5 MAY 2022

EQUITY RESEARCH - INITIATION REPORT

KNIGHT CLUB CAPITAL ASSET MNGT. KCC TB

THAILAND / ASSET MANAGEMENT COMPANIES

BUY

TARGET PRICE	THB5.10
IPO PRICE	THB3.7
UP/DOWNSIDE	+37.8%
TP vs CONSENSUS	n/a

Small but solid AMC

- Unlike its peers, KCC is a corporate NPL AMC specialist.
- We expect NP to more than triple in 2022-24.
- Initiate with a BUY rating at 2022 GGM-based TP of THB5.1, pegged at 2.7x target P/BV.

Net profit could more than triple in the next three years

KCC is a small asset management company (AMC), with 0.3% of the total market share (by asset size) held by 14 other AMCs who are its direct competitors. However, we are convinced that KCC is poised to enter the exponential growth phase. We expect KCC to deliver outstanding net profit growth of 48% at a three-year CAGR from 2021-24, driven by 1) its aggressive NPL purchases after unlocking a source of funds from its IPO; 2) a substantial rise in revenue following its NPL portfolio expansion; 3) an increase in its cash collection (CC) supported by both new and existing NPL portfolios; and 4) a lower cost to income ratio due to efficient OPEX control.

Corporate NPL AMC specialist

Unlike its competitors, KCC has a lot of experience in corporate NPL management. We see two advantages: 1) the need for expertise and skill in this niche creates a high barrier to entry for newcomers; and 2) due to high concentration risks, AMCs able to manage this segment enjoy high margins. Despite KCC being the smallest among other listed AMCs, it recorded a high net margin during 2020-21. We are convinced that KCC should maintain a satisfactory net margin level in 2022-24.

High operational efficiency in debt collection and cost control

We think KCC has solid operational efficiency. Its average CC ratio in 2020-21 was ranked at 30% compared with BAM at 12%, CHAYO at 22%, and JMT at 37%. We believe this comes from its long experience in corporate NPL management and that KCC should continue to deliver an impressive CC ratio in 2022-24. Regarding its cost control, we think the company's number of staff would increase at only a slight to moderate rate as its experienced staff should be able to handle the significant increase in its NPL portfolio. Thus, we expect the lower cost to income ratio trend to continue in 2022-24.

Initiate with a BUY rating at 2022 TP of THB5.1

We initiate coverage of KCC with a BUY rating and a 2022 GGM-based TP of THB5.1, pegged at 2.7x 2022E P/BV. This target P/BV is slightly below the three-year average P/BV of CHAYO at 3x. Our TP implies a 43.4x 2022E P/E level. Its high P/E is justified by the EPS surge that we expect to start in 2023, leading to a reasonable three-year CAGR in net profit from its 2021-24 PEG at 1.3x, in our view.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	66	81	138	214
Net profit	52	65	110	171
EPS (THB)	0.11	0.12	0.18	0.28
vs Consensus (%)*	-	-	-	-
Core net profit	52	65	110	171
Core EPS (THB)	0.11	0.12	0.18	0.28
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	6.9	3.0	51.5	55.0
Core P/E (x)	32.5	31.5	20.8	13.4
Dividend yield (%)	-	2.7	4.1	6.0
Price/book (x)	3.7	1.9	1.7	1.4
ROE (%)	12.1	7.9	8.6	11.1
ROA (%)	7.2	5.5	6.2	8.2

Share price performance	1 Month	3 Month	12 Month
Absolute (%)	n/a	n/a	n/a
Relative to country (%)	n/a	n/a	n/a

Mkt cap at THB3.7 IPO price (USD m)	66.6
3m avg. daily turnover (USD m)	n/a
Free float (%)	21
Major shareholder	Boonbanjerdsri family (52%)
12m high/low (THB)	n/a
Issued shares (m)	620

KCC listed on MAI on 5 May 2022
* Report published on first trading day
Sources: Bloomberg consensus; FSSIA estimates

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FINANSIA SYRUS SECURITIES PUBLIC COMPANY LIMITED WAS A CO-UNDERWRITER OF THE INITIAL PUBLIC OFFERING (IPO) OF KNIGHT CLUB CAPITAL ASSET MANAGEMENT PUBLIC COMPANY LIMITED. ALL RECIPIENTS HEREOF, TO THE EXTENT THAT THEY ARE CONSIDERING MAKING AN INVESTMENT IN UNITS OF KCC BUSINESS, SHOULD READ THE PROSPECTUS PREPARED BY ADVISORY PLUS COMPANY LIMITED AND TRINITY SECURITIES GROUP.

Investment thesis

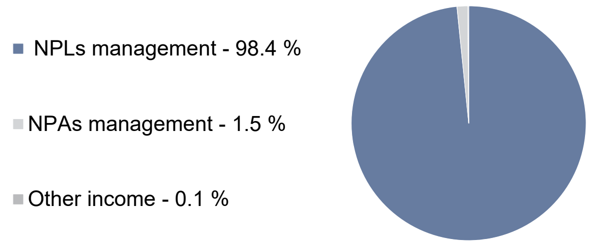
Knight Club Capital Asset Management (KCC) was founded in 2000, under the name “Richy Capital Alliances”. It started to operate its asset management business in 2013. Currently, it has two main businesses: 1) non-performing loan (NPL) management, specialising in corporate clients; and 2) non-performing asset (NPA) management. KCC is still a small AMC compared with its peers. In 2020, it had a 0.3% market share in terms of the total assets of the 14 AMCs who are its direct competitors. However, we are convinced that KCC is poised to enter the exponential growth phase. We expect KCC to deliver outstanding net profit growth of 48**%** at a three-year CAGR from 2021-24, driven by 1) its aggressive NPL purchases after unlocking a source of funds from its IPO; 2) a substantial rise in revenue following its NPL portfolio expansion; 3) an increase in its cash collection supported by both new and existing NPL portfolios; and 4) a lower cost to income ratio due to efficient OPEX control.

Company profile

KCC started to operate its asset management business in 2013. Currently, it has two main businesses, including 1) NPL management, specialising in corporate clients; and 2) NPA management.

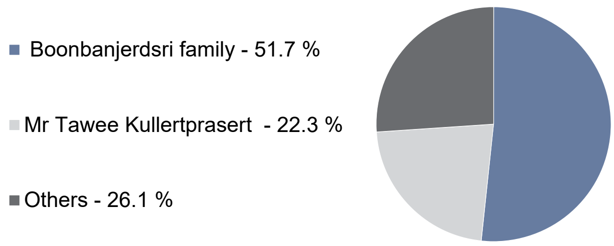
www.kccamc.com

Principal activities (revenue, 2021)



Source: Knight Club Capital Asset Management

Major shareholders



Source: Knight Club Capital Asset Management

Catalysts

Potential catalysts to drive KCC’s share price include:

1) The significant purchase of NPLs;

2) The sale of big-value assets.

Risks to our call

Downside risks to our GGM-based TP include 1) lower cash collection due to the slow economic recovery; and 2) lower-than-expected bad debt acquisition.

Event calendar

Date	Event
Mid-May 2022	1Q22 results announcement

Key assumptions

	2022E (THB m)	2023E (THB m)	2024E (THB m)
Norm profit	65	110	171
Norm profit growth (%)	*24.0*	*69.8*	*55.0*
Cash collection	210	327	395
Cash collection ratio (%)	*23.3*	*23.9*	*25.1*
NPL + NPA purchases	800	350	300
NPL + NPA purchase growth (%)	*1,059.4*	*(56.3)*	*(14.3)*

Source: FSSIA estimates

Earnings sensitivity

		---------------- 2022E	----------------	----------------
Cash collection ratio	**±50bp**	**22.8**	**23.3**	**23.8**
% change in net profit		*(13.0)*	*-*	*13.0*
Cost to income	**±1ppt**	**16.6**	**17.6**	**18.6**
% change in net profit		*3.0*	*-*	*(3.0)*

Source: FSSIA estimates

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Executive summary

Knight Club Capital Asset Management (KCC) was founded in 2000, under the name “Richy Capital Alliances”. It started to operate its asset management business in 2013. Currently, it has two main businesses, including 1) non-performing loan (NPL) management, specialising in corporate clients; and 2) non-performing asset (NPA) management. KCC is still a small AMC compared with its peers. In 2020, it had a 0.3% market share in terms of the total assets of the 14 AMCs who are its direct competitors. As of 2021, its net NPLs outstanding accounted for 77% of its total assets, while its net NPAs outstanding made up 3% of its total assets.

Industry outlook – Sanguine outlook lies ahead

We see a bright outlook for the AMC sector over the next three years for three reasons. First, we expect higher NPL sales from financial institutions in 2022. Second, we see only mild competition in the AMC sector vs tight competition among other financial sectors. Lastly, we believe AMCs should be benefit from a friendly regulatory environment.

Investment idea: A small but solid AMC

KCC’s bad debt portfolio size and net profit profile is still smaller than its listed AMC peers. However, we are convinced that KCC should enter the exponential growth phase over the next three years due to three reasons:

#1 Corporate NPL AMC specialist

Unlike its competitors, KCC has a lot of experience in corporate NPL management. It started its AMC business in 2013, with its first corporate NPL acquisition of THB59m, and has continued to add to its corporate NPL portfolio. We see two advantages of its corporate NPL management. First, the need for considerable expertise and skill creates a high barrier to entry for newcomers, and for this reason, we think competition in this segment should stay at a low level in the future. Second, due to the high concentration risk, AMCs with the ability to manage this niche will be compensated by high margins. Despite being the smallest among the other listed AMCs, KCC was able to maintain a high net margin level in 2020-21. In 2022-23, we expect its net margin should significantly drop due to its very aggressive expansion since the company started operations. We think it will take about two years for KCC to speed up its CC from new investments. Thus, we expect its net margin to return to its normal level in 2024.

#2 High operational efficiency

We think KCC is one of the best AMCs in terms of solid operational efficiency, both in debt collection and cost control. For example, despite Covid-19 in 2021, KCC’s CC increased 60% y-y. Its average CC ratio (CC from NPLs and NPAs to total gross NPLs and NPAs) in 2020-21 was ranked at a high level of 30% compared with 12% for Bangkok Commercial Asset Management (BAM TB, BUY, TP THB25.5), 22% for Chayo Group (CHAYO TB, BUY, TP THB16.6), and 37% for JMT Network Services (JMT TB, BUY, TP THB80). We believe this comes from its long experience in corporate NPL management, noting that its management and major shareholders have more than 20 years of experience in the asset management business. We are convinced that KCC will continue to deliver an impressive CC ratio in 2022-24. Regarding cost control, we think KCC has a demonstrated ability to control its operational costs effectively. Its cost to income ratio was only 27% in 2021, and we expect its future cost to income ratio could go even lower than the current level. With the aggressive NPL acquisition strategy in 2022-24, we think the company’s number of staff will increase at only a slight to moderate rate as it could utilise its experienced staff to handle the significant increase in its NPL portfolio.

#3 Ample liquidity for the potentially higher NPL supply

As mentioned previously, we expect a higher NPL supply starting in 2022. Therefore, we expect KCC to deploy its IPO capital effectively. We expect KCC to purchase THB800m in NPLs in 2021, up from THB112m – its average NPL acquisition level per year since it started operations in 2013. In 2023-24, we expect NPL purchases of THB350m and THB300m. With our current assumptions, its D/E ratio should remain at a low level of 0.38/0.38/0.33 in 2022-24. With its low gearing ratio, we believe the company would be ready to grab the opportunity if there is a flood of NPLs.

Financial highlights: Net profit could more than triple in the next three years

We expect KCC to deliver outstanding net profit growth of 48% at a three-year CAGR from 2021-24, driven by 1) its aggressive NPL purchases after unlocking a source of funds from its IPO; 2) a substantial rise in revenue following its NPL portfolio expansion; 3) an increase in CC supported by its new and existing NPL portfolios; and 4) a lower cost to income ratio due to its efficient OPEX control.

However, we think its EPS will increase at slower rate of 34% at a three-year CAGR from 2021-24 due to the dilution impact from its IPO.

Valuation: 2022 GGM-based TP of THB5.1

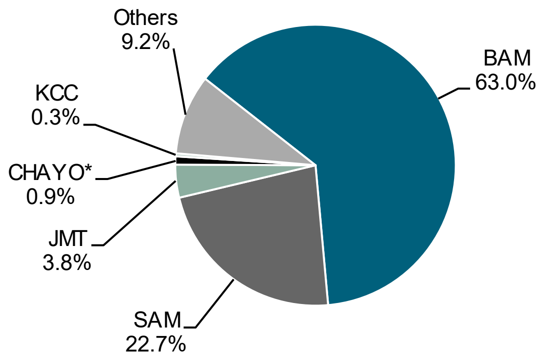
We apply a GGM-based method to derive KCC's target price. Our GGM variables consist of a 9.6% cost of equity, 9.4% terminal growth, and a 10% ROE target. Our 2.7x target P/BV is slightly below CHAYO's average three-year P/BV of 3x. We believe the valuation of KCC should be slightly discounted from CHAYO as 1) KCC's asset size and NPL portfolio is smaller than CHAYO's; and 2) KCC has just entered the aggressive expansion phase, thus, we still have no track record to gauge its performance. Therefore, we arrive at our 2022 GGM-based TP of THB5.1. Our target price implies 43.4x 2022E P/E. Its high P/E is justified by the EPS surge that we expect to start in 2023, leading to a reasonable three-year CAGR in net profit from its 2021-24 PEG at 1.3x, in our view

Knight Club Capital Asset Management at first glance

Company profile and development

KCC was founded in 2000 under the name “Richy Capital Alliances”. It started to operate its asset management business in 2013. Currently, it has two main business, including 1) NPL management, specialising in corporate clients; and 2) NPA management. KCC is still a small AMC compared with its peers. In 2020, it had a 0.3% market share in terms of the total assets of the 14 AMCs that are its direct competitors. As of 2021, its net NPLs outstanding accounted for 77% of its total assets, while its net NPAs outstanding made up 3% of its total assets. Regarding its revenue structure, as of 2021, 99% of its revenue came from NPL management, while the rest was from NPA management and other revenue. Currently, its major shareholder is the Boonbanjerdsri family, which holds 70% of the total outstanding shares.

Exhibit 1: KCC’s market share in terms of the total assets of 14 AMCs



*Including CHAYO and CHAYO JV
Sources: Department of Business Development; KCC; FSSIA’s compilation

Exhibit 2: Timeline of KCC

Source: KCC

IPO summary

KCC will IPO with a total new share offering of 160 million shares (25.81% of total post-IPO shares). KCC will utilise the IPO money for 1) its NPL portfolio expansion; 2) debt repayment; and 3) working capital.

Exhibit 3: KCC's offering summary

	Details
Issuer	KCC
Business	NPL and NPA management
Share offering	160 million shares, or 25.81% of total post-IPO shares
Secondary market	MAI in Financial sector
Dividend policy	Not less than 40% of the net profit from the separate financial statements after deduction of corporate income tax and all types of reserves as stipulated in the laws and regulations of the company
Use of proceeds	1) NPL portfolio expansion
	2) Debt repayment
	3) Working capital

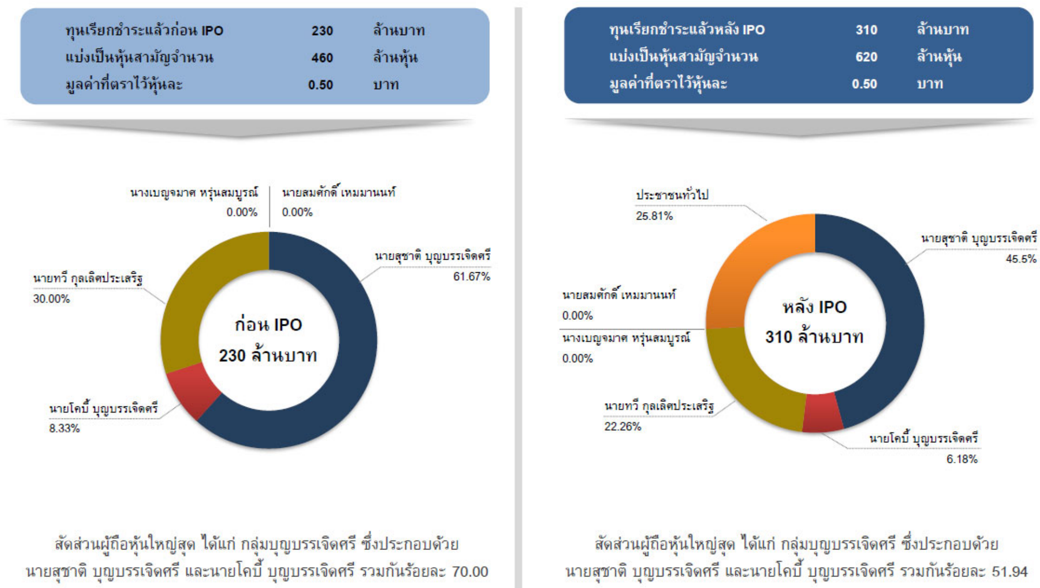
Sources: KCC; FSSIA's compilation

Exhibit 4: Pre- and post-IPO shareholder structure

Major shareholder	----------------- Pre-IPO ----------------		----------------- Post-IPO ---------------	
	No. of shares owned (m shares)	% owned (%)	No. of shares owned (m shares)	% owned (%)
Mr. Suchart Boonbanjerdsri	284	62	284	46
Mr. Tawee Kullertprasert	138	30	138	22
Mr. Kobie Boonbanjerdsri	38	8	38	6
Mrs. Benjamas Haroonsomboon	0	0	0	0
Mr. Somsak Hemmanon	0	0	0	0
Public*		-	160	26
Total	**460**	**100**	**620**	**100**

* Not including additional allotment to directors and management
Sources: KCC; FSSIA's compilation

Exhibit 5: Pre- and post-IPO* shareholder structure



* Not including additional allotment to directors and management
Source: KCC

Industry outlook – Sanguine outlook lies ahead

We see a bright outlook for the AMC sector over the next three years for three reasons. First, we expect higher NPL sales from financial institutions in 2022. Second, we see only mild competition in the AMC sector vs tight competition among other financial sectors. Lastly, we believe AMCs should benefit from a friendly regulatory environment.

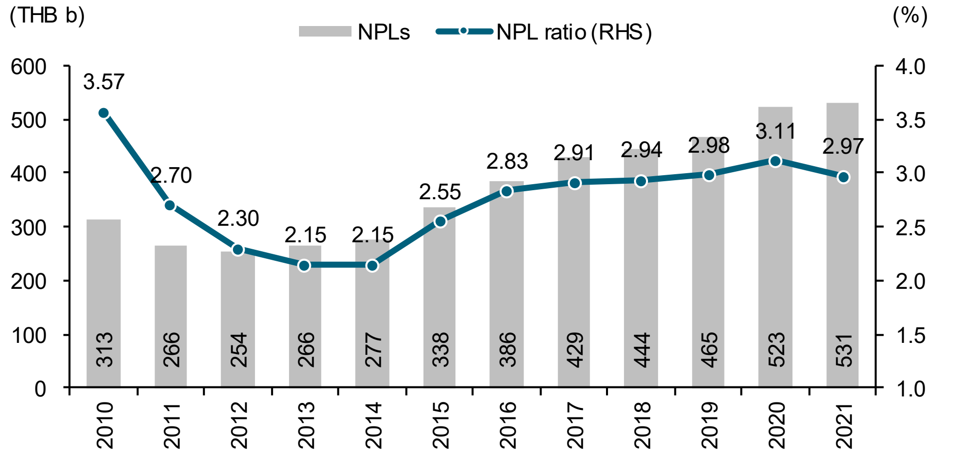
#1 Potentially higher NPL supply in 2022

Thai banks tend to write off and sell portions of their NPLs from their balance sheets, especially when an excessive amount of NPLs builds up in their portfolios, in order to 1) manage their overall NPL ratio at an appropriate level; and 2) lower the carrying cost of troubled debts, including capital consumption cost and expected credit loss. A bank's profitability can potentially be higher after an NPL sell-off, owing to the release of some loan loss reserves.

Before Covid-19, NPLs for commercial banks had accelerated again after a downcycle since 2014 – when they recorded their lowest NPL ratio of 2.15%. Outstanding NPLs rose to THB465b in 2019, an increase of 67% compared with the 2014 level, with an NPL ratio of 2.98%.

However, since the Covid pandemic began in 2020, NPLs increased only marginally due to the debt moratorium program of the Bank of Thailand (BoT) and the relaxed loan classification measure that allows banks to support their Covid-affected borrowers. In 2021, the total NPLs of commercial banks increased by only 1.5% y-y to THB531b, implying an NPL ratio of 2.97%.

Exhibit 6: NPLs outstanding of commercial banks

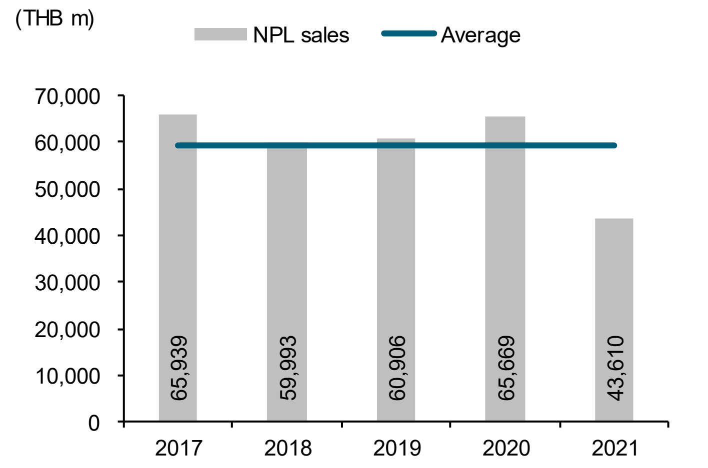


Sources: BoT; FSSIA's compilation

According to BAM's data, in 2021 secured NPL sales* fell to their lowest level since 2017 at THB43b, lower than the five-year average from 2017-21 of THB59b. This figure was also in line with the BoT's report stating that the NPL write-off and sale rate in 2021 had hit its lowest level since 2014. We think the slow NPL sales could come from the fact that 1) the BoT extended the relaxed loan classification measure to 2023 for banks who provide long-term debt restructuring programs for their clients; and 2) some banks prefer a wait-and-see strategy for clarity on the rules governing JV AMCs.

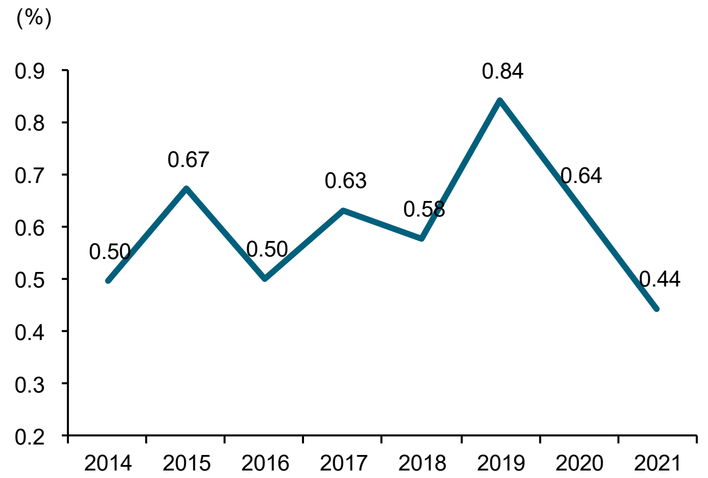
*Note that there is no official data on total NPL sales (secured and unsecured NPLs). Thus, we can track only secured NPL sales data from BAM.

Exhibit 7: Secured NPL sales



Sources: BAM; FSSIA's compilation

Exhibit 8: The NPL write-off and sale rate



Sources: BoT; FSSIA's calculation

In our follow ups with AMC management teams, their view was that the NPL supply in 2022 should be moderately higher than in 2021 after the official announcement of the JV AMC rules. Also, some banks might want to clean up their portfolios after the economy recovers and they begin to clearly see which customers can or cannot repay back their debts. We have the same view as AMC management. On top of that, we expect a significant increase in NPL sales in 2H23 before the end of the government's financial support measures. We also believe that within the next three years there will be an opportunity for all AMCs to build up their portfolios at a good acquisition price from a good selection of asset classes, due to the potentially larger supply of NPLs from many financial institutions.

Exhibit 9: Summary of BoT's financial measures

	New measures	Previous measures
1. Liquidity preservation and injection measures		
For SME clients		
1. New debtors	BoT raising credit lines up to THB50m.	Credit lines were up to THB20m.
2. Existing debtors	For credit lines not over 30% of outstanding loans (outstanding loans not over THB150m) or for clients who have outstanding loans of less than THB150m, they can borrow at a maximum of not over THB50m.	Credit lines not over 30% of outstanding loans (outstanding loans not over THB150m).
The Bank of Thailand (BoT) will also ease credit guarantee conditions to accept higher credit risk for both new and existing debtors.		
For retail clients		
1. Credit card	BoT extended the 5% minimum repayment to 2022.	5% minimum repayment in 2020-21, 8% in 2022 and 10% (normal rate before Covid) in 2023.
2. Personal loans	BoT allows no limit for lenders to 2022.	Limited to 3 lenders.
3. Credit card and personal loans	BoT extending an increase in credit lines up to 2x income for THB30k income customers to 2022.	An increase in credit lines of up to 2x income for THB30k income customers ending in 2021.
4. Digital personal loans	BoT increasing credit lines up to THB40k and repayment terms to 12 months.	Credit lines of up to THB20k and repayment terms not over 6 months.
2. Comprehensive long-term debt restructuring (CDR)		
1. Relaxation of loan classification	An extension of the relaxation of loan classification and provision setting measure if financial institutions provide additional assistance to debtors in addition to extending the repayment period alone to Dec-23 from Dec-21 (note that to allow financial institutions to have sufficient time to consider appropriate L-T debt restructuring, the BoT temporarily extended the relaxation of loan classification to Mar-22).	Relaxation of loan classification would end in Dec-21.
2. FIDF fee	BoT extending the reduction of the Financial Institutions Development Fund (FIDF) fee at 0.23% to Dec-22.	FIDF fee is at 0.23% in 2020-21 and would be back to the normal rate of 0.46% in 2022.

Sources: BoT; FSSIA's compilation

#2 AMCs have a limited competitive landscape

We think the financial sector has a competitive landscape. Our analysis found that the segments with intense competition, both currently and likely into the future, are the unsecured lending and auto title loan segments. Meanwhile, we think AMCs will face only mild competition in the next three years.

As of 2021, there are 62 AMCs in Thailand, which can be divided into 5 groups: 1) state-owned enterprises; 2) bank subsidiaries; 3) private listed AMCs and affiliates of listed AMCs; 4) private non-listed AMCs; and 5) foreign AMCs. Each group has different goals, missions, and expertise in managing NPLs. For example, the banks' subsidiaries focus primarily on managing the NPLs of their own banks, while some AMCs have expertise in managing unsecured NPLs, etc. Therefore, if we consider only those AMCs that KCC could face in NPL bidding competitions, there are only 13 potential rivals.

Exhibit 10: Total assets of potential rivals AMCs in 2018-20

		---------------- Total assets ----------------		
		2018 (THB m)	2019 (THB m)	2020 (THB m)
1. State-owned enterprise groups				
1.1	Sukhumvit Asset Management Co.,Ltd.	43,056	44,951	47,576
2. Private listed AMCs and affiliates of listed AMCs				
2.1	Bangkok Commercial Asset Management	107,653	119,919	13,207
2.2	J Asset Management	3,512	5,830	7,957
2.3	Chayo Group Public Company Limited	665	1,295	1,939
2.4	Chayo JV Company Limtied	-	-	28
2.5	SWP Asset Management	3,811	3,683	3,533
2.6	XSpring Asset Management	24	24	22
2.7	**Knight Club Capital Asset Management Co., Ltd**	**511**	**589**	**717**
3. Private non-listed AMCs				
3.1	Phattananakhorn Asset Management Company Limited	386	411	479
3.2	Rachakarn Asset Management Co., Ltd	2,819	2,842	2,725
3.3	Wireless Asset Management Company Limited	4,371	3,994	4,009
4. Foreign AMCs				
4.1	Raksana Siam Company Limited	2,498	2,963	2,734
4.2	Mahanakorn Asset Management Company Limited	9,742	4,728	4,333
4.3	Alpha Capital Asset Management Company Limited	1,525	1,381	1,451

Sources: Department of Business Development; KCC; FSSIA's compilation

Regarding the potential newcomer AMCs, we have less concern as we read the AMC sector as having a high barrier to entry. In our view, success in this business requires sufficient funds, specific experience and expertise, i.e. knowing which NPLs to purchase, efficient troubled debt restructuring (TDR) management skills, and an excellent legal team, etc. Therefore, new entrepreneurs without these qualifications may incur higher administrative costs or face a competitive disadvantage compared with existing operators. This can be seen from the many private AMCs that have been established but have not yet made any substantial profits. We, therefore, assess that the odds of new entrepreneurs entering the market and intensifying competition are very limited.

#3 AMCs are one of the few industries with favourable regulations

Tighter regulations are another concern for investors as this could drag down profit margins. In recent years we have seen regulators exert more control over the financial sector. For example, auto title loan lenders were regulated by the BoT in 2019, leading to the implementation of an interest rate cap. In Aug-20, the BoT reduced the ceiling rate of credit cards, personal loans, and auto title loans to 16%/25%/24% from 18%/28%/28%, respectively. Then, in Sep-21, the government capped debt collection fees for all loan types. Currently, the Office of the Consumer Protection Board (OCPB) is holding public hearings to discuss imposing the first-ever cap on interest rates at 20% p.a. (EIR basis) for motorcycle hire purchase loans.

In our view, AMCs could be one of few sectors that regulators favour as they can support banks in resolving bad debt problems and eventually benefit the overall economic ecosystem. Therefore, we see less regulatory risks to AMCs in the next three years. For example, the BoT recently announced the guidelines for JVs between commercial banks and AMCs.

Exhibit 11: AMC sector could be one of few sectors that regulators favour

Implemented period	2015-2019	2017-Present	2019	Apr 20
Mandate	TFRS 9 preparation	Insurance market conduct	Regulated auto title loan	Debt holiday#1
Most affected segment	Bank	Bank	Auto title	**Bank**, non-bank
Impacted items	Credit cost	Non-NII	Loan yield	Loan yield, fee, credit cost

Implemented period	Aug 20	Sep 21	Oct 21-Present	Jan-22
Mandate	Ceiling rate cap of retail loans	New restriction on debt collection fees	New regulation of HP contract	JV AMCs
Most affected segment	Credit cards, P-loan, auto title loan	All lenders esp. **non bank**	Motorcycle HP	**AMCs**, Bank
Impacted items	Loan yield	Fee	Loan yield	

Source: FSSIA's compilation

To recap, the government's main objective in allowing JVs is to solve the potential problem of increasing NPLs and NPAs in the retail segment. The criteria for establishing a JV include: 1) the JV must be held in equal shares by at least one bank and one AMC and may be held by others; 2) JVs must be established by 31 Dec-24; 3) the purchase/transfer price of bad assets to the JV must be at a fair value; and 4) the JV would have an operating life of not more than 15 years from the date of commencing operations. Regarding sources of funds for the JVs, the founding bank can provide loans or issue promissory notes at the market interest rate.

JVs between banks and AMCs could become a trend for solving bad debt issues in 2022. One bank can set up many JVs, and in the same way, one AMC can partner with many banks. An AMC may even join another AMC to form a JV with a bank.

JVs would benefit both banks and AMCs. We see two main benefits to banks. First, they could deconsolidate NPLs from their balance sheets while being exposed to future benefits when the JVs are able to collect on bad debts. Second, banks should receive interest income from lending to JV AMCs. Third, in the long run, banks might reduce their provisions due to improving asset quality.

Regarding the benefits to AMCs, we think that they should be able expand their businesses at a faster pace using the banks' NPL backlogs and by sourcing funds from the partnered banks.

Although we think the JV AMCs should benefit larger and established AMCs including BAM, Sukhumvit Asset Management (SAM TB, not rated), and JMT more than the smaller AMCs such as CHAYO and KCC, as banks would prefer to partner with the AMCs that have better economies of scale and more experience in bad asset management, we believe this should not be a threat to smaller AMCs. As we believe some banks will still prefer to sell their NPLs, thus, there should be a sufficient NPL supply for everyone. Also, if the smaller AMCs have sector-specific experience, i.e. corporate NPL management expertise, they might choose to partner with other, bigger AMCs to form JVs with banks.

Investment idea: Small but solid AMC

KCC's bad debt portfolio size and net profit profile is smaller than its listed peers. However, due to its reputation as a specialist in corporate NPL management and its solid operational efficiency, both in debt collection and cost control, and its ample liquidity for capturing more of the potentially higher NPL supply, we are convinced that KCC should experience exponential growth over the next three years.

#1 Corporate NPL AMC specialist

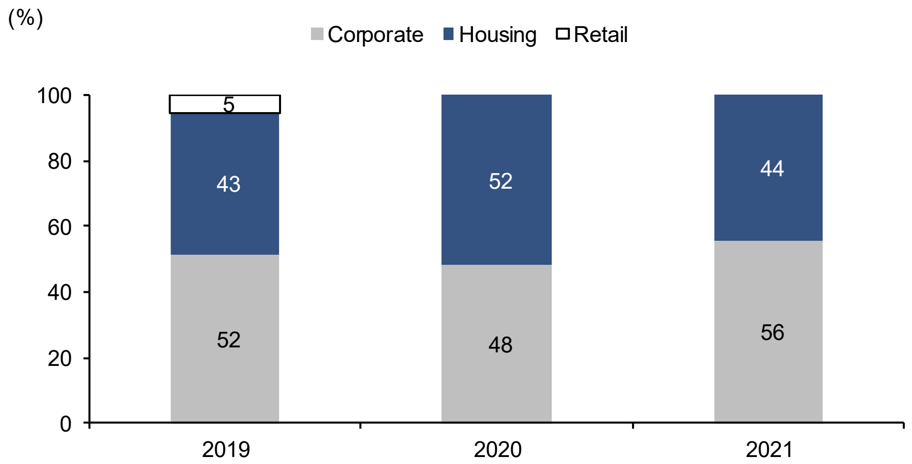
Unlike its competitors, KCC has a lot of experience in corporate NPL management. It started its AMC business in 2013 with its first corporate NPL acquisition of THB59m. Since then, it has continued to add to its corporate NPL portfolio. As of 2021, 56% of its gross outstanding NPL management portfolio was from the corporate segment, and 44% from housing. In contrast, CHAYO and JMT specialise in residential and unsecured NPLs, and more than 50% of BAM's portfolio is residential clients.

Exhibit 12: KCC's NPL acquisition history

Year to acquire	NPL type	Claim value (THB m)	Investment cost (THB m)	Collateral value (THB m)	Outstanding NPLs* (THB m)	Cash collection (THB m)
2013-2015	Corporate	2,524	213	487	4	483
2016-2018	Corporate	2,988	34	112	14	35
	Housing	472	282	490	162	171
	Retail	2,122	85			107
	Total	**5,582**	**402**	**601**	**176**	**312**
2019-2021	Corporate	3,102	309	630	273	106
	Housing	155	88	176	69	29
	Total	**3,257**	**397**	**806**	**341**	**135**
Grand total		**11,363**	**1,012**	**1,895**	**521**	**931**

* Excluding accrued interest, allowance for doubtful account, and NPLs impairment
Sources: KCC; FSSIA's compilation

Exhibit 13: KCC's gross outstanding NPL management portfolio breakdown in 2018-21

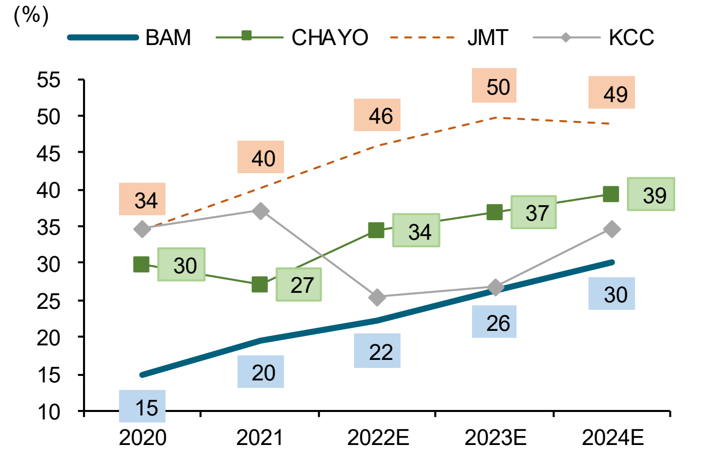


Sources: KCC; FSSIA's compilation

We think the main negative aspect of managing the corporate segment is the higher concentration risk than other segments (i.e. housing, retail unsecured). However, for AMCs with a lot of experience, we think that managing corporate customers would have more benefits than disadvantages.

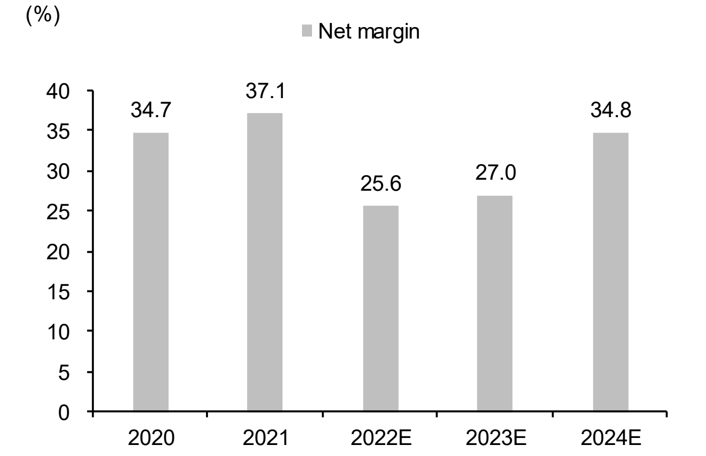
We see two advantages of corporate NPL management. First, the expertise and skill requirements create a high barrier to entry for newcomers, which means competition in this segment should stay low in the future. Second, due to the high concentration risks, AMCs with the ability to manage this segment will be compensated by higher margins. As a result, despite its smaller size compared with other listed companies, KCC was able to maintain high net margin levels, even during 2020-21. In 2022-23, we expect its net margin to significantly drop from 37.1% in 2021 to 25.6% and 27.0%, respectively, after embarking on the company's most aggressive expansion phase since it began operations. We think it will take around two years for KCC to speed up its CC from the new investments. Thus, we expect its net margin will return to its normal level in 2024 at 34.8%.

Exhibit 14: Comparison of the net profit margins of four listed AMCs



Sources: Company data; FSSIA's estimates

Exhibit 15: KCC's net margin trend



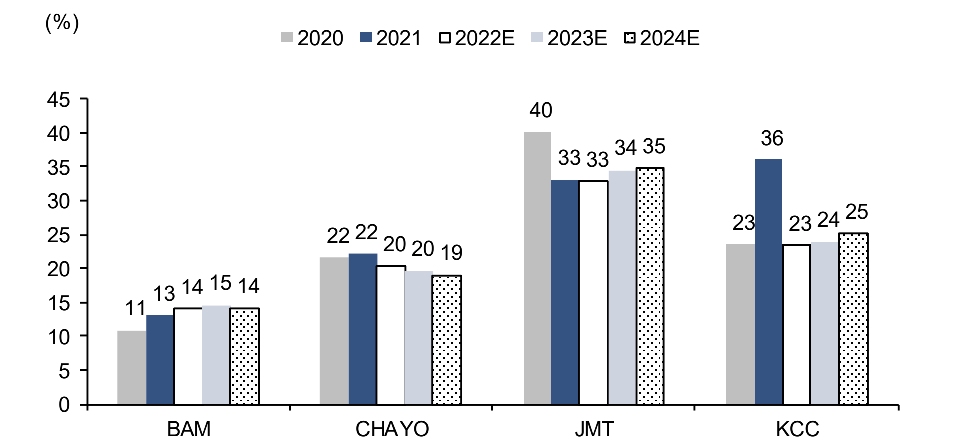
Sources: KCC; FSSIA's estimates

#2 High operational efficiency

We think KCC is one of the top AMCs in terms of solid operational efficiency, both in debt collection and cost control.

For example, amid the Covid-19 pandemic in 2021, KCC's CC increased 60% y-y. Its average CC ratio (CC from NPLs and NPAs to gross NPLs and NPAs) in 2020-21 was ranked at a high level of 30% compared with 12% for BAM, 22% for CHAYO, and 37% for JMT. We believe this comes from its lengthy experience in corporate NPL management. Its management and major shareholders have more than 20 years of experience in the asset management business. We are convinced that KCC will continue to deliver an impressive CC ratio in 2022-24. However, in 2022, its CC ratio should decline to 23.3% due to the aggressive acquisition of NPLs, but we think it should gradually improve to 23.9% and 25.1% in 2023 and 2024, respectively.

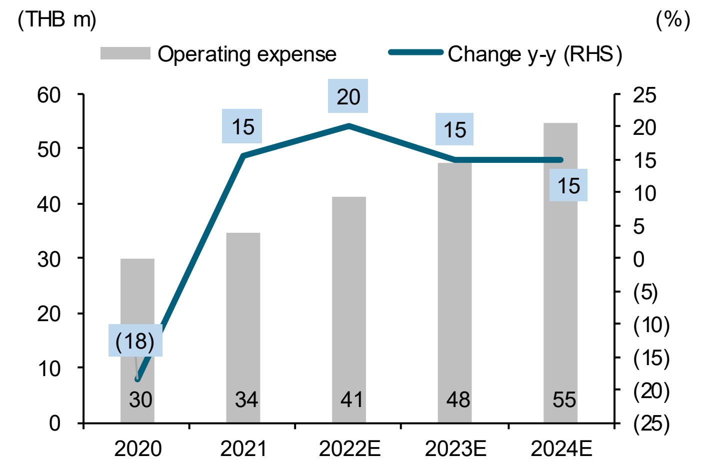
Exhibit 16: Comparing CC ratios of four listed AMCs



Sources: Company data; FSSIA's estimates

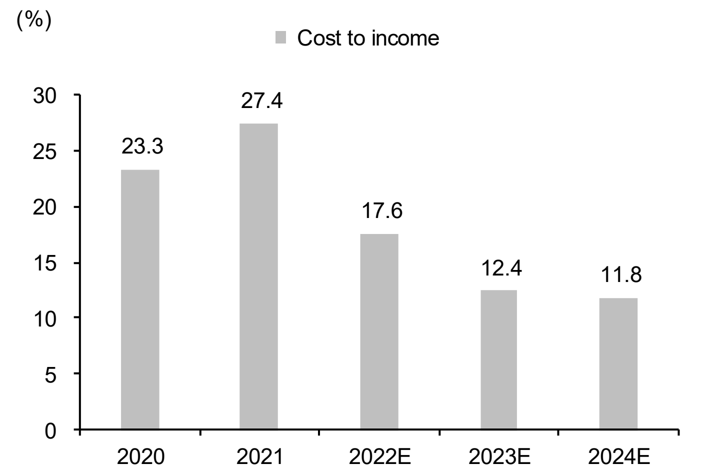
Regarding cost control, we think KCC is able to control its operational costs effectively. Its cost to income ratio was at only 27% in 2021, and we expect this figure to fall even lower from its current level. With its aggressive NPL acquisition plans in 2022-24, we think the company's number of staff would increase at only a slight to moderate rate as it could utilise its experienced staff to handle the significant increase in its NPL portfolio.

Exhibit 17: OPEX growth



Sources: KCC; FSSIA estimates

Exhibit 18: Cost to income ratio



Sources: KCC; FSSIA estimates

#3 Ample liquidity for the potentially higher NPL supply

We expect a higher NPL supply starting from 2022, and we believe KCC will use its IPO capital effectively. The company targets record high NPL acquisitions over the next three years: THB800m in 2022 and THB400-500m in 2023-24.

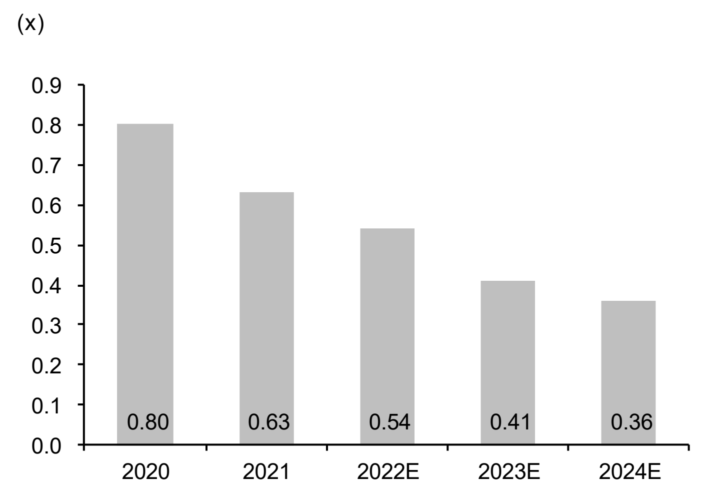
We believe that it can achieve its aggressive purchase plan in 2022 as it already has a cTHB600m NPL acquisition backlog. For 2023-24, our NPL acquisition assumptions are more conservative than the company's expectations, with expected NPL purchases of THB350m and THB300m in 2023-24, respectively. With our current assumptions, its D/E ratio should remain at a low level of 0.54/0.41/0.36 in 2022-24. With its low gearing ratio, we believe the company is ready to grab the opportunity if there is a flood of NPLs.

Exhibit 19: Comparing KCC's NPL purchase target vs FSSIA's estimates

NPL purchase	2022E (THB m)	2023E (THB m)	2024E (THB m)
- KCC's target	800	400-500	400-500
- FSSIA's estimates	800	350	300

Sources: KCC; FSSIA estimates

Exhibit 20: KCC's D/E ratio



Sources: KCC; FSSIA estimates

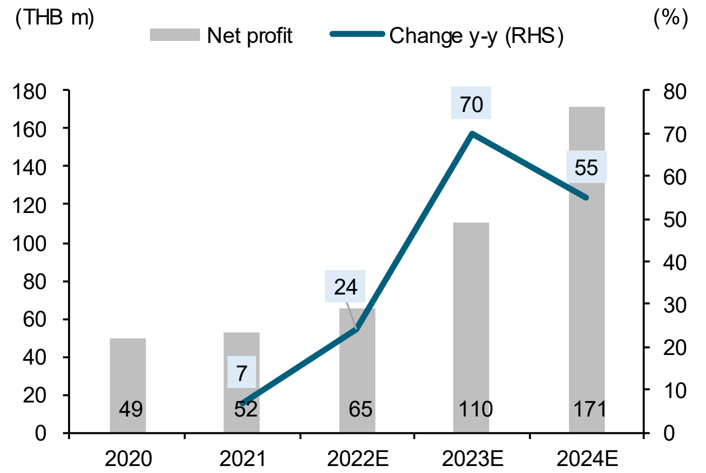
Financial highlights

#1 Net profit could more than triple in the next three years

We expect KCC to deliver outstanding net profit growth of 48% at a three-year CAGR from 2021-24, driven by 1) its aggressive NPL purchases after unlocking a source of funds from its IPO; 2) a substantial rise in its revenue following its NPL portfolio expansion; 3) an increase in its CC supported by both new and existing NPL portfolios; and 4) a lower cost to income ratio due to efficient OPEX control.

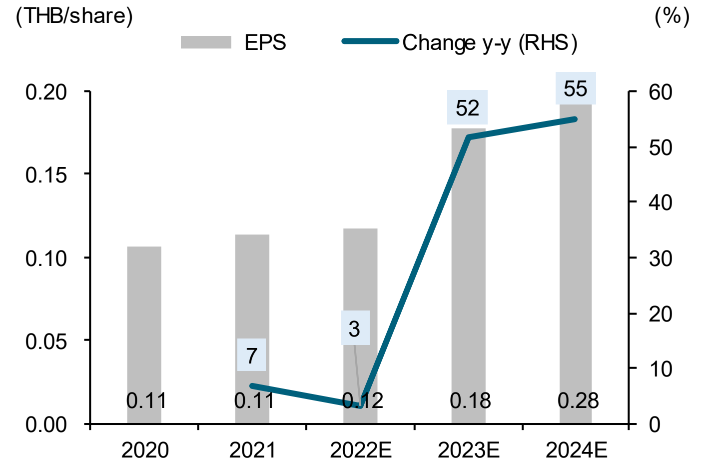
Meanwhile, we think its EPS will increase at a slower rate of 34% at a three-year CAGR from 2021-24 due to the dilution impact from its IPO.

Exhibit 21: KCC's net profit growth



Sources: KCC; FSSIA estimates

Exhibit 22: KCC's EPS growth

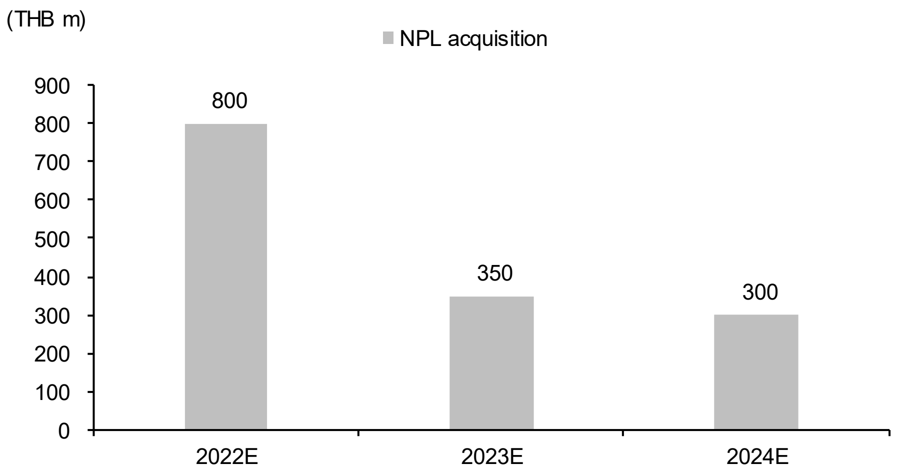


Sources: KCC; FSSIA estimates

1) An aggressive NPL purchase strategy

KCC's average annual NPL acquisition level since it first started operating in 2013 to 2021 was THB112m. We expect KCC will utilise its IPO capital to invest in NPL purchases. We project its NPL purchases in 2022-24 at THB800m/THB350m/THB300m vs the company's targets of THB800m in 2022 and THB400-500m in both 2023-24.

Exhibit 23: KCC's NPL acquisitions

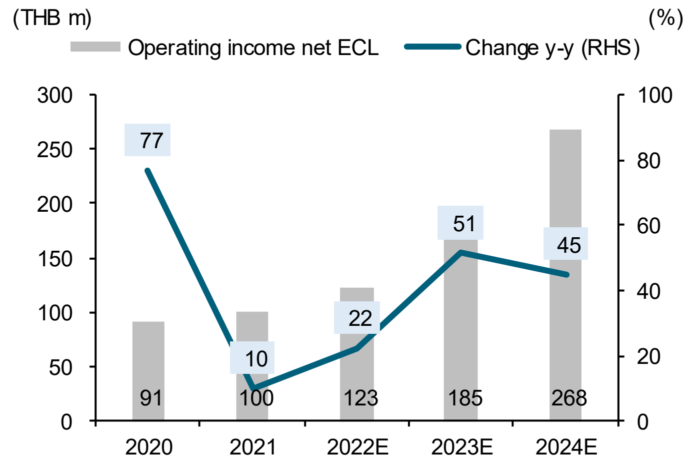


Sources: KCC; FSSIA estimates

2) A substantial rise in revenue

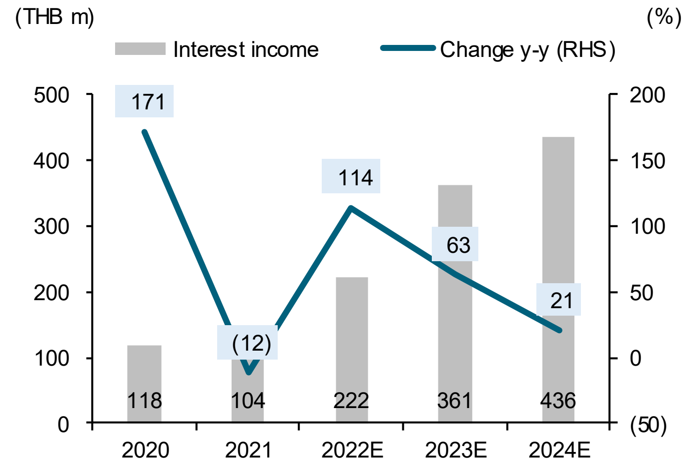
We expect its operating income net expected credit loss (ECL) to increase by 39% at a three-year CAGR from 2021-24 due largely to a rise in its net interest income from NPL management. Its interest income should go up by a 61% CAGR during the same period following the substantial increase in NPL purchases and continued debt collection from its existing portfolio. Apart from a surge in its interest income, we expect a moderate rise in its profit from NPL settlements at a 27% CAGR during the same period.

Exhibit 24: KCC's operating income net ECL growth



Sources: KCC; FSSIA estimates

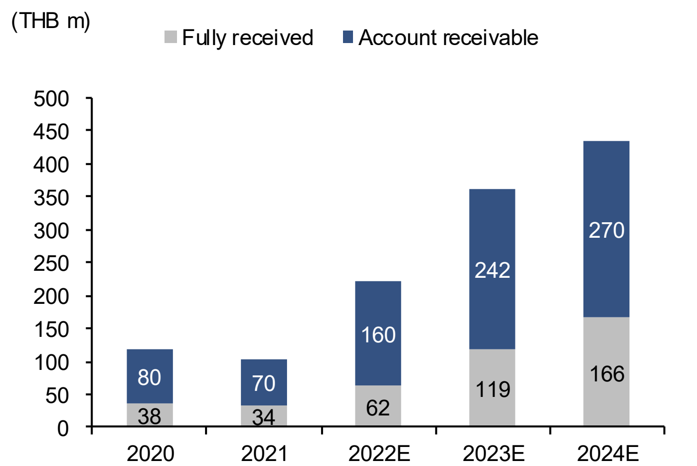
Exhibit 25: KCC's interest income growth



Sources: KCC; FSSIA estimates

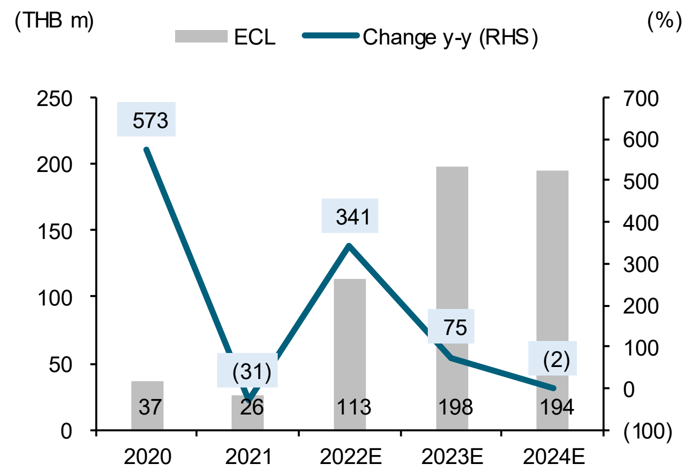
Note that its operating income before ECL should increase at the higher rate of 54% at a three-year CAGR from 2021-24 due to the accounting standard TFRS 9 enabling the company to realise its revenue by the EIR method instead of a cash basis. As a result, during the aggressive NPL purchase period, KCC could overstate its interest income, in our view. However, due to its conservative method, KCC adjusts its ECL to partly cancel the overstated revenue from clients who do not qualify for its TDR program.

Exhibit 26: KCC's interest income breakdown



Sources: KCC; FSSIA estimates

Exhibit 27: KCC's ECL



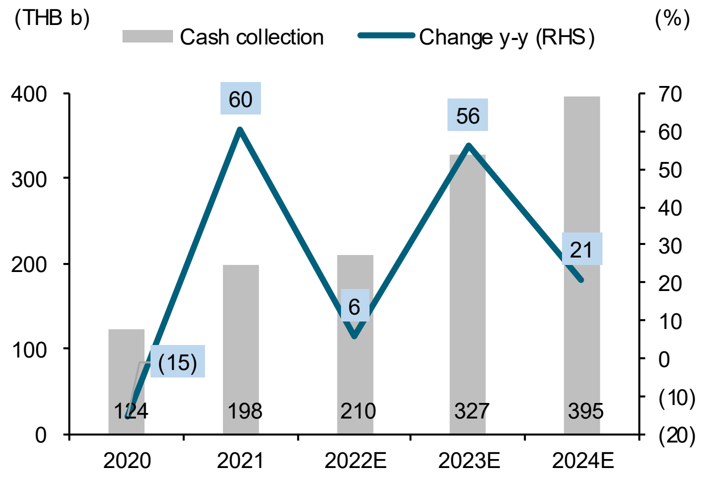
Sources: KCC; FSSIA estimates

3) Stronger CC

We expect KCC's CC to increase by 25% at a three-year CAGR from 2021-24, driven by 1) a surge in its NPL portfolio; 2) solid CC from its existing portfolio; and 3) an economic recovery, resulting in a higher debt repayment ability for its clients.

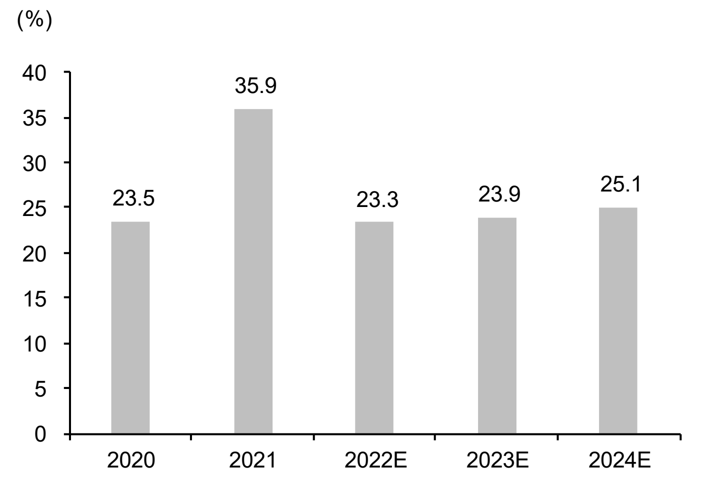
We think KCC's CC ratio should decline to 23.3% from 35.9% due to the aggressive NPL acquisitions before gradually improving to 23.9% and 25.1% in 2023 and 2024, respectively.

Exhibit 28: KCC's CC is expected to rise continuously



Sources: KCC; FSSIA estimates

Exhibit 29: KCC's CC ratio

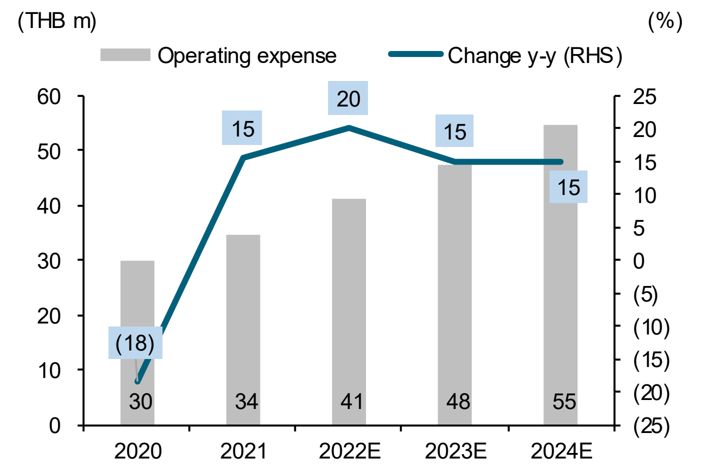


Sources: KCC; FSSIA estimates

4) Lower cost to income

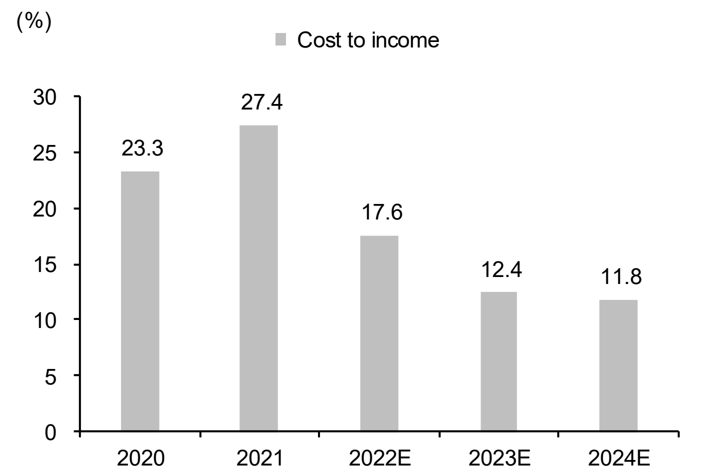
We think its revenue should increase remarkably. In contrast, we expect that its OPEX will see only a slight increase as KCC should be able to effectively utilise its existing staff to manage its portfolio. Also, the nature of corporate NPLs requires less staff than retail NPLs due to the much larger ticket size. Thus, its cost to income ratio should continue to fall, in line with our projections of 17.6%/12.4%/11.8% in 2022-24 vs 27.4% in 2021.

Exhibit 30: OPEX growth



Sources: KCC; FSSIA estimates

Exhibit 31: Cost to income ratio



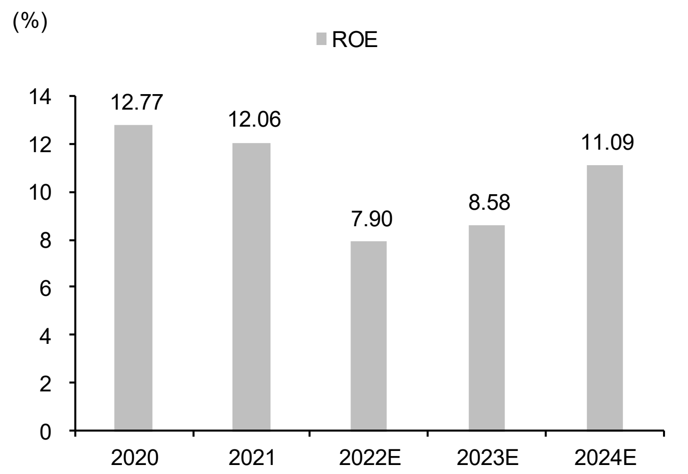
Sources: KCC; FSSIA estimates

#2 Improving ROE/ROA in the future

We expect KCC's 2022 ROE to decline to 7.9% due to the significant increase in equity from its IPO. However, we think its ROE should gradually improve to 8.6% and 11.1% in 2023-24, respectively, following a surge in its net profit.

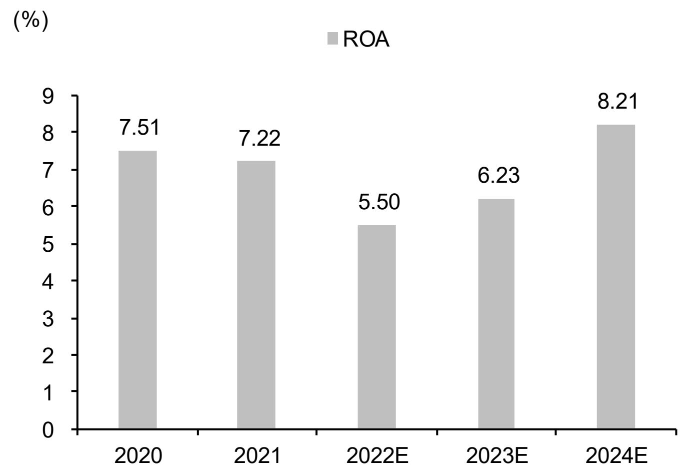
For ROA, we also expect its ROA to drop to 5.5% in 2022 due to the substantial increase in cash from its IPO and its aggressive NPL acquisitions. We are convinced that its ROA should increase to 6.2% and 8.2% in 2023-24, respectively. We believe that KCC should be able to utilise its assets efficiently.

Exhibit 32: KCC's ROE



Sources: KCC; FSSIA estimates

Exhibit 33: KCC's ROA



Sources: KCC; FSSIA estimates

Valuation

We apply a GGM-based method to derive KCC's target price as we believe this should represent the intrinsic value of the company and the potential revenue and net profit that the company could generate from its net assets in the future.

Our GGM variables consist of a 9.6% cost of equity, 9.4% terminal growth, and 10% ROE target. From this, we arrive at a 2.7x target P/BV, which is slightly below CHAYO's average three-year P/BV of 3x. We believe the valuation of KCC should be slightly discounted from CHAYO as 1) KCC's asset size and NPL portfolio is smaller than CHAYO's; and 2) KCC has just entered its aggressive expansion phase, thus, we still have no track record to predict its performance.

Exhibit 34: KCC – GGM-derived target price

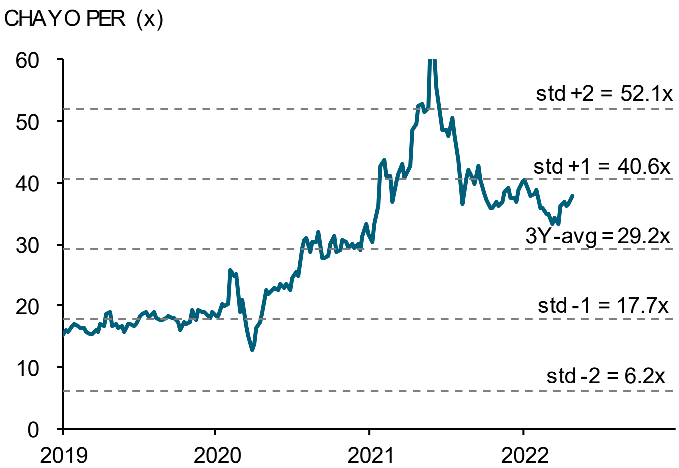
Target price	THB 5.10
Recommendation	BUY
Risk-free rate (%)	3.0
Market risk premium (%)	8.0
Cost to equity (%)	9.6
Terminal growth (%)	9.4
ROE target (%)	10
Target PBV (x)	2.7
Implied PE (x)	43.4
Implied PEG (x) – compared with 3-year CAGR growth from 2021-24	1.3
Risk to TP	Downside risks to our GGM-based TP include 1) lower-than-expected CC; 2) lower-than-expected bad debt acquisition; and 3) the slow economic recovery.

Source: FSSIA estimates

We think CHAYO is the most comparable peer for KCC as CHAYO is currently in the high growth phase that KCC is preparing to enter. Moreover, we think CHAYO's asset size is closest to KCC compared to JMT and BAM, which have significantly larger asset sizes.

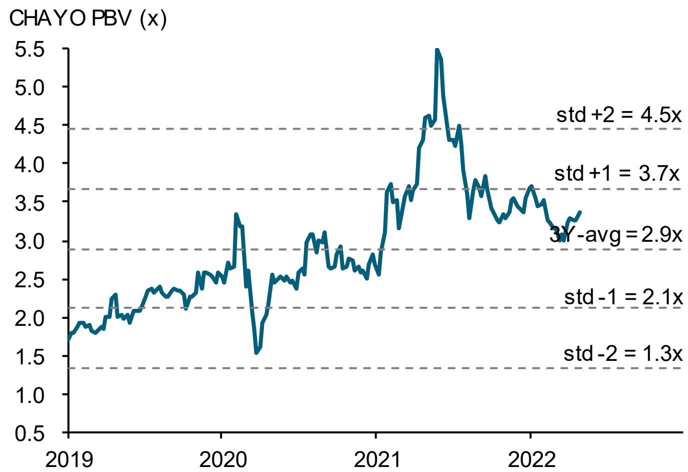
The result is our 2022 GGM-based TP of THB5.1. Our target price implies a 43.4x 2022E P/E. Its high P/E is justified by the net profit surge we expect to start in 2023, leading to a reasonable three-year CAGR in net profit based on its 2021-24 PEG at 1.3x, in our view.

Exhibit 35: CHAYO – one-year prospective P/E band



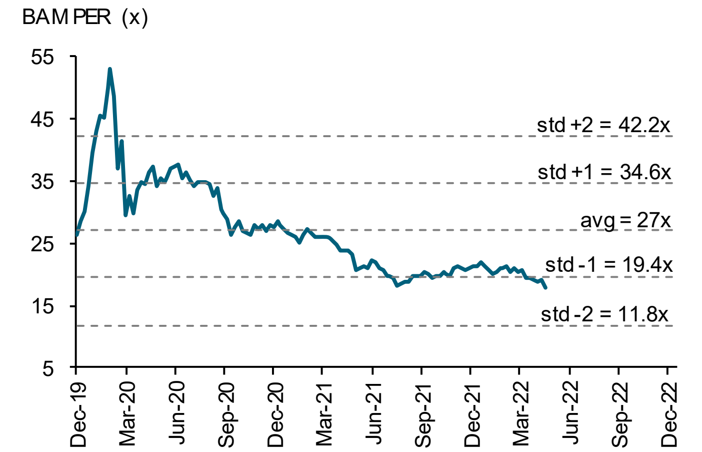
Sources: Bloomberg; FSSIA estimates

Exhibit 36: CHAYO – one-year prospective P/BV band



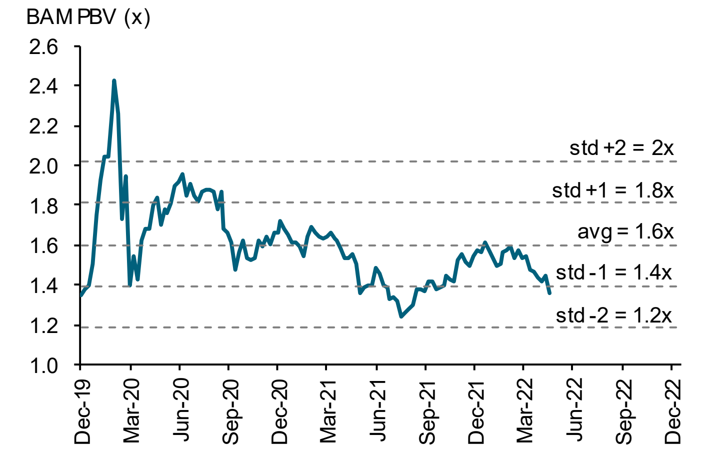
Sources: Bloomberg; FSSIA estimates

Exhibit 37: BAM – one-year prospective P/E band



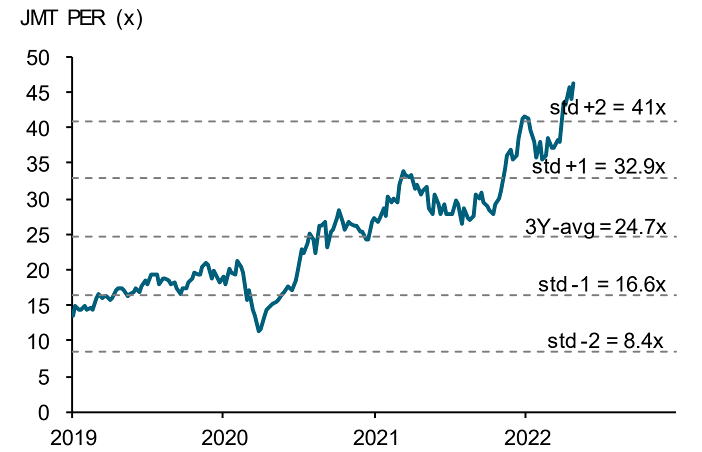
Sources: Bloomberg; FSSIA estimates

Exhibit 38: BAM – one-year prospective P/BV band



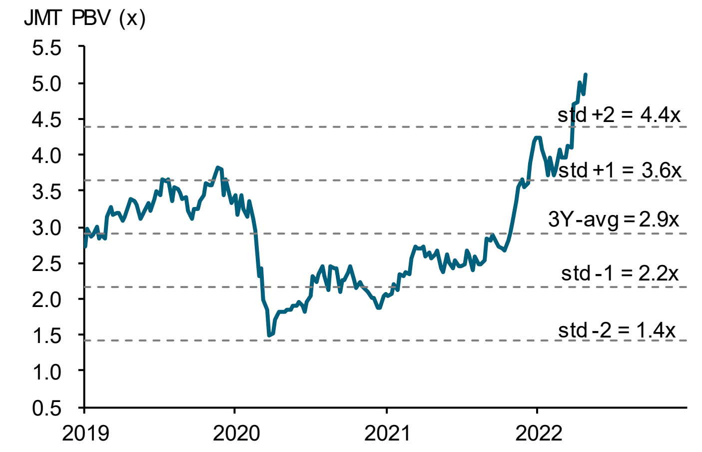
Sources: Bloomberg; FSSIA estimates

Exhibit 39: JMT – one-year prospective P/E band



Sources: Bloomberg; FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

Exhibit 41: Thailand diversified financials – peers comparison

	BBG code	Rec	----Share price --- Current (THB)	Target (THB)	Up side (%)	Market Cap (USD m)	EPS growth 22E (%)	23E (%)	----- P/E ---- 22E (x)	23E (x)	---- ROE ---- 22E (%)	23E (%)	---- PBV --- 22E (x)	23E (x)
Diversified financials						**23,103**	**17.0**	**22.2**	**24.4**	**19.4**	**16.1**	**16.9**	**3.4**	**2.9**
Unsecured-loan lenders						**5,674**	**15.1**	**9.0**	**18.7**	**17.1**	**23.3**	**22.1**	**4.1**	**3.6**
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	190.50	204.00	*7*	1,380	27.1	7.4	10.5	9.8	21.0	19.5	2.1	1.8
Krungthai Card	KTC TB	REDUCE	57.50	52.00	*(10)*	4,294	11.2	9.5	21.3	19.5	24.1	22.9	4.8	4.2
Auto-title lenders						**8,021**	**14.4**	**22.5**	**18.4**	**15.0**	**18.3**	**19.5**	**3.1**	**2.7**
Muangthai Capital	MTC TB	BUY	45.75	55.00	*20*	2,810	9.3	25.5	17.9	14.3	19.9	21.0	3.3	2.8
Srisawad Corp	SAWAD TB	BUY	52.50	68.00	*30*	2,088	10.0	20.5	14.3	11.8	19.3	21.1	2.6	2.4
Saksiam Leasing	SAK TB	BUY	8.55	12.00	*40*	519	38.5	25.9	21.3	16.9	16.2	18.1	3.3	2.9
Ngern Tid Lor	TIDLOR TB	BUY	36.00	43.00	*19*	2,604	18.6	20.1	21.5	17.9	16.1	16.9	3.2	2.8
Truck lenders						**2,205**	**12.1**	**27.5**	**27.9**	**21.3**	**11.0**	**12.9**	**2.6**	**2.5**
Micro Leasing	MICRO TB	BUY	7.00	10.70	*53*	190	45.1	26.8	24.1	19.0	13.2	15.0	3.0	2.7
Singer Thailand	SINGER TB	BUY	55.25	74.00	*34*	1,307	7.7	35.1	36.7	27.1	8.1	10.5	2.9	2.8
Ratchthani Leasing	THANI TB	BUY	4.32	4.80	*11*	709	11.5	13.6	12.8	11.3	15.9	16.7	2.0	1.8
Asset management						**5,794**	**27.5**	**36.4**	**40.6**	**29.3**	**9.9**	**11.7**	**3.9**	**3.4**
Bangkok Commercial Asset Mngt.	BAM TB	BUY	19.10	25.50	*34*	1,788	23.2	26.6	19.3	15.2	7.5	8.6	1.4	1.2
Chayo Group	CHAYO TB	BUY	12.70	16.60	*31*	385	44.4	17.2	38.3	32.7	10.6	9.4	3.3	2.7
JMT Network Services	JMT TB	BUY	85.50	80.00	*(6)*	3,554	28.3	43.1	51.7	36.1	11.0	13.6	5.3	4.6
Knight Club Capital Asset Mngt.	**KCC TB**	**BUY**	**3.70**	**5.10**	***38***	**67**	**3.0**	**51.5**	**31.5**	**20.8**	**7.9**	**8.6**	**1.9**	**1.7**
Other						**1,207**	**4.1**	**8.5**	**7.6**	**7.0**	**8.0**	**8.2**	**0.6**	**0.6**
Thanachart Capital	TCAP TB	HOLD	39.75	42.00	*6*	1,207	4.1	8.5	7.6	7.0	8.0	8.2	0.6	0.6
Hire purchase motorcycle						**201**	**1.3**	**(2.6)**	**22.0**	**22.6**	**11.3**	**8.6**	**2.1**	**1.8**
Next Capital	NCAP TB	BUY	7.70	10.30	*34*	201	1.3	(2.6)	22.0	22.6	11.3	8.6	2.1	1.8

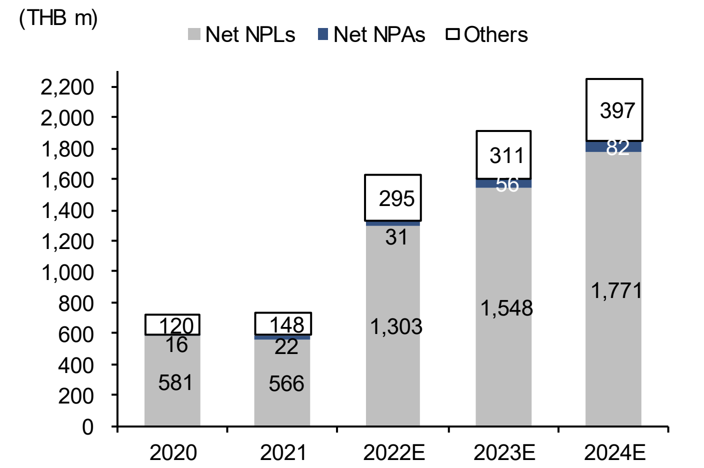
Share prices as of 3 May 2022; Sources: Bloomberg; FSSIA estimates

Company background

1) Nature of business

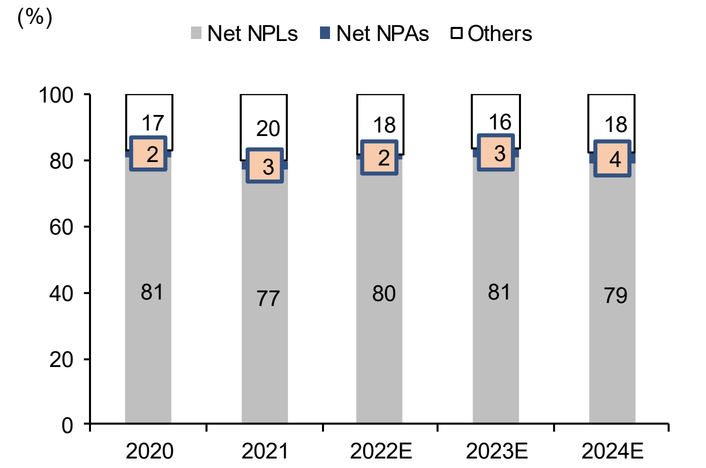
KCC was founded in 2000 under the name "Richy Capital Alliances" and started to operate its asset management business in 2013. Currently, it has two main businesses, including 1) NPL management; and 2) NPA management. As of 2021, its net NPLs outstanding accounted for 77% of its total assets, while its net NPAs outstanding made up 3% of its total assets.

Exhibit 42: Total assets



Sources: KCC; FSSIA's compilation

Exhibit 43: Total assets breakdown (%)



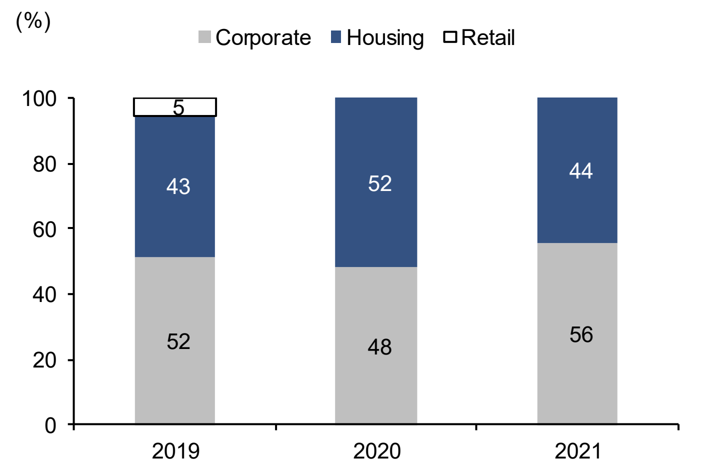
Sources: KCC; FSSIA's compilation

1. NPL management

The company was authorised by the BoT to operate an asset management company in 2013 and began sourcing NPLs from financial institutions. KCC initially grew from the management of NPLs in the category of corporate loans and later expanded its management to retail loans and then housing loans.

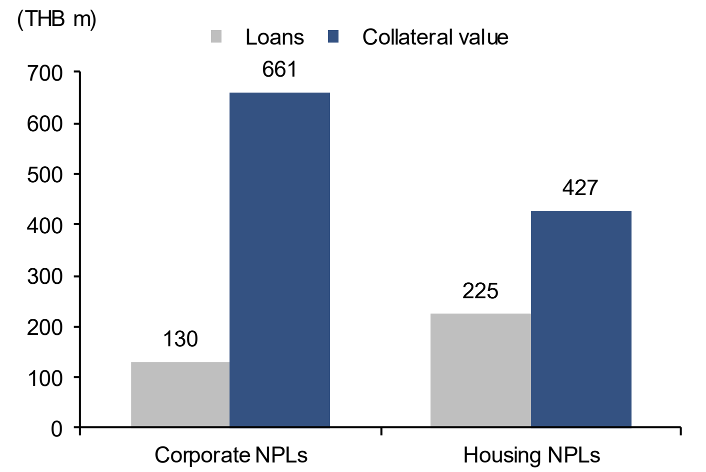
However, the company began selling off its retail portfolio in 2019 and completely exited that segment in 2020 in order to focus on corporate and housing loan management – the two areas where the company has more expertise.

Exhibit 44: KCC's gross outstanding NPL management portfolio breakdown in 2018-2021



Sources: KCC; FSSIA's compilation

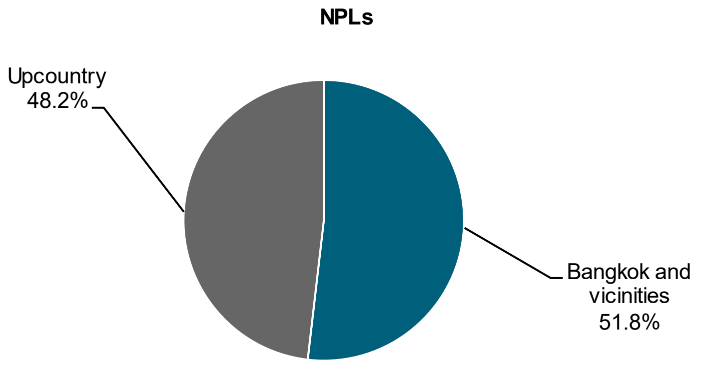
Exhibit 45: The value of the collateral is greater than the value of the loan to the debtor – as of 2021



Sources: KCC; FSSIA's compilation

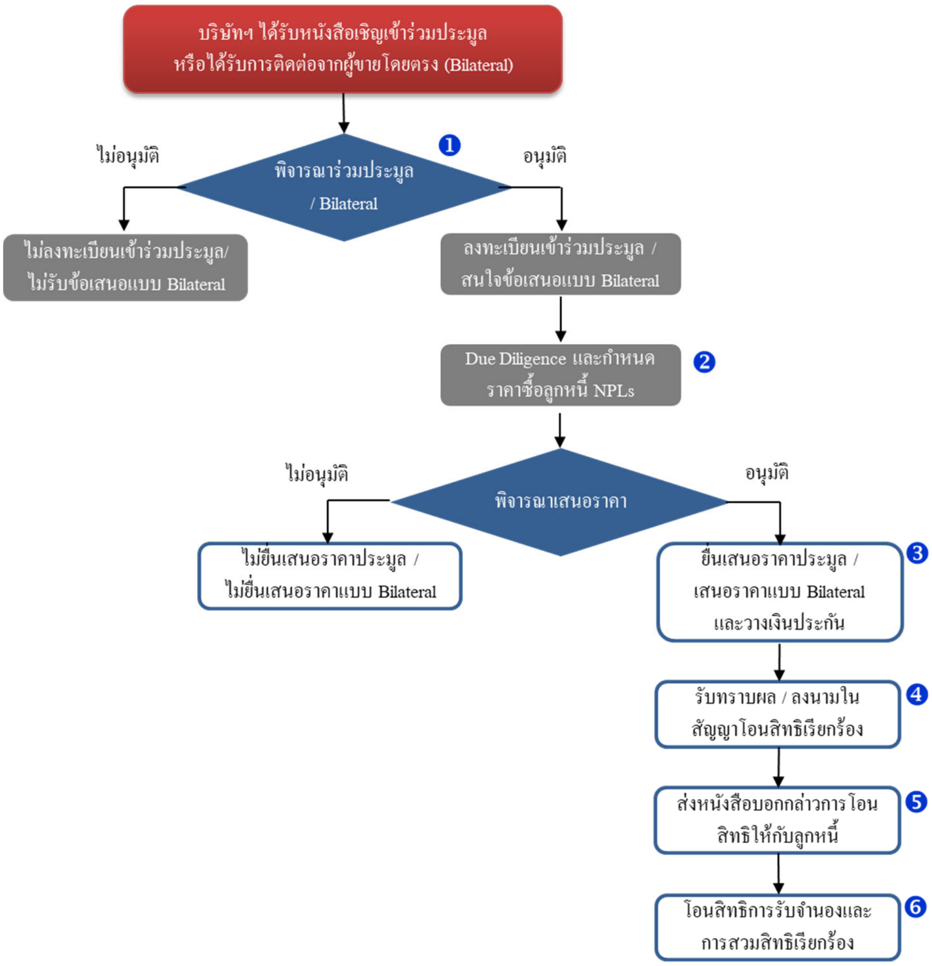
As of 2021, 56% of its gross outstanding NPL management portfolio was in the corporate segment, with 44% from the housing segment. As for the location of its NPLs, 52% are in Bangkok and the vicinity and the remaining 48% are upcountry.

Exhibit 46: Location of NPLs – as of 2021



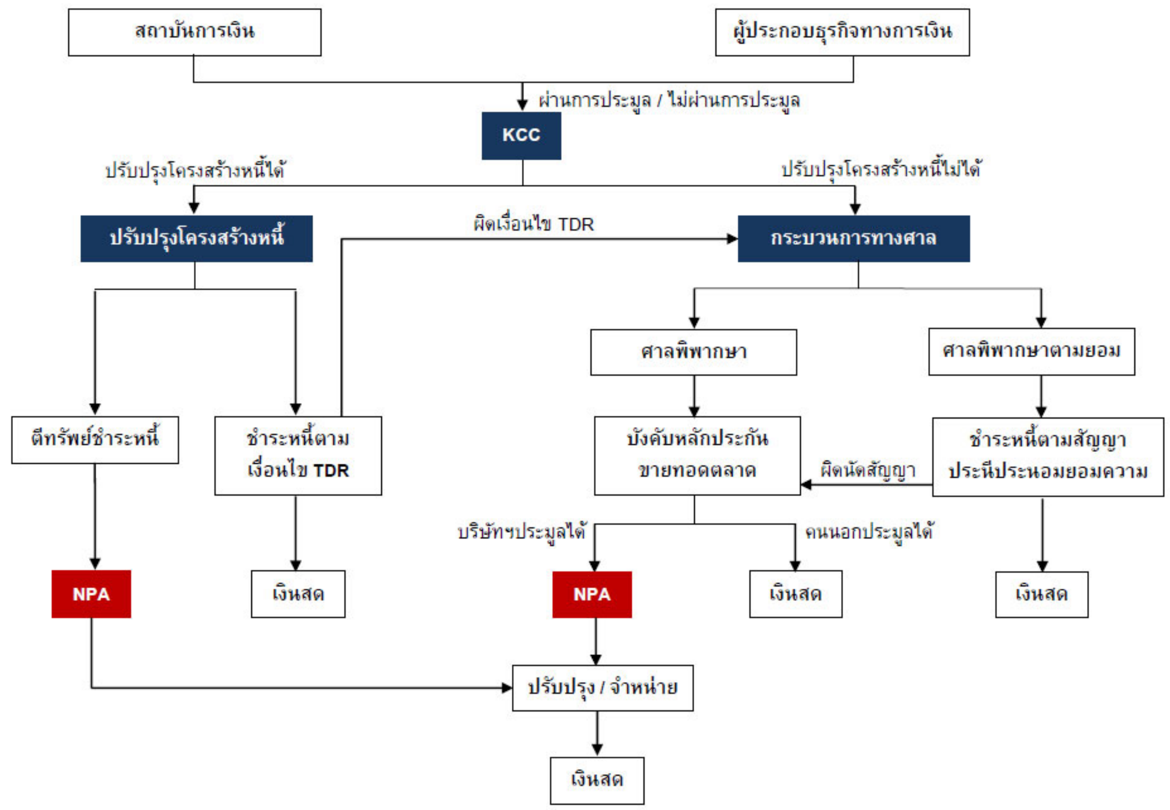
Source: KCC

Exhibit 47: The process of procuring NPLs



Source: KCC

Exhibit 48: NPL management procedures

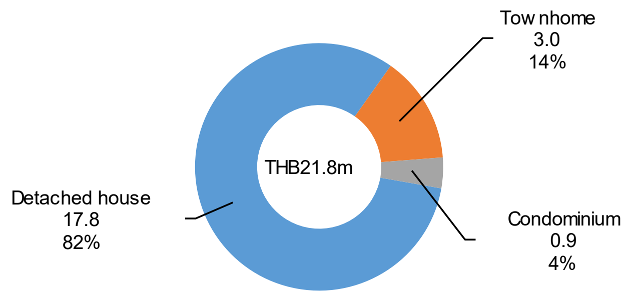


Source: KCC

2. NPA management

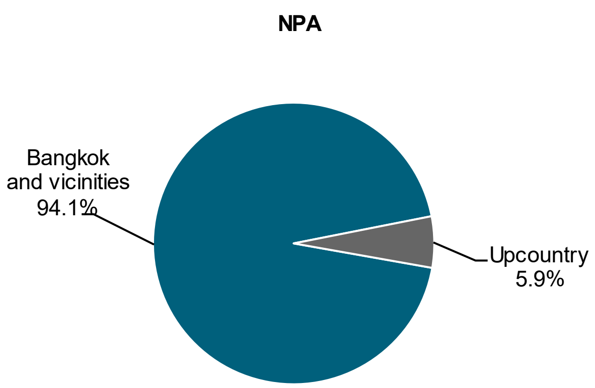
There is no procurement of NPAs via direct auction from financial institutions. All the NPAs under its management were acquired from NPL auctions through the Legal Execution Department or as debt settlements from its debtors. The company manages NPAs by adding value or renovating them prior to sale to outsiders which generates income for the company. Most of the company's NPAs are residential in the category of detached houses and townhouses. As of 2021, 94% of its NPAs were in Bangkok and nearby. The remaining 6% are upcountry.

Exhibit 49: Type of NPAs as of 2021



Source: KCC

Exhibit 50: Location of NPAs as of 2021

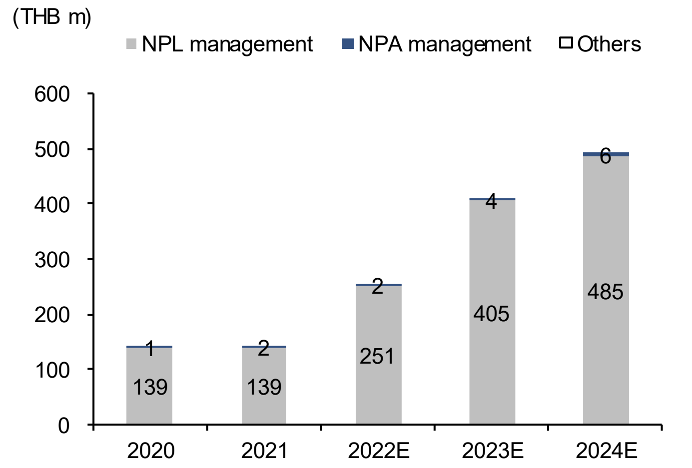


Source: KCC

2) Revenue structure

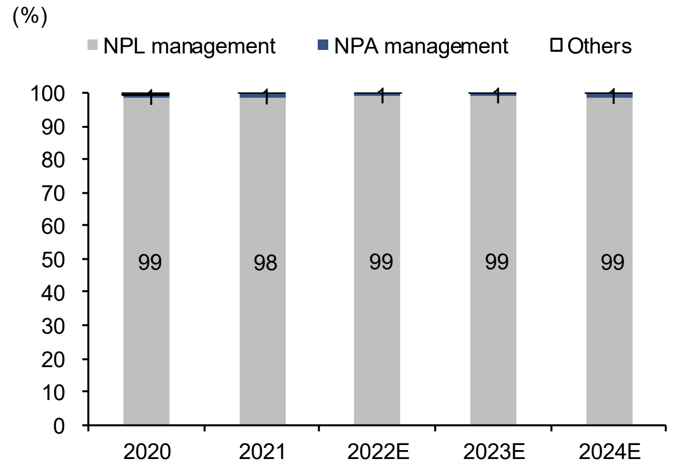
Normally, most of KCC's revenue comes from NPL management, including interest income from NPLs (both fully received and accounts receivable revenue), profit from selling NPLs to other parties, and profit from NPL settlements. As of 2021, 99% of its revenue came from NPL management, while the rest was from NPA management and other revenue.

Exhibit 51: KCC's total revenue structure



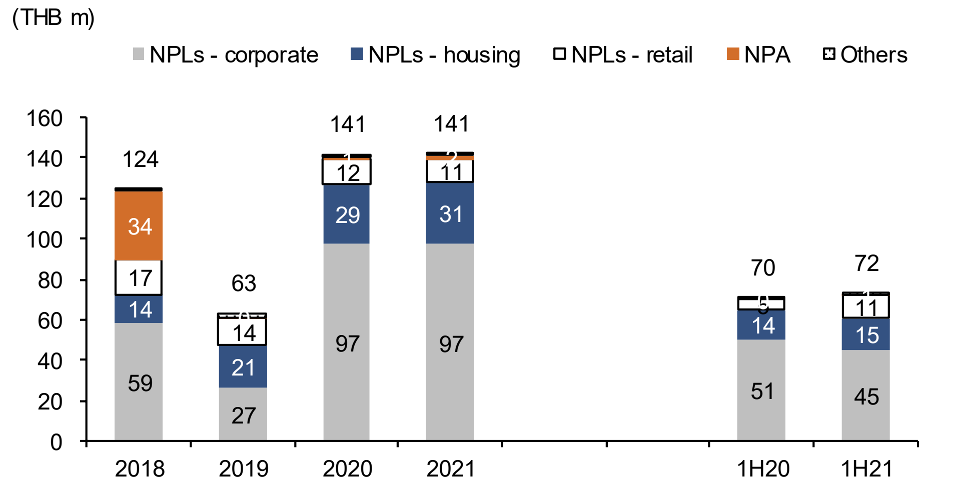
Sources: KCC; FSSIA estimates

Exhibit 52: Total revenue breakdown



Sources: KCC; FSSIA estimates

Exhibit 53: KCC's total revenue breakdown by business and client category

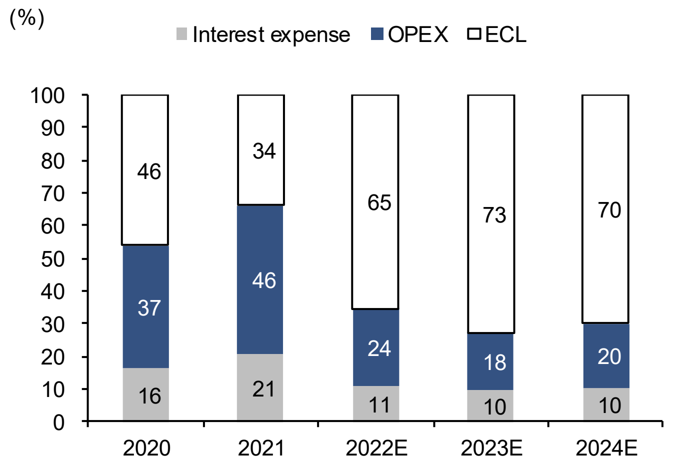


Source: KCC

3) Cost structure

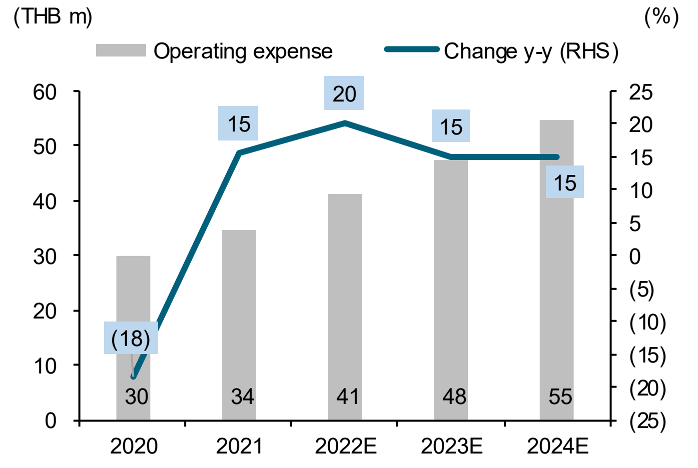
KCC's costs in P&L (excluding the cost of NPLs which is capitalised on its balance sheet) consist of interest expenses, operating expenses, and ECL. As of 2021, 46% was OPEX and 34% was ECL. However, over the next three years, we expect a significant rise in its ECL following its aggressive NPL purchases. Meanwhile, its OPEX should increase at a slight to moderate rate. Its cost structure should change in 2022-24, with ECL becoming the highest contributor to its total costs.

Exhibit 54: KCC's cost structure



Sources: KCC; FSSIA estimates

Exhibit 55: OPEX growth



Sources: KCC; FSSIA estimates

4) Major shareholders and management team

KCC's major shareholders and management have a lot of experience, with more than 20 years of working in the asset management and debt restructuring fields.

Exhibit 56: KCC's management and major shareholders

Source: KCC

Risks

1) Risk from procurement of NPLs at inappropriate prices

To achieve its investment goals, one important factor that the company needs to determine is the appropriate auction price of NPLs. However, there are no exact reference prices for auctioned NPLs. Therefore, before each bidding, KCC must conduct a due diligence review by considering the limited information that is provided by financial institutions wishing to sell NPLs. Moreover, the company is not allowed access to the collateral assets. As a result, KCC might not be able to know the true internal condition of the properties. Failure to perform an effective review and/or selection of NPLs may result in inappropriately pricing NPLs. This could have a negative impact on the returns that KCC expects to receive from NPL management.

2) Concentration risks of corporate NPLs

With 56% of its gross NPLs coming from corporate clients, KCC risks having its investments concentrated in the form of large business receivables. If the economy slows down and affects major debtors, this may reduce their ability to repay the debt. If corporate debtors are unable to pay their debts according to the debt restructuring conditions and are forced to sell their collateral, KCC risks incomplete debt repayment. Also, if the corporate debtor has no collateral, KCC might be unable to recover its investment.

3) Risk from changes in rules and regulations related to AMCs

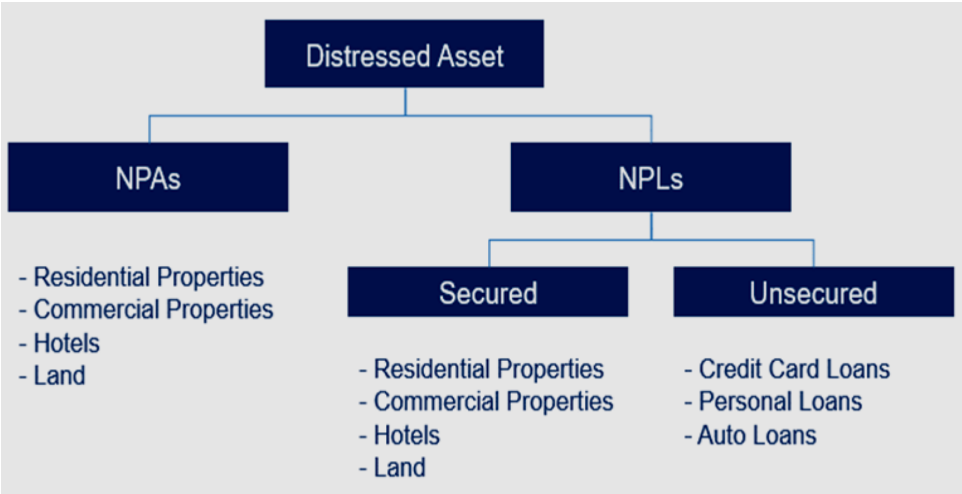
KCC operates under the scope, rules, and conditions prescribed in accordance with the Emergency Decree on Asset Management Companies 1998. The company is regulated and supervised by the BoT. The company may be affected by changes in regulations both directly and indirectly, especially sudden changes. This may have a negative impact on its business and its financial position.

Specific terminology for asset management companies

To accurately analyse the AMC sector, there is some essential terminology that must be clarified beforehand.

Distressed assets that AMCs manage can be classified into two types: NPAs and NPLs. The key difference between NPLs and NPAs is the ownership. Regarding NPLs, the asset is still owned by the debtors, while for NPAs, the ownership is transferred to the AMC. NPLs can be classified into two main categories: secured NPLs and unsecured NPLs, as in Exhibit 57.

Exhibit 57: Distressed asset group



Source: FSSIA's compilation

Exhibit 58: Essential terminology for AMCs

No.	Terms	Definition
1	Non-performing loans (NPLs)	Loans where the interest and principal are overdue for more than three months can be divided into two types: 1) secured NPLs, which are NPLs with collateral, i.e. houses, commercial buildings, vacant land, hotels, etc.; and 2) unsecured NPLs, i.e. credit card loans and personal loans. From an AMC's perspective, auto NPLs are categorised as unsecured NPLs, as assets depreciate so fast that they have almost no value.
2	Non-performing assets (NPAs)	Foreclosed properties that AMCs purchase from financial institutions or secured NPLs that are enforced as collateral via the Legal Execution Department. The key difference between NPLs and NPAs is the ownership. Regarding NPLs, the asset is still owned by the debtors, while the ownership is transferred to AMCs for NPAs.
3	Cost to acquire	The cost at which AMCs purchase NPLs/NPAs from financial institutions. For secured NPLs and NPAs, AMCs will compare their cost with the collateral value of secured NPLs or NPAs. Whereas, for unsecured NPLs, this cost will be compared to the claimed value of the NPLs.
4	Book value	The cost to acquire which is booked in the statement of the financial position.
5	Collateral value or appraised value	The value of secured NPLs or NPAs that is appraised by the AMCs themselves or a third party.
6	Claim value	The total value of unsecured/secured NPLs, including principal, interest and any costs occurred during the purchase process.
7	Cash collection (CC)	The money received from clients after a debt restructuring or disposal of assets.

Source: FSSIA

Corporate Governance - KCC

Board structure

Number of Independent Directors (ID)	4 of 8 board members
Percentage of IDs on the board	50.0%
ID participation/attendance at board meetings	100%
ID participation in audit/remuneration committees	3/3 in audit committee and 2/3 in remuneration committee
ID terms (years of service, re-election/replacement procedures)	Three years and can be re-appointed with consent from shareholders' meeting

Source: KCC

Additional comments: KCC plans to list on the SET, first filing submitted to the SEC is on 1 Nov 2021

Audit Practices

Auditor	EY Office Limited
Length of service	Since 2018
Reporting incidents	None
Fee track record	THB1.95m, THB2.43m, THB1.92m, respectively from 2018-2020 and THB0.51m for 1H21
Policy on change of audit firm	To review every five years

Source: KCC

Additional comments: None

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	THB 137,500m vs net profit of THB 49.1m in 2020, THB225,000 during 1H21 vs THB32.2m
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

Source: KCC

Additional comments: None

Shareholders' rights

Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriate and in accordance with SEC guidelines
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

Source: KCC

Additional comments: None

Financial Statements

Knight Club Capital Asset Management

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	118	104	222	361	436
Interest expense	(13)	(16)	(19)	(26)	(29)
Net interest income	105	88	204	335	407
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	23	37	32	48	56
Non interest income	23	37	32	48	56
Total income	128	126	235	383	463
Staff costs	-	-	-	-	-
Other operating costs	(30)	(34)	(41)	(48)	(55)
Operating costs	(30)	(34)	(41)	(48)	(55)
Pre provision operating profit	98	91	194	335	408
Provision for bad and doubtful debt	(37)	(26)	(113)	(198)	(194)
Other provisions	-	-	-	-	-
Operating profit	61	66	81	138	214
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	61	66	81	138	214
Tax	(12)	(13)	(16)	(28)	(43)
Profit after tax	49	52	65	110	171
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	49	52	65	110	171
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	49	52	65	110	171
Per share (THB)					
Recurring EPS *	0.11	0.11	0.12	0.18	0.28
Reported EPS	0.11	0.11	0.12	0.18	0.28
DPS	0.00	0.00	0.10	0.15	0.22
Growth					
Net interest income (%)	177.3	(15.7)	130.8	64.6	21.3
Non interest income (%)	20.9	60.1	(15.6)	50.6	17.6
Pre provision operating profit (%)	378.2	(7.1)	112.5	72.9	21.7
Operating profit (%)	307.4	7.0	23.6	69.8	55.0
Reported net profit (%)	307.7	6.9	24.0	69.8	55.0
Recurring EPS (%)	307.7	6.9	3.0	51.5	55.0
Reported EPS (%)	307.7	6.9	3.0	51.5	55.0
Income Breakdown					
Net interest income (%)	81.7	70.2	86.6	87.6	87.9
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	18.3	29.8	13.4	12.4	12.1
Operating performance					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	5.18	5.98	5.74	5.80	5.80
Net interest spread (%)	(5.18)	(5.98)	(5.74)	(5.80)	(5.80)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	23.3	27.4	17.6	12.4	11.8
Cost/assets(%)	4.6	4.7	3.5	2.7	2.6
Effective tax rate (%)	20.1	20.2	20.0	20.0	20.0
Dividend payout on recurring profit (%)	-	-	85.0	85.0	80.0
ROE (%)	12.8	12.1	7.9	8.6	11.1
ROE - COE (%)	2.0	1.3	(2.9)	(2.2)	0.3
ROA (%)	7.5	7.2	5.5	6.2	8.2
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Knight Club Capital Asset Management; FSSIA estimates

Financial Statements

Knight Club Capital Asset Management

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	540	521	1,215	1,420	1,571
Total provisions	(40)	(64)	(180)	(382)	(581)
interest in suspense	80	108	268	510	781
Net customer loans	**581**	**566**	**1,303**	**1,548**	**1,771**
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	0	0	121	124	195
Other interesting assets	110	138	154	185	217
Tangible fixed assets	12	11	11	11	12
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	12	21	41	48	56
Total assets	**716**	**736**	**1,629**	**1,916**	**2,250**
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	283	239	407	488	512
Non interest bearing liabilities	25	36	38	40	42
Hybrid Capital	-	-	-	-	-
Total liabilities	**307**	**275**	**444**	**528**	**554**
Share capital	230	230	310	310	310
Reserves	179	231	875	1,079	1,386
Total equity	**409**	**461**	**1,185**	**1,389**	**1,696**
Minority interests	0	0	0	0	0
Total liabilities & equity	**716**	**736**	**1,629**	**1,916**	**2,250**
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	253	261	323	447	500
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)	n/a	n/a	n/a	n/a	n/a
Per share (THB)					
Book value per share	0.89	1.00	1.91	2.24	2.74
Tangible book value per share	0.89	1.00	1.91	2.24	2.74
Growth					
Gross customer loans	10.8	(3.6)	133.1	16.9	10.7
Average interest earning assets	-	-	-	-	-
Total asset (%)	21.6	2.7	121.4	17.6	17.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	57.1	62.6	72.7	72.5	75.4
Tangible equity/assets (%)	57.1	62.6	72.7	72.5	75.4
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Total provisions/gross loans (%)	7.3	12.2	14.8	24.3	37.0
Total provisions/NPL (%)	-	-	-	-	-

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	34.7	32.5	31.5	20.8	13.4
Recurring P/E @ target price (x) *	47.8	44.8	43.4	28.7	18.5
Reported P/E (x)	34.7	32.5	31.5	20.8	13.4
Dividend yield (%)	-	-	2.7	4.1	6.0
Price/book (x)	4.2	3.7	1.9	1.7	1.4
Price/tangible book (x)	4.2	3.7	1.9	1.7	1.4
Price/tangible book @ target price (x)	5.7	5.1	2.7	2.3	1.9

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Knight Club Capital Asset Management; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

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

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAH	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	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	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	TPIPP	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	WIIK	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 th e Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company . The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

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

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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

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 Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Knight Club Capital Asset Management	KCC TB	THB 3.70	BUY	Downside risks to our GGM-based TP include 1) lower cash collection due to the slow economic recovery; and 2) lower-than-expected bad debt acquisition.
Bangkok Commercial Asset Mngt.	BAM TB	THB 19.10	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Chayo Group	CHAYO TB	THB 12.70	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
JMT Network Services	JMT TB	THB 85.50	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 190.50	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 57.50	REDUCE	Upside risks to our GGM-derived TP include: 1) stronger-than-expected growth for KTB Leasing; and 2) better-than-expected bad debt recovery.
Muangthai Capital	MTC TB	THB 45.75	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 52.50	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.
Saksiam Leasing	SAK TB	THB 8.55	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 36.00	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 7.00	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) a slower-than-expected reduction in the cost of funds due to a shift toward more long-term loans.
Singer Thailand	SINGER TB	THB 55.25	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.
Ratchthani Leasing	THANI TB	THB 4.32	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.
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 7.70	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for food delivery and logistics activities; 2) deteriorating asset quality; and 3) tighter competition from new players.

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 3-May-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.