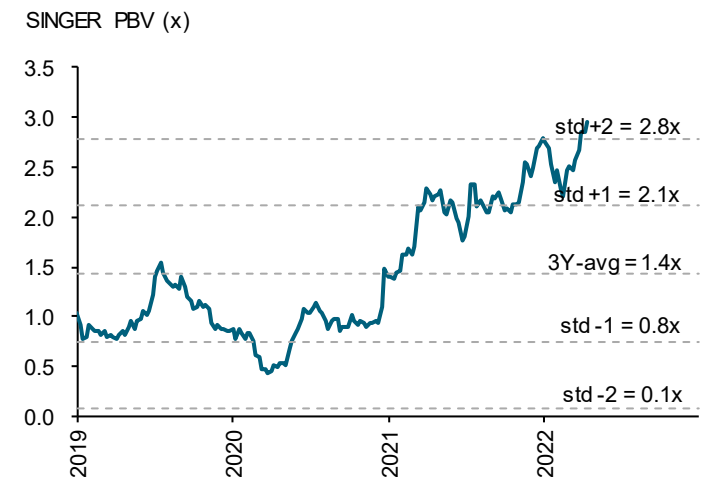
Source: FSSIA estimates

Exhibit 34: SINGER – one-year prospective P/E band



Sources: Bloomberg; FSSIA's compilation

Exhibit 35: SINGER – one-year prospective P/BV band



Sources: Bloomberg; FSSIA's compilation

Financial Statements

Singer Thailand

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	1,005	1,499	2,205	2,874	3,694
Interest expense	(225)	(425)	(342)	(263)	(330)
Net interest income	781	1,074	1,863	2,611	3,364
Net fees & commission	34	52	37	40	43
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	2,516	2,830	3,648	4,265	5,062
Non interest income	2,551	2,882	3,685	4,306	5,106
Total income	3,331	3,956	5,548	6,916	8,469
Staff costs	-	-	-	-	-
Other operating costs	(2,698)	(2,903)	(3,702)	(4,350)	(5,259)
Operating costs	(2,698)	(2,903)	(3,702)	(4,350)	(5,259)
Pre provision operating profit	633	1,054	1,846	2,567	3,211
Provision for bad and doubtful debt	(194)	(152)	(291)	(431)	(557)
Other provisions	-	-	-	-	-
Operating profit	439	902	1,555	2,135	2,654
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	439	902	1,555	2,135	2,654
Tax	4	(202)	(311)	(427)	(531)
Profit after tax	443	701	1,244	1,708	2,123
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	443	701	1,244	1,708	2,123
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	443	701	1,244	1,708	2,123
Per share (THB)					
Recurring EPS *	1.09	1.40	1.51	2.04	2.53
Reported EPS	1.09	1.40	1.51	2.04	2.53
DPS	0.24	0.13	0.90	1.22	0.63
Growth					
Net interest income (%)	32.3	37.6	73.4	40.1	28.8
Non interest income (%)	40.9	13.0	27.9	16.8	18.6
Pre provision operating profit (%)	12.0	66.5	75.2	39.0	25.1
Operating profit (%)	181.7	105.6	72.3	37.3	24.3
Reported net profit (%)	166.6	58.0	77.5	37.3	24.3
Recurring EPS (%)	136.7	28.6	7.7	35.1	24.3
Reported EPS (%)	136.7	28.6	7.7	35.1	24.3
Income Breakdown					
Net interest income (%)	23.4	27.2	33.6	37.7	39.7
Net fees & commission (%)	1.0	1.3	0.7	0.6	0.5
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	75.5	71.5	65.7	61.7	59.8
Operating performance					
Gross interest yield (%)	19.55	17.03	16.66	15.99	15.93
Cost of funds (%)	5.42	6.28	5.20	5.40	5.00
Net interest spread (%)	14.13	10.75	11.46	10.59	10.93
Net interest margin (%)	15.2	12.2	14.1	14.5	14.5
Cost/income(%)	81.0	73.4	66.7	62.9	62.1
Cost/assets(%)	35.6	17.4	15.9	19.1	20.4
Effective tax rate (%)	(1.0)	22.4	20.0	20.0	20.0
Dividend payout on recurring profit (%)	21.9	9.5	60.0	60.0	25.0
ROE (%)	17.2	7.9	8.1	10.5	12.2
ROE - COE (%)	6.4	(2.9)	(2.7)	(0.3)	1.4
ROA (%)	5.8	4.2	5.3	7.5	8.2
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Singer Thailand; FSSIA estimates

Financial Statements

Singer Thailand

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	6,677	10,932	15,547	20,405	25,982
Total provisions	(287)	(273)	(369)	(546)	(778)
interest in suspense	17	30	44	51	65
Net customer loans	6,407	10,689	15,221	19,910	25,269
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	403	10,353	4,660	2	2
Cash & equivalents	715	1,227	534	823	805
Other interesting assets	-	-	-	-	-
Tangible fixed assets	433	475	520	570	625
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	1,297	1,457	1,570	1,656	1,911
Total assets	9,255	24,201	22,506	22,962	28,612
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	5,442	8,073	5,082	4,676	8,525
Non interest bearing liabilities	1,002	1,289	1,452	1,630	1,838
Hybrid Capital	-	-	-	-	-
Total liabilities	6,445	9,362	6,534	6,306	10,364
Share capital	413	800	828	828	828
Reserves	2,398	14,039	15,145	15,828	17,420
Total equity	2,810	14,839	15,973	16,656	18,248
Minority interests	0	0	0	0	0
Total liabilities & equity	9,255	24,201	22,506	22,962	28,612
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	5,142	8,804	13,239	17,976	23,193
Average interest bearing liabilities	4,146	6,758	6,578	4,879	6,601
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)	292	422	572	772	965
Per share (THB)					
Book value per share	6.17	18.30	19.04	19.85	21.75
Tangible book value per share	6.17	18.30	19.04	19.85	21.75
Growth					
Gross customer loans	85.1	63.7	42.2	31.2	27.3
Average interest earning assets	45.4	71.2	50.4	35.8	29.0
Total asset (%)	56.7	161.5	(7.0)	2.0	24.6
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	30.4	61.3	71.0	72.5	63.8
Tangible equity/assets (%)	30.4	61.3	71.0	72.5	63.8
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	(12.7)	44.7	35.4	35.0	25.0
NPL/gross loans (%)	4.4	3.9	3.7	3.8	3.7
Total provisions/gross loans (%)	4.3	2.5	2.4	2.1	3.0
Total provisions/NPL (%)	98.4	64.6	64.6	70.7	80.6
Valuation					
Recurring P/E (x) *	51.2	39.8	37.0	27.4	22.0
Recurring P/E @ target price (x) *	68.0	52.9	49.1	36.3	29.2
Reported P/E (x)	51.2	39.8	37.0	27.4	22.0
Dividend yield (%)	0.4	0.2	1.6	2.2	1.1
Price/book (x)	9.0	3.0	2.9	2.8	2.6
Price/tangible book (x)	9.0	3.0	2.9	2.8	2.6
Price/tangible book @ target price (x)	12.0	4.0	3.9	3.7	3.4

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Singer Thailand; FSSIA estimates

RATCHTHANI LEASING

THANI TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

UNCHANGED

TARGET PRICE	THB4.80
CLOSE	THB4.36
UP/DOWNSIDE	+10.1%
PRIOR TP	THB4.80
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-2.6%

Brighter outlook in 2H22

- Expect an unexciting 1Q22 NP of THB430m. THANI should deliver slightly better loan growth but still set high ECL.
- Stronger earnings momentum should occur in 2H22.
- Maintain BUY with GGM-based TP of THB4.8.

Stronger loan growth but still high ECL

We have a neutral view on THANI's 1Q22 performance. We expect it to deliver an unexciting 1Q22 net profit of THB430m (+1% y-y, -5% q-q) due to a rise in its expected credit loss (ECL). Although its asset quality is improving, with a slight decline expected in its non-performing loan (NPL) ratio to 3.7% in 1Q22 vs 3.8% in 4Q21, THANI aims to increase its coverage ratio to c85% within 2022 from 80% as of 4Q21. As a result, we expect the company will still set a high ECL level. Regarding its new lending, amid the strong growth in truck sales in 1Q22, we expect THANI to lend new loans conservatively at cTHB6.5b per quarter vs THB6.2b in 4Q21. This would result in only a 1.5% q-q increase in its loan volume.

Negligible impact from higher oil prices

Around 60% of THANI's truck clients are medium to large business operators. Normally, these segments can pass through their higher costs from the rising energy price to employers. We think THANI's clients will still have a limited impact from the rising energy price. Thus, asset quality is not a major concern for us.

Expanding to truck title loans

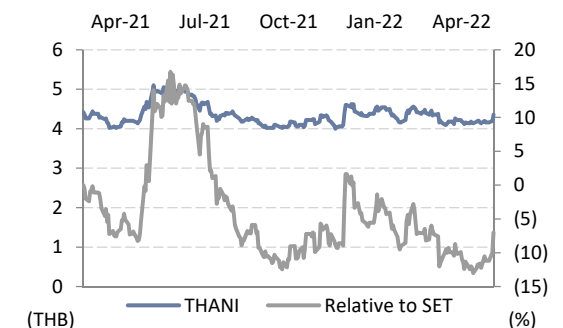
THANI is acquiring an auto title loan license from the Bank of Thailand to run a truck title lending business, which is expected to operate in 2Q-3Q22. Initially, the company expects to lend to its existing clients, targeting a THB1b portfolio in 2022. It might expand to new clients in the future. We think that this strategy could maintain the company's existing customer base, so that they won't have to borrow from other lenders. Also, THANI could diversify to higher-yield loans. It might take one to two years before this business could generate higher revenue and profits.

Muted catalysts in short term; maintain BUY for long term

In the short term, we see few catalysts to drive THANI's share price. We believe THANI will likely deliver inferior performance vs its peers in the next two quarters. However, we expect it to deliver stronger net profit growth in 2H22 following higher loan growth and lower ECL. Also, we think THANI's valuation is undemanding at 13.0x 2022E P/E and 2.0x 2022E P/BV. Therefore, we maintain our BUY call for long-term investment and our TP of THB4.8.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	2,143	2,360	2,682	2,947
Net profit	1,709	1,906	2,165	2,373
EPS (THB)	0.30	0.34	0.38	0.42
vs Consensus (%)	-	(0.3)	(0.3)	4.2
Core net profit	1,709	1,906	2,165	2,373
Core EPS (THB)	0.30	0.34	0.38	0.42
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(25.0)	11.5	13.6	9.6
Core P/E (x)	14.4	13.0	11.4	10.4
Dividend yield (%)	3.9	4.3	4.4	5.8
Price/book (x)	2.1	2.0	1.8	1.7
ROE (%)	15.3	15.9	16.7	17.0
ROA (%)	3.5	3.7	3.8	3.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.3	0.5	0.9
Relative to country (%)	3.5	(0.6)	(5.1)
Mkt cap (USD m)	731		
3m avg. daily turnover (USD m)	3.0		
Free float (%)	21		
Major shareholder	Thanachart SPV1 Co., LTD (56%)		
12m high/low (THB)	5.30/3.96		
Issued shares (m)	5,663		

Sources: Bloomberg consensus; FSSIA estimates


Yuvanart Suwanumphai

 yuvanart.suw@fssia.com
 +66 2611 3554

Investment thesis

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

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

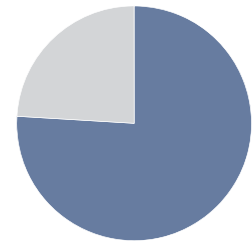
Company profile

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

www.ratchthani.com

Principal activities (revenue, 2021)

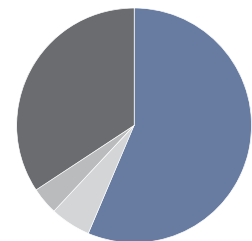
- Net interest income - 76.0 %
- Non-interest income - 24.0 %



Source: Ratchthani Leasing

Major shareholders

- Thanachart SPV1 Co., LTD - 56.4 %
- Raffles Nominees - 5.6 %
- Thanachart Capital - 3.8 %
- Others - 34.3 %



Source: Ratchthani Leasing

Catalysts

Potential share price catalysts for THANI include:

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

Risks to our call

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

Event calendar

Date	Event
Mid-May 2022	1Q22 results announcement

Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	1,906	2,165	2,373
Net profit growth	11.5	13.6	9.6
NIM	5.09	5.05	4.94
Loan growth	8.0	12.0	12.0
Fee growth	3.8	4.3	3.8
Non-NII growth*	6.5	4.7	7.1
Credit cost (bp)	100	80	75
Cost to income*	17.0	16.2	16.1

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2022E		
Loan growth	±2ppt	6.0	8.0	10.0
% change in net profit		(1.2)	-	1.2
NIM (%)	±5bp	5.04	5.09	5.14
% change in net profit		(1.1)	-	1.1
Credit cost (bp)	±10bp	90.0	100.0	110.0
% change in net profit		2.2	-	(2.2)

Source: FSSIA estimates

Stronger loan growth but still high ECL

We have a neutral view on THANI's 1Q22 performance. We expect it to deliver an unexciting 1Q22 net profit of THB430m (+1% y-y, -5% q-q) due to a rise in its ECL. Although its asset quality is improving, with a slight decline expected in its NPL ratio to 3.7% in 1Q22 vs 3.8% in 4Q21, THANI aims to increase its coverage ratio to c85% within 2022 from 80% as of 4Q21. As a result, we expect the company will still set a high ECL level. Regarding its new lending, amid the strong growth in truck sales in 1Q22, we expect THANI to lend new loans conservatively at cTHB6.5b per quarter vs THB6.2b in 4Q21. This would result in only a 1.5% q-q increase in its loan volume.

1Q22E key highlights

- Due to its conservative lending strategy, we expect THANI to deliver slower loan growth than its peers at 1.5% q-q and 3.4% y-y in 1Q22.
- We expect its OPEX in 1Q22 to rise 2% y-y due to an increase in losses on repossessed trucks. The company is continuing to speed up its truck confiscation process to prevent its asset quality from declining.
- Its NPLs are likely to be stable q-q, accounting for an NPL ratio of 3.7% vs 3.8% in 4Q21.

Exhibit 36: THANI – 1Q22E results preview

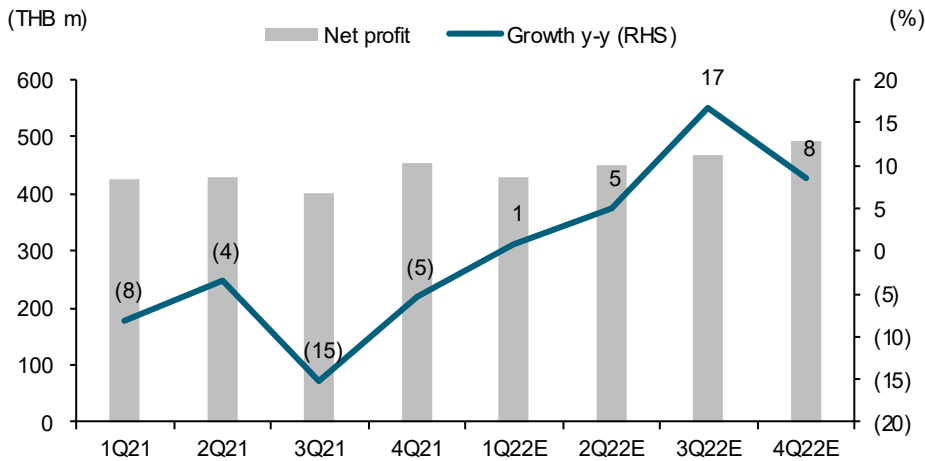
Year-end Dec 31	1Q21 (THB m)	4Q21 (THB m)	1Q22E (THB m)	---- Change ----		2021 (THB m)	2022E (THB m)	Change (y-y %)	1Q22E comments
				(y-y%)	(q-q%)				
Net interest income	613	596	609	(1)	2	2,517	2,616	4	
Non-interest income	189	240	203	7	(15)	796	848	6	
Operating income	803	835	812	1	(3)	3,313	3,464	5	
Operating expenses	141	156	144	2	(8)	585	590	1	
PPOP before tax	661	680	668	1	(2)	2,729	2,874	5	
Provision	106	109	137	29	26	586	514	(12)	
Income tax	128	117	101	(21)	(14)	434	454	5	
Minority interest	0	(0)	0			0	0		
Normalised profit	427	454	430	1	(5)	1,709	1,906	11	
Extraordinary items	0	0	0			0	0		
Net profit	427	454	430	1	(5)	1,709	1,906	11	
EPS (THB)	0.08	0.08	0.08	1	(5)	0.30	0.34	11	
Asset quality ratio									
Gross NPLs (THB m)	1,563	1,863	1,863	19	0	1,863	2,087	12	
NPL ratios (%)	3.22	3.77	3.72			3.77	3.91		
LLR/NPLs (%)	79	80	82			80	88		
Credit cost (bp)	88	88	110			120	100		
Profitability ratio (%)									
Cost to income ratio	17.6	18.6	17.7			17.6	17.0		
Average yield	7.0	6.7	6.7			7.0	6.9		
Cost of fund	2.5	2.4	2.5			2.5	2.5		
Net interest margin (NIM)	5.1	4.8	4.9			5.2	5.1		
Non-int inc/total income	23.6	28.7	25.0			24.0	24.5		
Loan growth (%)									
y-y	(6.2)	3.0	3.4			3.0	8.0		
q-q	1.0	0.6	1.5						Conservative lending strategy

Sources: THANI; FSSIA estimates

Brighter earnings growth momentum in 2H22

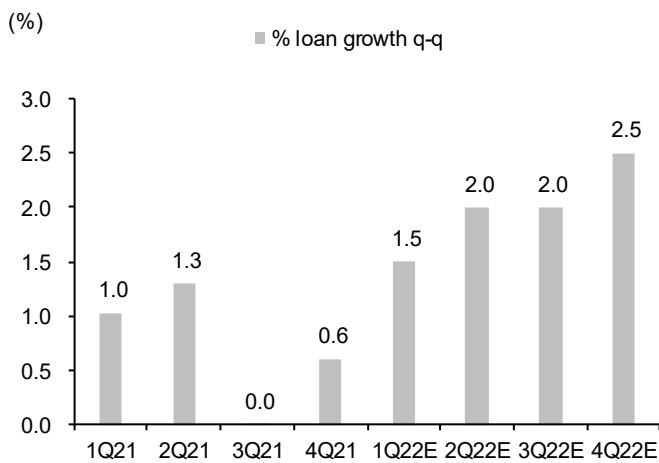
We think THANI's net profit growth should be stronger in 2H22 compared with 1H22. We believe THANI will gradually resume its growth mode once the economy recovers at a faster pace. Thus, we expect its loan growth to accelerate in 2H22. Also, we think THANI will set front-loaded provisions in 1H22 to increase its coverage ratio. Then, in 2H22, we think it will set slightly lower ECL. We have few concerns over its asset quality as the company has aggressively confiscated cars from borrowers unable to repay their debts since 4Q21. As a result, we think it should be able to contain its asset quality effectively.

Exhibit 37: Quarterly net profit growth



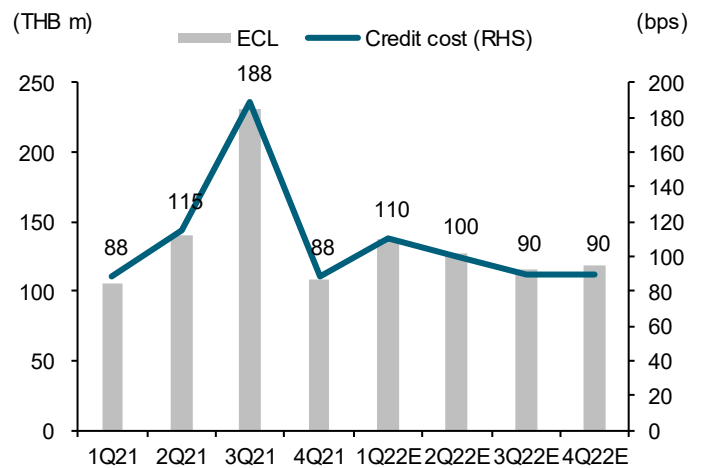
Sources: THANI; FSSIA estimates

Exhibit 38: Quarterly loan growth



Sources: THANI; FSSIA estimates

Exhibit 39: Quarterly credit cost



Sources: THANI; FSSIA estimates

Financial Statements

Ratchthani Leasing

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	3,516	3,430	3,545	3,930	4,433
Interest expense	(1,063)	(913)	(929)	(1,076)	(1,303)
Net interest income	2,452	2,517	2,616	2,854	3,130
Net fees & commission	316	380	394	411	426
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	431	417	454	477	525
Non interest income	747	796	848	888	951
Total income	3,199	3,313	3,464	3,742	4,081
Staff costs	(188)	(183)	(188)	(194)	(203)
Other operating costs	(350)	(402)	(402)	(414)	(456)
Operating costs	(538)	(585)	(590)	(608)	(659)
Pre provision operating profit	2,662	2,729	2,874	3,134	3,422
Provision for bad and doubtful debt	(338)	(586)	(514)	(452)	(475)
Other provisions	-	-	-	-	-
Operating profit	2,324	2,143	2,360	2,682	2,947
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	2,324	2,143	2,360	2,682	2,947
Tax	(464)	(434)	(454)	(516)	(575)
Profit after tax	1,860	1,709	1,906	2,165	2,373
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,860	1,709	1,906	2,165	2,373
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	1,860	1,709	1,906	2,165	2,373
Per share (THB)					
Recurring EPS *	0.40	0.30	0.34	0.38	0.42
Reported EPS	0.40	0.30	0.34	0.38	0.42
DPS	0.17	0.17	0.19	0.19	0.25
Growth					
Net interest income (%)	(3.0)	2.6	3.9	9.1	9.7
Non interest income (%)	6.8	6.6	6.5	4.7	7.1
Pre provision operating profit (%)	0.2	2.5	5.3	9.1	9.2
Operating profit (%)	(5.7)	(7.8)	10.1	13.6	9.9
Reported net profit (%)	(5.3)	(8.1)	11.5	13.6	9.6
Recurring EPS (%)	(22.6)	(25.0)	11.5	13.6	9.6
Reported EPS (%)	(22.6)	(25.0)	11.5	13.6	9.6
Income Breakdown					
Net interest income (%)	76.7	76.0	75.5	76.3	76.7
Net fees & commission (%)	9.9	11.5	11.4	11.0	10.4
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	13.5	12.6	13.1	12.7	12.9
Operating performance					
Gross interest yield (%)	7.04	7.05	6.90	6.95	7.00
Cost of funds (%)	2.70	2.49	2.45	2.55	2.70
Net interest spread (%)	4.34	4.56	4.45	4.40	4.30
Net interest margin (%)	4.9	5.2	5.1	5.0	4.9
Cost/income(%)	16.8	17.6	17.0	16.2	16.1
Cost/assets(%)	1.1	1.2	1.2	1.1	1.0
Effective tax rate (%)	19.9	20.2	19.3	19.3	19.5
Dividend payout on recurring profit (%)	42.2	56.3	56.0	50.0	60.0
ROE (%)	20.1	15.3	15.9	16.7	17.0
ROE - COE (%)	9.3	4.5	5.1	5.9	6.2
ROA (%)	3.7	3.5	3.7	3.8	3.7
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ratchthani Leasing; FSSIA estimates

Financial Statements

Ratchthani Leasing

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	47,976	49,396	53,348	59,749	66,919
Total provisions	(1,228)	(1,485)	(1,839)	(1,962)	(2,136)
interest in suspense	0	0	0	0	0
Net customer loans	46,748	47,911	51,509	57,787	64,783
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,044	476	712	1,050	1,179
Other interesting assets	-	-	-	-	-
Tangible fixed assets	147	165	200	257	345
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	579	671	511	713	916
Total assets	48,518	49,223	52,932	59,807	67,224
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	36,691	36,512	39,325	45,057	51,462
Non interest bearing liabilities	1,008	1,145	1,202	1,262	1,325
Hybrid Capital	-	-	-	-	-
Total liabilities	37,699	37,657	40,527	46,319	52,787
Share capital	5,663	5,663	5,663	5,663	5,663
Reserves	5,156	5,904	6,742	7,825	8,774
Total equity	10,819	11,567	12,405	13,488	14,437
Minority interests	0	0	0	0	0
Total liabilities & equity	48,518	49,223	52,932	59,807	67,224
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	49,955	48,686	51,372	56,549	63,334
Average interest bearing liabilities	39,439	36,602	37,919	42,191	48,260
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)	1,500	1,863	2,087	2,191	2,410
Per share (THB)					
Book value per share	1.91	2.04	2.19	2.38	2.55
Tangible book value per share	1.91	2.04	2.19	2.38	2.55
Growth					
Gross customer loans	(7.6)	3.0	8.0	12.0	12.0
Average interest earning assets	(0.6)	(2.5)	5.5	10.1	12.0
Total asset (%)	(4.6)	1.5	7.5	13.0	12.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	22.3	23.5	23.4	22.6	21.5
Tangible equity/assets (%)	22.3	23.5	23.4	22.6	21.5
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	(26.8)	24.2	12.0	5.0	10.0
NPL/gross loans (%)	3.1	3.8	3.9	3.7	3.6
Total provisions/gross loans (%)	2.6	3.0	3.4	2.9	3.2
Total provisions/NPL (%)	81.9	79.7	88.1	89.6	88.6
Valuation					
Recurring P/E (x) *	10.8	14.4	13.0	11.4	10.4
Recurring P/E @ target price (x) *	11.9	15.9	14.3	12.6	11.5
Reported P/E (x)	10.8	14.4	13.0	11.4	10.4
Dividend yield (%)	3.9	3.9	4.3	4.4	5.8
Price/book (x)	2.3	2.1	2.0	1.8	1.7
Price/tangible book (x)	2.3	2.1	2.0	1.8	1.7
Price/tangible book @ target price (x)	2.5	2.4	2.2	2.0	1.9

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ratchthani Leasing; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

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

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

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

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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

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

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

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

Anti-corruption Progress Indicator 2020

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

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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

Disclaimer:

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

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

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

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ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 192.50	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 58.50	REDUCE	Upside risks to our GGM-derived TP include: 1) stronger-than-expected growth for KTB Leasing; and 2) better-than-expected bad debt recovery.
Muangthai Capital	MTC TB	THB 50.25	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 54.25	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 9.10	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 37.25	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 7.35	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 55.75	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.
Ratchthani Leasing	THANI TB	THB 4.36	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 20.50	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 12.50	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 83.00	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 the faster-than-expected net profit contribution from Thanachart Plus. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TTB and THANI.
Next Capital	NCAP TB	THB 10.80	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.
Jay Mart	JMART TB	THB 61.75	BUY	Downside risks to our SoTP-based TP include 1) lower-than-expected mobile revenue; 2) lower cash collection from its fully amortised portfolio; and 3) the lower-than-expected acquisition of new bad debt.
Kerry Express (Thailand)	KEX TB	THB 21.80	REDUCE	The key upside risks to our DCF-based TP are 1) if the competition is lower than our expectation; and 2) if the Covid-19 situation is under control
Tisco Financial	TISCO TB	THB 100.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.

Source: FSSIA estimates

Additional Disclosures

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

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All share prices are as at market close on 19-Apr-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.