

# NEXT CAPITAL NCAP TB

THAILAND / DIVERSIFIED FINANCIALS

## HOLD

FROM BUY

TARGET PRICE	THB7.60
CLOSE	THB6.95
UP/DOWNSIDE	+9.4%
PRIOR TP	THB10.30
CHANGE IN TP	-26.2%
TP vs CONSENSUS	-14.1%

## Tighter competition, higher concern

- Weak 1Q22 NP of THB65m from provisions following loan growth.
- Tighter competition might hinder long-term growth.
- Downgrade to HOLD with 2022 GGM-based TP of THB7.6.

### Weak 1Q22 from high provisions following a surge in loan volume

NCAP reported a weak 1Q22 net profit of THB65m (-13% y-y, -26% q-q), dragged down by a rise in its provisions and OPEX. Its loan volume increased substantially by 66% y-y and 19% q-q. However, the benefits from the loan expansion did not fully manifest in 1Q22. Meanwhile, NCAP had to set up provisions first. Thus, its credit cost rose to 993 bps from 787 bps in 4Q21. This resulted in a drop in its 1Q22 net profit. Its asset quality remained in healthy territory, with a stable NPL ratio of 1.36% and a stable NPL formation rate (based on our calculation) at 6% vs the average 2021 NPL formation rate of 6.1%. Cost to income went up slightly in 1Q22 to 42.9% from 41.6% in both 1Q21 and 4Q21 following the escalated loan growth. We think NCAP might have to increase some of its promotional expenses to gain more market share.

### Unimpressive net profit growth expected in 2Q22

We think NCAP's 2Q22 earnings will increase y-y and q-q at an unimpressive rate. We expect NCAP to set higher provisions following the remarkable rise in its loan volume. During the first phase of aggressive credit expansion, we believe a rise in NII will be dragged down by an increase in ECL. More interesting net profit growth should occur in 2H22 once the benefits of the loan expansion fully kick in.

### Tighter competition raises more concerns

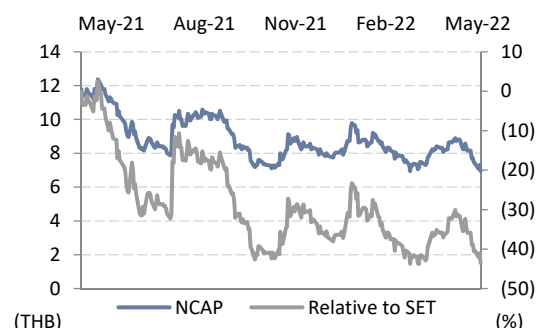
We expect more intense competition in the new motorcycle hire purchase business due to the aggressive expansion plan of Srisawad Capital (SCAP, not listed). SCAP targets its 2022 new lending volume to hit THB11.3b. Based on our calculation, in the case that it can achieve its new lending target, its portfolio should reach THB13b in 2022 vs THB5.3b in 2021. Moreover, due to the attractive returns of the motorcycle hire purchase business, there will likely be more players jumping in, e.g. MICRO. We think NCAP might have to increase promotional expenses and commissions to dealers to compete for market share.

### Downgrade to HOLD due to tighter competition

We reduce our 2022-24E net profit by 11%/12%/13% and downgrade to HOLD with a TP of THB7.6 as we think its short-term earnings will not be impressive and its long-term growth might also be hindered by a rise in competition. NCAP might be back in our basket once there is a clear rate cap mandate and its net profit resumes an attractive growth trajectory.

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	389	457	566	688
Net profit	311	366	453	551
EPS (THB)	0.35	0.31	0.30	0.35
vs Consensus (%)	-	2.3	(6.3)	1.4
Core net profit	311	366	453	551
Core EPS (THB)	0.35	0.31	0.30	0.35
Chg. In EPS est. (%)	-	(10.7)	(11.9)	(12.7)
EPS growth (%)	54.1	(9.5)	(4.0)	16.4
Core P/E (x)	20.1	22.2	23.1	19.9
Dividend yield (%)	-	0.7	0.6	0.8
Price/book (x)	3.1	1.9	1.7	1.5
ROE (%)	16.9	10.1	7.6	8.0
ROA (%)	5.9	4.9	4.3	3.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(15.7)	(17.3)	(44.9)
Relative to country (%)	(12.3)	(12.9)	(46.1)
Mkt cap (USD m)	181		
3m avg. daily turnover (USD m)	1.8		
Free float (%)	34		
Major shareholder	COM7 PCL (34%)		
12m high/low (THB)	12.69/6.75		
Issued shares (m)	900		

Sources: Bloomberg consensus; FSSIA estimates


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## Investment thesis

NCAP is transitioning from local motorcycle captive financing to more fully equipped hire purchase lending in Thailand. It is aiming to compete for market share from both local and big operators.

However, we expect more intense competition in the new motorcycle hire purchase business due to the aggressive expansion plan of Srisawad Capital (SCAP, not listed). Moreover, due to the attractive returns of the motorcycle hire purchase business, there will likely be more players jumping in, e.g. MICRO. We think NCAP might have to increase promotional expenses and commissions to dealers to compete for market share.

Accordingly, we downgrade to HOLD as we think its short-term earnings will not be impressive and its long-term growth might also be hindered by a rise in competition.

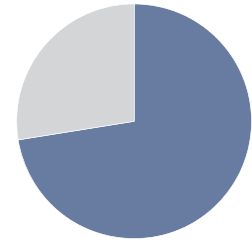
## Company profile

Next Capital was founded in 2004 by Mitsui Corporation. Currently, its major shareholders are COM7 (not rated) and SYNEX (not rated). The company specialises in providing hire purchase loans for new motorcycles. Loan durations are 3-4 years. Its main customers are underbanked/unbanked people.

[www.nextcapital.co.th](http://www.nextcapital.co.th)

## Principal activities (revenue, 2021)

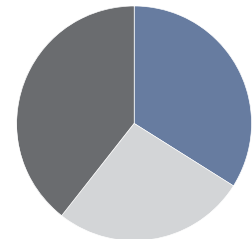
- Net interest income - 72.5 %
- Non-interest income - 27.5 %



Source: Next Capital

## Major shareholders

- COM7 PCL - 33.9 %
- Synnex (Thailand) - 26.7 %
- Others - 39.4 %



Source: Next Capital

## Catalysts

Potential share price catalysts for NCAP include: 1) clear regulations on MHP; 2) expansion into new businesses, e.g. personal loans and motorcycle title loans; and 3) clearer synergies with its major shareholders.

## Risks to our call

Downside risks to our GGM-derived TP include 1) an economic slowdown; 2) deteriorating asset quality; and 3) tighter competition from new players. Upside risks to our TP include 1) strong demand for motorcycles; and 2) a higher rate cap than our base-case assumption of 28% p.a.

## Event calendar

Date	Event
Mid-Aug 2022	2Q22 results announcement

## Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	366	453	551
Net profit growth (%)	17.6	23.7	21.6
NIM (%)	19.25	17.82	16.97
Loan growth (%)	53.0	40.0	35.0
Fee growth (%)	35.0	20.0	20.0
Non-NII growth (%)	24.3	14.4	14.6
Credit cost (bp)	870	800	780
Cost to income (%)	40.8	40.9	40.1

Source: FSSIA estimates

## Earnings sensitivity

		2022E		
<b>Loan growth</b>	<b>±2ppt</b>	<b>51.0</b>	<b>53.0</b>	<b>55.0</b>
% change in net profit		(2.0)	-	2.0
<b>NIM (%)</b>	<b>±5bp</b>	<b>19.20</b>	<b>19.25</b>	<b>19.30</b>
% change in net profit		(0.6)	-	0.6
<b>Credit cost (bp)</b>	<b>±10bp</b>	<b>860</b>	<b>870</b>	<b>880</b>
% change in net profit		(1.2)	-	1.2

Source: FSSIA estimates

## Weak 1Q22 from high provisions following a surge in loan volume

NCAP reported a weak 1Q22 net profit of THB65m (-13% y-y, -26% q-q), dragged down by a rise in its provisions following its aggressive loan expansion and a rise in its OPEX. Its loan volume increased substantially by 66% y-y and 19% q-q as it built strong relationships with dealers and expanded its service area. However, the benefits from the loan expansion did not fully manifest in 1Q22. Meanwhile, NCAP had to set up provisions first. Thus its credit cost rose to 993 bps from 787 bps in 4Q21. This resulted in a drop in its 1Q22 net profit. Its asset quality remained in healthy territory, with a stable NPL ratio of 1.36% and a stable NPL formation rate (based on our calculation) at 6% vs the average 2021 NPL formation rate of 6.1%. Cost to income went up slightly in 1Q22 to 42.9% from 41.6% in both 1Q21 and 4Q21 following the escalated loan growth. We think NCAP might have to increase some of its promotional expenses to gain more market share.

### 1Q22 highlights

- NII surged by 51% y-y and 17% q-q on the back of its aggressive loan expansion.
- Non-NII increased by 33% y-y and 6% q-q from a rise in fee income following the higher loan volume.
- Credit cost rose to 993 bps following the rise in loan volume. NCAP normally sets up expected credit losses (ECL) of 3% for its stage 1 loans. Therefore, it basically has to sacrifice its net profit first during the aggressive loan expansion phase.

### Exhibit 1: NCAP – 1Q22 results summary

Year end Dec 31	1Q21 (THB m)	4Q21 (THB m)	1Q22 (THB m)	---- Change ---- (y-y %) (q-q %)		2022E (THB m)	Change (y-y %)	Comments
Net interest income	205	265	309	51	17	1,407	51	
Non-interest income	82	104	110	33	6	440	24	Higher fee income following loan expansion
<b>Operating income</b>	<b>288</b>	<b>369</b>	<b>419</b>	<b>46</b>	<b>14</b>	<b>1,846</b>	<b>44</b>	
Operating expenses	120	154	180	50	17	753	42	
<b>PPOP before tax</b>	<b>168</b>	<b>215</b>	<b>239</b>	<b>42</b>	<b>11</b>	<b>1,093</b>	<b>45</b>	
Expected credit loss	74	105	157	113	50	636	75	
Income tax	19	22	17	(13)	(25)	91	17	
Minority interest	0	(0)	(0)			0		
<b>Normalised profit</b>	<b>75</b>	<b>88</b>	<b>65</b>	<b>(13)</b>	<b>(26)</b>	<b>366</b>	<b>18</b>	
Extraordinary items	0	0	0			0		
<b>Net profit</b>	<b>75</b>	<b>88</b>	<b>65</b>	<b>(13)</b>	<b>(26)</b>	<b>366</b>	<b>18</b>	
EPS (THB)	0.08	0.10	0.07	(13)	(26)	0.31	(11)	
<b>Asset quality ratio</b>								
NPLs (THB m)	65	78	94	45	21	121		
NPLs / Loans (%)	1.56	1.35	1.36			1.37		
Loan loss reserve/NPLs (%)	363	402	409			383		
Credit cost (bps)	728	787	993			870		
<b>Profitability ratio (%)</b>								
Cost to income ratio	41.6	41.6	42.9			40.8		
Average yield	22.5	21.9	21.7			20.8		
Cost of fund	3.7	3.6	3.7			3.4		
Net interest margin (NIM)	20.2	19.9	19.5			19.3		
Non-interest income / total income	28.7	28.2	26.3			23.8		
<b>Loan growth (%)</b>								
y-y	n/a	45.5	66.3			53.0		Gaining market share from major and local players
q-q	4.5	18.0	19.4					

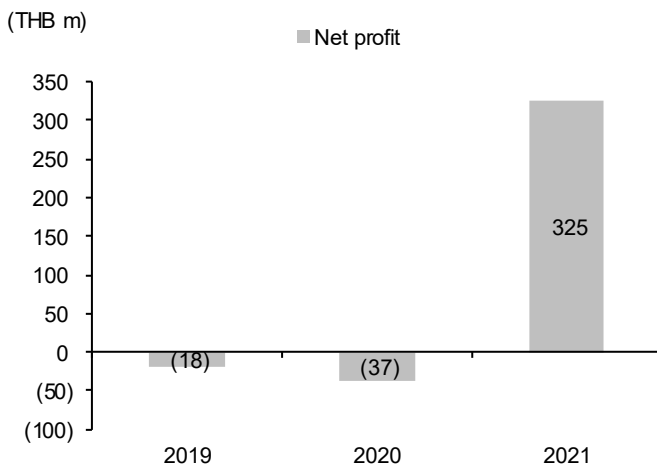
Sources: NCAP; FSSIA estimates

## Tighter competition raises more concerns

We expect more intense competition in the new motorcycle hire purchase business due to the aggressive expansion plan of SCAP, Srisawad Corporation (SAWAD, BUY, TP THB68)'s subsidiary. SCAP targets its 2022 new lending volume to hit THB11.3b. Based on our calculation, in the case that it can achieve its new lending target, its portfolio should reach THB13b in 2022 vs THB5.3b in 2021. Moreover, due to the attractive returns of the motorcycle hire purchase business, there should be more players jumping in like Micro Leasing (MICRO, BUY, TP THB10.7), which will expand its business to this segment.

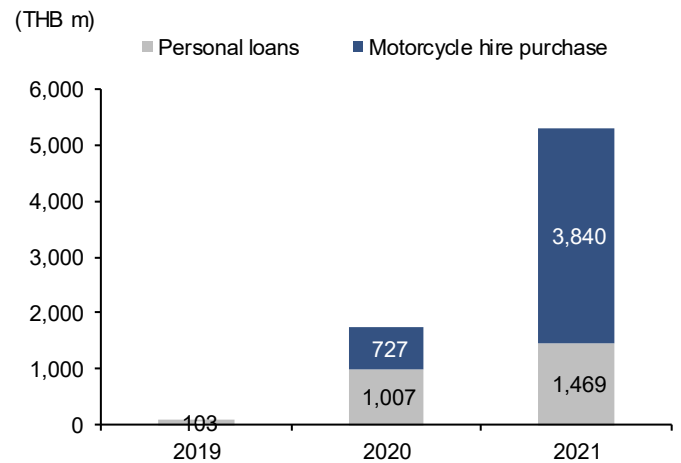
Accordingly, we think NCAP might have to increase promotional expenses and commissions to dealers to compete for market share. This might hinder its long-term growth outlook.

### Exhibit 2: SCAP's net profit



Sources: SAWAD; FSSIA's compilation

### Exhibit 3: SCAP's net loans



Sources: SAWAD; FSSIA's compilation

### Exhibit 4: SCAP's profit and loss statement and financial highlights

Profit and loss	2019	2020	2021
	(THB m)	(THB m)	(THB m)
Interest income and fee income	1	132	1,139
<b>Total income</b>	<b>1</b>	<b>149</b>	<b>1,218</b>
Operating expenses	18	136	489
Expected credit loss	1	26	196
<b>Profit before interest and tax</b>	<b>(18)</b>	<b>(13)</b>	<b>533</b>
Interest expenses	0	24	147
Tax	-	-	61
<b>Net profit</b>	<b>(18)</b>	<b>(37)</b>	<b>325</b>

Ratio	2019	2020	2021
	(%)	(%)	(%)
NIM (including interest income and fee income)	n/a	11.8	28.2
Cost of funds	n/a	2.8	4.3
Cost to income ratio	n/a	91	40
Net yield on portfolio	n/a	(4.0)	9.2
Credit cost - based on net loans (bps)	n/a	283	557

Sources: SAWAD; FSSIA's compilation

## Earnings revisions

Due to the potentially higher competition, we reduce our 2022-24E net profit by 11%/12%/13% to reflect 1) our higher credit cost estimates from 750/755/740 bps to 870/800/780 bps, owing to the higher loan growth and NPLs; and 2) our higher OPEX estimates by 14%/18%/18% in 2022-24, as we think NCAP might have to increase its promotional expenses to compete for market share. Although we increase our loan growth assumption in 2022 from 45% to 53%, it would not be enough to offset the aforementioned negatives.

### Exhibit 5: Key changes in assumptions

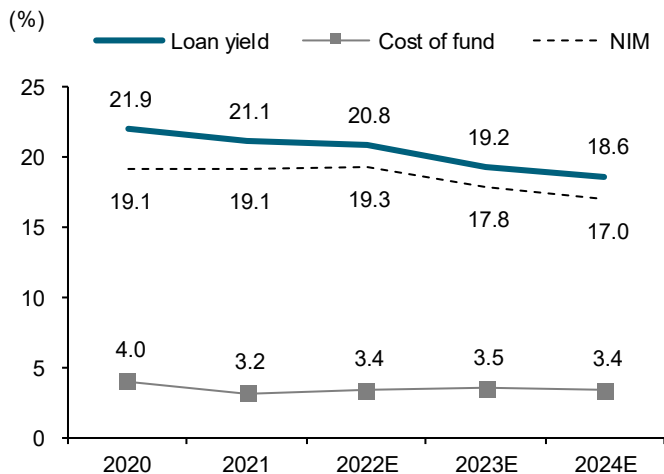
	2022E				2023E			2024E		
	2021 (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Net interest income	931	1,267	1,407	11.1	1,733	1,890	9.1	2,267	2,468	8.9
<b>Non-interest income</b>	<b>354</b>	<b>440</b>	<b>440</b>	<b>0.0</b>	<b>503</b>	<b>503</b>	<b>0.0</b>	<b>576</b>	<b>576</b>	<b>0.0</b>
Operating income	1,285	1,706	1,846	8.2	2,236	2,393	7.0	2,843	3,044	7.1
Operating expenses	532	664	753	13.5	829	978	18.1	1,035	1,222	18.1
<b>PPOP before tax</b>	<b>753</b>	<b>1,043</b>	<b>1,093</b>	<b>4.8</b>	<b>1,407</b>	<b>1,414</b>	<b>0.5</b>	<b>1,808</b>	<b>1,822</b>	<b>0.8</b>
Expected credit loss (Reversal)	363	531	636	19.8	759	849	11.8	1,020	1,134	11.2
Tax expenses	78	102	91	(10.7)	134	113	(15.7)	158	138	(12.7)
Minority interest	-	0	-		0	-		-	-	
<b>Normalised profit</b>	<b>311</b>	<b>409</b>	<b>366</b>	<b>(10.7)</b>	<b>514</b>	<b>453</b>	<b>(11.9)</b>	<b>631</b>	<b>551</b>	<b>(12.7)</b>
Extraordinary items	-	0	-		0	-		-	-	
<b>Net profit</b>	<b>311</b>	<b>409</b>	<b>366</b>	<b>(10.7)</b>	<b>514</b>	<b>453</b>	<b>(11.9)</b>	<b>631</b>	<b>551</b>	<b>(12.7)</b>
EPS (THB)	0.35	0.35	0.31	(10.7)	0.3	0.30	(11.9)	0.40	0.35	(12.7)
<b>Key statistics and ratios</b>										
<b>Asset quality ratio</b>										
Gross NPLs (THB m)	78	113	121	6.9	158	169	6.9	222	237	6.9
Gross NPLs / Loans (%)	1.3	1.3	1.4		1.3	1.4		1.40	1.42	
Loan loss reserve/NPLs (%)	402	376	383		378	373		373	357	
Credit cost (bps)	746	750	870		755	800		740	780	
<b>Profitability ratio (%)</b>										
Cost to income ratio	41.4	38.9	40.8		37.1	40.9		36.4	40.1	
Average yield	21.1	19.5	20.8		18.6	19.2		18.0	18.6	
Cost of funds	3.2	3.4	3.4		3.5	3.5		3.4	3.4	
Net interest margin (NIM)	19.1	17.9	19.3		17.2	17.8		16.4	17.0	
<b>Loan growth (%)</b>										
y-y	45.5	45.0	53.0		40.0	40.0		35.0	35.0	

Source: FSSIA estimates

To recap, our base-case assumption is that the new interest rate cap by the Office of the Consumer Protection Board is 28%. Based on our calculation, NCAP's average 2021 gross loan yield (before the reduction of the commissions paid to dealers) was 31.1%. NCAP's average loan duration is 36 months. Therefore, with the rate cap at 28%, we think NCAP's average gross loan yield would be 30.3%, 28.7% and 28.1% in 2022-24, respectively. We estimate that the average loan yield (net of commissions to dealers) would be 20.8%, 19.2%, and 18.6% in 2022-24. For every 0.5% decrease/increase in its average loan yield, all else being equal, there would be an 8% downside/upside risk to our current 2022 net profit forecast (full-year basis).

Note that for every 1% decrease/increase in the rate cap from our base case at 28%, our average loan yield assumption declines/increases by 0.5%.

Exhibit 6: Average loan yield



Source: FSSIA estimates

Exhibit 7: Sensitivity analysis of impact on NCAP's 2022 bottom line for every 0.5% increase/decrease in average loan yield and every 5% increase/decrease in loan growth

Average yield on loans (%)	Loan growth (%)				
	(%)	(%)	(%)	(%)	(%)
	43.0	48.0	53.0	58.0	63.0
19.8	(23)	(19)	(16)	(12)	(9)
20.3	(15)	(12)	(8)	(4)	(1)
20.8	(8)	(4)	0	4	8
21.3	0	4	8	12	16
21.8	8	12	16	20	24

Source: FSSIA estimates

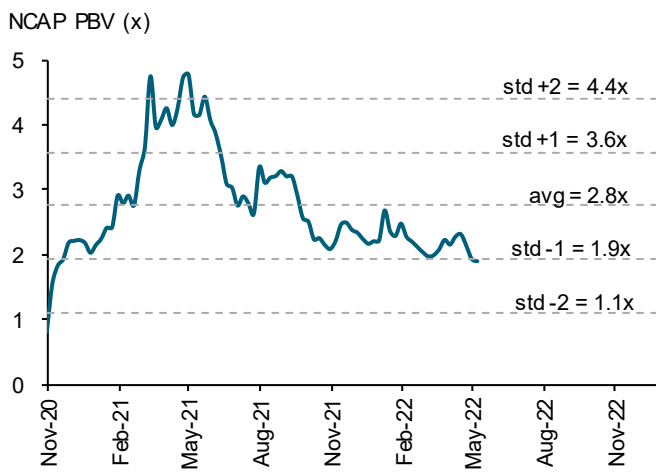
We revise down our 2022 GGM-based TP to THB7.6 from THB10.3, as we 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2022 P/BV to 2.1x from 2.2x as a result of our lower average long-term ROE target to 10.5% from 12.3% and our lower long-term growth assumption to 10.3% from 12.2% as we think long-term growth will be pressured by the tighter competition.

Exhibit 8: NCAP – GGM-derived target price

Target price (THB)	7.6 (from 10.3)
Recommendation	HOLD (from BUY)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	10.4 (unchanged)
Terminal growth (%)	10.3 (from 12.2)
ROE target (%)	10.5 (from 12.3)
Target PBV (x)	2.1 (from 2.2)
Implied PE (x)	24.3 (from 29.4)

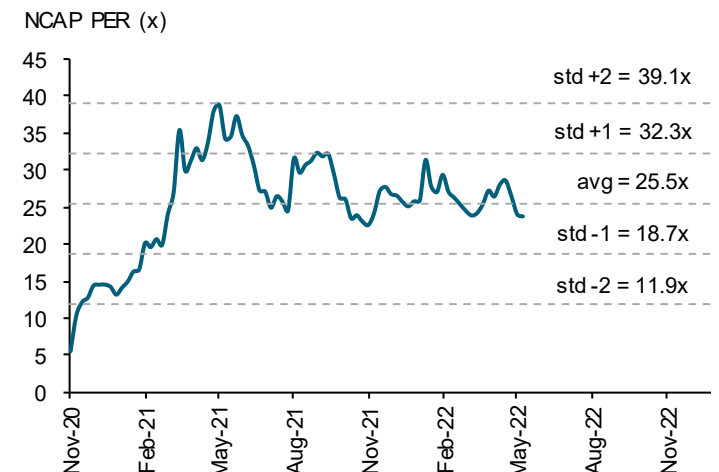
Source: FSSIA estimates

Exhibit 9: NCAP – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 10: NCAP – prospective P/E band



Sources: Bloomberg; FSSIA estimates

## Exhibit 11: Key valuations of diversified financials under coverage

	BBG code	Rec	---Share price---		Up side (%)	Market Cap (USD m)	EPS growth		---- P/E ----		---- ROE ----		---- PBV ----	
			Current (THB)	Target (THB)			22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)
<b>Diversified financials</b>						<b>22,093</b>	<b>16.6</b>	<b>21.7</b>	<b>22.6</b>	<b>18.1</b>	<b>16.3</b>	<b>17.0</b>	<b>3.2</b>	<b>2.8</b>
<b>Unsecured-loan lender</b>						<b>5,670</b>	<b>15.0</b>	<b>9.0</b>	<b>18.9</b>	<b>17.3</b>	<b>23.4</b>	<b>22.1</b>	<b>4.2</b>	<b>3.7</b>
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	184.50	204.00	11	1,332	27.1	7.4	10.2	9.5	21.0	19.5	2.0	1.7
Krungthai Card	KTC TB	REDUCE	58.25	52.00	(11)	4,338	11.2	9.5	21.6	19.7	24.1	22.9	4.9	4.2
<b>Auto-title lender</b>						<b>7,889</b>	<b>14.2</b>	<b>22.9</b>	<b>18.5</b>	<b>15.0</b>	<b>18.1</b>	<b>19.3</b>	<b>3.0</b>	<b>2.6</b>
Muangthai Capital	MTC TB	BUY	44.50	55.00	24	2,725	9.3	25.5	17.5	13.9	19.9	21.0	3.2	2.7
Srisawad Corp	SAWAD TB	BUY	50.25	68.00	35	1,993	10.0	20.5	13.6	11.3	19.3	21.1	2.5	2.3
Saksiam Leasing	SAK TB	BUY	8.35	12.00	44	505	38.5	25.9	20.8	16.5	16.2	18.1	3.2	2.8
Ngern Tid Lor	TIDLOR TB	BUY	35.25	43.00	22	2,543	18.6	20.1	21.1	17.6	16.1	16.9	3.2	2.8
Knight Club Capital Asset Mngt.	KCC TB	BUY	6.90	5.10	(26)	124	3.0	51.5	58.8	38.8	7.9	8.6	3.6	3.1
<b>Truck lender</b>						<b>2,092</b>	<b>12.1</b>	<b>27.4</b>	<b>26.5</b>	<b>20.3</b>	<b>11.0</b>	<b>12.9</b>	<b>2.5</b>	<b>2.3</b>
Micro Leasing	MICRO TB	BUY	6.65	10.70	61	180	45.1	26.8	22.9	18.0	13.2	15.0	2.9	2.6
Singer Thailand	SINGER TB	BUY	52.50	74.00	41	1,239	7.7	35.1	34.8	25.8	8.1	10.5	2.8	2.6
Ratchthani Leasing	THANI TB	BUY	4.12	4.80	17	674	11.5	13.6	12.2	10.8	15.9	16.7	1.9	1.7
<b>Asset management</b>						<b>5,080</b>	<b>27.7</b>	<b>35.7</b>	<b>34.9</b>	<b>25.3</b>	<b>9.8</b>	<b>11.6</b>	<b>3.3</b>	<b>2.9</b>
Bangkok Commercial Asset Mngt.	BAM TB	BUY	18.20	25.50	40	1,699	23.2	26.6	18.4	14.5	7.5	8.6	1.4	1.2
Chayo Group	CHAYO TB	BUY	12.10	16.60	37	365	44.4	17.2	36.5	31.1	10.6	9.4	3.2	2.5
JMT Network Services	JMT TB	BUY	72.75	80.00	10	3,015	28.3	43.1	44.0	30.7	11.0	13.6	4.5	3.9
<b>Other</b>						<b>1,181</b>	<b>4.1</b>	<b>8.5</b>	<b>7.4</b>	<b>6.8</b>	<b>8.0</b>	<b>8.2</b>	<b>0.6</b>	<b>0.5</b>
Thanachart Capital	TCAP TB	HOLD	39.00	42.00	8	1,181	4.1	8.5	7.4	6.8	8.0	8.2	0.6	0.5
<b>Hire purchase motorcycle</b>						<b>181</b>	<b>(9.5)</b>	<b>(4.0)</b>	<b>22.2</b>	<b>23.1</b>	<b>10.1</b>	<b>7.6</b>	<b>1.9</b>	<b>1.7</b>
Next Capital	NCAP TB	HOLD	6.95	7.60	9	181	(9.5)	(4.0)	22.2	23.1	10.1	7.6	1.9	1.7

Share prices as of 11 May 2022

\* SINGER's target price is 2023 GGM-based TP

Source: FSSIA estimates

## Financial Statements

### Next Capital

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	880	1,028	1,520	2,037	2,704
Interest expense	(114)	(97)	(113)	(147)	(237)
Net interest income	766	931	1,407	1,890	2,468
Net fees & commission	101	144	194	233	279
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	160	210	246	270	297
Non interest income	261	354	440	503	576
Total income	1,028	1,285	1,846	2,393	3,044
Staff costs	(396)	(532)	(753)	(978)	(1,222)
Other operating costs	-	-	-	-	-
Operating costs	(396)	(532)	(753)	(978)	(1,222)
Pre provision operating profit	631	753	1,093	1,414	1,822
Provision for bad and doubtful debt	(379)	(363)	(636)	(849)	(1,134)
Other provisions	-	-	-	-	-
Operating profit	253	389	457	566	688
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	253	389	457	566	688
Tax	(51)	(78)	(91)	(113)	(138)
Profit after tax	202	311	366	453	551
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	202	311	366	453	551
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	202	311	366	453	551
<b>Per share (THB)</b>					
Recurring EPS *	0.22	0.35	0.31	0.30	0.35
Reported EPS	0.22	0.35	0.31	0.30	0.35
DPS	0.00	0.00	0.05	0.05	0.05
<b>Growth</b>					
Net interest income (%)	0.9	21.5	51.1	34.3	30.6
Non interest income (%)	97.6	35.3	24.3	14.4	14.6
Pre provision operating profit (%)	19.2	19.2	45.2	29.4	28.9
Operating profit (%)	56.3	54.1	17.4	23.7	21.6
Reported net profit (%)	59.8	54.1	17.6	23.7	21.6
Recurring EPS (%)	-	54.1	(9.5)	(4.0)	16.4
Reported EPS (%)	-	54.1	(9.5)	(4.0)	16.4
<b>Income Breakdown</b>					
Net interest income (%)	74.6	72.5	76.2	79.0	81.1
Net fees & commission (%)	9.8	11.2	10.5	9.7	9.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	15.6	16.3	13.3	11.3	9.8
<b>Operating performance</b>					
Gross interest yield (%)	21.90	21.10	20.80	19.20	18.60
Cost of funds (%)	4.04	3.19	3.40	3.50	3.40
Net interest spread (%)	17.86	17.91	17.40	15.70	15.20
Net interest margin (%)	19.1	19.1	19.3	17.8	17.0
Cost/income(%)	38.6	41.4	40.8	40.9	40.1
Cost/assets(%)	9.2	10.1	10.1	9.2	8.5
Effective tax rate (%)	20.1	20.2	20.0	20.0	20.0
Dividend payout on recurring profit (%)	-	-	15.0	15.0	15.0
ROE (%)	14.8	16.9	10.1	7.6	8.0
ROE - COE (%)	4.0	6.1	(0.7)	(3.2)	(2.8)
ROA (%)	4.6	5.9	4.9	4.3	3.8
RORWA (%)	-	-	-	-	-

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

Sources: Next Capital; FSSIA estimates



## Financial Statements

### Next Capital

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	3,970	5,777	8,839	12,375	16,706
Total provisions	(230)	(314)	(463)	(631)	(846)
interest in suspense	0	0	0	0	0
<b>Net customer loans</b>	<b>3,740</b>	<b>5,464</b>	<b>8,376</b>	<b>11,744</b>	<b>15,859</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	698	75	340	62	119
Other interesting assets	-	-	-	-	-
Tangible fixed assets	21	37	70	84	101
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	198	255	274	340	430
<b>Total assets</b>	<b>4,657</b>	<b>5,831</b>	<b>9,060</b>	<b>12,229</b>	<b>16,509</b>
Customer deposits	250	785	824	865	909
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	2,504	2,553	2,495	4,203	7,945
Non interest bearing liabilities	227	485	509	535	562
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>2,980</b>	<b>3,823</b>	<b>3,828</b>	<b>5,603</b>	<b>9,415</b>
Share capital	450	450	990	1,125	1,125
Reserves	1,226	1,548	4,232	5,491	5,959
<b>Total equity</b>	<b>1,676</b>	<b>1,998</b>	<b>5,222</b>	<b>6,616</b>	<b>7,084</b>
Minority interests	0	10	10	10	11
<b>Total liabilities &amp; equity</b>	<b>4,657</b>	<b>5,831</b>	<b>9,060</b>	<b>12,229</b>	<b>16,509</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	4,018	4,874	7,308	10,607	14,540
Average interest bearing liabilities	2,812	3,046	3,328	4,194	6,961
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)	65	78	121	169	237
<b>Per share (THB)</b>					
Book value per share	1.86	2.22	3.63	4.20	4.50
Tangible book value per share	1.86	2.22	3.63	4.20	4.50
<b>Growth</b>					
Gross customer loans	(2.4)	45.5	53.0	40.0	35.0
Average interest earning assets	5.6	21.3	50.0	45.1	37.1
Total asset (%)	16.5	25.2	55.4	35.0	35.0
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(84.1)	214.0	5.0	5.0	5.0
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	1,495.9	696.0	1,016.2	1,356.9	1,745.2
Equity/assets (%)	36.0	34.3	57.6	54.1	42.9
Tangible equity/assets (%)	36.0	34.3	57.6	54.1	42.9
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality</b>					
Change in NPL (%)	(33.3)	20.8	55.0	40.0	40.0
NPL/gross loans (%)	1.6	1.3	1.4	1.4	1.4
Total provisions/gross loans (%)	5.8	5.4	5.2	3.8	5.1
Total provisions/NPL (%)	356.7	402.2	383.3	373.1	357.4
<b>Valuation</b>					
Recurring P/E (x) *	31.0	20.1	22.2	23.1	19.9
Recurring P/E @ target price (x) *	33.9	22.0	24.3	25.3	21.7
Reported P/E (x)	31.0	20.1	22.2	23.1	19.9
Dividend yield (%)	-	-	0.7	0.6	0.8
Price/book (x)	3.7	3.1	1.9	1.7	1.5
Price/tangible book (x)	3.7	3.1	1.9	1.7	1.5
Price/tangible book @ target price (x)	4.1	3.4	2.1	1.8	1.7

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

Sources: Next Capital; 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	SEAOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

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

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

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

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

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

## Anti-corruption Progress Indicator 2020

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

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

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

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

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

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#### Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Next Capital	NCAP TB	THB 6.95	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown; 2) deteriorating asset quality; and 3) tighter competition from new players. Upside risks to our TP include 1) strong demand for motorcycles; and 2) a higher rate cap than our base-case assumption of 28% p.a.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 184.50	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 58.25	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 44.50	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.
Srisawad Corp	SAWAD TB	THB 50.25	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 8.35	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 35.25	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 6.65	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 52.50	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 4.12	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.
Bangkok Commercial Asset Mngt.	BAM TB	THB 18.20	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 12.10	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 72.75	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.
Thanachart Capital	TCAP TB	THB 39.00	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.

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 11-May-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.