

Thailand Diversified Financials

Is there a fork in the road ahead for auto title lenders?

- A divergence in share price performance among ATLS looms based on the sector's 1Q-2Q22 earnings momentum – impressive for TIDLOR and SAK, but unexciting for MTC and SAWAD.
- Among major ATLS, we recommend staying with TIDLOR first, then switching to MTC or SAWAD in late 2Q22 to early 3Q22. As for SAK, we think it is the best choice for a small-cap play.

Why is there a divergence in price performance among ATLS?

In recent weeks, we have seen a divergence in the share price performance among our covered auto title loan lenders (ATLS). There was a sharp drop in MTC and SAWAD's share prices, a relatively stable share price for SAK, and an outperforming share price for TIDLOR. We believe this comes from the difference in ATLS' 1Q-2Q22 earnings momentum. We expect an aggregate 1Q22 core profit for the ATL sector of THB3,399b (-2% y-y, +5% q-q). We believe TIDLOR and SAK should deliver impressive earnings growth in 1Q22, driven mainly by a rise in their loan volumes, and that MTC and SAWAD's operations should continue to be weak. The major headwind for MTC is a rise in its non-performing loans (NPLs), resulting in higher provisions. As for SAWAD, we think its performance is being dragged down by the lazy pace of its balance sheet expansion. We expect this trend to continue in 2Q22, but by then, MTC and SAWAD should deliver better earnings growth than TIDLOR in 2H22.

Is it time to switch to undemanding valuations?

We deeply analysed each stock's fundamentals and valuation (details in report) and concluded that investors should stay with the more demanding stocks like TIDLOR and SAK. While SAK is our most preferred ATL, both in the short and long term, we suspect that some investors fear that SAK might bear the brunt of the sector's tight competition. But, in our view, SAK faces a minimal impact. We expect it to deliver the strongest 2022 net profit growth among ATLS at 39% y-y, and therefore see an opportunity to Buy. Among major ATLS, we prefer TIDLOR in the short term due to its obvious outstanding performance in 1H22, before switching to MTC or SAWAD in late 2Q22 to early 3Q22 ahead of their stronger expected earnings growth. In this case, we prefer MTC to SAWAD.

ATL remains our third preferred segment

Among diversified financials, we rank ATL as our third preferred segment, with the asset management segment the first, followed by truck-related lenders. We think that the tighter competition and the continued impacts from regulatory changes should continue to hinder the growth outlook for ATLS. Therefore, our top picks among covered diversified financials are JMT, SINGER, and BAM for big market cap plays, and SAK as the best choice for a small-cap play.

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Muangthai Capital	MTC TB	46.50	BUY	unchanged	55.00	60.00	-8.33%	+18.3%
Saksiam Leasing	SAK TB	8.95	BUY	unchanged	12.00	12.00	unchanged	+34.1%
Srisawad Corp	SAWAD TB	52.25	BUY	unchanged	68.00	74.00	-8.11%	+30.1%
Ngern Tid Lor	TIDLOR TB	38.50	BUY	unchanged	43.00	43.00	unchanged	+11.7%

Note: Priced at close of business 27/04/2022. Share prices and TPs are in listing currency.
 Sources: FSSIA estimates



Yuvarart Suwanumchai

yuvarart.suw@fssia.com
 +66 2611 3554

Investment thesis

Among diversified financials, we retain our view that ATLS rank as our third preferred segment, with asset management the first, followed by truck-related lenders. We think that the tighter competition and greater risk of potential impacts from regulatory changes should continue to hinder ATLS' growth outlook.

SAK is our most preferred ATL due to our projection of strong earnings growth for the company in 2022 at 39% y-y. As for the major players, we prefer TIDLOR in the short term due to our expectation of outstanding performance in 1H22. Then, we recommend switching to MTC or SAWAD in late 2Q22 to early 3Q22 ahead of the stronger earnings growth performance we expect to see, where we prefer MTC to SAWAD.

Catalyst

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

Risk to our call

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

Contents

Why is there a divergence in share prices among ATLS?.3

1Q22E results: Weak for MTC and SAWAD, impressive for TIDLOR and SAK.....4

Is it time to switch to undemanding valuations?.....6

Company reports

Muangthai Capital (MTC TB, BUY TP THB55.00)

Saksiam Leasing (SAK TB, BUY TP THB12.00)

Srisawad Corp (SAWAD TB, BUY TP THB68.00)

Ngern Tid Lor (TIDLOR TB, BUY TP THB43.00)

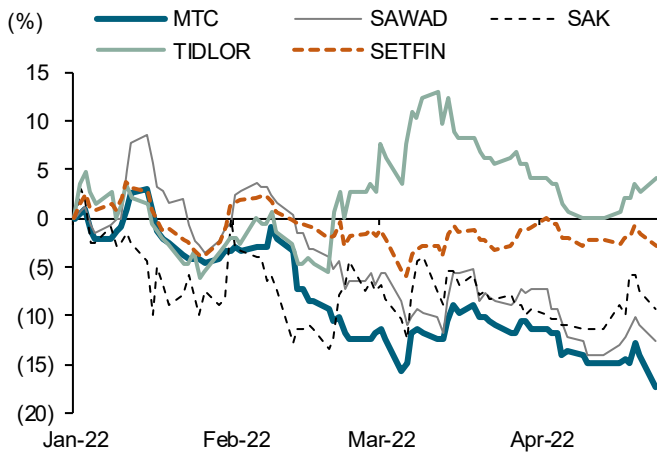
Event Calendar

Date	Event
10 May 2022	MTC's 1Q22 results announcement
11 May 2022	TIDLOR's 1Q22 results announcement
12 May 2022	SAWAD and SAK's 1Q22 results announcement

Why is there a divergence in share prices among ATLS?

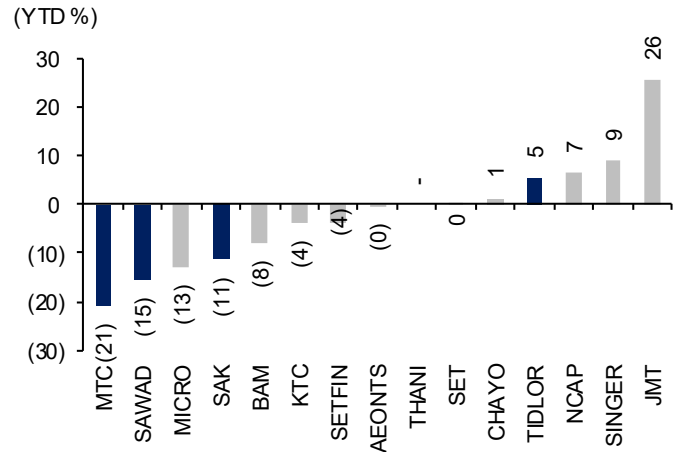
In recent weeks, we have seen a widening gulf in the share price performance among our covered ATLS. There was a sharp drop in MTC and SAWAD's share prices, a relatively stable share price for SAK, and an outperforming share price for TIDLOR. We believe this comes from the difference in each ATL's 1Q-2Q22 earnings momentum.

Exhibit 1: The movement of covered ATL's share prices



Sources: Bloomberg; FSSIA's compilation

Exhibit 2: YTD return on diversified financial stocks under our coverage



Sources: Bloomberg; FSSIA's compilation

1Q22E results: Weak for MTC and SAWAD, impressive for TIDLOR and SAK

We expect an aggregate 1Q22 core profit for the ATL sector of THB3,399b (-2% y-y, +5% q-q). We see continued robust demand for loans, resulting in expected aggregate loan growth of 4.3% q-q. MTC, TIDLOR, and SAK should deliver relatively similar loan growth of 5% q-q, with SAWAD having the lowest at 1% q-q. We think SAWAD might lose some market share in auto title lending owing to its conservative lending strategy vs the aggressive credit expansion of its peers. Regarding loan yield, we do not see signs of tighter price competition. However, the impact of the promotional campaigns of some operators and a seasonally lower number of days in 1Q22 vs 4Q21 could result in lower EIR. As a result, we expect a lower loan yield for covered ATLs of 18.6% from 18.9%. As for asset quality, we forecast their NPLs to be on a rising trend due to the gradual end of the forbearance program. Thus, we project a rise in expected credit losses (ECL) for ATLs.

We believe TIDLOR and SAK will deliver impressive earnings growth in 1Q22, driven mainly by a rise in loan volumes, while MTC and SAWAD's operations should continue to be weak. The major headwind facing MTC is a rise in its NPLs, which could result in higher provisions. As for SAWAD, we think its performance could be dragged down by its lazy balance sheet expansion over the past several quarters.

Exhibit 3: Summary of 1Q22E results preview of ATL operators under our coverage

1Q22E	MTC	SAWAD	SAK	TIDLOR	Auto-title lender
Year-end Dec 31	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Normalised profit	1,166	1,150	181	903	3,399
Change y-y %	(15.1)	(2.8)	52.3	15.3	(1.7)
Change q-q %	6.0	0.6	(2.5)	13.6	5.4
Net profit	1,166	1,150	181	903	3,399
Change y-y %	(15.1)	(15.5)	52.3	15.3	(6.5)
Change q-q %	6.0	3.7	(2.5)	13.6	4.6
Key ratios					
Asset quality ratio					
NPLs (THB m)	1,467	1,299	199	791	3,756
Change y-y %	107.0	(11.4)	33.3	(1.1)	20.3
Change q-q %	15.0	4.0	4.4	8.0	8.9
NPLs / Loans (%)	1.52	3.82	2.15	1.25	1.85
Loan loss reserve/NPLs (%)	131	58	106	326	145
Credit cost (bp)	140	47	120	80	105
Profitability ratio					
Cost to income ratio	51.8	36.2	50.3	58.9	50.2
Average yield	18.0	20.3	23.9	17.8	18.6
Cost of fund	3.6	3.4	2.9	2.6	3.2
Net interest margin (NIM)	15.2	18.4	22.5	16.1	16.4
Non-int income/total income	3.8	33.9	0.3	18.6	15.7
Loan growth					
y-y	31.1	6.3	33.6	20.0	22.8
q-q	5.0	1.0	5.0	5.0	4.3

Source: FSSIA estimates

Exhibit 4: Details of 1Q22E results preview of ATL operators under our coverage

1Q22E	MTC	SAWAD	SAK	TIDLOR	ATL coverage
Year-end Dec 31	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net interest income	3,583	1,556	507	2,483	8,131
Change y-y %	15.3	(7.5)	38.0	21.7	12.9
Change q-q %	2.5	1.6	4.5	5.1	3.2
Non-interest income	132	800	1	561	1,494
Change y-y %	(47.9)	17.2	(60.8)	2.9	0.1
Change q-q %	(6.4)	0.3	(65.4)	(18.6)	(8.5)
Operating income	3,725	2,356	509	3,052	9,642
Change y-y %	10.2	(0.3)	37.1	17.7	10.7
Change q-q %	2.1	1.1	4.0	(0.3)	1.2
Operating expenses	1,930	852	256	1,799	4,836
Change y-y %	29.4	(7.0)	17.2	13.0	14.7
Change q-q %	(5.2)	(5.7)	9.0	(8.1)	(5.8)
PPOP before tax	1,795	1,504	253	1,253	4,805
Change y-y %	(5.0)	3.9	65.6	25.2	7.0
Change q-q %	11.4	5.4	(0.6)	13.6	9.3
Expected credit loss	329	40	27	124	520
Change y-y %	111.5	(123.0)	449.7	455.2	5,827.4
Change q-q %	35.2	(130.2)	22.2	12.4	113.5
Normalised profit	1,166	1,150	181	903	3,399
Change y-y %	(15.1)	(2.8)	52.3	15.3	(1.7)
Change q-q %	6.0	0.6	(2.5)	13.6	5.4
Net profit	1,166	1,150	181	903	3,399
Change y-y %	(15.1)	(15.5)	52.3	15.3	(6.5)
Change q-q %	6.0	3.7	(2.5)	13.6	4.6
Key ratios	1Q22E	1Q22E	1Q22E	1Q22E	1Q22E
Asset quality ratio					
NPLs (THB m)	1,467	1,299	199	791	3,756
Change y-y %	107.0	(11.4)	33.3	(1.1)	20.3
Change q-q %	15.0	4.0	4.4	8.0	8.9
NPLs / Loans (%)	1.52	3.82	2.15	1.25	1.85
Loan loss reserve/NPLs (%)	131	58	106	326	145
Credit cost (bp)	140	47	120	80	105
Profitability ratio	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	51.8	36.2	50.3	58.9	50.2
Average yield	18.0	20.3	23.9	17.8	18.6
Cost of fund	3.6	3.4	2.9	2.6	3.2
Net interest margin (NIM)	15.2	18.4	22.5	16.1	16.4
Non-int income/total income	3.8	33.9	0.3	18.6	15.7
Loan growth	(%)	(%)	(%)	(%)	(%)
y-y	31.1	6.3	33.6	20.0	22.8
q-q	5.0	1.0	5.0	5.0	4.3

Source: FSSIA estimates

Is it time to switch to undemanding valuations?

Due to the plunge in ATL share prices – MTC and SAWAD in particular – investors have questioned whether to accumulate them. To answer this question, we deeply analysed each stock's fundamentals and valuation:

MTC – We believe the recent plunge in its share price this week mostly reflects its weak 1Q22E results and the concern over NPLs. It currently trades at 3.3x 2022E P/BV, close to its lowest P/BV level at 3.0x during the first Covid wave. As a result, we see a limited downside from the current share price. However, we also see limited catalysts for its share price to rerate due to our expectation of a continued slow recovery in 2Q22 operations, pressured by high provisions. In our view, the outstanding recovery should come in 3Q22 due to greater balance sheet expansion utilisation. Therefore, we recommend accumulating in late 2Q22 to early 3Q22 ahead of solid expected earnings growth.

SAWAD – The latest collapse in its share price this week mostly reflects the weak 1Q22E result and concerns over its slow balance sheet expansion, in our view. SAWAD trades at 2.6x 2022E P/BV presently. We see a limited downside from the current share price, but also limited catalysts for its share price to rerate due to the continued slow recovery in 2Q22 operations, pressured by its lazy balance sheet. The recovery should come in 3Q22, supported by its gradual return to growth mode. Therefore, we recommend accumulating in late 2Q22 to early 3Q22.

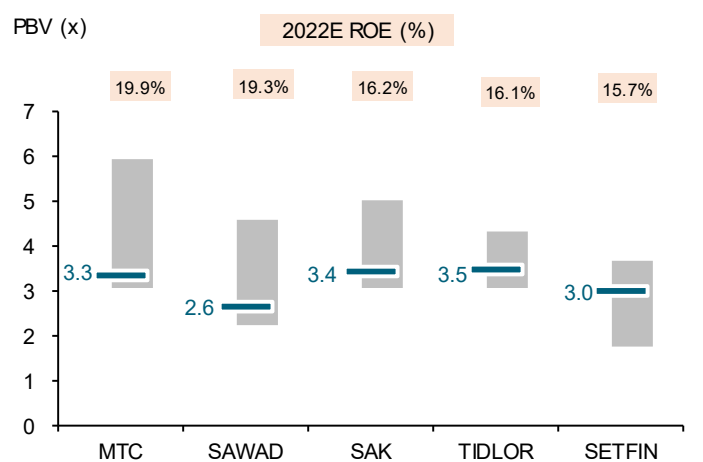
Comparing these two stocks, we prefer MTC to SAWAD as we think MTC's client base expansion strategy in order to put more financial products on its shelf in the future should enhance its long-term growth. Meanwhile, we see SAWAD's lazy balance sheet during 2020-21 as hindering its long-term growth outlook.

Exhibit 5: The maximum downside for MTC and SAWAD from the current share price

BBG code	Current		Bear case		Maximum downside (%)
	P/BV (x)	Price (THB)	From Mar-20 to date Min P/BV (x)	Implied price (THB)	
MTC	3.35	46.50	3.05	42	(9)
SAWAD	2.62	52.25	2.22	44	(15)
SAK	3.42	8.95	3.05	8	(11)
TIDLOR	3.47	38.50	3.08	34	(11)

Sources: Bloomberg; FSSIA estimates

Exhibit 6: 2018-22 P/BV trading range and ROE of covered ATLs



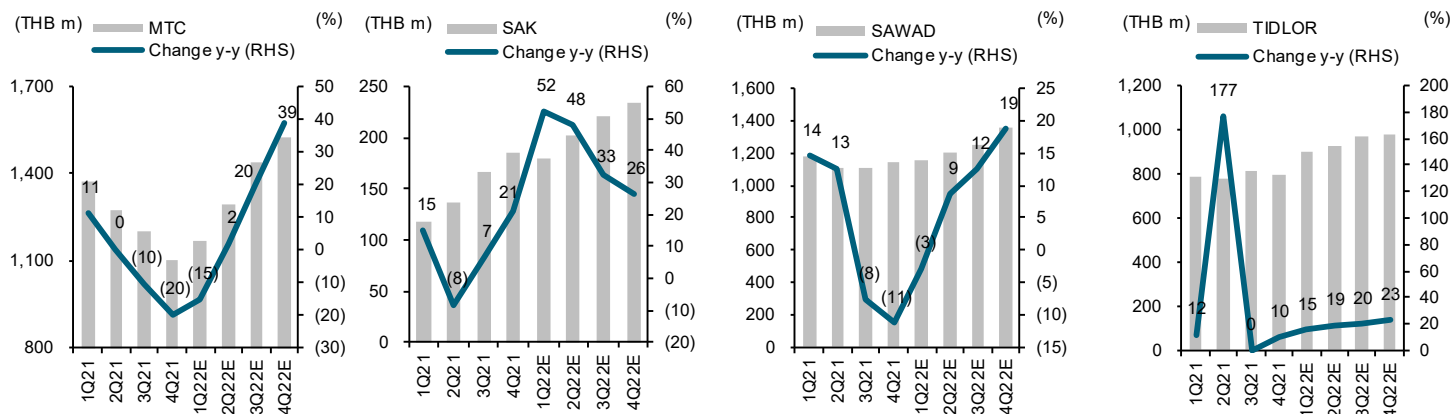
Note that bars illustrate range of P/BV from 2018 to 2022 and blue lines are current 2022 P/BV

Sources: Bloomberg; FSSIA estimates

TIDLOR – We think TIDLOR's share price might outperform its major peers in the next 1-2 months due to its stronger 1Q-2Q22E earnings on the back of 1) strong loan growth; 2) higher fee income supported by its insurance brokerage business; and 3) good asset quality control leading to a slight increase in ECL. Thus, TIDLOR is our most preferred among big ATL players in the short term.

SAK – We reaffirm our BUY call for SAK as we have a strong conviction that SAK should deliver solid earnings growth throughout 2022. Also, we think it will post the strongest net profit growth at 39% y-y in 2022. We maintain SAK as our top pick among the small-cap diversified financials under our coverage.

Exhibit 7: ATL providers' core profit momentum



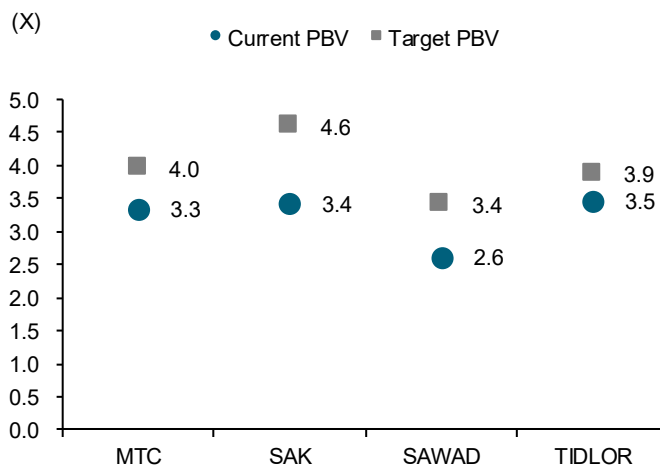
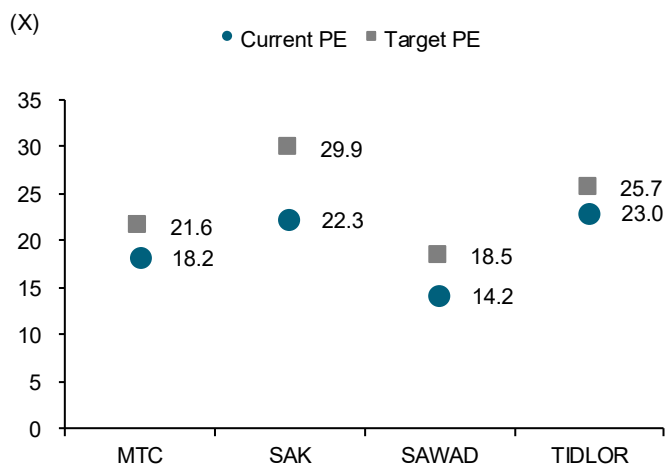
Source: FSSIA estimates

In summary, we prefer TIDLOR in the short term due to its obvious outstanding performance, then we recommend switching to MTC or SAWAD in late 2Q22 to early 3Q22 ahead of the stronger expected earnings growth, where we prefer MTC to SAWAD. SAK is our most preferred ATL both in the short and long term.

As for the ATL sector, we retain our view that it ranks as our third preferred segment, with the asset management segment the first, followed by truck-related lenders. We think that the tighter competition and the continued impacts from regulatory changes should continue to hinder the ATL growth outlook. Therefore, our top picks among covered diversified financials remain JMT Network Services (JMT TB, BUY, TP THB80), Singer Thailand (SINGER TB, BUY, TP THB74), and Bangkok Commercial Asset Management (BAM TB, BUY, TP THB25.5) for big market cap plays, and SAK as the best choice for a small-cap play.

Exhibit 8: Current 2022E P/E vs target P/E of ATL operators

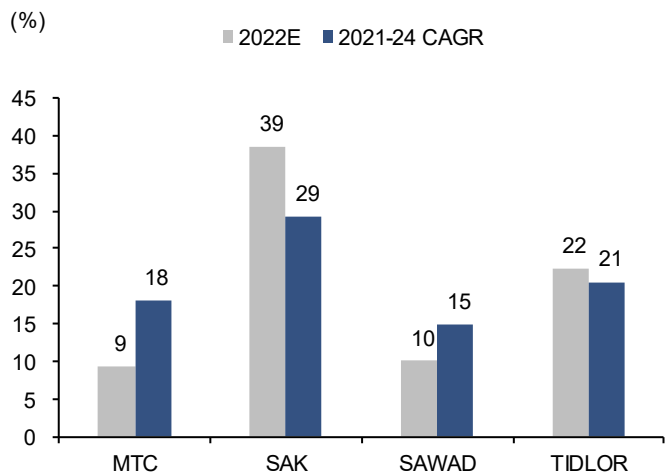
Exhibit 9: Current 2022E P/BV vs target P/BV of ATL operators



Source: FSSIA estimates

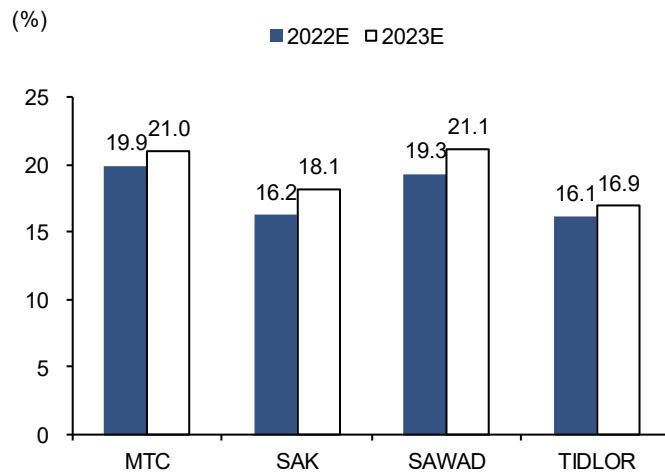
Source: FSSIA estimates

Exhibit 10: 2022E normalised profit growth of ATL operators



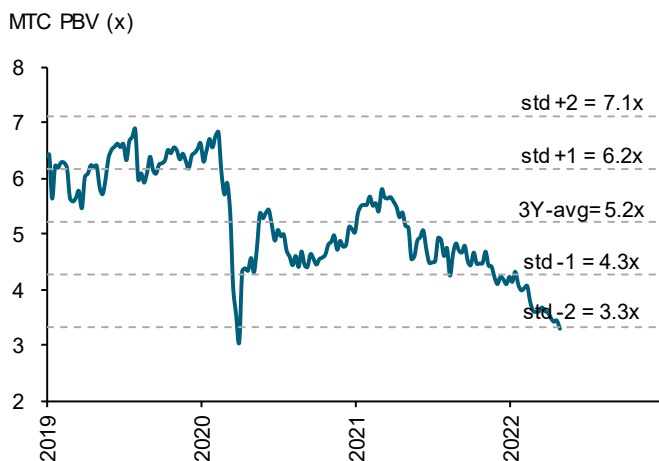
Source: FSSIA estimates

Exhibit 11: 2022-23E net ROE of ATL operators



Source: FSSIA estimates

Exhibit 12: MTC – one-year rolling prospective P/BV band



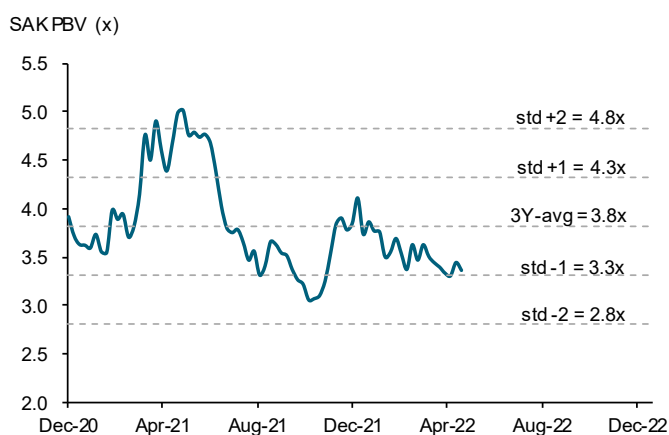
Sources: Bloomberg; FSSIA estimates

Exhibit 13: MTC – one-year rolling prospective P/E band



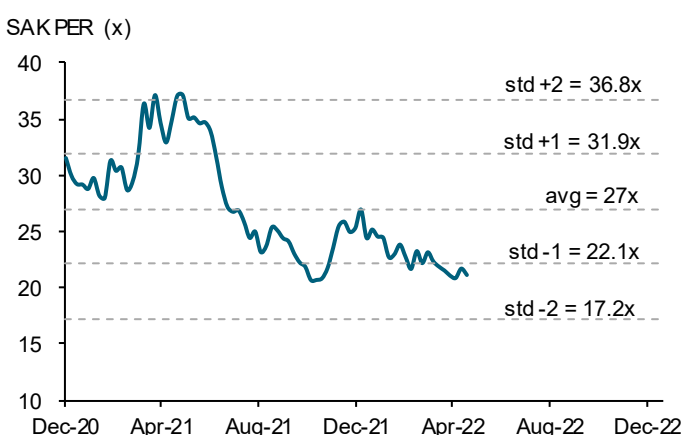
Sources: Bloomberg; FSSIA estimates

Exhibit 14: SAK – one-year rolling prospective P/BV band



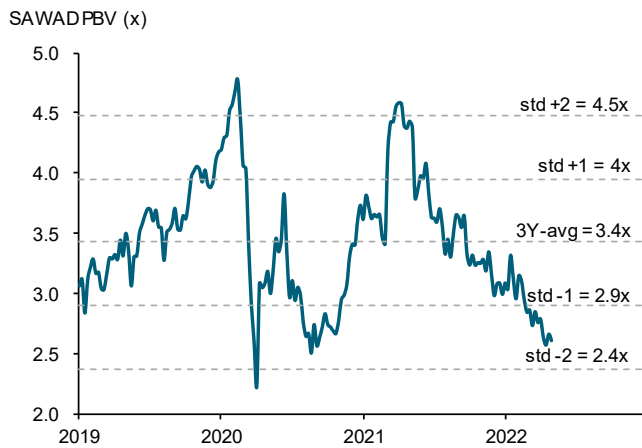
Sources: Bloomberg; FSSIA estimates

Exhibit 15: SAK – one-year rolling prospective P/E band



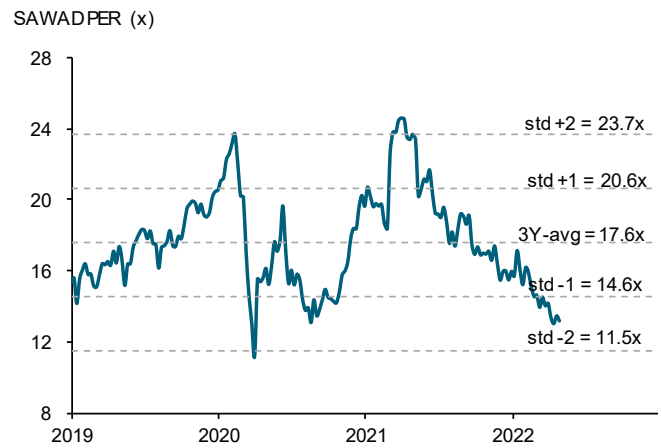
Sources: Bloomberg; FSSIA estimates

Exhibit 16: SAWAD – one-year rolling prospective P/BV band



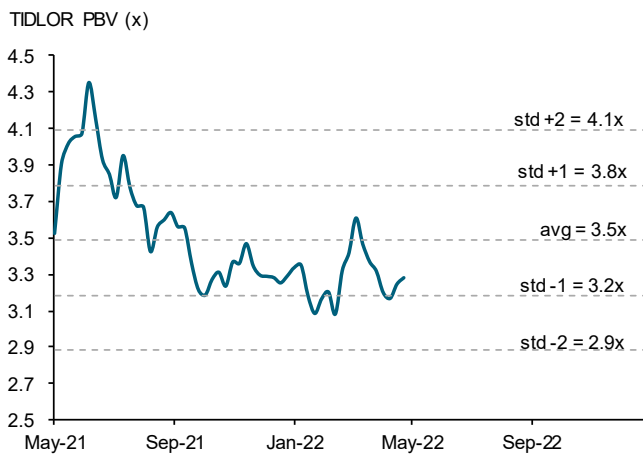
Sources: Bloomberg; FSSIA estimates

Exhibit 17: SAWAD – one-year rolling prospective P/E band



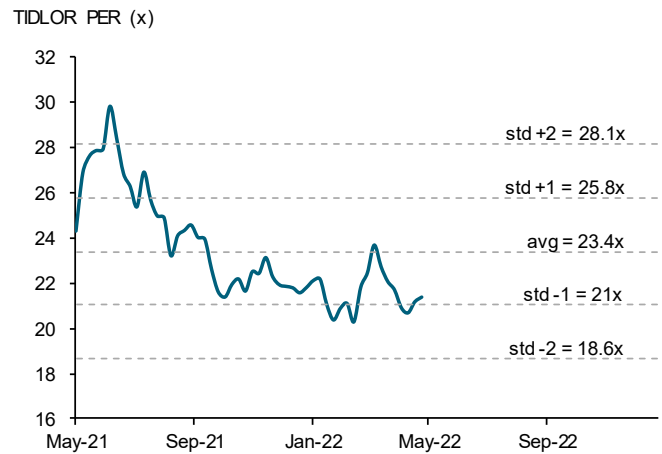
Sources: Bloomberg; FSSIA estimates

Exhibit 18: TIDLOR – one-year rolling prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 19: TIDLOR – one-year rolling prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 20: Diversified financial companies under coverage – summary of key valuations

Company	BBG code	Rec	---Share price---		Up side (%)	Market Cap (USD m)	EPS growth		--- P/E ---		-- DivYld --		--- ROE ---		--- PBV ---	
			Current (THB)	Target (THB)			21E (%)	22E (%)	21E (x)	22E (x)	21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)
Diversified financials						23,414	16.2	22.1	24.9	19.8	2.2	2.7	16.1	16.8	3.4	3.0
Unsecured-loan lender*						5,653	11.9	9.0	18.5	17.0	2.1	2.3	23.4	22.1	4.1	3.6
Aeon Thana Sinsap (TH)	AEONTS TB	HOLD	188.00	204.00	9	1,370	13.9	7.4	10.4	9.7	2.8	2.9	21.1	19.6	2.0	1.8
Krungthai Card	KTC TB	REDUCE	57.00	52.00	(9)	4,283	11.2	9.5	21.1	19.3	1.9	2.1	24.1	22.9	4.8	4.1
Auto-title lender						8,113	14.4	22.5	19.0	15.5	1.6	1.9	18.3	19.5	3.2	2.8
Muangthai Capital	MTC TB	BUY	46.50	55.00	18	2,873	9.3	25.5	18.2	14.5	0.8	1.0	19.9	21.0	3.3	2.8
Srisawad Corp	SAWAD TB	BUY	52.25	68.00	30	2,091	10.0	20.5	14.2	11.8	3.5	4.2	19.3	21.1	2.6	2.4
Saksiam Leasing	SAK TB	BUY	8.95	12.00	34	547	38.5	25.9	22.3	17.7	1.3	1.7	16.2	18.1	3.4	3.0
Ngern Tid Lor	TIDLOR TB	BUY	38.50	43.00	12	2,602	18.6	20.1	23.0	19.2	0.9	1.0	16.1	16.9	3.5	3.0
Truck lender						2,291	12.0	27.6	29.2	22.3	2.4	2.7	11.0	12.8	2.7	2.6
Micro Leasing	MICRO TB	BUY	7.10	10.70	51	193	45.1	26.8	24.4	19.3	0.8	1.0	13.2	15.0	3.1	2.7
Singer Thailand	SINGER TB	BUY	57.75	74.00	28	1,375	7.7	35.1	38.3	28.4	1.6	2.1	8.1	10.5	3.0	2.9
Ratchthani Leasing	THANI TB	BUY	4.38	4.80	10	723	11.5	13.6	13.0	11.5	4.3	4.4	15.9	16.7	2.0	1.8
Asset management						5,865	27.7	36.1	40.9	29.6	2.0	2.9	9.9	11.7	4.0	3.4
Bangkok Commercial AM	BAM TB	BUY	19.90	25.50	28	1,874	23.2	26.6	20.1	15.9	4.2	5.4	7.5	8.6	1.5	1.3
Chayo Group	CHAYO TB	BUY	12.90	16.60	29	393	44.4	17.2	38.9	33.2	0.0	0.0	10.6	9.4	3.4	2.7
JMT Network Services	JMT TB	BUY	86.00	80.00	(7)	3,597	28.3	43.1	52.0	36.3	1.1	1.9	11.0	13.6	5.3	4.6
Other						1,215	4.1	8.5	7.6	7.0	8.1	8.8	8.0	8.2	0.6	0.6
Thanachart Capital	TCAP TB	HOLD	39.75	42.00	6	1,215	4.1	8.5	7.6	7.0	8.1	8.8	8.0	8.2	0.6	0.6
HP motorcycle						278	1.3	(2.6)	30.3	31.1	0.5	0.5	11.3	8.6	2.9	2.5
Next Capital	NCAP TB	BUY	10.60	12.80	21	278	1.3	(2.6)	30.3	31.1	0.5	0.5	11.3	8.6	2.9	2.5

Share prices as of 27 Apr 2022; Sources: Bloomberg; FSSIA estimates

MUANGTHAI CAPITAL

 THAILAND / DIVERSIFIED FINANCIALS

MTC TB

BUY

 UNCHANGED

A bump on the road to further growth

- Expect a weak 1Q22 NP of THB1,166m due to high provisions.
- Soaring net profit growth should start from 3Q22.
- Lower 2022-24E NP by 7%/6%/7% and revise down TP to THB55.

TARGET PRICE	THB55.00
CLOSE	THB46.50
UP/DOWNSIDE	+18.3%
PRIOR TP	THB60.00
CHANGE IN TP	-8.3%
TP vs CONSENSUS	-12.9%

Expect a slower recovery in 1Q22 performance

We expect MTC to report a weak 1Q22 net profit of THB1,166m (-15% y-y, +6% q-q), which is lower than our initial expectation due to higher ECL. We forecast the only strong point as its remarkable 1Q22E loan growth at 5% q-q and 31% y-y. However, another four items should be in soft territory. First, we expect its non-NII to plummet 48% y-y and 6% q-q due to the impact from the new debt collection fee measures. Second, its OPEX might skyrocket by 29% y-y, resulting in a high 51.8% cost to income ratio. Third, its NPLs could increase moderately by 15% q-q due to the end of the debt forbearance program and strong loan growth in the past quarters. To acquire a large amount of loans, MTC might loosen some of its underwriting credit, in our view. Lastly, its loan yield might continue to decline to 18.0% in 1Q22 vs 18.5% in 4Q21.

Outstanding net profit growth should kick off in 3Q22

Starting from 3Q22, we have a solid conviction that its performance should get back on track. Its net profit should noticeably escalate y-y and q-q. We believe that its loan yield should gradually rise following the readjustment of its motorcycle title loans in Aug-21 from 15% EIR to 16% EIR. On top of that, we believe the benefit of its aggressive balance sheet expansion in 2021 should clearly kick in. These positives should offset the potential increase in its provisions due to an increase in its NPLs.

Net profit and target price revisions

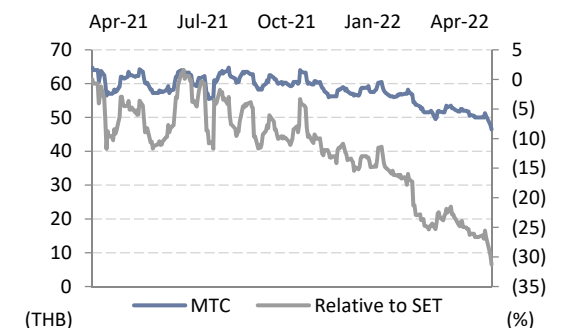
We lower our 2022-24E net profit by 7%/6%/7% to reflect 1) our lower yield assumptions from 18.5%/18.7%/19.0% to 18.0%/18.3%/18.6% due to the slower growth of high-yield motorcycle hire purchase loans following the tight competition; and 2) higher credit cost estimates from 140/150/150 bps to 146/160/165 bps owing to the poorer asset quality.

Maintain BUY with lower GGM-based TP to THB55

We revise down our 2022 GGM-based TP to THB55 from THB60 and maintain our BUY call. We think the period to accumulate MTC would be late 2Q22 to early 3Q22 ahead of the solid recovery of its net profit expected in 2H22. We also think there is room for MTC to raise its motorbike title rate charge. A 100 bps rise in its motorcycle title loans would mean a 2% upside to our 2022E net profit (full-year adjustment). This should be another key driver for its share price. Yet, in the short term, we think its share price might be pressured by the weak 1Q22E performance and the concern over the potential increase in its NPLs.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	6,201	6,772	8,507	10,175
Net profit	4,945	5,404	6,780	8,140
EPS (THB)	2.33	2.55	3.20	3.84
vs Consensus (%)	-	(11.0)	(8.5)	(10.7)
Core net profit	4,945	5,404	6,780	8,140
Core EPS (THB)	2.33	2.55	3.20	3.84
Chg. In EPS est. (%)	-	(7.1)	(6.4)	(7.3)
EPS growth (%)	(5.2)	9.3	25.5	20.1
Core P/E (x)	19.9	18.2	14.5	12.1
Dividend yield (%)	0.8	0.8	1.0	1.2
Price/book (x)	4.0	3.3	2.8	2.3
ROE (%)	21.7	19.9	21.0	21.0
ROA (%)	5.6	4.9	5.0	5.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(11.0)	(17.3)	(30.3)
Relative to country (%)	(9.8)	(18.4)	(33.9)
Mkt cap (USD m)	2,873		
3m avg. daily turnover (USD m)	12.4		
Free float (%)	21		
Major shareholder	Petaumpai Family (67%)		
12m high/low (THB)	68.00/46.25		
Issued shares (m)	2,120		

Sources: Bloomberg consensus; FSSIA estimates


Yuvarart Suwanumphai

 yuvarart.suw@fssia.com
 +66 2611 3554

Investment thesis

MTC is the largest listed non-bank personal and auto title loan service provider in Thailand. We believe that the business prospects for secured consumer loans remain solid. The demand for fast cash is less volatile in varying economic conditions, though spending purposes may differ. Operationally, MTC has long experience and strong management expertise, reflecting its ability to drive growth and contain asset quality.

We think the period to accumulate MTC would be late 2Q22 to early 3Q22 ahead of the solid recovery of its net profit expected in 2H22. We also think there is room for MTC to raise its motorbike title rate charge. A 100 bps rise in its motorcycle title loans would mean a 2% upside to our 2022E net profit (full-year adjustment). This should be another key driver for its share price. Yet, in the short term, we think its share price might be pressured by the weak 1Q22E performance and the concern over the potential increase in its NPLs.

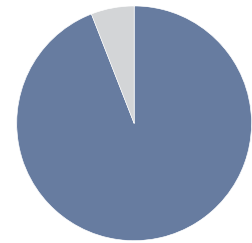
Company profile

MTC has provided lending services since 1992, focusing on motorcycle title loans, and commands the highest market share in Thailand. The company has also expanded its business to personal and other title loans such as car, agricultural and land title loans.

www.muangthaicap.com

Principal activities (revenue, 2021)

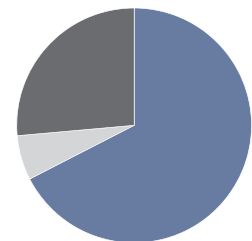
- Net interest income - 94.1 %
- Non-interest income - 5.9 %



Source: Muangthai Capital

Major shareholders

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



Source: Muangthai Capital

Catalysts

Potential share price catalysts for MTC include:

1. Strong growth in its new businesses: hire purchase loans for motorcycles and buy now pay later;
2. The end of low rate charges for motorbike title loans;
3. Better cost control.

Risks to our call

Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.

Event calendar

Date	Event
10 May 2022	1Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	5,404	6,780	8,140
Net profit growth	9.3	25.5	20.1
NIM	15.19	15.39	15.38
Loan growth	26.0	20.0	20.0
Non-NII growth	(24.7)	9.6	3.9
Credit cost (bp)	146	160	165
Cost to income	49.4	48.0	47.5

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		----- 2022E -----		
Loan growth	±2ppt	24.0	26.0	28.0
% change in net profit		(2.1)	-	2.1
NIM (%)	±5bp	15.14	15.19	15.24
% change in net profit		(0.6)	-	0.6
Credit cost (bps)	±10bp	136	146	156
% change in net profit		1.2	-	(1.2)

Source: FSSIA estimates

Expect a slower recovery in 1Q22 performance

We expect MTC to report a weak 1Q22 net profit of THB1,166m (-15% y-y, +6% q-q), which is lower than our initial expectation due to higher expected credit losses (ECL). We forecast the only strong point as its remarkable 1Q22E loan growth at 5% q-q and 31% y-y. However, another four items should be in soft territory. First, we expect its non-NII to plummet 48% y-y and 6% q-q due to the impact from the new debt collection fee measures, implemented in Sep-22. Second, its OPEX might skyrocket by 29% y-y, resulting in a high 51.8% cost to income ratio. Third, its non-performing loans (NPLs) could increase remarkably by 15% q-q, implying an NPL ratio of 1.5% in 1Q22 from 1.4% in 4Q21, due to the end of the debt forbearance program and strong loan growth in the past quarters. To acquire a large amount of loans, MTC might loosen some of its underwriting credit, in our view. Lastly, its loan yield might continue to decline to 18.0% in 1Q22 vs 18.5% in 4Q21.

1Q22E key highlights

- Its loan yield should fall by 50 bps q-q to 18.0%, due to 1) a seasonal drop from a lower number of days in 1Q22 vs 4Q21 resulting in lower EIR; and 2) the repricing of high-yield motorcycle title loans before the interest rate cut in 1Q21.
- Total loan volume might increase impressively by 5% q-q, driven by a rise in all segments, especially personal loans and car title loans.

Exhibit 21: MTC – 1Q22 results forecast

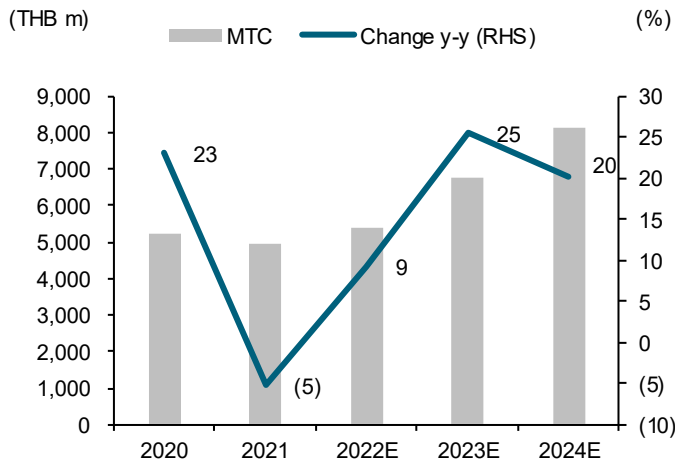
Year-end Dec 31	1Q21	4Q21	1Q22E	----- Change -----		2022E	Change	1Q22E comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	
Net interest income	3,108	3,495	3,583	15	3	15,759	21	
Non-interest income	272	151	142	(48)	(6)	620	(25)	Negative impact from the new debt collection fee measures
Operating income	3,381	3,647	3,725	10	2	16,380	18	
Operating expenses	1,491	2,036	1,930	29	(5)	8,093	16	
PPOP before tax	1,889	1,611	1,795	(5)	11	8,286	20	
Expected credit loss	156	244	329	112	35	1,515	108	
Income tax	360	268	301	(16)	12	1,368	9	
Minority interest	0	0	0			0		
Normalised profit	1,374	1,100	1,166	(15)	6	5,404	9	
Extraordinary items	0	0	0			0		
Net profit	1,374	1,100	1,166	(15)	6	5,404	9	
EPS (THB)	0.65	0.52	0.55	(15)	6	2.55	9	
Asset quality ratio								
NPLs (THB m)	709	1,276	1,467	107	15	1,761	38	
NPLs / Loans (%)	0.96	1.39	1.52			1.52		
Loan loss reserve/NPLs (%)	185	144	146			151		
Credit cost (bps)	86	110	140			146		
Profitability ratio (%)								
Cost to income ratio	44.1	55.8	51.8			49.4		
Average yield	19.8	18.5	18.0			18.0		
Cost of fund	3.5	3.4	3.6			3.6		
Net interest margin (NIM)	17.2	15.8	15.2			15.2		
Non-interest income / total income	8.1	4.2	3.8			39.4		
Loan growth (%)								
Year-to-date	21.9	52.2	59.8					
y-y	17.3	29.4	31.1			26.0		
q-q	3.6	8.1	5.0					

Sources: MTC; FSSIA's estimates

Outstanding net profit growth should kick off in 3Q22

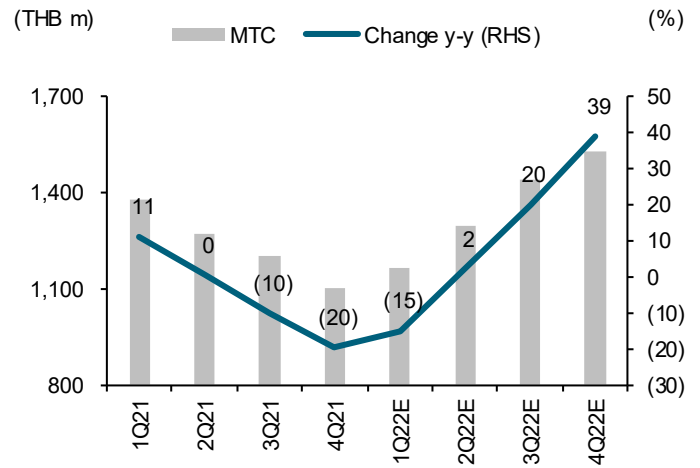
We forecast MTC's earnings to slightly improve y-y and q-q in 2Q22 on the back of a continued rise in loan growth. Starting from 3Q22, we have a solid conviction that its performance should get back on track. Its net profit should noticeably escalate y-y and q-q. We believe that its loan yield should gradually rise following the readjustment of its motorcycle title loans in Aug-21 from 15% EIR to 16% EIR. On top of that, we believe the benefit of its aggressive balance sheet expansion in 2021 should clearly kick in. These positives should offset the potential increase in its provisions due to an increase in its NPLs. In 2023, we believe its net profit should shoot up by 25% y-y vs 9% y-y in 2022.

Exhibit 22: MTC's yearly net profit outlook



Sources: MTC; FSSIA estimates

Exhibit 23: MTC's quarterly net profit outlook



Sources: MTC; FSSIA estimates

Net profit and target price revisions

We lower our 2022-24 net profit forecasts by 7%/6%/7% to reflect 1) our lower yield assumptions from 18.5%/18.7%/19.0% to 18.0%/18.3%/18.6% due to the slower growth of high-yield motorcycle hire purchase loans following the tight competition; and 2) higher credit cost estimates from 140/150/150 bps to 146/160/165 bps owing to the poorer asset quality.

Exhibit 24: Changes in key assumptions

	2022E				2023E			2024E		
	2021 (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Net interest income	13,068	16,260	15,759	(3.1)	20,081	19,582	(2.5)	24,159	23,489	(2.8)
Non-interest income*	824	634	620	(2.2)	695	680	(2.1)	722	707	(2.1)
Operating income*	13,891	16,894	16,380	(3.0)	20,775	20,262	(2.5)	24,881	24,196	(2.8)
Operating expenses	6,961	8,179	8,093	(1.0)	9,825	9,719	(1.1)	11,631	11,501	(1.1)
PPOP before tax*	6,930	8,715	8,286	(4.9)	10,951	10,543	(3.7)	13,250	12,695	(4.2)
Expected credit loss (Reversal)	728	1,446	1,515	4.7	1,894	2,036	7.5	2,272	2,520	10.9
Tax expenses	1,257	1,454	1,368	(5.9)	1,811	1,727	(4.7)	2,195	2,035	(7.3)
Minority interest	-	0	-	-	0	-	-	-	-	-
Normalised profit	4,945	5,815	5,404	(7.1)	7,246	6,780	(6.4)	8,782	8,140	(7.3)
Extraordinary items	-	0	-	-	0	-	-	-	-	-
Net profit	4,945	5,815	5,404	(7.1)	7,246	6,780	(6.4)	8,782	8,140	(7.3)
EPS (THB)	2.33	2.74	2.55	(7.1)	3.4	3.20	(6.4)	4.14	3.84	(7.3)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	1,276	1,723	1,850	7.4	2,239	2,498	11.5	2,687	3,247	20.8
Gross NPLs / Loans (%)	1.4	1.5	1.6	-	1.6	1.8	-	1.63	1.9	-
Loan loss reserve/NPLs (%)	144	150	143	-	151.0	143	-	161	147	-
Credit cost (bps)	90	140	146	-	150	160	-	150	165	-
Profitability ratio (%)										
Cost to income ratio*	50.1	48.4	49.4	-	47.3	48.0	-	46.7	47.5	-
Average yield	18.7	18.5	18.0	-	18.7	18.3	-	19.0	18.6	-
Cost of funds	3.4	3.6	3.6	-	3.7	3.7	-	4.0	4.2	-
Net interest margin (NIM)	16.1	15.7	15.2	-	15.9	15.4	-	15.9	15.4	-
Loan growth (%)										
y-y	29.4	25.0	26.0	-	20.0	20.0	-	20.0	20.0	-

Sources: MTC; FSSIA estimates

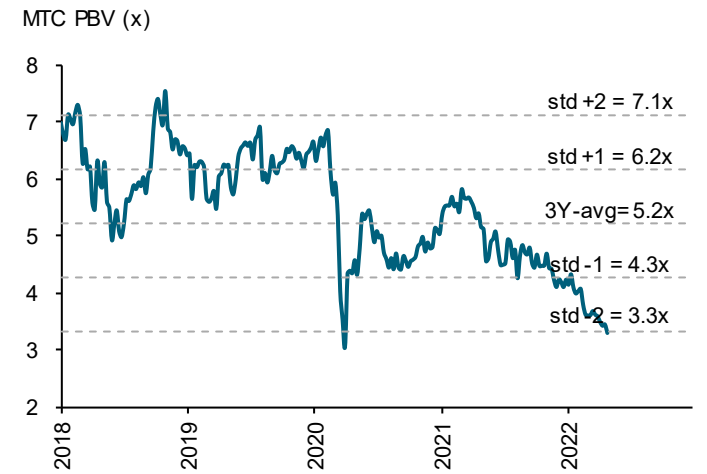
We revise down our GGM-based TP to THB55 from THB60, as we 1) lower our EPS forecast, leading to a lower book value; and 2) lower our target 2022E P/BV from 4.3x to 4.0x (1.5 SD below its three-year average) to reflect the decrease in our average long-term ROE target to 21.4% from 22%.

Exhibit 25: MTC – GGM-derived target price

Target price	THB55 (from THB60)
Recommendation	BUY
Risk-free rate (%)	3 (Unchanged)
Market risk premium (%)	8 (Unchanged)
Cost to equity (%)	11.3 (Unchanged)
Terminal growth (%)	7.8 (from 8.1)
ROE target (%)	21.4 (from 22)
Targeted P/BV (x)	4.0x (from 4.3x)
Implied P/E (x)	21.6x (from 21.9x)

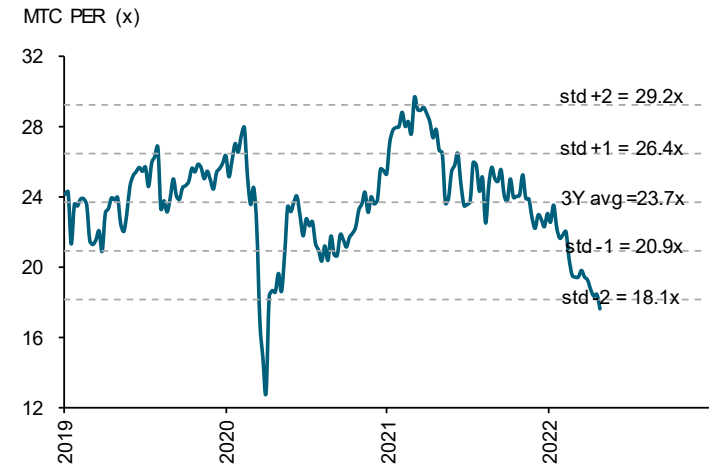
Source: FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

Financial Statements

Muangthai Capital

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	13,962	15,195	18,675	23,287	28,403
Interest expense	(1,817)	(2,127)	(2,915)	(3,705)	(4,913)
Net interest income	12,145	13,068	15,759	19,582	23,489
Net fees & commission	726	769	577	634	658
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	45	55	44	46	48
Non interest income	771	824	620	680	707
Total income	12,916	13,891	16,380	20,262	24,196
Staff costs	(3,676)	(4,272)	(5,404)	(6,693)	(8,232)
Other operating costs	(2,469)	(2,689)	(2,689)	(3,026)	(3,269)
Operating costs	(6,144)	(6,961)	(8,093)	(9,719)	(11,501)
Pre provision operating profit	6,771	6,930	8,286	10,543	12,695
Provision for bad and doubtful debt	(255)	(728)	(1,515)	(2,036)	(2,520)
Other provisions	-	-	-	-	-
Operating profit	6,517	6,201	6,772	8,507	10,175
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	6,517	6,201	6,772	8,507	10,175
Tax	(1,303)	(1,257)	(1,368)	(1,727)	(2,035)
Profit after tax	5,214	4,945	5,404	6,780	8,140
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,214	4,945	5,404	6,780	8,140
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,214	4,945	5,404	6,780	8,140
Per share (THB)					
Recurring EPS *	2.46	2.33	2.55	3.20	3.84
Reported EPS	2.46	2.33	2.55	3.20	3.84
DPS	0.37	0.37	0.38	0.48	0.58
Growth					
Net interest income (%)	17.3	7.6	20.6	24.3	20.0
Non interest income (%)	(4.6)	6.8	(24.7)	9.6	3.9
Pre provision operating profit (%)	15.8	2.3	19.6	27.2	20.4
Operating profit (%)	23.1	(4.8)	9.2	25.6	19.6
Reported net profit (%)	23.0	(5.2)	9.3	25.5	20.1
Recurring EPS (%)	23.0	(5.2)	9.3	25.5	20.1
Reported EPS (%)	23.0	(5.2)	9.3	25.5	20.1
Income Breakdown					
Net interest income (%)	94.0	94.1	96.2	96.6	97.1
Net fees & commission (%)	5.6	5.5	3.5	3.1	2.7
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.3	0.4	0.3	0.2	0.2
Operating performance					
Gross interest yield (%)	21.27	18.67	18.00	18.30	18.60
Cost of funds (%)	3.71	3.43	3.63	3.74	4.17
Net interest spread (%)	17.56	15.24	14.37	14.56	14.43
Net interest margin (%)	18.5	16.1	15.2	15.4	15.4
Cost/income(%)	47.6	50.1	49.4	48.0	47.5
Cost/assets(%)	8.8	7.9	7.3	7.2	7.2
Effective tax rate (%)	20.0	20.3	20.2	20.3	20.0
Dividend payout on recurring profit (%)	15.0	15.9	15.0	15.0	15.0
ROE (%)	28.4	21.7	19.9	21.0	21.0
ROE - COE (%)	17.6	10.9	9.1	10.2	10.2
ROA (%)	7.5	5.6	4.9	5.0	5.1
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

Financial Statements

Muangthai Capital

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	70,968	91,812	115,684	138,820	166,584
Total provisions	(1,328)	(1,832)	(2,652)	(3,578)	(4,765)
interest in suspense	0	0	0	0	0
Net customer loans	69,640	89,981	113,031	135,242	161,820
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,378	1,306	2,344	3,274	2,521
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,928	2,054	2,187	2,329	2,481
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	4,275	5,049	5,293	5,716	6,486
Total assets	77,222	98,390	122,855	146,562	173,307
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	53,699	70,457	90,176	107,959	127,615
Non interest bearing liabilities	2,841	3,064	3,218	3,378	3,547
Hybrid Capital	-	-	-	-	-
Total liabilities	56,540	73,521	93,394	111,337	131,163
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	18,567	22,749	27,342	33,105	40,024
Total equity	20,687	24,869	29,462	35,225	42,144
Minority interests	(5)	0	0	0	0
Total liabilities & equity	77,222	98,390	122,855	146,562	173,307
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	65,653	81,390	103,748	127,252	152,702
Average interest bearing liabilities	48,931	62,078	80,317	99,067	117,787
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)	747	1,276	1,850	2,498	3,247
Per share (THB)					
Book value per share	9.76	11.73	13.90	16.62	19.88
Tangible book value per share	9.76	11.73	13.90	16.62	19.88
Growth					
Gross customer loans	17.6	29.4	26.0	20.0	20.0
Average interest earning assets	21.1	24.0	27.5	22.7	20.0
Total asset (%)	24.8	27.4	24.9	19.3	18.2
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	26.8	25.3	24.0	24.0	24.3
Tangible equity/assets (%)	26.8	25.3	24.0	24.0	24.3
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	20.3	70.7	45.0	35.0	30.0
NPL/gross loans (%)	1.1	1.4	1.6	1.8	1.9
Total provisions/gross loans (%)	1.9	2.0	2.3	2.1	2.9
Total provisions/NPL (%)	177.6	143.6	143.4	143.3	146.7
Valuation					
Recurring P/E (x) *	18.9	19.9	18.2	14.5	12.1
Recurring P/E @ target price (x) *	22.4	23.6	21.6	17.2	14.3
Reported P/E (x)	18.9	19.9	18.2	14.5	12.1
Dividend yield (%)	0.8	0.8	0.8	1.0	1.2
Price/book (x)	4.8	4.0	3.3	2.8	2.3
Price/tangible book (x)	4.8	4.0	3.3	2.8	2.3
Price/tangible book @ target price (x)	5.6	4.7	4.0	3.3	2.8

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

SAKSAM LEASING SAK TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

UNCHANGED

Floating above price competition

- Expect a strong 1Q22 NP of THB181m due to solid loan growth.
- Sanguine outlook throughout 2022.
- Maintain top pick for small-cap play, with TP of THB12.0.

TARGET PRICE	THB12.00
CLOSE	THB8.95
UP/DOWNSIDE	+34.1%
PRIOR TP	THB12.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+14.1%

Strong start expected in 1Q22

We expect SAK to report a solid 1Q22 net profit of THB181m (+52% y-y, -3% q-q). Its 1Q22 net profit should increase significantly y-y due to three reasons. First, we expect SAK to deliver strong loan growth of 34% y-y and 5% q-q. Second, amid the price competition between major players, we think its NIM could be relatively stable q-q at 22.5% due to the expansion of its high-yield nano-finance portfolio. Third, amid its rapid loan expansion and the rising inflation, we expect its NPLs to only slightly rise by 4% q-q. As for the projected minimal q-q drop in its net profit, this would come from 1) higher OPEX from its branch expansion; and 2) a slight loss from its drone project since the business was in the starting phase – expenses came in first while revenue was not yet recognised.

Least affected by the tight price competition

Among the four auto title lenders under coverage, we think SAK would be the least affected by the intense price competition due to its relatively small portfolio, leading to a lower demand for new loans to grow its credit portfolio. Thus, SAK does not need to participate the price war to gain a higher loan volume. We expect that SAK should be able to maintain its loan yield throughout 2022. Moreover, we believe its loan volume should increase substantially throughout 2022 on the back of its target network expansion of 210 branches. Accordingly, we have a strong conviction that SAK should deliver impressive net profit growth throughout 2022.

Drone project: delayed but not derailed

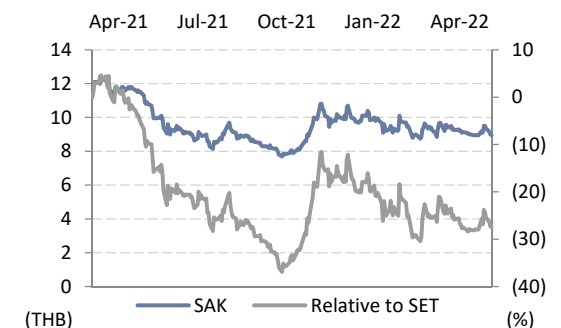
The lockdown in China led to a delay in the delivery of raw materials used in production. Therefore, the company was not able to sell its drones in 1Q22, from its target of 30-50 drones sold in 1Q. Currently, its production plan has gotten back on track. The company still sees strong drone demand. As a result, SAK reaffirmed its intention to sell 1,000 drones in 2022. We reiterate our more conservative assumption of 800 drones sold in 2022. Thus, we see a limited downside to our current forecast.

Maintain BUY with GGM-based TP of THB12

We maintain SAK as our top pick among the small-cap diversified financials under coverage, with our GGM-based TP of THB12. We have a strong conviction that SAK will have a bright outlook. Moreover, its valuation looks attractive, currently trading at only 22x 2022E P/E, with expected net profit growth of 39% in 2022.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	758	1,050	1,322	1,633
Net profit	608	842	1,060	1,309
EPS (THB)	0.29	0.40	0.51	0.62
vs Consensus (%)	-	1.0	7.4	(6.1)
Core net profit	608	842	1,060	1,309
Core EPS (THB)	0.29	0.40	0.51	0.62
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(17.7)	38.5	25.9	23.5
Core P/E (x)	30.9	22.3	17.7	14.3
Dividend yield (%)	1.3	1.3	1.7	2.1
Price/book (x)	3.8	3.4	3.0	2.6
ROE (%)	12.9	16.2	18.1	19.6
ROA (%)	6.6	7.8	7.9	7.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.2)	(1.6)	(22.8)
Relative to country (%)	(1.9)	(3.0)	(26.8)
Mkt cap (USD m)	547		
3m avg. daily turnover (USD m)	1.6		
Free float (%)	21		
Major shareholder	Boonsalee Family (67%)		
12m high/low (THB)	12.80/7.60		
Issued shares (m)	935		

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumphai

yuvanart.suw@fssia.com
+66 2611 3554

Investment thesis

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

We maintain our BUY call due to its significantly smaller size compared to the major players, which, as a result, should help cushion it from the current price war among the big operators. Moreover, its new drone project should gradually drive its performance.

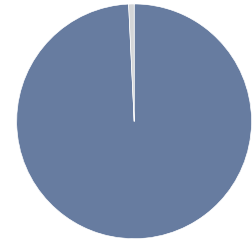
Company profile

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

www.saksiam.com

Principal activities (revenue, 2021)

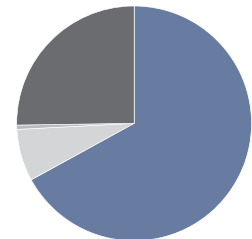
- Net interest income - 99.2 %
- Non-interest income - 0.8 %



Source: Saksiam Leasing

Major shareholders

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



Source: Saksiam Leasing

Catalysts

Potential share price catalysts for SAK include:

1. Stronger loan growth;
2. Improvements in its drone project.

Risks to our call

Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.

Event calendar

Date	Event
Mid-May 2022	1Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	842	1,060	1,309
Net profit growth	38.5	25.9	23.5
NIM	22.02	21.40	20.98
Loan growth	30.0	25.0	22.0
Credit cost (bp)	126	145	145
Cost to income*	47.6	45.7	44.5

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		2022E		
Loan growth	±2ppt	28.0	30.0	32.0
	<i>% change in net profit</i>	<i>(1.9)</i>	<i>-</i>	<i>1.9</i>
NIM (%)	±5bp	21.97	22.02	22.07
	<i>% change in net profit</i>	<i>(0.5)</i>	<i>-</i>	<i>0.5</i>
Credit cost (bps)	±10bp	116.0	126.0	136.0
	<i>% change in net profit</i>	<i>1.0</i>	<i>-</i>	<i>(1.0)</i>

Source: FSSIA estimates

Strong start expected in 1Q22

We expect SAK to report a solid 1Q22 net profit of THB181m (+52% y-y, -3% q-q). Its 1Q22 net profit should increase significantly y-y due to three reasons. First, we expect SAK to deliver strong loan growth of 34% y-y and 5% q-q due to ample demand and a greater utilisation rate on the back of its aggressive branch expansion in 2021. Second, amid the price competition between major players, we think its NIM could be relatively stable q-q at 22.5% due to the expansion of its high-yield nano-finance portfolio. Third, amid its rapid loan expansion and the rising inflation, we expect its non-performing loans (NPLs) to only slightly rise by 4% q-q, implying an NPL ratio of 2.2%. As for the projected minimal q-q drop in its net profit, this would come from 1) higher OPEX from its branch expansion; and 2) a slight loss from its drone project since the business was in the starting phase – expenses came in first while revenue was not yet recognised.

Exhibit 28: SAK – 1Q22E results forecast

Year-end Dec 31	1Q21	4Q21	1Q22E	---- Change ----		2022E	Change	1Q22E comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y %)	
Net interest income	368	485	507	38	5	2,231	29	
Non-interest income*	3	4	1	(61)	(65)	17	31	
Operating income*	371	489	509	37	4	2,249	29	
Operating expenses	218	235	256	17	9	1,071	16	Higher following a branch expansion
PPOP before tax*	153	254	253	66	(1)	1,177	43	
Provision	5	22	27	450	22	128	101	
Income tax	29	47	45	55	(4)	208	38	
Minority interest	0	0	0			0		
Normalised profit	119	185	181	52	(3)	842	39	
Extraordinary items	0	0	0			0		
Net profit	119	185	181	52	(3)	842	39	
EPS (THB)	0.06	0.09	0.09	52	(3)	0.40	39	
Asset quality ratio								
Gross NPLs (THB m)	149	191	199	33	4	248	30	Effective asset quality control
NPL ratios (%)	2.16	2.17	2.15			2.17		
LLR/NPLs (%)	110	109	106			114		
Credit cost (bp)	29	103	120			126		
Profitability ratio (%)								
Cost to income ratio*	58.8	48.0	50.3			47.6		
Average yield	23.4	24.0	23.9			23.5		
Cost of fund	3.0	2.8	2.9			2.9		
Net interest margin (NIM)	22.0	22.7	22.5			22.0		
Non-int inc/total income	0.9	0.8	0.3			0.8		
Loan growth (%)								
Year-to-date	6.6	35.6	5.0					
y-y	n.a.	35.6	33.6			30.0		
q-q	6.6	5.7	5.0					

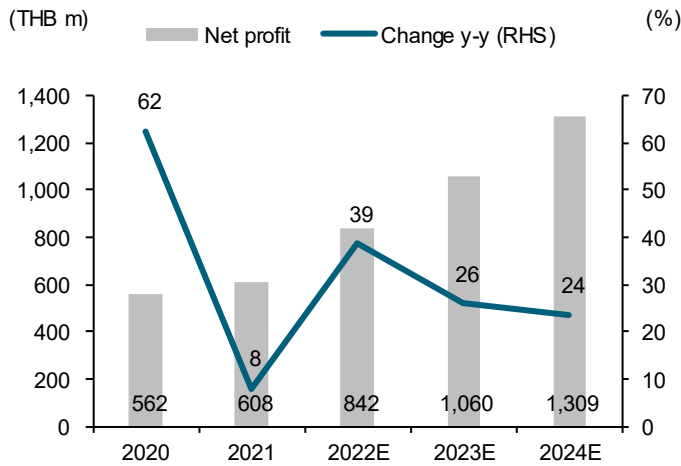
*Including share of profits from associates

Sources: SAK; FSSIA estimates

Least affected by the tight price competition

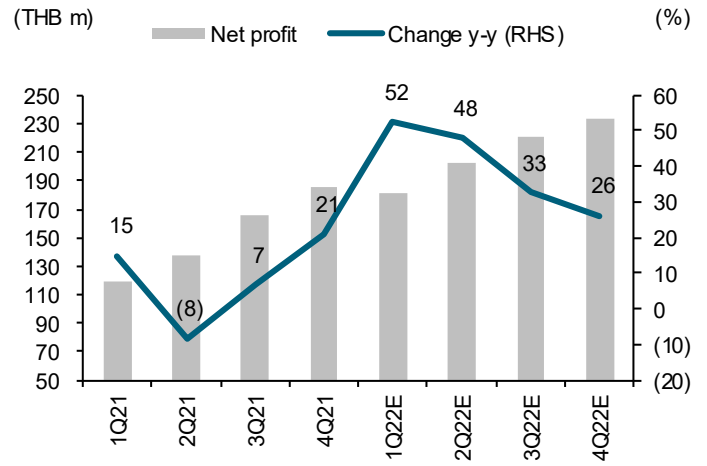
Among the four auto title lenders under coverage, we think SAK would be the least affected by the intense price competition due to its relatively small portfolio (its portfolio is only 10% of Muangthai Capital (MTC TB, BUY, TP THB55)'s portfolio, which has the largest market share), leading to a lower demand for new loans to grow its credit portfolio. Thus, SAK does not need to participate the price war to gain a higher loan volume. We expect that SAK should be able to maintain its loan yield throughout 2022. Moreover, we believe its loan volume should increase substantially throughout 2022 on the back of its target network expansion of 210 branches. Accordingly, we have a strong conviction that SAK should deliver impressive net profit growth throughout 2022.

Exhibit 29: Yearly net profit growth



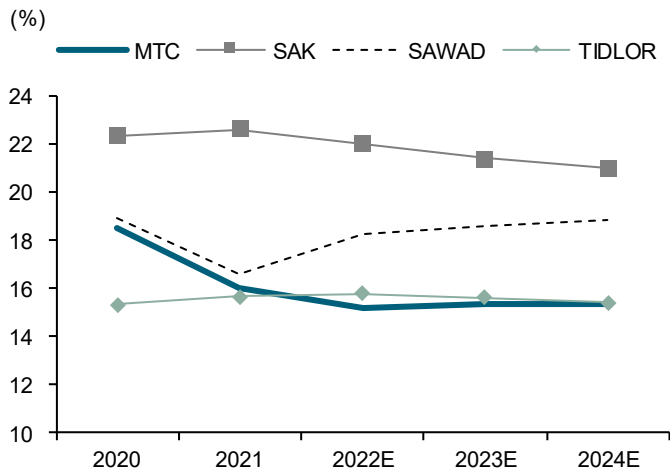
Sources: SAK; FSSIA estimates

Exhibit 30: Quarterly net profit growth



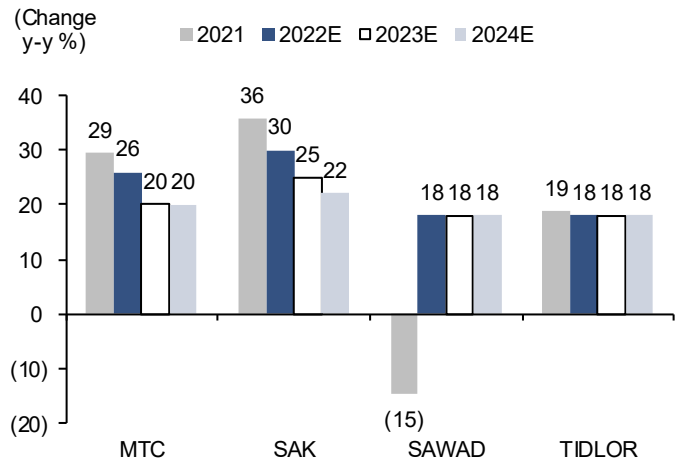
Sources: SAK; FSSIA estimates

Exhibit 31: Comparing NIM between covered auto title lenders



Sources: Company data; FSSIA estimates

Exhibit 32: Comparing loan growth between covered auto title lenders



Sources: Company data; FSSIA estimates

Drone project: delayed but not derailed

According to our exclusive talk with management on 24 Feb-22, SAK aimed to sell 30-50 drones in 1Q22. However, the lockdown in China led to a delay in the delivery of raw materials used in production. Therefore, the company was not able to sell its drones in 1Q22. Currently, its production plan has gotten back on track. The company still sees strong drone demand. As a result, SAK reaffirmed its intention to sell 1,000 drones in 2022. We reiterate our more conservative assumption of 800 drones sold in 2022. Thus, we see a limited downside to our current forecast.

Exhibit 33: Summary of agricultural drone selling and lending business

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

Sources: SAK; FSSIA estimates

Exhibit 34: FSSIA's drone project assumptions

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

Sources: SAK; FSSIA estimates

Financial Statements

Saksiam Leasing

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	1,607	1,834	2,381	2,977	3,624
Interest expense	(131)	(104)	(150)	(219)	(290)
Net interest income	1,476	1,731	2,231	2,758	3,334
Net fees & commission	2	5	5	5	6
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	5	8	12	14	17
Non interest income	7	13	17	20	23
Total income	1,482	1,744	2,249	2,778	3,357
Staff costs	-	-	-	-	-
Other operating costs	(788)	(922)	(1,071)	(1,269)	(1,494)
Operating costs	(788)	(922)	(1,071)	(1,269)	(1,494)
Pre provision operating profit	695	822	1,177	1,509	1,863
Provision for bad and doubtful debt	6	(64)	(128)	(187)	(230)
Other provisions	-	-	-	-	-
Operating profit	700	758	1,050	1,322	1,633
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	700	758	1,050	1,322	1,633
Tax	(138)	(151)	(208)	(262)	(323)
Profit after tax	562	608	842	1,060	1,309
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	562	608	842	1,060	1,309
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	562	608	842	1,060	1,309
Per share (THB)					
Recurring EPS *	0.35	0.29	0.40	0.51	0.62
Reported EPS	0.35	0.29	0.40	0.51	0.62
DPS	0.18	0.12	0.12	0.15	0.19
Growth					
Net interest income (%)	4.2	17.3	28.9	23.6	20.9
Non interest income (%)	(77.2)	96.0	30.8	15.5	15.9
Pre provision operating profit (%)	27.0	18.3	43.2	28.1	23.5
Operating profit (%)	62.3	8.3	38.4	25.9	23.5
Reported net profit (%)	62.4	8.1	38.5	25.9	23.5
Recurring EPS (%)	51.7	(17.7)	38.5	25.9	23.5
Reported EPS (%)	51.7	(17.7)	38.5	25.9	23.5
Income Breakdown					
Net interest income (%)	99.5	99.2	99.2	99.3	99.3
Net fees & commission (%)	0.1	0.3	0.2	0.2	0.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.3	0.5	0.5	0.5	0.5
Operating performance					
Gross interest yield (%)	24.35	23.97	23.50	23.10	22.80
Cost of funds (%)	3.20	2.46	2.85	3.00	3.05
Net interest spread (%)	21.15	21.51	20.65	20.10	19.75
Net interest margin (%)	22.4	22.6	22.0	21.4	21.0
Cost/income(%)	53.1	52.9	47.6	45.7	44.5
Cost/assets(%)	9.9	10.1	10.0	9.4	9.1
Effective tax rate (%)	19.8	19.9	19.8	19.8	19.8
Dividend payout on recurring profit (%)	52.2	40.0	30.0	30.0	30.0
ROE (%)	15.4	12.9	16.2	18.1	19.6
ROE - COE (%)	4.6	2.1	5.4	7.3	8.8
ROA (%)	7.1	6.6	7.8	7.9	7.9
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

Financial Statements

Saksiam Leasing

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	6,497	8,812	11,456	14,319	17,470
Total provisions	(162)	(208)	(284)	(406)	(532)
interest in suspense	72	81	137	172	210
Net customer loans	6,406	8,685	11,309	14,085	17,147
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	1,600	0	0	0	0
Cash & equivalents	307	307	110	293	102
Other interesting assets	-	-	-	-	-
Tangible fixed assets	113	129	148	169	194
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	352	407	384	425	577
Total assets	8,778	9,530	11,951	14,973	18,021
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	4,072	4,354	6,173	8,438	10,554
Non interest bearing liabilities	198	269	282	296	311
Hybrid Capital	-	-	-	-	-
Total liabilities	4,270	4,623	6,455	8,735	10,865
Share capital	2,096	2,096	2,096	2,096	2,096
Reserves	2,412	2,796	3,385	4,127	5,043
Total equity	4,508	4,892	5,481	6,223	7,139
Minority interests	0	15	15	16	16
Total liabilities & equity	8,778	9,530	11,951	14,973	18,021
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	6,598	7,654	10,134	12,887	15,895
Average interest bearing liabilities	4,102	4,213	5,263	7,306	9,496
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)	143	191	248	310	388
Per share (THB)					
Book value per share	2.83	2.33	2.61	2.97	3.41
Tangible book value per share	2.83	2.33	2.61	2.97	3.41
Growth					
Gross customer loans	(3.0)	35.6	30.0	25.0	22.0
Average interest earning assets	7.1	16.0	32.4	27.2	23.3
Total asset (%)	22.6	8.6	25.4	25.3	20.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	51.4	51.3	45.9	41.6	39.6
Tangible equity/assets (%)	51.4	51.3	45.9	41.6	39.6
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	48.1	33.2	30.0	25.0	25.0
NPL/gross loans (%)	2.2	2.2	2.2	2.2	2.2
Total provisions/gross loans (%)	2.5	2.4	2.5	2.3	3.0
Total provisions/NPL (%)	113.3	108.9	114.5	131.1	137.3
Valuation					
Recurring P/E (x) *	25.4	30.9	22.3	17.7	14.3
Recurring P/E @ target price (x) *	34.1	41.4	29.9	23.7	19.2
Reported P/E (x)	25.4	30.9	22.3	17.7	14.3
Dividend yield (%)	2.1	1.3	1.3	1.7	2.1
Price/book (x)	3.2	3.8	3.4	3.0	2.6
Price/tangible book (x)	3.2	3.8	3.4	3.0	2.6
Price/tangible book @ target price (x)	4.2	5.1	4.6	4.0	3.5

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

SRISAWAD CORP

SAWAD TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

UNCHANGED

TARGET PRICE	THB68.00
CLOSE	THB52.25
UP/DOWNSIDE	+30.1%
PRIOR TP	THB74.00
CHANGE IN TP	-8.1%
TP vs CONSENSUS	-4.8%

Wait for a strong recovery in 2H22

- Expect an unexciting 1Q22 core profit of THB1,150m.
- Stronger earnings recovery should start from 3Q22.
- Lower 2022-24E NP by 5%/4%/4% and revise down TP to THB68; maintain BUY call.

Slow, reactive balance sheet leads to lukewarm 1Q22E results

We expect SAWAD to report an unexciting 1Q22 core profit of THB1,150m (-3% y-y, +1% q-q), which is lower than our initial expectation due to slower loan growth and a mixed performance overall. We see three positives. First, we expect its non-NII to increase strongly y-y (flat q-q from seasonality), supported mainly by a rise in its brokerage fee income following the resumption of business activities and its new 0% 12-month instalment promotion. Next, we project a moderate decline in OPEX from the relocation of staff to its associate, Fast Money (FM). Third, we expect its NPLs to increase at a slower-than-peers rate of 4% q-q (9% for our covered auto title lenders) due to its conservative lending strategy and a rise in car seizures. As for negatives, we expect slower loan growth than its peers of only 1% q-q. We think SAWAD might lose some market share in auto title lending owing to its conservative lending strategy vs the aggressive credit expansion of its peers.

A more impressive earnings recovery expected in 2H22

We forecast SAWAD's earnings to slightly improve both y-y and q-q in 2Q22 on the back of increasingly robust fee income and loan growth. In 2H22, we expect the company to deliver impressive net profit growth as the more active balance sheet since 2Q22 gradually benefits its bottom line. Also, its non-NII from insurance brokerage and debt servicing fees should increase solidly.

Net profit and target price revisions

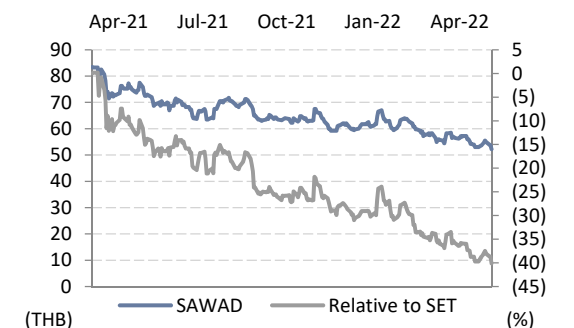
We lower our 2022-24 net profit forecasts by 5%/4%/4% to reflect 1) our slower loan growth assumption from 20% to 18% in 2022; 2) higher credit cost estimates from 43/75/100 bps to 65/80/110 bps in 2022-24; and 3) the expectation of slower fee income growth.

Maintain BUY with lower TP to THB68

We revise down our 2022 GGM-based TP to THB68 from THB74 and maintain our BUY call. The period to accumulate SAWAD would be late 2Q22 to early 3Q22 ahead of the more robust recovery in 2H22, in our view. In the short term, we think its share price might be pressured by the slow recovery in 1H22 and the concern over its lazy balance sheet expansion over the past several quarters.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	6,241	6,296	7,529	8,659
Net profit	4,722	5,000	6,026	6,894
EPS (THB)	3.48	3.68	4.44	5.20
vs Consensus (%)	-	(3.7)	0.6	2.7
Core net profit	4,544	5,000	6,026	6,894
Core EPS (THB)	3.35	3.68	4.44	5.20
Chg. In EPS est. (%)	-	(4.7)	(3.7)	(4.3)
EPS growth (%)	0.8	10.0	20.5	17.2
Core P/E (x)	15.6	14.2	11.8	10.0
Dividend yield (%)	3.3	3.5	4.2	0.5
Price/book (x)	2.9	2.6	2.4	1.9
ROE (%)	19.4	19.3	21.1	20.7
ROA (%)	9.5	9.8	10.6	10.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.5)	(12.9)	(37.0)
Relative to country (%)	(6.3)	(14.1)	(40.3)
Mkt cap (USD m)	2,091		
3m avg. daily turnover (USD m)	14.2		
Free float (%)	66		
Major shareholder	Kaewbootta Family (34%)		
12m high/low (THB)	84.75/52.00		
Issued shares (m)	1,373		

Sources: Bloomberg consensus; FSSIA estimates


Yuvanart Suwanumphai

 yuvanart.suw@fssia.com
 +66 2611 3554

Investment thesis

SAWAD has a solid market position as the third largest lender in the title loan market. We expect its market position to remain relatively strong over the next few years, as it plans to continuously expand its loan portfolio.

Additionally, SAWAD has transformed its business from a grassroots lending operator into a one-stop financial services provider. Moreover, the company is accelerating its ROE by accelerating its high yield lending business and insurance brokerage business.

We maintain our BUY call as we believe it should survive the disruption in the auto title loan industry due to its more diversified business model.

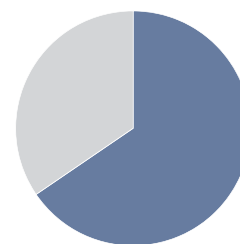
Company profile

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

www.meebaanmeerod.com

Principal activities (revenue, 2021)

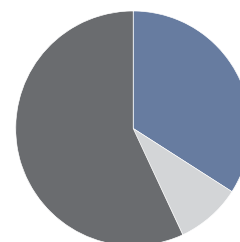
- Net interest income - 65.5 %
- Non-interest income - 34.5 %



Source: Srisawad Corp

Major shareholders

- Kaewbootta Family - 34.1 %
- Thai NVDR - 9.0 %
- Others - 57.0 %



Source: Srisawad Corp

Catalysts

Potential share price catalysts for SAWAD include:

- The synergy between SAWAD and Government Savings Bank;
- The success of its home appliance hire purchase business;
- The spin-off of Srisawad Capital (SCAP; not listed)'s business.

Risks to our call

Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.

Event calendar

Date	Event
12 May 2022	1Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	5,000	6,026	6,894
Net profit growth	5.9	20.5	14.4
NIM	18.26	18.60	18.86
Loan growth	18.0	18.0	18.0
Non-NII growth	11.4	11.0	8.0
Credit cost (bp)	65	80	110
Cost to income	36.3	34.4	33.7

Source: FSSIA estimates

Earnings sensitivity

		----- 2022E -----		
Loan growth	±2ppt	16.0	18.0	20.0
% change in net profit		(1.0)	-	1.0
NIM (%)	±5bp	18.21	18.26	18.31
% change in net profit		(0.5)	-	0.5
Credit cost (bp)	±10bp	55.0	65.0	75.0
% change in net profit		(0.6)	-	0.6

Source: FSSIA estimates

Unexciting 1Q22E performance

We expect SAWAD to report a lukewarm 1Q22 core profit of THB1,150m (-3% y-y, +1% q-q), which is lower than our initial expectation due to slower loan growth and a mixed performance in its 1Q22E results. We see three positives. First, we expect its non-NII to increase strongly y-y (flat q-q from seasonality) supported mainly by a rise in its brokerage fee income following the resumption of business activities and its new 0% 12-month instalment promotion. Next, we project a moderate decline in its OPEX from the relocation of staff to work under its associate, FM. Third, we expect its non-performing loans (NPLs) to increase at a slower rate than its peers at 4% q-q (9% for our covered auto title lenders) due to its conservative lending strategy and a rise in car seizures. As for the negative side, we expect slower loan growth than its peers of only 1% q-q. We think SAWAD might lose some market share in auto title lending owing to its conservative lending strategy vs the aggressive credit expansion of its peers.

1Q22E key highlights

- We expect SAWAD's total loan volume to rise minimally q-q by 1.0% in 1Q22 vs 4.3% q-q for the auto title loan lenders under our coverage, along with a continued solid rise in its motorcycle hire purchase loans. Meanwhile, its land title loans should decrease q-q due to its selective lending strategy, in our view.
- Loan yield should be relatively stable q-q at 20.3%, driven by the increase in its high-yield motorbike hire purchase loans.
- SAWAD should deliver strong non-NII (+17% y-y, flat q-q), supported by 1) insurance commission fees; 2) debt servicing fees from FM; and 3) bad debt recovery.

Exhibit 35: SAWAD – 1Q22 results forecast

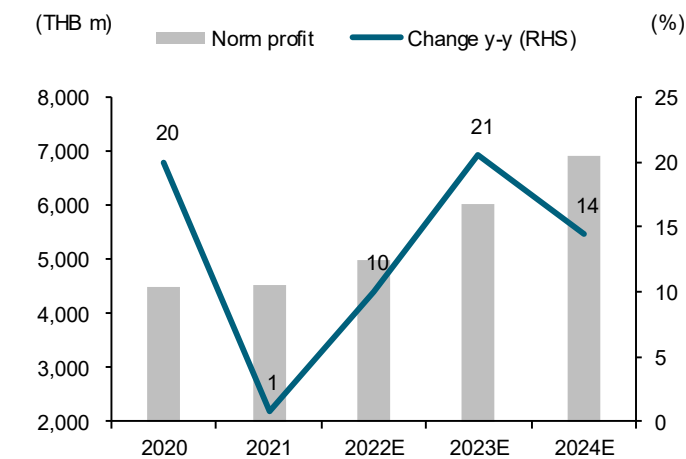
Year end Dec 31	1Q21	4Q21	1Q22E	----- Change -----		2022E	Change	1Q22E Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	
Net interest income	1,682	1,532	1,556	(7)	2	6,701	10	
Non-interest income	682	798	800	17	0	3,562	11	Strong insurance brokerage fee income
Operating income	2,364	2,330	2,356	(0)	1	10,263	11	
Operating expenses	916	904	852	(7)	(6)	3,728	7	
PPOP before tax	1,448	1,427	1,504	4	5	6,535	13	
Expected credit loss	(174)	(132)	40	n.a.	(130)	239	n.a.	
Income tax	378	308	285	(25)	(8)	1,196	(12)	
Minority interest	61	84	19	(70)	(78)	112	(65)	
Normalised profit	1,183	1,144	1,150	(3)	1	5,000	10	
Extraordinary items	178	0	0	n.a.	n.a.	0		One-time gain from the deconsolidation of FM in 1Q21
Net profit	1,361	1,144	1,150	(16)	1	5,000	6	
EPS (THB)	0.99	0.83	0.84	(16)	1	3.68	6	
Asset quality ratio								
NPLs (THB m)	1,465	1,249	1,299	(11)	4	1,473	18	
NPLs / Loans (%)	4.58	3.71	3.82			3.71		
Loan loss reserve/NPLs (%)	75	59	58			66		
Credit cost (bps)	(195)	(157)	47			65		
Profitability ratio (%)								
Cost to income ratio	38.8	38.8	36.2			36.3		
Average yield	21.3	20.3	20.3			20.2		
Cost of fund	3.4	3.6	3.4			3.6		
Net interest margin (NIM)	18.8	18.2	18.4			18.3		
Non-interest income / total income	28.9	34.2	33.9			39.4		
Loan growth (%)								
Year-to-date	(14.2)	(14.7)	1.0					
y-y	(17.5)	(14.7)	6.3			18.0		
q-q	(18.9)	0.1	1.0					

Sources: SAWAD; FSSIA's compilation

A more impressive earnings recovery expected in 2H22

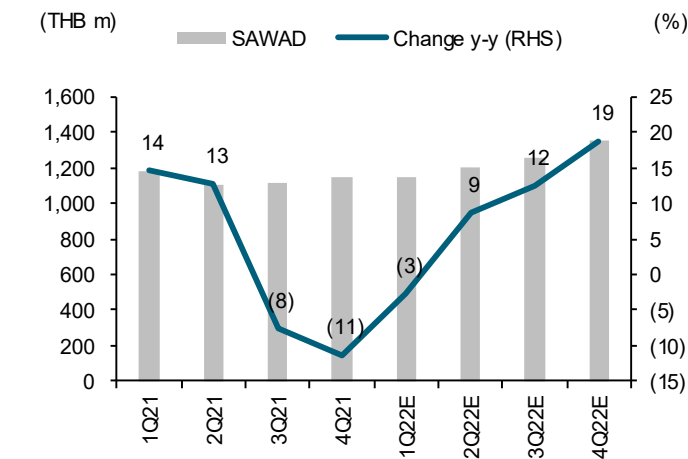
We forecast SAWAD's earnings to slightly improve y-y and q-q in 2Q22 on the back of its more robust fee income and loan growth. In 2H22, we expect the company to deliver impressive net profit growth as its more active balance sheet from 2Q22 gradually benefits its bottom line. Also, its non-NII from insurance brokerage and debt servicing fees should increase solidly.

Exhibit 36: SAWAD's yearly normalised profit outlook



Sources: SAWAD; FSSIA estimates

Exhibit 37: SAWAD's quarterly normalised profit outlook



Sources: SAWAD; FSSIA estimates

Net profit and target price revisions

We lower our 2022-24 net profit forecast by 5%/4%/4% to reflect 1) our slower loan growth assumption from 20% to 18% in 2022 due to headwinds facing the economic recovery caused by the Ukraine crisis that could slightly delay the company's return to growth mode; 2) higher credit cost estimates from 43/75/100 bps to 65/80/110 bps in 2022-24; and 3) weaker fee income growth due to the slower GDP recovery and its effect on loan growth.

Exhibit 38: Changes in key assumptions

	2022E				2023E			2024E		
	2021 (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Net interest income	6,065	6,774	6,701	(1.1)	8,214	8,052	(2.0)	9,903	9,637	(2.7)
Non-interest income*	3,198	3,828	3,562	(6.9)	4,211	3,953	(6.1)	4,632	4,269	(7.8)
Operating income*	9,262	10,602	10,263	(3.2)	12,425	12,005	(3.4)	14,535	13,905	(4.3)
Operating expenses	3,476	3,609	3,728	3.3	4,045	4,130	2.1	4,588	4,684	2.1
PPOP before tax*	5,786	6,993	6,535	(6.6)	8,381	7,875	(6.0)	9,948	9,221	(7.3)
Expected credit loss (Reversal)	(455)	159	239	49.8	330	346	4.9	520	562	8.2
Tax expenses	1,352	1,298	1,196	(7.9)	1,562	1,461	(6.5)	1,886	1,732	(8.2)
Minority interest	316	300	112	(62.8)	300	112	(62.8)	420	112	(73.4)
Normalised profit	4,544	5,247	5,000	(4.7)	6,258	6,026	(3.7)	7,201	6,894	(4.3)
Extraordinary items	178	0	-	0	0	-	-	-	-	-
Net profit	4,722	5,247	5,000	(4.7)	6,258	6,026	(3.7)	7,201	6,894	(4.3)
EPS (THB)	3.48	3.86	3.68	(4.7)	4.6	4.44	(3.7)	5.43	5.20	(4.3)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	1,249	1,436	1,473	2.6	1,795	1,842	2.6	2,244	2,302	2.6
Gross NPLs / Loans (%)	3.7	3.6	3.7		3.8	3.9		3.99	4.16	
Loan loss reserve/NPLs (%)	59	62	66		60.3	64		64	68	
Credit cost (bps)	(124)	43	65		75	80		100	110	
Profitability ratio (%)										
Cost to income ratio*	37.5	34.0	36.3		32.6	34.4		31.6	33.7	
Average yield	18.8	20.2	20.2		20.5	20.5		21.5	21.0	
Cost of funds	3.5	3.6	3.6		3.7	3.7		4.4	4.1	
Net interest margin (NIM)	16.6	18.3	18.3		18.7	18.6		19.1	18.9	
Loan growth (%)										
y-y	(14.7)	20.0	18.0		18.0	18.0		18.0	18.0	

Sources: SAWAD; FSSIA estimates

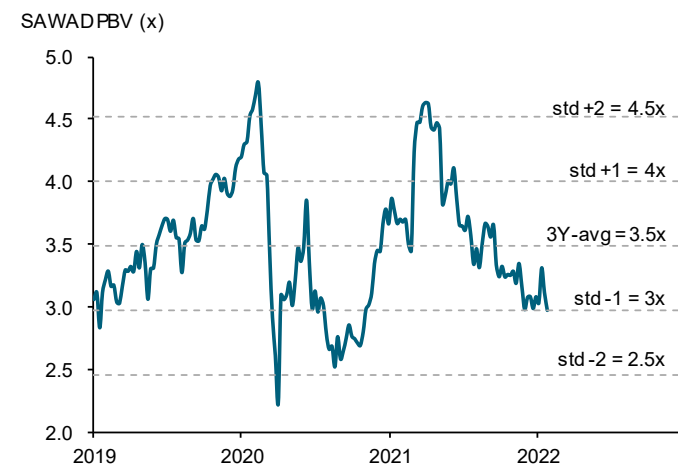
We revise down our GGM-based TP to THB68 from THB74, as we 1) lower our EPS forecast, leading to a lower book value; and 2) lower our target 2022E P/BV from 3.7x to 3.4x (its three-year average) to reflect the decrease in our average long-term ROE target to 20.9% from 21.4%.

Exhibit 39: SAWAD – GGM-derived target price

Target price	THB68 (from THB74)
Recommendation	BUY
Risk-free rate (%)	3 (Unchanged)
Market risk premium (%)	8 (Unchanged)
Cost to equity (%)	11.6 (Unchanged)
Terminal growth (%)	7.6 (from 7.8)
ROE target (%)	20.9 (from 21.4)
Targeted P/BV (x)	3.4x (from 3.7x)
Implied P/E (x)	18.5x (from 19.1x)

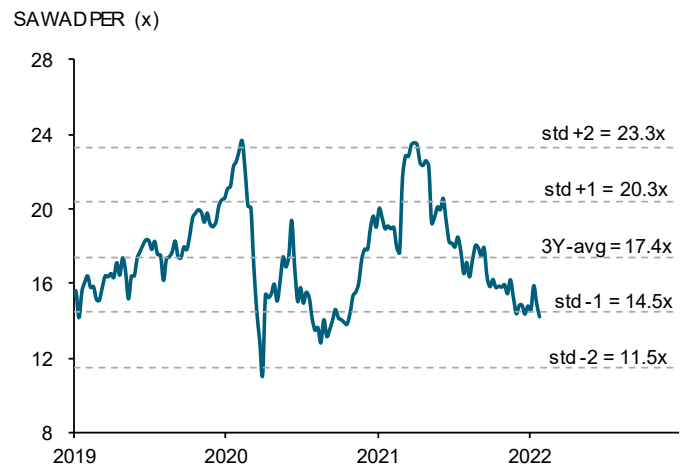
Source: FSSIA estimates

Exhibit 40: SAWAD – one-year rolling prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 41: SAWAD – one-year rolling prospective P/E band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	8,166	6,855	7,413	8,877	10,731
Interest expense	(903)	(791)	(713)	(825)	(1,094)
Net interest income	7,263	6,065	6,701	8,052	9,637
Net fees & commission	1,315	1,516	1,713	1,919	2,072
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	2	1	0	0	0
Other income	1,510	1,681	1,849	2,034	2,196
Non interest income	2,827	3,198	3,562	3,953	4,269
Total income	10,090	9,262	10,263	12,005	13,905
Staff costs	(1,869)	(1,479)	(1,587)	(1,745)	(1,990)
Other operating costs	(1,918)	(1,997)	(2,141)	(2,385)	(2,695)
Operating costs	(3,787)	(3,476)	(3,728)	(4,130)	(4,684)
Pre provision operating profit	6,304	5,786	6,535	7,875	9,221
Provision for bad and doubtful debt	(321)	455	(239)	(346)	(562)
Other provisions	-	-	-	-	-
Operating profit	5,983	6,241	6,296	7,529	8,659
Recurring non operating income	0	(29)	11	69	78
Associates	0	(29)	11	69	78
Goodwill amortization	-	-	-	-	-
Non recurring items	0	178	0	0	0
Profit before tax	5,983	6,390	6,308	7,598	8,737
Tax	(1,192)	(1,352)	(1,196)	(1,461)	(1,732)
Profit after tax	4,791	5,038	5,111	6,137	7,006
Minority interests	(283)	(316)	(112)	(112)	(112)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,508	4,722	5,000	6,026	6,894
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,508	4,544	5,000	6,026	6,894
Per share (THB)					
Recurring EPS *	3.32	3.35	3.68	4.44	5.20
Reported EPS	3.32	3.48	3.68	4.44	5.20
DPS	1.80	1.74	1.84	2.22	0.26
Growth					
Net interest income (%)	13.3	(16.5)	10.5	20.2	19.7
Non interest income (%)	10.7	13.1	11.4	11.0	8.0
Pre provision operating profit (%)	16.0	(8.2)	12.9	20.5	17.1
Operating profit (%)	22.6	4.3	0.9	19.6	15.0
Reported net profit (%)	20.0	4.7	5.9	20.5	14.4
Recurring EPS (%)	17.2	0.8	10.0	20.5	17.2
Reported EPS (%)	14.5	4.7	5.9	20.5	17.2
Income Breakdown					
Net interest income (%)	72.0	65.5	65.3	67.1	69.3
Net fees & commission (%)	13.0	16.4	16.7	16.0	14.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.0	0.0	-	-	-
Other income (%)	15.0	18.1	18.0	16.9	15.8
Operating performance					
Gross interest yield (%)	21.28	18.75	20.20	20.50	21.00
Cost of funds (%)	3.62	3.51	3.55	3.65	4.10
Net interest spread (%)	17.66	15.24	16.65	16.85	16.90
Net interest margin (%)	18.9	16.6	18.3	18.6	18.9
Cost/income(%)	37.5	37.5	36.3	34.4	33.7
Cost/assets(%)	7.8	6.8	7.1	7.1	7.0
Effective tax rate (%)	19.9	21.2	19.0	19.2	19.8
Dividend payout on recurring profit (%)	54.2	52.0	50.0	50.0	5.0
ROE (%)	22.3	19.4	19.3	21.1	20.7
ROE - COE (%)	11.5	8.6	8.5	10.3	9.9
ROA (%)	9.8	9.5	9.8	10.6	10.4
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Financial Statements

Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	39,450	33,668	39,729	46,880	55,318
Total provisions	(1,312)	(736)	(974)	(1,180)	(1,576)
interest in suspense	206	386	199	234	277
Net customer loans	38,344	33,318	38,953	45,934	54,019
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,838	2,689	1,219	90	1,943
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,306	1,334	1,367	1,408	1,456
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	10,519	12,626	13,280	13,852	15,683
Total assets	52,007	49,967	54,819	61,285	73,100
Customer deposits	5,234	170	170	170	178
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	20,731	18,967	20,838	24,023	29,001
Non interest bearing liabilities	1,972	3,855	4,433	4,655	4,888
Hybrid Capital	-	-	-	-	-
Total liabilities	27,937	22,992	25,441	28,848	34,067
Share capital	1,373	1,373	1,373	1,373	1,373
Reserves	20,712	23,325	25,682	28,694	35,244
Total equity	22,085	24,698	27,055	30,068	36,617
Minority interests	1,985	2,277	2,323	2,369	2,417
Total liabilities & equity	52,007	49,967	54,819	61,285	73,100
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	38,372	36,559	36,698	43,304	51,099
Average interest bearing liabilities	24,916	22,551	20,072	22,600	26,686
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)	1,480	1,249	1,473	1,842	2,302
Per share (THB)					
Book value per share	16.27	18.19	19.93	22.15	27.63
Tangible book value per share	16.27	18.19	19.93	22.15	27.63
Growth					
Gross customer loans	5.8	(14.7)	18.0	18.0	18.0
Average interest earning assets	13.1	(4.7)	0.4	18.0	18.0
Total asset (%)	14.4	(3.9)	9.7	11.8	19.3
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(17.6)	(96.8)	-	-	5.0
Leverage & capital measures					
Customer loan/deposits (%)	732.6	19,610.5	22,927.0	27,035.9	30,280.2
Equity/assets (%)	42.5	49.4	49.4	49.1	50.1
Tangible equity/assets (%)	42.5	49.4	49.4	49.1	50.1
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	3.6	(15.6)	18.0	25.0	25.0
NPL/gross loans (%)	3.8	3.7	3.7	3.9	4.2
Total provisions/gross loans (%)	3.3	2.2	2.5	2.1	2.8
Total provisions/NPL (%)	88.7	58.9	66.1	64.1	68.5
Valuation					
Recurring P/E (x) *	15.7	15.6	14.2	11.8	10.0
Recurring P/E @ target price (x) *	20.5	20.3	18.5	15.3	13.1
Reported P/E (x)	15.7	15.0	14.2	11.8	10.0
Dividend yield (%)	3.4	3.3	3.5	4.2	0.5
Price/book (x)	3.2	2.9	2.6	2.4	1.9
Price/tangible book (x)	3.2	2.9	2.6	2.4	1.9
Price/tangible book @ target price (x)	4.2	3.7	3.4	3.1	2.5

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

NGERN TID LOR TIDLOR TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

UNCHANGED

Solid outlook throughout 2022

- An outstanding 1Q22E NP of THB903m, due to solid loan growth.
- Expect strong earnings growth, increasing y-y and q-q in every quarter throughout 2022.
- Maintain BUY with GGM-based TP of THB43.

TARGET PRICE	THB43.00
CLOSE	THB38.50
UP/DOWNSIDE	+11.7%
PRIOR TP	THB43.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-6.5%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	3,953	4,886	5,819	6,939
Net profit	3,169	3,878	4,657	5,551
EPS (THB)	1.41	1.67	2.01	2.39
vs Consensus (%)	-	(1.9)	(3.9)	(6.3)
Core net profit	3,169	3,878	4,657	5,551
Core EPS (THB)	1.41	1.67	2.01	2.39
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	22.9	18.6	20.1	19.2
Core P/E (x)	27.3	23.0	19.2	16.1
Dividend yield (%)	0.7	0.9	1.0	0.9
Price/book (x)	3.9	3.5	3.0	2.6
ROE (%)	18.6	16.1	16.9	17.5
ROA (%)	5.3	5.4	5.6	5.8

Strong start expected in 1Q22

We expect TIDLOR to post an outstanding 1Q22 net profit over its major rivals at THB903m (+15% y-y, +14% q-q). Its solid net profit should be driven by 1) strong loan growth of 20% y-y and 5% q-q following its interest rate promotional campaign for truck title loans and its new product launch – cash card for car title loans; 2) an increase in its insurance brokerage fee income y-y (dropping q-q due to seasonality) following the resumption of business activities; and 3) a lower cost of funds following its rating upgrade to A from A-. Regarding its asset quality, we expect its NPLs to moderately rise by 8% q-q in 1Q21 thanks to the gradual end of the forbearance program. Thus, its ECL would rise by 12% q-q. However, we have little concern due to its sufficient provisions, with the highest expected coverage ratio at 326% in 1Q22.

Car cash card should continue to drive loan volume

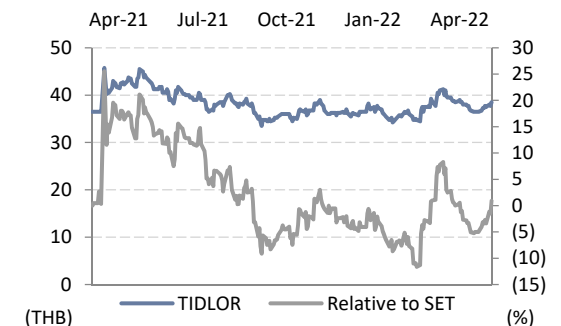
TIDLOR launched its cash card for car title loans in early Mar-22. According to TIDLOR, it has gotten very good feedback from its clients due to the greater flexibility to access funds when needed. As for its existing cash card for motorcycle title loans, the loan volume also continued to increase in 1Q22, TIDLOR said. Going forward, we believe its cash card should be one of the major factors to drive its loan volume. Other major rivals still cannot offer this innovative product to clients.

Solid growth set to continue throughout 2022

We have a strong conviction that TIDLOR should deliver strong earnings growth, increasing y-y and q-q in every quarter throughout 2022 on the back of 1) strong loan growth; 2) higher fee income supported by its insurance brokerage business; and 3) good asset quality control leading to a slight increase in ECL.

Expected to outperform major peers in the next 1-2 months

We maintain our BUY call as we believe TIDLOR's net profit should increase at a 21% three-year CAGR in 2022-24 on: 1) its stringent asset quality control; 2) strong insurance brokerage business; and 3) its strategy to not engage in price wars but instead use its unique product strategies, e.g. TIDLOR cash card, to take on competitors. We think TIDLOR's share price might outperform its major peers in the next 1-2 months due to its stronger 1Q-2Q22E earnings.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	12.4	n/a
Relative to country (%)	1.3	10.9	n/a
Mkt cap (USD m)	2,602		
3m avg. daily turnover (USD m)	13.7		
Free float (%)	21		
Major shareholder	Bank of Ayudhya (30%)		
12m high/low (THB)	55.50/33.25		
Issued shares (m)	2,319		

Sources: Bloomberg consensus; FSSIA estimates


Yuvanart Suwanumphai

 yuvanart.suw@fssia.com
 +66 2611 3554

Investment thesis

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

We maintain BUY as we believe TIDLOR's net profit should rise at a 21% three-year CAGR in 2022-24 on: 1) its stringent asset quality control; 2) strong insurance brokerage business; and 3) its strategy to not engage in price wars but use its unique product strategies, e.g. TIDLOR cash card, to take on competitors.

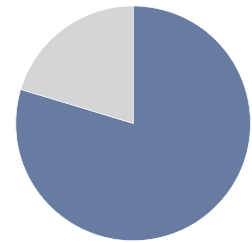
Company profile

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

www.ngerntidlor.com

Principal activities (revenue, 2021)

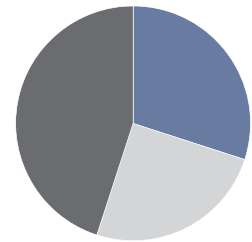
- Net interest income - 79.7 %
- Non-interest income - 20.3 %



Source: Ngern Tid Lor

Major shareholders

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



Source: Ngern Tid Lor

Catalysts

Potential share price catalysts for TIDLOR include:

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

Risks to our call

Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.

Event calendar

Date	Event
11 May 2022	1Q22 results announcement

Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	3,878	4,657	5,551
Net profit growth	22.4	20.1	19.2
NIM	15.78	15.63	15.40
Fee growth	18.0	18.0	18.0
Non-NII growth*	13.0	19.0	19.0
Credit cost (bp)	12.9	18.9	18.9
Cost to income*	80	80	80

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2022E		
Loan growth	±2ppt	16.0	18.0	20.0
% change in net profit		(2.1)	-	2.1
NIM (%)	±5bp	15.73	15.78	15.83
% change in net profit		(0.8)	-	0.8
Credit cost (bp)	±10bp	70	80	90
% change in net profit		1.3	-	(1.3)

Source: FSSIA estimates

Strong start expected in 1Q22

We expect TIDLOR to post an outstanding 1Q22 net profit over its major rivals at THB903m (+15% y-y, +14% q-q). Its solid net profit should be driven by 1) strong loan growth of 20% y-y and 5% q-q following ample demand, its interest rate promotional campaign for truck title loans and its new product launch – cash card for car title loans; 2) an increase in its insurance brokerage fee income y-y (dropping q-q due to seasonality) following the resumption of business activities; and 3) a lower cost of funds following its rating upgrade to A from A - on May-21 by Thai Rating and Information Services (TRIS). Regarding its asset quality, we expect its NPLs to moderately rise by 8% q-q in 1Q21 thanks to the gradual end of the forbearance program. Thus, its expected credit loss (ECL) would increase by 12% q-q (significantly rising y-y due to an ECL reversal in 1Q21). However, we have little concern over its asset quality due to its stringent credit underwriting and sufficient provision cushion. We expect TIDLOR to have the highest coverage ratio among the auto title loan lenders under coverage at 326% in 1Q22.

Exhibit 42: TIDLOR – 1Q22E results forecast

Year-end Dec 31	1Q21	4Q21	1Q22E	----- Change -----		2022E	Change	1Q22E comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	
Net interest income	2,041	2,362	2,483	22	5	10,380	19	
Non-interest income	552	698	568	3	(19)	2,509	13	Strong insurance brokerage fees
Operating income	2,593	3,061	3,052	18	(0)	12,889	18	
Operating expenses	1,592	1,958	1,799	13	(8)	7,477	14	
PPOP before tax	1,001	1,102	1,253	25	14	5,412	24	
Provision	22	110	124	455	12	526	27	
Income tax	195	197	226	16	15	1,007	28	
Minority interest	0	0	0			0		
Normalised profit	783	795	903	15	14	3,878	22	
Extraordinary items	0	0	0			0		
Net profit	783	795	903	15	14	3,878	22	
EPS (THB)	0.37	0.34	0.39	5	14	1.67	19	
Asset quality ratio								
Gross NPLs (THB m)	800	732	791	(1)	8	879	20	The gradual end of debt forbearance program
NPL ratios (%)	1.52	1.21	1.25			1.23		
LLR/NPLs (%)	329	357	326			292		
Credit cost (bp)	17	76	80			80		
Profitability ratio (%)								
Cost to income ratio	61.4	64.0	58.9			58.0		
Average yield	18.00	18.12	17.80			17.7		
Cost of funds	2.85	2.63	2.58			2.8		
Net interest margin	15.76	16.30	16.06			15.8		
Non-int inc/total income	21.29	22.81	18.62			19.5		
Loan growth (%)								
y-y	8.9	18.8	20.0			18.0		
q-q	3.9	8.5	5.0					

Sources: TIDLOR; FSSIA estimates

Car cash card should continue to drive loan volume

TIDLOR launched its cash card for car title loans in early Mar-22. According to TIDLOR, it has gotten very good feedback from its clients due to the greater flexibility to access funds when needed compared to traditional lending at branches. Regarding its existing cash card for motorcycle title loans, the loan volume also continued to increase in 1Q22, TIDLOR said. Going forward, we believe its cash card should be one of the major factors to drive its loan volume. Other major rivals still cannot offer this innovative product to clients.

Exhibit 43: TIDLOR’s cash card



Source: TIDLOR

Exhibit 44: TIDLOR’s cash card

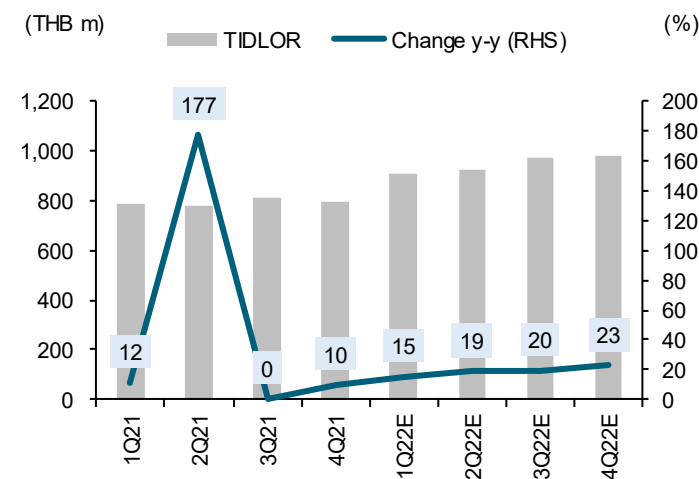


Source: TIDLOR

Solid growth set to continue throughout 2022

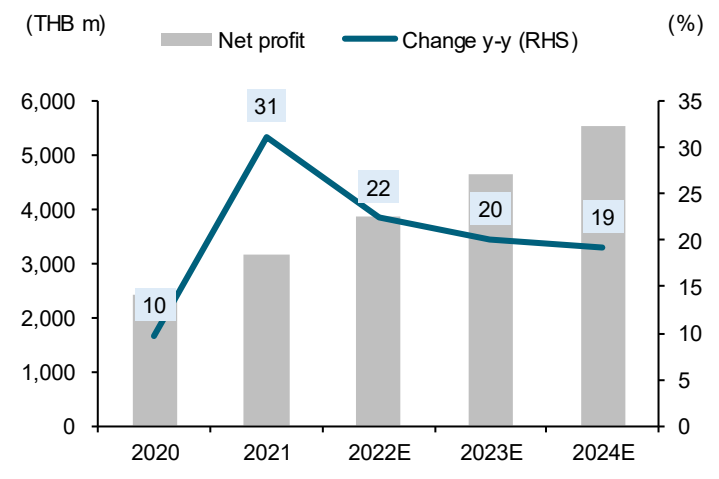
We have a strong conviction that TIDLOR should deliver strong earnings growth, increasing y-y and q-q in every quarter throughout 2022 on the back of 1) strong loan growth; 2) higher fee income supported by its insurance brokerage business; and 3) good asset quality control leading to a slight increase in ECL. We maintain our view that TIDLOR should deliver stronger core profit growth than its big peers at 22% y-y in 2022 vs 9% estimated for Muangthai Capital (MTC TB, BUY, TP THB55) and 10% for Srisawad Corp (SAWAD TB, BUY, TP THB68).

Exhibit 45: Quarterly net profit growth



Sources: TIDLOR; FSSIA estimates

Exhibit 46: Yearly net profit growth



Sources: TIDLOR; FSSIA estimates

Financial Statements

Ngern Tid Lor

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	8,735	9,825	11,641	13,659	16,118
Interest expense	(1,178)	(1,121)	(1,261)	(1,528)	(2,016)
Net interest income	7,557	8,704	10,380	12,131	14,101
Net fees & commission	1,792	2,197	2,483	2,955	3,516
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	32	25	27	28	29
Non interest income	1,824	2,222	2,509	2,982	3,545
Total income	9,381	10,926	12,889	15,113	17,646
Staff costs	(5,772)	(6,559)	(7,477)	(8,674)	(9,975)
Other operating costs	-	-	-	-	-
Operating costs	(5,772)	(6,559)	(7,477)	(8,674)	(9,975)
Pre provision operating profit	3,609	4,367	5,412	6,439	7,672
Provision for bad and doubtful debt	(582)	(414)	(526)	(621)	(733)
Other provisions	-	-	-	-	-
Operating profit	3,027	3,953	4,886	5,819	6,939
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	3,027	3,953	4,886	5,819	6,939
Tax	(611)	(784)	(1,007)	(1,161)	(1,388)
Profit after tax	2,416	3,169	3,878	4,657	5,551
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	2,416	3,169	3,878	4,657	5,551
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	2,416	3,169	3,878	4,657	5,551
Per share (THB)					
Recurring EPS *	1.15	1.41	1.67	2.01	2.39
Reported EPS	1.15	1.41	1.67	2.01	2.39
DPS	0.00	0.28	0.33	0.40	0.36
Growth					
Net interest income (%)	14.0	15.2	19.3	16.9	16.2
Non interest income (%)	0.1	21.9	12.9	18.9	18.9
Pre provision operating profit (%)	9.9	21.0	23.9	19.0	19.1
Operating profit (%)	10.0	30.6	23.6	19.1	19.3
Reported net profit (%)	9.7	31.2	22.4	20.1	19.2
Recurring EPS (%)	(15.0)	22.9	18.6	20.1	19.2
Reported EPS (%)	(15.0)	22.9	18.6	20.1	19.2
Income Breakdown					
Net interest income (%)	80.6	79.7	80.5	80.3	79.9
Net fees & commission (%)	19.1	20.1	19.3	19.5	19.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.3	0.2	0.2	0.2	0.2
Operating performance					
Gross interest yield (%)	17.75	17.68	17.70	17.60	17.60
Cost of funds (%)	3.07	2.75	2.80	2.90	3.24
Net interest spread (%)	14.68	14.93	14.90	14.70	14.36
Net interest margin (%)	15.4	15.7	15.8	15.6	15.4
Cost/income(%)	61.5	60.0	58.0	57.4	56.5
Cost/assets(%)	11.3	10.9	10.5	10.5	10.3
Effective tax rate (%)	20.2	19.8	20.6	20.0	20.0
Dividend payout on recurring profit (%)	-	20.1	20.0	20.0	15.0
ROE (%)	22.9	18.6	16.1	16.9	17.5
ROE - COE (%)	12.1	7.8	5.3	6.1	6.7
ROA (%)	4.7	5.3	5.4	5.6	5.8
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ngern Tid Lor; FSSIA estimates

Financial Statements

Ngern Tid Lor

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	50,807	60,339	71,200	84,016	99,138
Total provisions	(2,763)	(2,611)	(2,567)	(2,936)	(3,371)
interest in suspense	524	1,120	712	840	991
Net customer loans	48,568	58,847	69,344	81,919	96,758
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,265	3,995	2,315	1,981	1,959
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,378	1,453	1,539	1,635	1,740
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	2,124	2,230	3,050	3,564	3,484
Total assets	53,336	66,525	76,248	89,099	103,942
Customer deposits	2,600	3,300	3,465	3,638	3,820
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	37,095	38,594	44,734	53,569	63,389
Non interest bearing liabilities	1,892	2,226	2,337	2,454	2,577
Hybrid Capital	-	-	-	-	-
Total liabilities	41,587	44,120	50,536	59,662	69,786
Share capital	7,800	8,580	8,580	8,580	8,580
Reserves	3,948	13,825	17,132	20,857	25,576
Total equity	11,749	22,405	25,712	29,438	34,156
Minority interests	0	0	0	0	0
Total liabilities & equity	53,336	66,525	76,248	89,099	103,942
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	49,223	55,573	65,769	77,608	91,577
Average interest bearing liabilities	38,395	40,795	45,047	52,703	62,208
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)	850	732	879	1,010	1,112
Per share (THB)					
Book value per share	5.58	9.97	11.09	12.69	14.73
Tangible book value per share	5.58	9.97	11.09	12.69	14.73
Growth					
Gross customer loans	6.7	18.8	18.0	18.0	18.0
Average interest earning assets	12.8	12.9	18.3	18.0	18.0
Total asset (%)	10.2	24.7	14.6	16.9	16.7
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(65.6)	26.9	5.0	5.0	5.0
Leverage & capital measures					
Customer loan/deposits (%)	1,868.0	1,783.3	2,001.3	2,251.6	2,532.8
Equity/assets (%)	22.0	33.7	33.7	33.0	32.9
Tangible equity/assets (%)	22.0	33.7	33.7	33.0	32.9
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	38.1	(13.9)	20.0	15.0	10.0
NPL/gross loans (%)	1.7	1.2	1.2	1.2	1.1
Total provisions/gross loans (%)	5.4	4.3	3.6	3.0	3.4
Total provisions/NPL (%)	325.1	356.6	292.2	290.6	303.3
Valuation					
Recurring P/E (x) *	33.6	27.3	23.0	19.2	16.1
Recurring P/E @ target price (x) *	37.5	30.5	25.7	21.4	18.0
Reported P/E (x)	33.6	27.3	23.0	19.2	16.1
Dividend yield (%)	-	0.7	0.9	1.0	0.9
Price/book (x)	6.9	3.9	3.5	3.0	2.6
Price/tangible book (x)	6.9	3.9	3.5	3.0	2.6
Price/tangible book @ target price (x)	7.7	4.3	3.9	3.4	2.9

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ngern Tid Lor; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	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	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Yuvanart Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Muangthai Capital	MTC TB	THB 46.50	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.
Ngern Tid Lor	TIDLOR TB	THB 38.50	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.
Srisawad Corp	SAWAD TB	THB 52.25	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 8.95	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.
JMT Network Services	JMT TB	THB 86.00	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.
Singer Thailand	SINGER TB	THB 57.75	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.
Bangkok Commercial Asset Mngt.	BAM TB	THB 19.90	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 188.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 57.00	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.
Micro Leasing	MICRO TB	THB 7.10	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.
Ratchthani Leasing	THANI TB	THB 4.38	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.
Chayo Group	CHAYO TB	THB 12.90	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
Thanachart Capital	TCAP TB	THB 39.75	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 10.60	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.

Source: FSSIA estimates

Additional Disclosures

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

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

All share prices are as at market close on 27-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.