

# AEON THANA SINSAP (THAILAND)

## THAILAND / DIVERSIFIED FINANCIALS

# AEONTS TB

# HOLD

UNCHANGED

TARGET PRICE	THB188.00
CLOSE	THB173.00
UP/DOWNSIDE	+8.7%
PRIOR TP	THB204.00
CHANGE IN TP	-7.8%
TP vs CONSENSUS	-16.3%

## Gloomy short to medium-term outlook

- An inert 1QFY22E NP of THB1,050m (-9% y-y, +15% q-q).
- Mounting concerns about rate hikes and high inflation risks.
- Lower FY22-24E EPS and cut TP to THB188; maintain HOLD.

### Expect an inert 1QFY22 performance

We expect AEONTS to report a 1QFY22 net profit of THB1,050m (-9% y-y, +15% q-q). The q-q increase in its earnings should come from: 1) a rise in NPL sales of THB100m; 2) a slight 2.2% improvement q-q in loan growth following stronger credit card spending momentum and an increase in the company's willingness to lend new personal loans; and 3) a minimal increase in NIM to 18.2% from 18.0% in 4QFY21. However, we expect its 1QFY22 earnings to fall by 9% y-y, dragged down by a substantial increase in provisions due to the rise in its loan volume. Its NPLs in 1QFY22 should remain stable q-q with an NPL ratio of 4.8%. We read the 1QFY22 performance of AEONTS as neutral. The slight improvement in its business would be in line with its guidance.

### The low cost of funds party may soon be over

We expect AEONTS to see a moderate negative impact from the potential rate hikes. As of FY21, nearly 10% of its funding was from debentures – 80% of which will mature this year – with the rest (90%) coming from short and long-term borrowing. On top of that, due to the potential for rate increases in Thailand in 2022-23, we think AEONTS might accelerate its issuance of more long-term debentures to lock in its cost of funds (COF). Thus, we expect its COF to surge to 2.97% in FY22 from 2.73% in FY21. After that, its COF should gradually increase in FY23-24 to 3.15% and 3.2%, respectively. With its COF on the rise, we think the company has limited room to increase its lending yield as it currently charges an interest rate close to the rate cap.

### Potential for further asset deterioration from high inflation

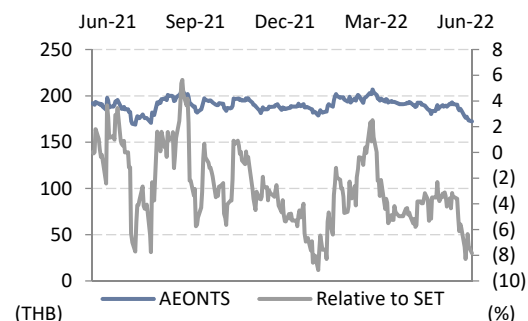
We expect AEONTS' asset quality to gradually deteriorate due to the high inflation environment in Thailand as most of its clients are in the low-income retail segment which should be hardest hit by inflation. Therefore, we expect AEONTS' NPLs to increase moderately starting from 2QFY22 and result in a sustained high credit cost of 690-700 bps during FY22-24.

### Lower FY22 TP to THB188; maintain HOLD call

We lower our FY22-24E EPS by 6%/7%/7% to reflect our concerns over COF and asset quality. Also, we cut our 2022 GGM valuation-based TP of THB204 to THB188, implying an FY22E P/BV of 2.1x, near its three-year average, and maintain our HOLD call. We see current valuations reflecting its fair value, as there are few signs of positive catalysts.

### KEY STOCK DATA

YE Feb (THB m)	2021	2022E	2023E	2024E
Operating profit	4,574	5,420	5,829	6,281
Net profit	3,553	4,228	4,523	4,874
EPS (THB)	14.21	16.91	18.09	19.49
vs Consensus (%)	-	0.55	(4.1)	(8.2)
Core net profit	3,553	4,228	4,523	4,874
Core EPS (THB)	14.21	16.91	18.09	19.49
Chg. In EPS est. (%)	-	(6.4)	(6.8)	(6.5)
EPS growth (%)	(3.7)	19.0	7.0	7.7
Core P/E (x)	12.2	10.2	9.6	8.9
Dividend yield (%)	3.0	2.9	3.1	3.4
Price/book (x)	2.2	1.9	1.7	1.5
ROE (%)	19.2	19.8	18.5	17.6
ROA (%)	4.0	4.6	4.5	4.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.7)	(13.9)	(9.4)
Relative to country (%)	(4.9)	(8.5)	(7.9)
Mkt cap (USD m)	1,224		
3m avg. daily turnover (USD m)	1.8		
Free float (%)	21		
Major shareholder	AEON Group (44%)		
12m high/low (THB)	209.00/168.00		
Issued shares (m)	250		

Sources: Bloomberg consensus; FSSIA estimates



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The Chairman Of The Board of Finansia Syrus Securities PCL is also AEONTS's Director.

## Investment thesis

AEONTS is one of Thailand's largest non-bank consumer finance companies, with expertise in unsecured lending. Its market share in the credit card and personal loan segments appears sustainable, and has ranged between 9-11% in recent years.

However, we expect banks to more aggressively expand into unsecured lending for the low-income segment, and we believe that AEONTS will face intense competition in the medium to long term. We are also more concerned about AEONTS' performance due to the potential for rate hikes and high inflation in Thailand. Therefore, we maintain HOLD with our TP of THB188.

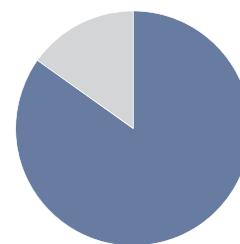
## Company profile

The company's business is providing a variety of retail finance services, including credit cards, personal loans, hire-purchase loans and others.

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

## Principal activities (revenue, 2021)

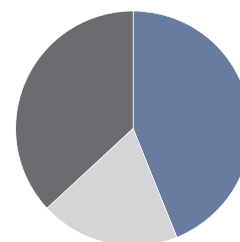
- Net interest income - 84.8 %
- Non-interest income - 15.2 %



Source: Aeon Thana Sinsap (Thailand)

## Major shareholders

- AEON Group - 43.9 %
- ACS Capital Corporation - 19.2 %
- Others - 36.9 %



Source: Aeon Thana Sinsap (Thailand)

## Catalysts

Potential share price catalysts for AEONTS include: 1) a lower credit cost from better-than-expected non-performing loans; 2) the recovery in personal loan growth; and 3) a significant increase in its new business – digital loans.

## Risks to our call

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.

## Event calendar

Date	Event
8 July 2022	1QFY22 results announcement

## Key assumptions

Year to 28 Feb	FY22E	FY23E	FY24E
<i>Fiscal year ending</i>	<i>28 Feb-23</i>	<i>28 Feb-24</i>	<i>28 Feb-25</i>
	(%)	(%)	(%)
Net profit (THB m)	4,228	4,523	4,874
Net profit growth	19.0	7.0	7.7
NIM	18.08	17.96	18.03
Loan growth	7.2	5.8	5.8
Fee growth	(5.0)	-	4.0
Non-NII growth*	7.0	4.2	3.4
Credit cost (bps)	700	695	690
Cost to income*	40.3	39.7	39.5

\*Including share of profits from associates

Source: FSSIA estimates

## Earnings sensitivity

Year to 28 Feb	-- FY22E ending 28 Feb 23 --			
<b>Loan growth</b>	<b>±2ppt</b>	<b>5.2</b>	<b>7.2</b>	<b>9.2</b>
% change in net profit		(2.1)	-	2.1
<b>NIM (%)</b>	<b>±5bp</b>	<b>18.03</b>	<b>18.08</b>	<b>18.13</b>
% change in net profit		(1.2)	-	1.4
<b>Credit cost (bps)</b>	<b>±10bp</b>	<b>690</b>	<b>700</b>	<b>710</b>
% change in net profit		1.6	-	(1.6)

Source: FSSIA estimates

## Expect an improved q-q net profit in 1QFY22, but still weak y-y

We expect AEONTS to report a 1QFY22 (Mar-22 to May-22) net profit of THB1,050m (-9% y-y, +15% q-q). The q-q increase in its earnings should come from: 1) higher non-performing loan (NPL) sales of THB100m; 2) a slight 2.2% improvement q-q in its loan growth due to stronger credit card spending momentum and the company's increased willingness to lend new personal loans; and 3) a minimal increase in NIM to 18.2% from 18.0% in 4QFY21, supported by a rise in personal loans. However, we expect its 1QFY22 earnings to fall by 9% y-y, dragged down by a substantial increase in provisions due to the rise in loan volume. Its NPLs in 1QFY22 should remain stable q-q, with an NPL ratio of 4.8%. We read AEONTS' overall 1QFY22E performance as neutral. The slight improvement in its business would be in line with the company's guidance.

### 1QFY22E key highlights

- Total loan volume should increase moderately by 2.2% q-q. We expect AEONTS' new lending to improve as the gradual economic recovery leads to a rise in its willingness to lend new personal loans. Moreover, its card spending is expected to accelerate q-q following the resumption of business activity.
- Bad debt recovery should continue to increase y-y and q-q thanks to its efficient debt collection process. Also, AEONTS sold THB100m worth of NPLs. Therefore, its non-NII could rise 28% y-y and 9% q-q.
- As for its international presence, there should be a profit contribution from Cambodia and Laos due to the improving Covid situation. Regarding Myanmar, since the coup, AEONTS has made no new loans there. Thus, its Myanmar portfolio will continue to generate a loss.

### Exhibit 1: AEONTS – preview of 1QFY22E results ending 31 May-22

Year-end Feb 28	1QFY21 (THB m)	4QFY21 (THB m)	1QFY22E (THB m)	(y-y %)	(q-q %)	FY21 (THB m)	FY22E (THB m)	(y-y %)	1QFY22E comments
Net interest income	3,981	4,065	4,179	5	3	16,158	17,054	6	
Non-interest income*	607	712	777	28	9	2,888	3,090	7	Increase in bad debt recovery and NPL sales
<b>Operating income*</b>	<b>4,588</b>	<b>4,777</b>	<b>4,956</b>	<b>8</b>	<b>4</b>	<b>19,047</b>	<b>20,144</b>	<b>6</b>	
Operating expenses	1,923	1,990	1,980	3	(1)	7,844	8,122	4	
<b>PPOP before tax*</b>	<b>2,665</b>	<b>2,787</b>	<b>2,977</b>	<b>12</b>	<b>7</b>	<b>11,203</b>	<b>12,022</b>	<b>7</b>	
Expected credit loss	1,226	1,619	1,633	33	1	6,629	6,602	(0)	
Income tax	355	231	266	(25)	15	1,000	1,084	8	
Minority interest	(66)	27	27	(141)	1	21	108		
<b>Net profit</b>	<b>1,149</b>	<b>911</b>	<b>1,050</b>	<b>(9)</b>	<b>15</b>	<b>3,553</b>	<b>4,228</b>	<b>19</b>	
EPS (THB)	4.60	3.64	4.20	(9)	15	14.21	16.91	19	
<b>Asset quality ratio</b>									
NPLs	4,951	4,427	4,472	(10)	1	4,427	4,715	6	
NPLs/Loans (%)	5.71	4.86	4.81			4.86	4.83		
LLR/NPLs (%)	225	247	245			247	223		
Credit cost (bps)	563	717	710			743	700		
<b>Profitability ratio</b>									
Cost to income ratio*	41.9	41.7	39.9			41.2	40.3		
Average yield	20.4	19.9	20.0			20.1	20.2		
Cost of funds	2.9	2.5	2.6			2.7	3.0		
NIM	18.3	18.0	18.2			18.1	18.1		Slight improvement q-q from a rise in personal loans
Non-int inc/total income	13.2	14.9	15.7			15.2	15.3		
<b>Loan growth</b>									
y-y	(2.0)	4.1	7.3			4.1	7.2		
q-q	(0.8)	1.7	2.2						A rise in loan volume following the resumption of business activity

\*Including share of profits from associates

Sources: AEONTS; FSSIA estimates

## Moderate negative impact from rate hikes and high inflation

At their recent meeting on 8 Jun-22, the Monetary Policy Committee (MPC) stated that the very accommodative monetary policy will be less required going forward and they are considering gradually increasing the policy rate at the appropriate time. The Bloomberg consensus expects at least one rate hike in 2022 and at least two more rate hikes in 2023.

We expect AEONTS to see a moderate negative impact from the potential rate hikes and high inflation. As of FY21, nearly 10% of its funding was from debentures – 80% of which will mature this year – with the rest (90%) coming from short and long-term borrowing in foreign and domestic currencies including JPY, USD, and THB. On top of that, due to the potential for rate hikes in Thailand in 2022-23, we think AEONTS might accelerate its issuance of more long-term debentures to lock in its COF. Thus, we expect its COF to surge to 2.97% in FY22 from 2.73% in FY21. Then, its COF should gradually increase in FY23-24 to 3.15% and 3.2%.

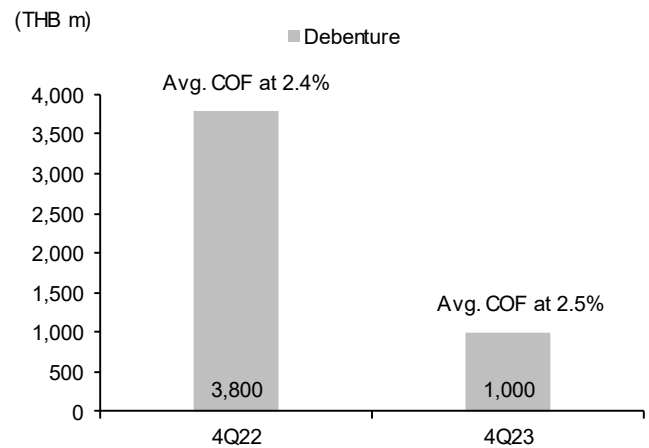
With its COF on the rise, we think the company has limited room to increase its lending yield as it currently charges an interest rate close to the rate cap.

**Exhibit 2: AEONTS' funding structure as of FY21**

Source of funds	----- Debenture -----	
	(THB m)	(%)
<b>Borrowing</b>	<b>57,159</b>	<b>87</b>
- Short-term *	26,262	40
- Long-term	30,896	47
<b>Debenture</b>	<b>8,260</b>	<b>13</b>
- Short-term *	3,799	6
- Long-term	4,461	7

\*Including current portion of long-term obligations  
Sources: AEONTS; FSSIA estimates

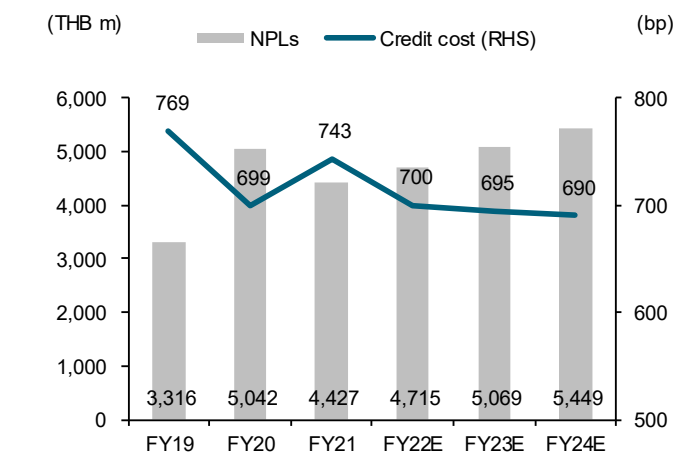
**Exhibit 3: AEONTS' debentures at the end of FY21**



Sources: AEONTS; FSSIA estimates

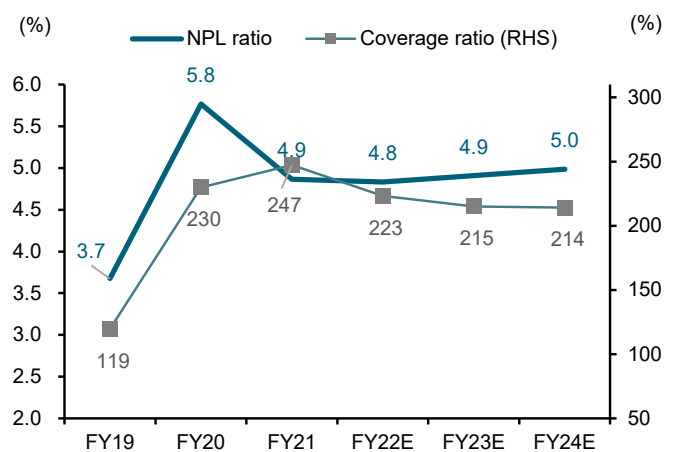
Also, we expect AEONTS' asset quality to gradually deteriorate due to the high inflation environment in Thailand as most of its clients are in the low-income retail segment, which should be one of the most affected by high inflation. Therefore, we expect AEONTS' NPLs to increase moderately starting from 2QFY22 and lead to a sustained high credit cost level of 690-700 bps during FY22-24.

**Exhibit 4: Credit cost sustained at an elevated level**



Sources: AEONTS; FSSIA estimates

**Exhibit 5: NPL and coverage ratios**



Sources: AEONTS; FSSIA estimates

## EPS and target price revisions

We cut our EPS forecasts for FY22-24 by 6%/7%/7%, respectively, mainly due to our expectation of higher COF, lower bad debt recovery, and higher expected credit losses (ECL) for AEONTS.

- 1) We adjust our cost of funds estimates to 2.97%/3.15%/3.2% from 2.95%/3.10%/3.07% due to our expectations of a rate hike in Thailand and the United States;
- 2) We lower our non-NII estimates by 4%/5.3%/5.2% due mainly to a reduction in bad debt recovery;
- 3) We increase our credit cost assumptions to 700/695/690 bps from 680/680/680 bps to reflect the resumption in loan growth and the potential for a higher NPL volume due to high inflation.

### Exhibit 6: Changes in key assumptions

Year to 28 Feb	FY21	FY22E			FY23E			FY24E		
	Actual	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	16,158	17,169	17,054	(0.7)	18,167	18,039	(0.7)	19,347	19,159	(1.0)
Non-interest income*	2,888	3,219	3,090	(4.0)	3,399	3,220	(5.3)	3,511	3,330	(5.2)
<b>Operating income*</b>	<b>19,047</b>	<b>20,388</b>	<b>20,144</b>	<b>(1.2)</b>	<b>21,565</b>	<b>21,259</b>	<b>(1.4)</b>	<b>22,858</b>	<b>22,489</b>	<b>(1.6)</b>
Operating expenses	7,844	8,122	8,122	0.0	8,450	8,450	0.0	8,876	8,876	0.0
<b>PPOP before tax*</b>	<b>11,203</b>	<b>12,266</b>	<b>12,022</b>	<b>(2.0)</b>	<b>13,116</b>	<b>12,809</b>	<b>(2.3)</b>	<b>13,982</b>	<b>13,614</b>	<b>(2.6)</b>
Expected credit loss	6,629	6,414	6,602	2.9	6,829	6,980	2.2	7,227	7,333	1.5
Tax expenses	1,000	1,170	1,084	(7.4)	1,257	1,166	(7.3)	1,351	1,256	(7.0)
Minority interest	21	164	108		176	140		189	151	
<b>Normalised profit</b>	<b>3,553</b>	<b>4,517</b>	<b>4,228</b>	<b>(6.4)</b>	<b>4,853</b>	<b>4,523</b>	<b>(6.8)</b>	<b>5,215</b>	<b>4,874</b>	<b>(6.5)</b>
Extraordinary items	-	0	-		0	-		-	-	
<b>Net profit</b>	<b>3,553</b>	<b>4,517</b>	<b>4,228</b>	<b>(6.4)</b>	<b>4,853</b>	<b>4,523</b>	<b>(6.8)</b>	<b>5,215</b>	<b>4,874</b>	<b>(6.5)</b>
EPS (THB)	14.21	18.07	16.91	(6.4)	19.4	18.09	(6.8)	20.86	19.49	(6.5)
<b>Asset quality ratio</b>										
Gross NPLs (%)	4,427	4,560	4,715	3.4	4,880	5,069	3.9	5,221	5,449	4.4
Gross NPLs / Loans (%)	4.86	4.67	4.83		4.73	4.91		4.78	4.99	
Loan loss reserve/NPLs (%)	247	227	223		216	215		215	214	
Credit cost (bps)	743	680	700		680	695		680	690	
<b>Profitability ratio</b>										
Cost to income ratio* (%)	41.2	39.84	40.32		39.18	39.75		38.83	39.47	
Average yield (%)	20.1	20.35	20.24		20.37	20.25		20.38	20.26	
Cost of funds (%)	2.7	2.95	2.97		3.10	3.15		3.07	3.20	
Net interest margin (NIM) (%)	18.1	18.20	18.08		18.09	17.96		18.20	18.03	
<b>% growth</b>										
Loan growth (y-y %)	4.11	7.22	7.22		5.81	5.81		5.83	5.83	

\*Including share of profits from associates

Sources: AEONTS; FSSIA estimates

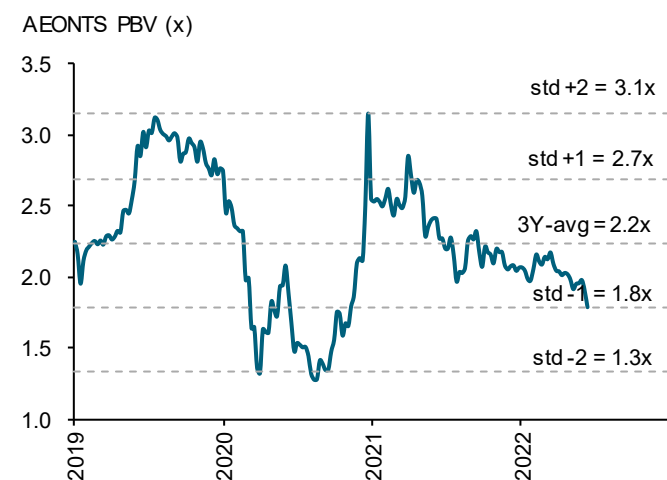
We lower our 2022 GGM valuation-based TP to THB188 from THB204, based on 1) our lower EPS forecasts, leading to a lower book value; and 2) the decrease in our FY22E P/BV target to 2.1x from the previous 2.2x as a result of our lower average long-term ROE target.

### Exhibit 7: AEONTS – GGM-derived target price

Target price (THB)	188.0 (from 204.0)
Recommendation	HOLD (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.0 (unchanged)
Terminal growth (%)	3.8 (unchanged)
ROE target (%)	18.6 (from 19.3)

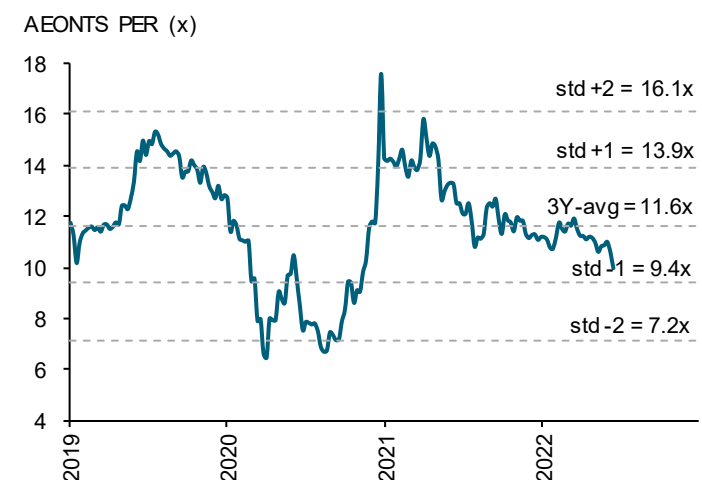
Source: FSSIA estimates

### Exhibit 8: AEONTS – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

### Exhibit 9: AEONTS – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

### Exhibit 10: Key valuations of companies under our coverage

	BBG	Rec	--- Share price ---		Up	Market	EPS growth		---- P/E ----		--- ROE ---		--- PBV ---	
	code		Current	Target	side	Cap	22E	23E	22E	23E	22E	23E	22E	23E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(x)	(x)
Diversified financials						20,871	16.2	21.0	22.2	17.9	16.2	16.8	3.2	2.8
Unsecured loan lenders						5,419	13.0	7.3	18.8	17.5	23.1	21.6	4.1	3.6
Aeon Thana Sinsap (Thailand)*	AEONTS TB	HOLD	173.00	188.00	9	1,224	19.0	7.0	10.2	9.6	19.8	18.5	1.9	1.7
Krungthai Card	KTC TB	HOLD	57.50	60.00	4	4,195	11.2	7.4	21.3	19.9	24.1	22.5	4.8	4.2
Auto-title lenders						7,054	11.6	22.6	16.8	13.7	18.3	19.5	2.8	2.5
Muangthai Capital	MTC TB	BUY	43.00	55.00	28	2,580	9.3	25.5	16.9	13.4	19.9	21.0	3.1	2.6
Srisawad Corp	SAWAD TB	BUY	48.75	68.00	39	1,894	10.0	20.5	13.2	11.0	19.3	21.1	2.4	2.2
Saksiam Leasing	SAK TB	BUY	7.75	12.00	55	460	38.5	25.9	19.3	15.3	16.2	18.1	3.0	2.6
Ngern Tid Lor	TIDLOR TB	BUY	30.00	43.00	43	2,120	10.1	20.3	19.3	16.1	15.9	16.5	2.8	2.5
Truck lenders						1,937	12.0	27.1	24.4	18.7	11.2	13.0	2.3	2.2
Micro Leasing	MICRO TB	BUY	5.90	10.70	81	156	45.1	26.8	20.3	16.0	13.2	15.0	2.6	2.3
Singer Thailand	SINGER TB	BUY	48.50	74.00	53	1,121	7.7	35.1	32.2	23.8	8.1	10.5	2.5	2.4
Ratchthani Leasing	THANI TB	BUY	4.12	4.80	17	660	11.5	13.6	12.2	10.8	15.9	16.7	1.9	1.7
Asset management						5,182	30.7	34.2	35.8	26.3	10.1	11.6	3.5	3.0
Bangkok Commercial AM	BAM TB	BUY	17.70	25.50	44	1,619	23.2	26.6	17.9	14.1	7.5	8.6	1.3	1.1
Chayo Group	CHAYO TB	BUY	11.60	16.60	43	350	96.6	(14.9)	25.9	30.5	15.5	8.9	3.2	2.4
JMT Network Services	JMT TB	BUY	74.75	80.00	7	3,086	28.3	43.1	45.2	31.6	11.0	13.6	4.6	4.0
Knight Club Capital AM	KCC TB	BUY	7.25	5.10	(30)	127	3.0	51.5	61.7	40.7	7.9	8.6	3.8	3.2
Other						1,135	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Thanachart Capital	TCAP TB	HOLD	38.25	42.00	10	1,135	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Hire purchase motorcycle						143	(9.5)	(4.0)	17.9	18.7	10.1	7.6	1.5	1.3
Next Capital	NCAP TB	HOLD	5.60	7.60	36	143	(9.5)	(4.0)	17.9	18.7	10.1	7.6	1.5	1.3

Share prices as of 21 Jun 2022; \*22E fiscal year ending 28 Feb 2023, \*\*Target prices of SINGER and KTC are for 2023, while the rest are 2022 target prices

Source: FSSIA estimates

## Financial Statements

### Aeon Thana Sinsap (Thailand)

Profit and Loss (THB m) Year Ending Feb	2020	2021	2022E	2023E	2024E
Interest Income	18,587	17,903	19,084	20,342	21,537
Interest expense	(2,096)	(1,745)	(2,031)	(2,303)	(2,378)
Net interest income	16,491	16,158	17,054	18,039	19,159
Net fees & commission	246	210	199	199	207
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	510	682	716	752	790
Other income	1,959	1,997	2,175	2,268	2,333
Non interest income	2,715	2,888	3,090	3,220	3,330
Total income	19,206	19,047	20,144	21,259	22,489
Staff costs	(8,144)	(7,671)	(7,940)	(8,257)	(8,670)
Other operating costs	(180)	(172)	(182)	(192)	(205)
Operating costs	(8,323)	(7,844)	(8,122)	(8,450)	(8,876)
Pre provision operating profit	10,882	11,203	12,022	12,809	13,614
Provision for bad and doubtful debt	(6,210)	(6,629)	(6,602)	(6,980)	(7,333)
Other provisions	-	-	-	-	-
Operating profit	4,673	4,574	5,420	5,829	6,281
Recurring non operating income	(25)	0	0	0	0
Associates	(25)	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	4,647	4,574	5,420	5,829	6,281
Tax	(967)	(1,000)	(1,084)	(1,166)	(1,256)
Profit after tax	3,680	3,574	4,336	4,663	5,024
Minority interests	10	(21)	(108)	(140)	(151)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,690	3,553	4,228	4,523	4,874
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	3,690	3,553	4,228	4,523	4,874
<b>Per share (THB)</b>					
Recurring EPS *	14.76	14.21	16.91	18.09	19.49
Reported EPS	14.76	14.21	16.91	18.09	19.49
DPS	4.50	5.15	5.07	5.43	5.85
<b>Growth</b>					
Net interest income (%)	(9.1)	(2.0)	5.5	5.8	6.2
Non interest income (%)	(8.1)	6.4	7.0	4.2	3.4
Pre provision operating profit (%)	(7.8)	2.9	7.3	6.5	6.3
Operating profit (%)	(9.4)	(2.1)	18.5	7.5	7.7
Reported net profit (%)	(7.2)	(3.7)	19.0	7.0	7.7
Recurring EPS (%)	(7.2)	(3.7)	19.0	7.0	7.7
Reported EPS (%)	(7.2)	(3.7)	19.0	7.0	7.7
<b>Income Breakdown</b>					
Net interest income (%)	85.9	84.8	84.7	84.9	85.2
Net fees & commission (%)	1.3	1.1	1.0	0.9	0.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	2.7	3.6	3.6	3.5	3.5
Other income (%)	10.2	10.5	10.8	10.7	10.4
<b>Operating performance</b>					
Gross interest yield (%)	20.92	20.06	20.24	20.25	20.26
Cost of funds (%)	3.18	2.73	2.97	3.15	3.20
Net interest spread (%)	17.74	17.33	17.27	17.10	17.06
Net interest margin (%)	18.6	18.1	18.1	18.0	18.0
Cost/income(%)	43.3	41.2	40.3	39.7	39.5
Cost/assets(%)	9.1	8.8	8.5	8.2	8.2
Effective tax rate (%)	20.8	21.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	30.5	36.2	30.0	30.0	30.0
ROE (%)	19.5	19.2	19.8	18.5	17.6
ROE - COE (%)	8.7	8.4	9.0	7.7	6.8
ROA (%)	4.0	4.0	4.6	4.5	4.7
RORWA (%)	-	-	-	-	-

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

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates



## Financial Statements

Aeon Thana Sinsap (Thailand)

Balance Sheet (THB m) Year Ending Feb	2020	2021	2022E	2023E	2024E
Gross customer loans	87,432	91,027	97,597	103,265	109,288
Total provisions	(11,593)	(10,951)	(10,526)	(10,897)	(11,673)
interest in suspense	0	0	0	0	0
<b>Net customer loans</b>	<b>75,839</b>	<b>80,076</b>	<b>87,071</b>	<b>92,368</b>	<b>97,615</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	5,105	4,236	5,700	7,078	4,506
Other interesting assets	-	-	-	-	-
Tangible fixed assets	793	623	489	384	301
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	5,651	5,534	6,318	6,749	6,643
<b>Total assets</b>	<b>87,389</b>	<b>90,469</b>	<b>99,578</b>	<b>106,579</b>	<b>109,065</b>
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	62,626	65,418	71,320	74,896	73,699
Non interest bearing liabilities	7,383	4,787	5,027	5,278	5,542
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>70,009</b>	<b>70,205</b>	<b>76,347</b>	<b>80,174</b>	<b>79,241</b>
Share capital	250	250	250	250	250
Reserves	16,808	19,639	22,598	25,765	29,176
<b>Total equity</b>	<b>17,058</b>	<b>19,889</b>	<b>22,848</b>	<b>26,015</b>	<b>29,426</b>
Minority interests	322	375	383	390	398
<b>Total liabilities &amp; equity</b>	<b>87,389</b>	<b>90,469</b>	<b>99,578</b>	<b>106,579</b>	<b>109,065</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	88,832	89,230	94,312	100,431	106,277
Average interest bearing liabilities	65,942	64,022	68,369	73,108	74,297
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)	5,042	4,427	4,715	5,069	5,449
<b>Per share (THB)</b>					
Book value per share	68.23	79.55	91.39	104.06	117.70
Tangible book value per share	68.23	79.55	91.39	104.06	117.70
<b>Growth</b>					
Gross customer loans	(3.1)	4.1	7.2	5.8	5.8
Average interest earning assets	2.8	0.4	5.7	6.5	5.8
Total asset (%)	(8.4)	3.5	10.1	7.0	2.3
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	19.5	22.0	22.9	24.4	27.0
Tangible equity/assets (%)	19.5	22.0	22.9	24.4	27.0
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality</b>					
Change in NPL (%)	52.1	(12.2)	6.5	7.5	7.5
NPL/gross loans (%)	5.8	4.9	4.8	4.9	5.0
Total provisions/gross loans (%)	13.3	12.0	10.8	10.0	10.7
Total provisions/NPL (%)	229.9	247.3	223.2	215.0	214.2
<b>Valuation</b>					
Recurring P/E (x) *	11.7	12.2	10.2	9.6	8.9
Recurring P/E @ target price (x) *	12.7	13.2	11.1	10.4	9.6
Reported P/E (x)	11.7	12.2	10.2	9.6	8.9
Dividend yield (%)	2.6	3.0	2.9	3.1	3.4
Price/book (x)	2.5	2.2	1.9	1.7	1.5
Price/tangible book (x)	2.5	2.2	1.9	1.7	1.5
Price/tangible book @ target price (x)	2.8	2.4	2.1	1.8	1.6

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

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates



## Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDM5	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	PSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOL	SYMC	TQM	WHA
AP	CENEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MTSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQU	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIPP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

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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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

## Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEA OIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

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Company	Ticker	Price	Rating	Valuation & Risks
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 173.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 57.50	HOLD	Upside risks to our GGM-derived TP include: 1) stronger-than-expected cost of funds controlling; and 2) better-than-expected bad debt recovery. Downside risks are: 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Muangthai Capital	MTC TB	THB 43.00	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 48.75	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.
Saksiam Leasing	SAK TB	THB 7.75	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 30.00	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 5.90	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 48.50	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 17.70	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 11.60	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 74.75	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.
Knight Club Capital Asset Management	KCC TB	THB 7.25	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.
Thanachart Capital	TCAP TB	THB 38.25	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 5.60	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.

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 21-Jun-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.