

Thailand Diversified Financials

เปลี่ยนเข้าเกียร์ 2

- คาดกำไรสุทธิรวมใน 2Q22 จะอยู่ในระดับสูงที่ 3.6 พัน ลบ. (+8% y-y, +5% q-q) จากการเติบโตของสินเชื่อ
- คาดผลกระทบสุทธิจากการขึ้นอัตราดอกเบี้ยและเงินเฟ้อที่อยู่ในระดับสูงเป็นลบ ปรับประมาณการกำไรลง
- ราคาสะท้อนข่าวลบ แนวโน้มดีรออยู่ข้างหน้า; คงให้น้ำหนักมากกว่าตลาด

การเติบโตของสินเชื่อในระดับสูงน่าจะช่วยผลักดันผลประกอบการ 2Q22

เราคาดว่ากำไรสุทธิรวมใน 2Q22 ของผู้ประกอบการธุรกิจสินเชื่อทะเบียนรถ (ATL) ที่เราทำการศึกษาคือ 3.6 พัน ลบ. (+8% y-y, +5% q-q) เราเห็นความต้องการสินเชื่อที่ดีต่อเนื่องจากการกลับมาของกิจกรรมทางธุรกิจและต้นทุนค่าครองชีพที่อยู่ในระดับสูง ซึ่งทำให้เราคาดว่าสินเชื่อรวมจะโต 6.7% q-q MTC และ TIDLOR น่าจะรายงานสินเชื่อโตในระดับที่น่าพอใจต่อเนื่องที่ 5-6% q-q ในขณะที่ SAK น่าจะรายงานสินเชื่อสูงเป็นอันดับสองที่ 9% q-q และ SAWAD น่าจะรายงานสินเชื่อ 2Q22 โตสูงสุดที่ 11% q-q ส่วนมากจากธุรกิจเช่าซื้อรถจักรยานยนต์ ในด้านผลตอบแทนสินเชื่อเราไม่เห็นสัญญาณเพิ่มเติมว่าการแข่งขันด้านราคาดูดีขึ้น เพราะฉะนั้นเราจึงคาดว่าผลตอบแทนสินเชื่อรวมจะทรงตัว q-q ที่ 18.3% ใน 2Q22 ในด้านคุณภาพสินทรัพย์เราคาดว่าหนี้ต่อคุณภาพ (NPL) มีแนวโน้มปรับขึ้นจากการสิ้นสุดของโครงการบรรเทาหนี้ ด้วยเหตุดังกล่าวเราคาดว่าผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ของ ATL จะปรับขึ้น โดยเราเห็นว่าเพียง SAWAD ที่น่าจะรายงาน NPL ลดลงจากการยึดรถที่เพิ่มขึ้น

ผลกระทบสุทธิเป็นลบจากอัตราดอกเบี้ยที่อาจปรับขึ้นและเงินเฟ้อที่อยู่ในระดับสูง

การขึ้นอัตราดอกเบี้ยและเงินเฟ้อที่อยู่ในระดับสูงน่าจะส่งผลกระทบต่อ ATL ใน 3 ด้านประกอบด้วย 1 ด้านบวก (การเติบโตของสินเชื่อที่สูงขึ้น) และ 2 ด้านลบ (ส่วนต่างดอกเบี้ยที่หดตัวในอัตราที่สูงขึ้นและอัตราการเสื่อมของคุณภาพสินทรัพย์ที่เพิ่มขึ้นซึ่งมีรายละเอียดอยู่ในรายงานนี้) โดยสรุปเราคิดว่าส่วนต่างดอกเบี้ยที่ลดลงและอัตราการเสื่อมของคุณภาพสินทรัพย์ที่เพิ่มขึ้นน่าจะมีส่วนหักมากกว่าการเติบโตของสินเชื่อที่เพิ่มขึ้น ด้วยเหตุดังกล่าวเราปรับลดประมาณการกำไรสุทธิของเราในปี 2022/23/24 สำหรับกลุ่ม ATL ลง 2%/3%/4% โดยเราปรับลดประมาณการกำไรสุทธิของ SAK, SAWAD, และ TIDLOR อย่างไรก็ดีเราปรับเพิ่มประมาณการกำไรสุทธิของ MTC จากกลยุทธ์การจัดสรรสำรองที่ลดลงและการเติบโตของสินเชื่อที่สูงขึ้น

คงให้น้ำหนักมากกว่าตลาดโดยมี MTC เป็นหุ้นเด่น

เราปรับประมาณการไปในปี 2023 ปรับลดราคาเป้าหมายของ SAK, SAWAD, และ TIDLOR เพื่อสะท้อนผลกระทบของเงินเฟ้อที่ปรับขึ้นและการขึ้นอัตราดอกเบี้ยในอนาคต และปรับเพิ่มราคาเป้าหมายของ MTC จากการเติบโตของสินเชื่อที่สูงขึ้น เราคงให้น้ำหนักกลุ่ม ATL มากกว่าตลาดและเลือกให้เป็นกลุ่มที่เราชอบมากที่สุดในกลุ่มการเงินจาก 3 ปัจจัย ข้อแรกเรายังคาดว่า ATL ที่เราทำการศึกษาคือจะรายงานกำไรสุทธิปี 2023 โตในระดับที่น่าพอใจที่ 22% y-y แม้ว่าเราปรับประมาณการกำไรสุทธิลดลง ข้อสองเราไม่เห็นการแข่งขันราคาที่ดูเด็ดขาดเพิ่มขึ้น เนื่องจากแนวโน้มอัตราดอกเบี้ยขาขึ้นน่าจะทำให้ผู้เล่นมีเหตุผลเพิ่มขึ้นในการตั้งราคา ข้อสามเราคิดว่าการประเมินมูลค่าของ ATL ที่เราทำการศึกษาทั้งหมดซึ่งปัจจุบันมีการซื้อขายอยู่ที่ 0.63-0.74x ของค่า 2023E PEG อยู่ในระดับต่ำมาก เราเลือก MTC เป็นหนึ่งในหุ้นเด่นของเราในกลุ่มการเงิน

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Muangthai Capital	MTC TB	48.75	BUY	unchanged	60.00	55.00	+9.1%	+23.1%
Saksiam Leasing	SAK TB	7.40	BUY	unchanged	9.70	12.00	-19.2%	+31.1%
Srisawad Corp	SAWAD TB	51.00	BUY	unchanged	62.00	68.00	-8.8%	+21.6%
Ngern Tid Lor	TIDLOR TB	29.00	BUY	unchanged	37.00	43.00	-14.0%	+27.6%

Note: Priced at close of business 02/08/2022. Share prices and TPs are in listing currency.

Source: FSSIA estimates



Yuvanart Suwanumchai

yuvanart.suw@fssia.com

+66 2611 3554

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

Investment thesis

We maintain our Overweight view on the ATL sector and move it to our most preferred segment among diversified financials due to 1) the strong aggregate net profit growth of 22% y-y projected in 2023, despite our earnings downgrades in 2022/23/24 by 2%/3%/4% to reflect the impact of future potential rate hikes and high inflation; 2) the limited signs of potentially tighter price competition; and 3) their undemanding valuations.

We choose MTC as our top pick and maintain BUY for SAK, SAWAD, and TIDLOR.

Catalysts

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

Risks to our call

- 1) ATL businesses have come under the Bank of Thailand's supervision, therefore, any revision of regulations could impact their business;
- 2) Rapid policy rate hikes;
- 3) More intense price competition from new operators.

Contents

Strong loan growth should drive 2Q22 performance4

Net negative impact from rate hikes and high inflation6

Recommendations and top picks9

Company reports

Muangthai Capital (MTC TB, BUY TP THB60.00)

Saksiam Leasing (SAK TB, BUY TP THB9.70)

Srisawad Corp (SAWAD TB, BUY TP THB62.00)

Ngern Tid Lor (TIDLOR TB, BUY TP THB37.00)

Event Calendar

Date	Event
09 August 2022	MTC's 2Q22 results announcement
10 August 2022	TIDLOR's 2Q22 results announcement
11 August 2022	SAK's 2Q22 results announcement
15 August 2022	SAWAD's 2Q22 results announcement

Strong loan growth should drive 2Q22 performance

We expect an aggregate 2Q22 net profit for our covered ATLs (MTC, SAK, SAWAD, and TIDLOR) of THB3,566m (+8% y-y, +5% q-q). We see continued robust demand for loans from the resumption of business activity and the high cost of living, resulting in expected aggregate loan growth of 6.7% q-q. MTC and TIDLOR should continue to deliver attractive loan growth of 5-6% q-q. SAK should have the second highest at 9% q-q, due to agricultural seasonality. SAWAD should post the strongest 2Q22 loan growth at 11% q-q, driven mainly by its motorcycle hire purchase business. Regarding loan yield, we do not see further signs of tighter price competition. Thus, we expect a stable q-q aggregate loan yield of 18.3% in 2Q22. As for cost of funds, we expect a slight rise to 3.1% in 2Q22 from 3.0% in 1Q22. We think the cost of funds for all ATLs would start to increase from the potential rate hikes as they have locked in their funding by issuing debentures. Regarding asset quality, we forecast their NPLs to be on a rising trend due to the gradual end of the forbearance program. Thus, we project a rise in expected credit losses (ECL) for ATLs. Only SAWAD should report a drop in its NPLs due a rise in car seizures, in our view.

Exhibit 1: Summary of 2Q22E results of ATL operators under our coverage

2Q22E	MTC	SAWAD	SAK	TIDLOR	Auto-title lender
Year-end Dec 31	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net profit	1,405	1,042	166	954	3,566
<i>Change y-y %</i>	10.6	(5.8)	20.8	22.7	8.4
<i>Change q-q %</i>	2.1	0.6	0.8	1.4	4.6
Key ratios					
Asset quality ratio					
NPLs (THB m)	1,907	1,195	247	922	4,270
<i>Change y-y %</i>	116.1	(22.0)	48.1	8.0	24.3
<i>Change q-q %</i>	17.0	(1.0)	17.0	12.0	10.3
NPLs / Loans (%)	1.82	3.00	2.46	1.36	1.92
Loan loss reserve/NPLs (%)	109	60	111	296	136
Credit cost (bp)	105	75	210	110	106
Profitability ratio	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	50.2	40.2	50.4	57.0	50.0
Average yield	18.1	18.8	23.2	17.7	18.3
Cost of funds	3.4	3.6	3.2	2.5	3.1
Net interest margin (NIM)	15.4	16.9	21.5	16.0	16.1
Non-int income/total income	4.1	32.3	0.6	17.4	14.7
Loan growth	(%)	(%)	(%)	(%)	(%)
y-y	30.9	22.2	29.1	25.0	27.4
q-q	6.0	11.0	9.0	5.0	6.7

Source: FSSIA estimates

Exhibit 2: Details of 2Q22E results of ATL operators under our coverage

2Q22E	MTC	SAWAD	SAK	TIDLOR	ATL coverage
Year-end Dec 31	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net interest income	3,913	1,602	517	2,641	8,673
Change y-y %	23.2	13.3	23.9	25.0	21.8
Change q-q %	6.3	2.7	5.5	5.8	5.4
Non-interest income	158	764	1	549	1,472
Change y-y %	(20.7)	(8.1)	(9.6)	9.9	(3.9)
Change q-q %	3.3	(3.8)	(32.3)	(6.7)	(4.2)
Operating income	4,081	2,366	519	3,197	10,163
Change y-y %	20.4	5.4	23.7	22.1	17.2
Change q-q %	6.2	0.5	5.2	3.4	3.9
Operating expenses	2,047	952	262	1,823	5,083
Change y-y %	23.6	20.0	10.3	20.0	20.9
Change q-q %	5.4	(4.0)	1.3	2.5	2.3
PPOP before tax	2,034	1,415	258	1,374	5,080
Change y-y %	17.4	(2.6)	41.0	24.9	13.7
Change q-q %	6.9	3.8	9.5	4.7	5.6
Expected credit loss	267	71	51	182	570
Change y-y %	93.4	(248.0)	329.8	39.6	145.7
Change q-q %	57.6	255.4	72.6	30.1	59.1
Normalised profit	1,405	1,042	166	954	3,566
Change y-y %	10.6	(5.8)	20.8	22.7	8.4
Change q-q %	2.1	0.6	0.8	1.4	1.4
Net profit	1,405	1,042	166	954	3,566
Change y-y %	10.6	(5.8)	20.8	22.7	8.4
Change q-q %	2.1	0.6	0.8	1.4	4.6

Source: FSSIA estimates

Net negative impact from rate hikes and high inflation

After the inflation rate hit a 13-year high of 7.1% y-y in May-22, Thailand's Monetary Policy Committee (MPC) shifted its policy priority to curbing inflation instead of supporting the economic recovery as it had done previously. At its recent meeting on 8 Jun-22, the MPC stated that its former "very accommodative" monetary policy will be less needed going forward and that they are considering gradual increases in the policy rate at the appropriate times.

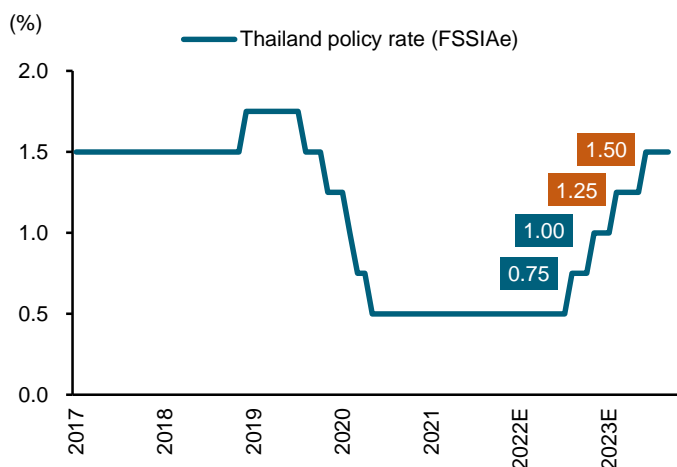
Thailand's policy rate hike: sooner, not later

FSSIA believes the Bank of Thailand (BoT)'s upcoming MPC meeting on 10 Aug-22 is likely to result in a hike in its policy rate by 0.25%, followed by another 0.25% hike in Nov-22, with the aim of proactively reining in consumer inflation expectations, given the rising prices of energy, electricity, and food despite the potential for collateral damage in the form of lower GDP in 2022-23. Then in 2023, we expect the BoT to hike its rate by 0.25% twice, likely in 1H23, in order to curb inflation and – most importantly – crush higher consumer inflation expectations. Note that we forecast banks to increase their M-rate to only 50% of the policy rate hike vs the normal rate of 60-70% due to the slow economic recovery.

FSSIA forecasts headline inflation at 6.5% in 2022 and 2.6% in 2023

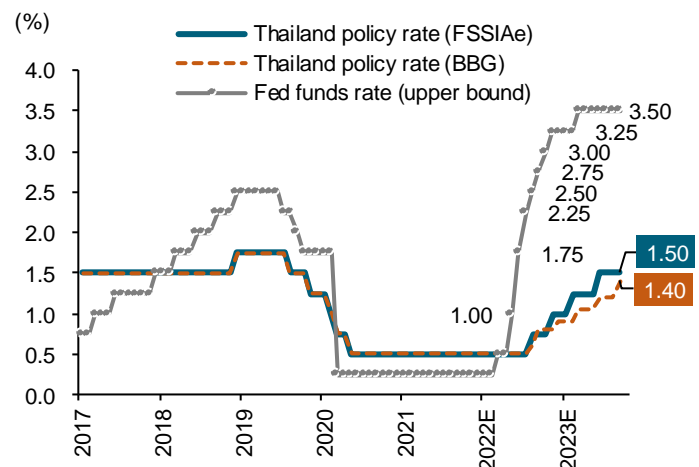
The key assumption that underlines the BoT's higher energy price inflation is based on a USD105/bbl average crude oil price in 2022-23, lower than our USD120/bbl forecast in 2022 and USD110/bbl in 2023. Hence, we forecast headline inflation at 6.5% vs the BoT's 6.2% in 2022 and 2.6% vs the BoT's 2.5% in 2023. We forecast core inflation to match the BoT's at 2.2% in 2022 and 2.0% in 2023 as we expect the prices of food and other items, mostly domestically produced or highly regulated by the regulators, to remain relatively stable y-y in 2022-23.

Exhibit 3: FSSIA expects the BoT to hike its rate twice in 2022 by 25bps each to 1% and twice in 2023 by 25bps each to 1.50%



Source: FSSIA estimates

Exhibit 4: BoT policy rate hike projections by FSSIA, Bloomberg consensus vs Fed rate hike (upper bound)



Sources: Bloomberg as of 3 Aug 2022; FSSIA estimates

Rate hikes and high inflation should impact ATLS in three key areas, including one positive – stronger loan growth – and two negatives: an intensified NIM squeeze and a higher asset deterioration rate.

1) Stronger loan growth. We expect stronger loan demand for ATLS as their clients would likely borrow more to maintain their lifestyles and operate their businesses in a highly inflationary environment.

Therefore, we increase our estimates for ATLS' aggregate loan growth in 2022/23 by 289/175 bps to 25.2%/21.1% y-y, due to the projected rise in loan growth of MTC and SAWAD in 2022-23 and TIDLOR in 2022.

Exhibit 5: Earnings revisions – changes in loan growth

	2022E			2023E			2024E		
	Previous	New	Change	Previous	New	Change	Previous	New	Change
	(%)	(%)	(bps)	(%)	(%)	(bps)	(%)	(%)	(bps)
MTC	26.0	27.0	100	20.0	23.0	300	20.0	20.0	0
SAK	30.0	30.0	0	25.0	25.0	0	22.0	22.0	0
SAWAD	18.0	23.0	500	18.0	20.0	200	18.0	18.0	(0)
TIDLOR	18.0	23.0	500	18.0	18.0	0	18.0	18.0	0
Coverage	22.3	25.2	289	19.3	21.1	175	19.2	19.2	0

Source: FSSIA estimates

2) Greater NIM squeeze. We expect ATLs' NIMs to narrow as cost of funds should increase along with the rise in the M-rate of banks, while most of their loan yields are fixed rate.

MTC should have the greatest negative impact from a rise in cost of funds due to its numerous debentures that are close to maturity and its aggressive loan expansion. SAK could face the second-most negative impact as we think SAK will start to raise funds by issuing debentures in 2023 after using IPO money to expand its loan volume over the past two years. Meanwhile, we expect TIDLOR to be the least impacted due to its upgraded company rating by Thai Rating and Information Services (TRIS) from A- to A in May 2021.

Exhibit 6: Debenture maturity dates of covered diversified financials

Year	AEONTS	BAM	CHAYO	JMT	KTC	MTC	SAWAD	SINGER	THANI	TIDLOR	MICRO	Grand Total
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2022	3,800	4,400	300	200	4,500	10,106	4,748	1,500	3,385	1,450		37,653
2023		9,950		2,649	4,640	17,427	5,053	1,800	6,125	11,050	849	63,412
2024	1,000	11,150	1,164	1,849	6,515	14,030	3,247	3,000	6,594	5,350	525	59,123
2025		8,940	1,800		6,500	8,069		1,700	7,093		479	34,581
2026		7,300			6,230	5,719			1,700			20,949
2027		9,045			5,500	1,933			1,300			17,778
2028		4,900			3,315							8,215
2029		6,065			3,200							9,265
2030		1,280			1,000							2,280
2031		3,500			500							4,000
2032		2,140										2,140
2034		1,000										1,000
Grand Total	4,800	69,670	3,264	4,697	41,900	57,283	13,048	8,000	26,197	17,850	1,853	260,396

Sources: Thai Bond Market Association; FSSIA's compilation

Among our covered ATLs, we see limited room to increase their rate charges to clients due to the tight competition. We think only MTC could slightly increase its rates, especially for motorcycle title loans, as it currently charges a lower interest rate than its peers. However, any increase in rate charges depends on company policy. Therefore, we leave this as an upside risk for MTC. For every 50 bps increase in its motorcycle title loans, ceteris paribus, there would be a 2.5% upside to our full-year basis 2023 net profit forecast.

We lower our estimates for ATLs' aggregate NIM in 2022/23/24 by 77/81/81 bps to 16.3%/16.2%/16.2% to mainly reflect the higher cost of funds from potential future rate hikes.

Exhibit 7: Earnings revisions – changes in NIM

	2022E			2023E			2024E		
	Previous	New	Change	Previous	New	Change	Previous	New	Change
	(%)	(%)	(bps)	(%)	(%)	(bps)	(%)	(%)	(bps)
MTC	15.50	15.41	(0.09)	15.60	15.44	(0.16)	15.62	15.35	(0.27)
SAK	21.75	21.67	(0.08)	21.37	21.23	(0.14)	20.95	20.68	(0.27)
SAWAD	18.16	18.12	(0.04)	18.35	18.21	(0.14)	18.50	18.32	(0.18)
TIDLOR	15.78	15.96	0.18	15.63	15.57	(0.06)	15.60	15.51	(0.09)
Coverage	17.10	16.33	(0.77)	17.04	16.23	(0.81)	16.97	16.15	(0.81)

Source: FSSIA estimates

3) Higher asset deterioration rate. We think the debt repayment ability of ATL clients might decline amid high inflation, with clients in the agricultural sector less impacted than low salary earners, factory workers or the self-employed. We think farm incomes should slightly increase in line with increases in product costs, while the incomes of salary earners or hourly-paid workers stagnate. MTC and SAK have a higher exposure to agricultural clients than SAWAD and TIDLOR, based on our estimates.

We increase our estimates for ATLs' aggregate credit cost in 2022/23/24 by 6/19/18 bps to 118/141/148 bps to reflect the potentially higher asset deterioration rate. Note that we lower MTC's credit cost in 2022 due to its more relaxed provisioning than our expectation, despite a higher NPL ratio than our previous forecast.

Exhibit 8: Earnings revisions – changes in credit cost

	2022E			2023E			2024E		
	Previous	New	Change	Previous	New	Change	Previous	New	Change
	(bps)	(bps)	(bps)	(bps)	(bps)	(bps)	(bps)	(bps)	(bps)
MTC	146	128	(18)	160	170	10	165	168	3
SAK	126	200	74	145	210	65	145	225	80
SAWAD	65	90	25	80	120	40	110	150	40
TIDLOR	80	105	25	80	95	15	80	100	20
Coverage	111	118	6	122	141	19	130	148	18

Source: FSSIA estimates

In summary, we think the narrower NIM and higher asset deterioration rate should outweigh the stronger loan growth. Hence, we lower our 2022/23/24 net profit forecasts for the ATL sector by 2%/3%/4%. We lower our net profit forecasts for SAK, SAWAD, and TIDLOR. However, we revise up our earnings projections for MTC due to its relaxed provisioning strategy and higher loan growth.

We note that in the case that the Bank of Thailand increases the policy rate above our expectation, for every 25 bps increase in the policy rate (assuming a 12.5 bps increase in the bank's M-rate and a five bps increase in its deposit rate), ceteris paribus, there would be a downside to our current 2023 net profit and NIM forecasts as below.

Exhibit 9: Sensitivity analysis for every 25-bps policy rate hike above our current forecasts

	2023E net profit			2023E NIM		
	Current	Rate hikes 25 bps	Diff	Current	Rate hikes 25 bps	Diff
	(THB m)	(THB m)	(%)	(%)	(%)	(%)
MTC	6,952	6,754	(2.8)	15.44	15.25	(0.19)
SAK	945	924	(2.2)	21.23	21.03	(0.20)
SAWAD	5,465	5,373	(1.7)	18.21	17.96	(0.25)
TIDLOR	4,587	4,512	(1.6)	15.57	15.45	(0.12)
Coverage	17,949	17,563	(2.1)	16.23	16.04	(0.19)

Sources: Company data; FSSIA estimates

Recommendations and top picks

We roll forward our valuations to 2023 and lower our target prices for SAK (from THB12 to THB9.7), SAWAD (from THB68 to THB62), and TIDLOR (from THB43 to THB37) to reflect the impact of rising inflation and potential future rate hikes. However, we increase MTC's target price (from THB55 to THB60) due to its higher loan growth. We maintain our Overweight view on the ATL sector and move it to our most preferred segment among diversified financials due to three reasons.

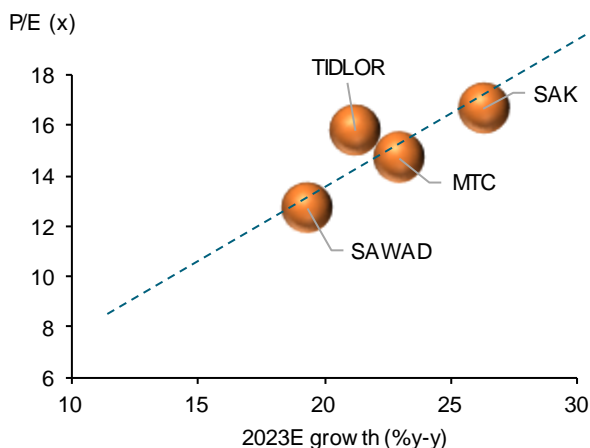
First, we expect our covered ATLs to post attractive 2023 net profit growth of 22% y-y, despite our earnings downgrades in 2022/23/24 by 2%/3%/4%. We expect SAK and MTC to deliver the strongest 2023 net profit growth at 26% y-y and 23% y-y, respectively. Second, we do not see more intense price competition, as the rate uptrend should make players more rational in setting prices. Also, Auto X (SCB X (SCB TB, BUY, TP THB134)'s subsidiary)'s entrance into the market in 2Q22 has not led to a price war. Third, we think the valuations of all covered ATLs – presently trading at 0.63-0.74x 2023E PEG – are very undemanding.

Exhibit 10: Comparison of current and previous ATL valuations

	-----2022E-----						-----2023E-----						-----Change-----				
	-----Previous-----						-----New-----										
	Rec	TP	BV	ROE	CoE	Terminal g	Rec	TP	BV	ROE	CoE	Terminal g	TP	BV	ROE	CoE	Terminal g
		(THB)	(THB)	(%)	(%)	(%)		(THB)	(THB)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
MTC	BUY	55.0	13.90	21.4	11.3	7.8	BUY	60.00	16.78	21.1	11.6	7.9	9.1	20.8	(0.30)	0.3	0.1
SAK	BUY	12.0	2.61	17.8	11.6	9.9	BUY	9.70	2.90	17.0	11.6	9.3	(19.2)	10.9	(0.82)	0.0	(0.6)
SAWAD	BUY	68.0	19.93	20.0	11.6	7.6	BUY	62.00	21.79	19.2	11.6	7.4	(8.8)	9.3	(0.80)	0.0	(0.2)
TIDLOR	BUY	43.0	10.57	17.0	10.8	8.2	BUY	37.00	11.99	16.4	10.8	8.0	(14.0)	13.4	(0.60)	(0.0)	(0.2)

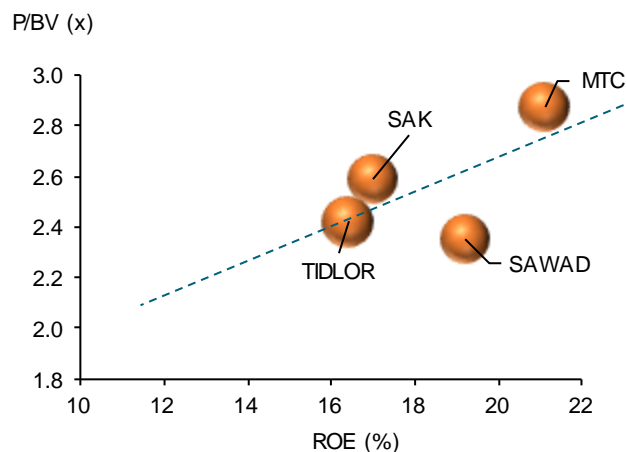
Source: FSSIA estimates

Exhibit 11: The valuation metric behind current P/E (x) and 2023E net profit growth (%)

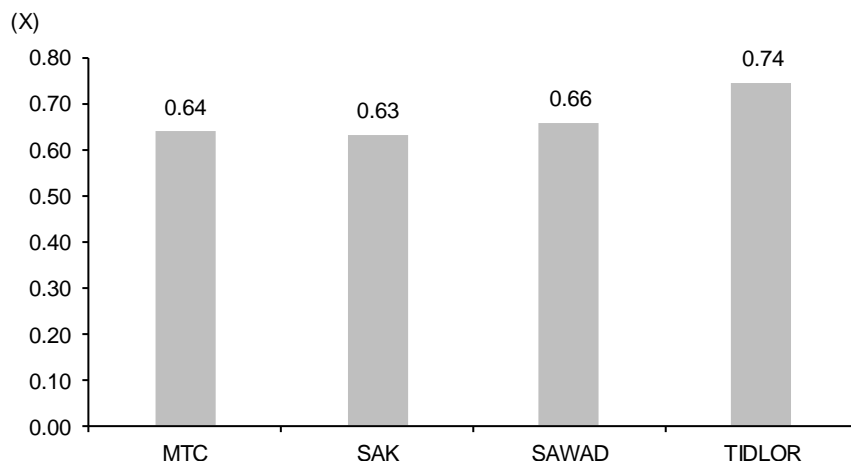


Source: FSSIA estimates

Exhibit 12: The valuation metric behind current P/BV (x) and 2023E ROE (%)



Source: FSSIA estimates

Exhibit 13: Comparing current 2023E PEGs of covered ATLs

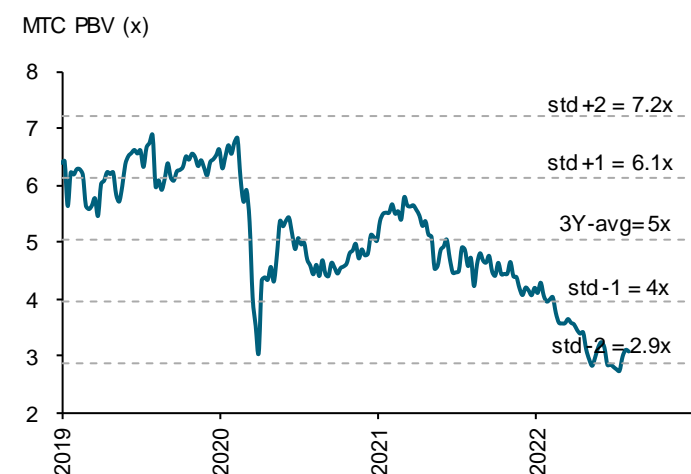
Source: FSSIA estimates

We choose MTC as one of our top picks in the diversified financial sector, with a 2023 TP of THB60. We think the benefits from sacrificing its profit margin to gain more market share in the past two years should clearly manifest from 2H22 onward, potentially resulting in the most robust 2023 net profit growth among big ATLs at 23% y-y. On top of that, we think its current value has priced in the concern over potential rate hikes and rising NPLs. MTC trades at the cheapest valuation in terms of PEG compared with the other big ATLs at 0.64x 2023E PEG.

We are less bullish on SAK due to the higher-than-expected increase in its NPLs and the delay in its drone project. However, we reiterate our BUY call with a 2023 TP of THB9.7, as we think SAK should deliver the strongest 2023 net profit growth at 26% y-y, driven mainly by its solid loan growth and economies of scale.

We reiterate our BUY call on SAWAD with a 2023 TP of THB62. After two years of lazy balance sheets, SAWAD has become more active in its loan expansion, especially in the motorcycle hire purchase business. Thus, we expect its normalised profit to resume growing noticeably in 2023 at 19% y-y, up from our expectation of zero growth in 2022.

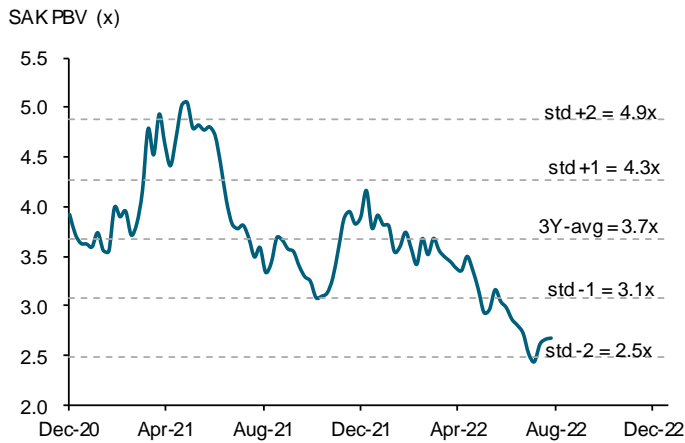
We maintain our BUY call on TIDLOR with a 2023 TP of THB37 due to 1) its stringent asset quality control and highest coverage ratio among ATLs; 2) its strong insurance brokerage business; and 3) its strategy to not engage in price wars but instead use unique product strategies, e.g. TIDLOR cash card, to take on competitors.

Exhibit 14: MTC – rolling one-year forward P/BV band

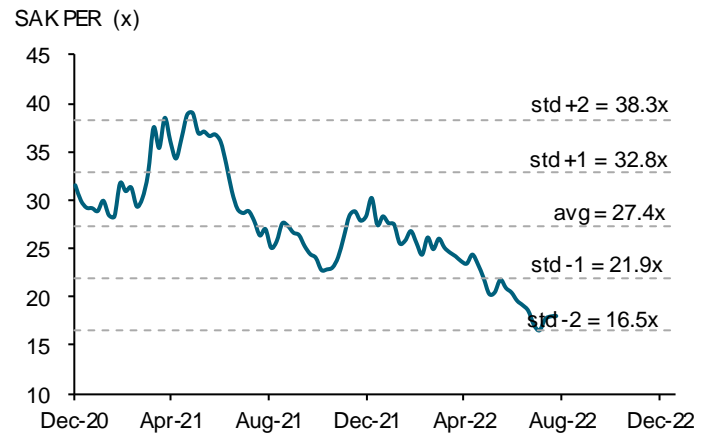
Sources: Bloomberg; FSSIA estimates

Exhibit 15: MTC – rolling one-year forward P/E band

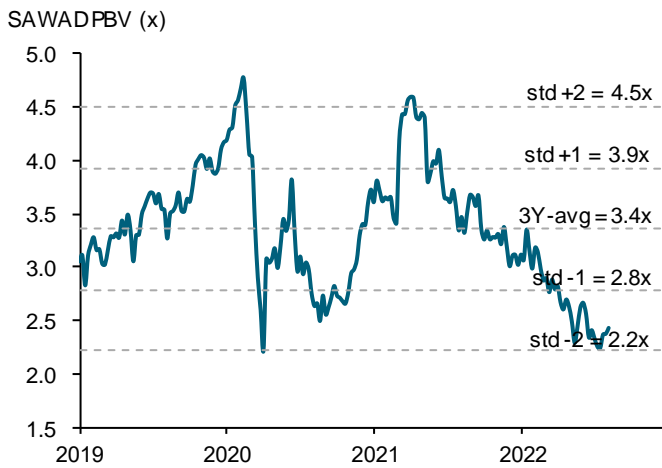
Sources: Bloomberg; FSSIA estimates

Exhibit 16: SAK – rolling one-year forward P/BV band

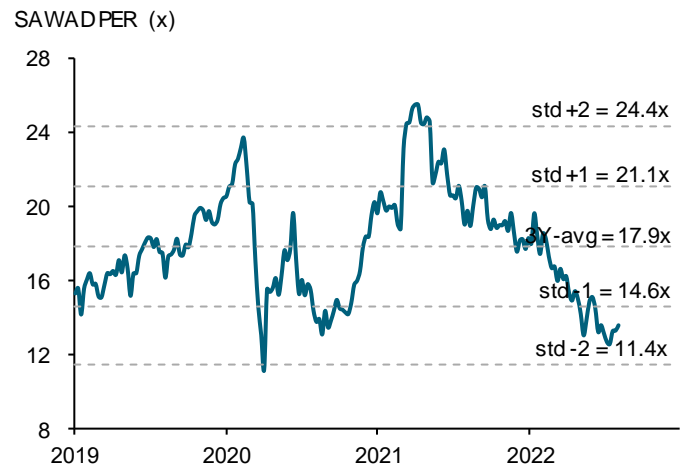
Sources: Bloomberg; FSSIA estimates

Exhibit 17: SAK – rolling one-year forward P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 18: SAWAD – rolling one-year forward P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 19: SAWAD – rolling one-year forward P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 20: TIDLOR – rolling one-year forward P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 21: TIDLOR – rolling one-year forward P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 22: Diversified financial companies under coverage – summary of key valuations

	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						20,743	12.9	20.0	23.3	18.9	16.0	16.4	3.2	2.8
Unsecured-loan lender						5,340	13.0	7.3	18.9	17.6	23.1	21.6	4.2	3.6
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	175.50	188.00	7	1,215	19.0	7.0	10.4	9.7	19.8	18.5	1.9	1.7
Krungthai Card	KTC TB	HOLD	57.75	60.00	4	4,125	11.2	7.4	21.4	19.9	24.1	22.5	4.8	4.2
Auto-title lender						7,239	10.4	20.5	17.6	14.6	18.1	19.1	3.0	2.6
Muangthai Capital	MTC TB	BUY	48.75	60.00	23	2,863	14.3	23.0	18.3	14.9	20.7	21.3	3.5	2.9
Srisawad Corp	SAWAD TB	BUY	51.00	62.00	22	1,940	0.8	19.3	15.1	12.7	17.8	19.4	2.6	2.3
Saksiam Leasing	SAK TB	BUY	7.40	9.70	31	430	23.1	26.3	20.7	16.4	14.5	16.4	2.9	2.6
Ngern Tid Lor	TIDLOR TB	BUY	29.00	37.00	28	2,006	11.4	16.9	18.5	15.8	15.6	16.3	2.8	2.4
Truck lender						1,814	0.8	26.6	25.5	19.6	10.4	12.0	2.2	2.1
Micro Leasing	MICRO TB	HOLD	5.25	5.50	5	136	0.4	39.0	26.1	18.8	9.3	11.9	2.4	2.1
Singer Thailand	SINGER TB	BUY	45.00	59.00	31	1,022	(4.1)	35.2	33.5	24.8	7.2	9.4	2.4	2.3
Ratchthani Leasing	THANI TB	BUY	4.18	4.80	15	656	8.6	10.6	12.8	11.5	15.5	16.0	1.9	1.8
Asset management						5,065	23.2	33.7	39.2	28.8	9.5	10.9	3.6	3.1
Bangkok Commercial Asset Mngt.	BAM TB	BUY	17.20	25.50	48	1,540	23.2	26.6	17.4	13.7	7.5	8.6	1.3	1.1
Chayo Group	CHAYO TB	BUY	10.80	16.60	54	319	96.6	(14.9)	24.1	28.4	15.5	8.9	3.0	2.2
JMT Network Services	JMT TB	BUY	76.50	92.00	20	3,092	16.4	41.5	51.0	36.0	10.0	12.3	4.7	4.1
Knight Club Capital Asset Mngt.	KCC TB	BUY	6.65	5.10	(23)	114	3.0	51.5	56.6	37.4	7.9	8.6	3.5	3.0
Other						1,111	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	1,111	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Hire purchase motorcycle						174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1
Next Capital	NCAP TB	HOLD	4.66	7.60	63	174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1

*KTC, MICRO, SINGER, and THANI's target prices are 2023 GGM-based
Share prices as of 2 Aug 2022; Sources: Bloomberg; FSSIA estimates

MUANGTHAI CAPITAL

THAILAND / DIVERSIFIED FINANCIALS

MTC TB

BUY
UNCHANGED

King is reclaiming the throne

- Expect continued recovery in 2Q22 NP of THB1.4b.
- Revise up 2022-24 earnings forecast from stronger loan growth.
- Top pick on solid NP growth and undemanding valuation.

Expect continued recovery in 2Q22 results from solid loan growth

We expect MTC to report a continued recovery in its 2Q22 net profit of THB1,405m (+11 y-y, +2% q-q) due to two reasons. First, its loan volume should increase strongly by 31% y-y and 6% q-q following a rise in all loan types. Second, we project a slight improvement in its loan yield to 18.1% from 18.0%. We think its loan yield passed the bottom in 1Q22. These positives should be able to offset a substantial increase in MTC's ECL due to an expected surge in its NPLs by 17% q-q from the end of the debt forbearance program and rising NPLs in the motorbike HP portfolio.

Stronger performance expected in 2H22

We think MTC's net profit in 2H22 will increase y-y and h-h, driven by a continued aggressive loan expansion. We believe this should offset a minimal rise in its cost of funds from future rate hikes and a significant increase in its ECL. We believe it will set higher provisions in 2H22 as it would like to increase its coverage ratio and accelerate NPL write-offs.

Room to raise loan yield to minimise rate hikes and high inflation

Rate hikes and high inflation should impact MTC in three key areas, including one positive – stronger loan growth – and two negatives: an intensified NIM squeeze and a higher asset deterioration rate (details in report). All in all, unlike other auto title lenders (ATLs), we see a slightly positive impact on MTC's performance. Therefore, we increase our net profit forecasts for 2022/23/24 by 5%/3%/3%. Among our covered ATLs, we see limited room to increase the rates charged to clients due to the tight competition. We think only MTC could slightly increase its rates, especially for motorcycle title loans, as it currently charges a lower interest rate than its peers. For every 50 bps increase in its motorcycle title loans, there should be a 2.5% upside to our 2023 net profit forecast.

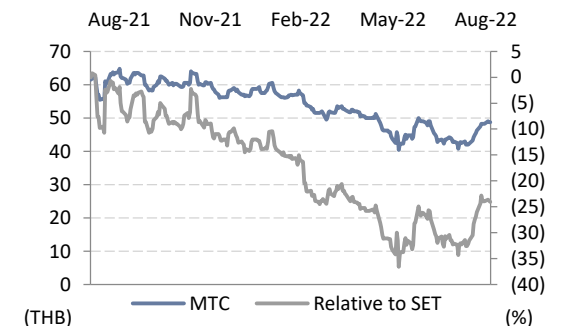
Deriving new 2023 GGM-based TP of THB60, up from 2022 THB55

We roll forward our valuation to 2023 and derive a new TP of THB60. We choose MTC as one of our top picks in the diversified financial sector. We think the benefits from sacrificing its profit margin to gain more market share in the past two years should clearly manifest from 2H22 onward, potentially resulting in the most robust 2023 net profit growth among big ATLs at 23% y-y. Furthermore, we think its current value has priced in the concern over potential rate hikes and rising NPLs. MTC trades at the cheapest valuation in terms of PEG compared with the other big ATLs at 0.64x 2023E PEG.

TARGET PRICE	THB60.00
CLOSE	THB48.75
UP/DOWNSIDE	+23.1%
PRIOR TP	THB55.00
CHANGE IN TP	+9.1%
TP vs CONSENSUS	+2.2%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	6,201	7,067	8,712	10,512
Net profit	4,945	5,654	6,952	8,409
EPS (THB)	2.33	2.67	3.28	3.97
vs Consensus (%)	-	(1.0)	(1.4)	(2.2)
Core net profit	4,945	5,654	6,952	8,409
Core EPS (THB)	2.33	2.67	3.28	3.97
Chg. In EPS est. (%)	-	4.6	2.5	3.3
EPS growth (%)	(5.2)	14.3	23.0	21.0
Core P/E (x)	20.9	18.3	14.9	12.3
Dividend yield (%)	0.8	0.8	1.0	1.2
Price/book (x)	4.2	3.5	2.9	2.4
ROE (%)	21.7	20.7	21.3	21.5
ROA (%)	5.6	5.1	5.1	5.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	13.4	6.6	(19.8)
Relative to country (%)	10.9	10.4	(22.2)
Mkt cap (USD m)	2,850		
3m avg. daily turnover (USD m)	12.9		
Free float (%)	21		
Major shareholder	Petaumpai Family (67%)		
12m high/low (THB)	65.00/40.25		
Issued shares (m)	2,120		

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumphai

yuvanart.suw@fssia.com
+66 2611 3554

Investment thesis

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

We choose MTC as one of our top picks in the diversified financial sector. We think the benefits from sacrificing its profit margin to gain more market share in the past two years should clearly manifest from 2H22 onward, potentially resulting in the most robust 2023 net profit growth among big ATLs at 23% y-y. On top of that, we think its current value has priced in the concern over potential rate hikes and rising NPLs. MTC trades at the cheapest valuation in terms of PEG compared with the other big ATLs at 0.64x 2023E PEG.

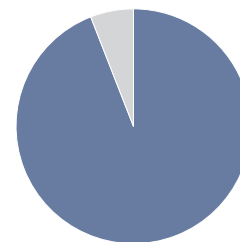
Company profile

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

www.muangthaicap.com

Principal activities (revenue, 2021)

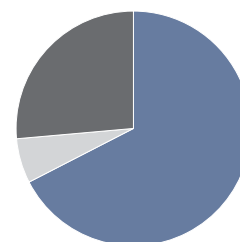
- Net interest income - 94.1 %
- Non-interest income - 5.9 %



Source: Muangthai Capital

Major shareholders

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



Source: Muangthai Capital

Catalysts

Potential share price catalysts for MTC include:

1. Strong growth in its new businesses: hire purchase loans for motorcycles and "Buy Now Pay Later";
2. The end of low rate charges for motorbike title loans;
3. Better cost control.

Risks to our call

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

Event calendar

Date	Event
9 August 2022	2Q22 results announcement
11 August 2022	Analyst meeting

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	5,654	6,952	8,409
Net profit growth	14.3	23.0	21.0
NIM	15.41	15.44	15.35
Loan growth	27.0	23.0	20.0
Non-NII growth	(23.3)	18.7	9.6
Credit cost (bp)	128	170	168
Cost to income	49.7	47.6	47.4

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		2022E		
Loan growth	±2ppt	25.0	27.0	29.0
% change in net profit		(2.1)	-	2.1
NIM (%)	±5bp	15.36	15.41	15.46
% change in net profit		(0.6)	-	0.6
Credit cost (bps)	±10bp	118	128	138
% change in net profit		1.2	-	(1.2)

Source: FSSIA estimates

Expect a continued recovery in 2Q22 results from solid loan growth

We expect MTC to report a continued recovery in its 2Q22 net profit of THB1,405m (+11 y-y, +2% q-q) due to two reasons. First, its loan volume should increase strongly by 31% y-y and 6% q-q following a rise in all loan types. We believe MTC has continued to gain more market share. Second, we project a slight improvement in its loan yield to 18.1% from 18.0%. We think its loan yield passed the bottom in 1Q22. These positives should be able to offset a substantial increase in MTC's expected credit loss (ECL) by 93% y-y and 58% q-q due to an expected surge in non-performing loans (NPLs) by 17% q-q, implying an NPL ratio of 1.8%. The NPL deterioration should result from the end of the debt forbearance program. On top of that, we think NPLs in the motorbike hire purchase (HP) portfolio should be in a rising trend as MTC is still new to this market and checking client quality. It might take one or two more quarters to solve the NPLs in the motorbike HP portfolio, in our view.

2Q22E key highlights

- NII might rise significantly by 23% y-y and 6% q-q following a rise in loan volume of 31% y-y and 6% q-q.
- Its cost of funds should gradually increase to 3.4% in 2Q22 from 3.2% in 1Q22 as we expect MTC to lock in more long-term funding before the future rate hikes.
- Its non-NII might decline by 21% y-y from the negative impact of the new debt collection fee measures.

Exhibit 23: MTC – 2Q22 results preview

Year-end Dec 31	2Q21	1Q22	2Q22E	----- Change -----		----- 1H22E -----			2022E	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%22E	(THB m)	(y-y %)	
Net interest income	3,177	3,682	3,913	23	6	7,594	21	47	16,055	23	
Non-interest income	212	163	168	(21)	3	331	(32)	52	631	(23)	
Operating income	3,389	3,844	4,081	20	6	7,925	17	47	16,687	20	
Operating expenses	1,656	1,943	2,047	24	5	3,990	27	48	8,285	19	
PPOP before tax	1,733	1,902	2,034	17	7	3,935	9	47	8,401	21	
Provision	138	169	267	93	58	436	48	33	1,334	83	
Income tax	325	357	362	11	2	719	5	51	1,413	12	
Minority interest	0	0	0			0			0		
Normalised profit	1,270	1,376	1,405	11	2	2,780	5	49	5,654	14	
Extraordinary items	0	0	0			0			0		
Net profit	1,270	1,376	1,405	11	2	2,780	5	49	5,654	14	
EPS (THB)	0.60	0.65	0.66	11	2	1.31	5	49	2.67	14	
Asset quality ratio											
Gross NPLs (THB m)	882	1,630	1,907	116	17				2,360	85	
NPL ratios (%)	1.11	1.65	1.82						2.02		
LLR/NPLs (%)	163	113	109						114		
Credit cost (bp)	72	71	105						128		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	48.9	50.5	50.2						49.7		
Average yield	19.2	18.0	18.1						18.1		
Cost of funds	3.4	3.2	3.4						3.5		
Net interest margin (NIM)	16.6	15.5	15.4						15.4		
Non-int inc/total income	6.3	4.2	4.1						38.5		
Loan growth	(%)	(%)	(%)						(%)		
y-y	26.0	34.1	30.9						27.0		
q-q	8.5	7.4	6.0								

Source: MTC; FSSIA estimates

Rate hikes and high inflation impact

Rate hikes and high inflation should impact MTC in three areas, including one positive – stronger loan growth – and two negatives: an intensified NIM squeeze and a higher asset deterioration rate.

1) Stronger loan growth. We expect stronger loan demand for MTC as its clients will likely borrow more to maintain their lifestyles and operate their businesses in a highly inflationary environment. On top of that, we think its aggressive branch expansion and adding new products, i.e. MTPL, are working well. Thus, we increase our loan growth assumptions in 2022/23 to 27%/23% y-y from 26%/20% y-y.

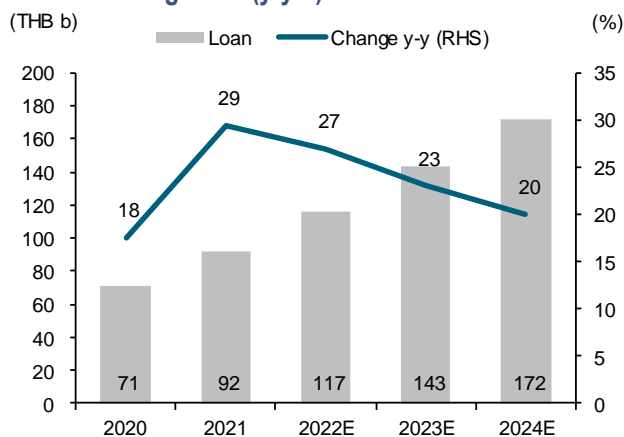
2) Greater NIM squeeze. We expect MTC's NIM to narrow as cost of funds should increase along with the rise in the M-rate of banks. Thus, we increase our cost of fund assumptions in 2022/23/24 to 3.45%/3.75%/3.90% from 3.35%/3.50%/3.80%.

Among our covered ATLS, we see limited room to increase the rates charged to clients due to the tight competition. We think only MTC could slightly increase its rates, especially for motorcycle title loans, as it currently charges a lower interest rate than its peers. However, any increase in rate charges depends on company policy. Therefore, we leave this as an upside risk for MTC. For every 50 bps increase in its motorcycle title loans, ceteris paribus, there should be a 2.5% upside to our full-year basis 2023 net profit forecast.

3) Higher asset deterioration rate. We increase our credit cost assumptions in 2023/24 to 170/168 bps from 160/165 bps as we expect a higher asset deterioration rate from the high inflation environment. However, we lower MTC's credit cost in 2022 to 128 bps from 146 bps due to its more relaxed provisioning than our expectation despite a higher NPL ratio than our previous forecast.

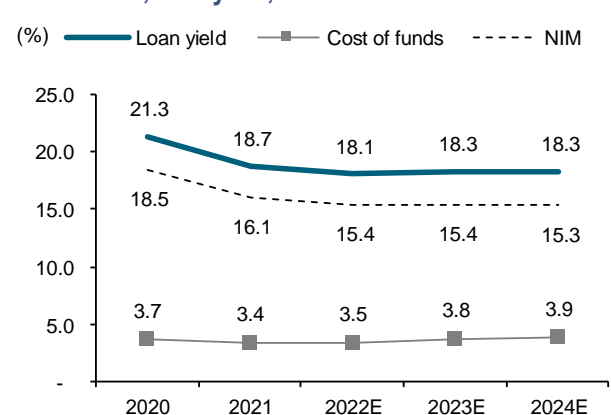
All in all, unlike other ATLS, we see a slightly positive impact on MTC's performance. Therefore, we increase our net profit forecasts for 2022/23/24 by 5%/3%/3%.

Exhibit 24: Loan growth (y-y%)



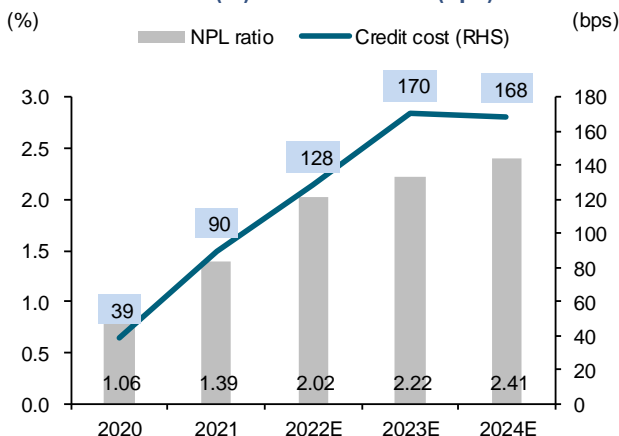
Source: FSSIA estimates

Exhibit 25: NIM, loan yield, and cost of funds



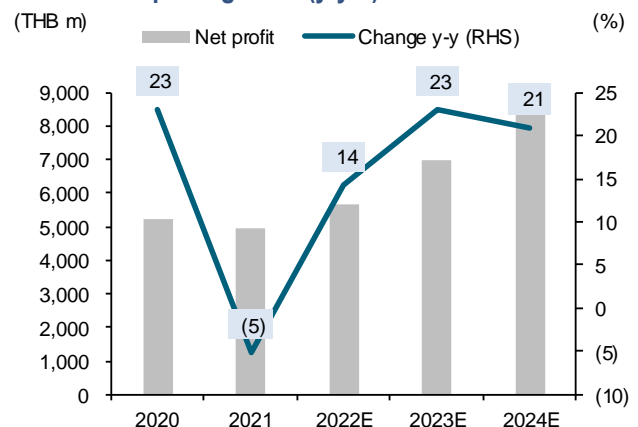
Source: FSSIA estimates

Exhibit 26: NPL ratio (%) and credit cost (bps)



Source: FSSIA estimates

Exhibit 27: Net profit growth (y-y%)



Source: FSSIA estimates

Earnings and target price revisions

We increase our net profit forecasts for 2022/23/24 by 5%/3%/3% to mainly reflect our higher loan growth and loan-related fee income assumptions due to stronger loan demand from high inflation and gaining more market share from local operators. These positives should be able to offset the negatives from the rising cost of funds and credit costs that we project over 2022-24.

To recap, FSSIA believes the Bank of Thailand (BoT)'s upcoming MPC meeting on 10 Aug-22 is likely to result in a hike in its policy rate by 0.25%, followed by another 0.25% hike in Nov-22, with the aim of proactively reining in consumer inflation expectations, given the rising prices of energy, electricity, and food despite the potential for collateral damage in the form of lower GDP in 2022-23. Then in 2023, we expect the BoT to hike its rate by 0.25% twice, likely in 1H23, in order to curb inflation and – mostly importantly – crush higher consumer inflation expectations. Note that we forecast banks to increase their M-rate to only 50% of the policy rate hike vs the normal rate of 60-70% due to the slow economic recovery.

Exhibit 28: Key changes in assumptions

	2022E				2023E			2024E		
	2021	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	13,068	15,759	16,055	1.9	19,582	20,076	2.5	23,489	24,209	3.1
Non-interest income	824	620	631	1.8	680	749	10.2	707	821	16.2
Operating income	13,891	16,380	16,687	1.9	20,262	20,826	2.8	24,196	25,030	3.4
Operating expenses	6,961	8,093	8,285	2.4	9,719	9,904	1.9	11,501	11,868	3.2
PPOP before tax	6,930	8,286	8,401	1.4	10,543	10,922	3.6	12,695	13,162	3.7
Expected credit loss (Reversal)	728	1,515	1,334	(11.9)	2,036	2,210	8.6	2,520	2,650	5.2
Tax expenses	1,257	1,368	1,413	3.3	1,727	1,760	1.9	2,035	2,102	3.3
Minority interest	-	0	-		0	-		-	-	
Normalised profit	4,945	5,404	5,654	4.6	6,780	6,952	2.5	8,140	8,409	3.3
Extraordinary items	-	0	-		0	-		-	-	
Net profit	4,945	5,404	5,654	4.6	6,780	6,952	2.5	8,140	8,409	3.3
EPS (THB)	2.33	2.55	2.67	4.6	3.2	3.28	2.5	3.84	3.97	3.3
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	1,276	1,850	2,360	27.6	2,498	3,187	27.6	3,247	4,143	27.6
Gross NPLs / Loans (%)	1.4	1.6	2.0		1.8	2.2		1.95	2.4	
Loan loss reserve/NPLs (%)	144	143	114		143.3	123		147	125	
Credit cost (bps)	90	146	128		160	170		165	168	
Profitability ratio (%)										
Cost to income ratio	50.1	49.4	49.7		48.0	47.6		47.5	47.4	
Average yield	18.67	18.05	18.05		18.30	18.30		18.45	18.30	
Cost of funds	3.43	3.35	3.45		3.50	3.75		3.80	3.90	
Net interest margin (NIM)	16.06	15.50	15.41		15.60	15.44		15.62	15.35	
Loan growth (%)										
y-y	29.4	26.0	27.0		20.0	23.0		20.0	20.0	

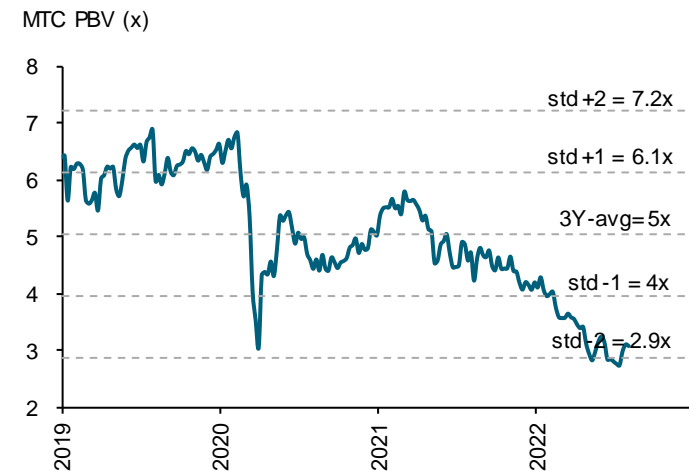
Sources: MTC; FSSIA estimates

We roll forward our valuation to 2023 and derive a new TP of THB60, up from our 2022 TP of THB55, as we believe the strong loan growth should offset the rate hikes and high inflation impact. Our TP implies 0.8x 2023E PEG and 3.6x 2023E P/BV, 1.5 STD below its one-year average. We maintain our BUY rating.

Exhibit 29: MTC – GGM-derived target price

Target price (THB)	60 (from 55.0)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.6 (from 11.3)
Terminal growth (%)	7.9 (from 7.8)
ROE target (%)	21.1 (from 21.4)
Target PBV (x)	3.6 (from 4.0)

Source: FSSIA estimates

Exhibit 30: MTC – rolling one-year forward P/BV band


Sources: Bloomberg; FSSIA estimates

Exhibit 31: MTC – rolling one-year forward P/E band


Sources: Bloomberg; FSSIA estimates

Exhibit 32: Diversified financial companies under coverage – summary of key valuations

	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						20,743	12.9	20.0	23.3	18.9	16.0	16.4	3.2	2.8
Unsecured-loan lender						5,340	13.0	7.3	18.9	17.6	23.1	21.6	4.2	3.6
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	175.50	188.00	7	1,215	19.0	7.0	10.4	9.7	19.8	18.5	1.9	1.7
Krungthai Card	KTC TB	HOLD	57.75	60.00	4	4,125	11.2	7.4	21.4	19.9	24.1	22.5	4.8	4.2
Auto-title lender						7,239	10.4	20.5	17.6	14.6	18.1	19.1	3.0	2.6
Muangthai Capital	MTC TB	BUY	48.75	60.00	23	2,863	14.3	23.0	18.3	14.9	20.7	21.3	3.5	2.9
Srisawad Corp	SAWAD TB	BUY	51.00	62.00	22	1,940	0.8	19.3	15.1	12.7	17.8	19.4	2.6	2.3
Saksiam Leasing	SAK TB	BUY	7.40	9.70	31	430	23.1	26.3	20.7	16.4	14.5	16.4	2.9	2.6
Ngern Tid Lor	TIDLOR TB	BUY	29.00	37.00	28	2,006	11.4	16.9	18.5	15.8	15.6	16.3	2.8	2.4
Truck lender						1,814	0.8	26.6	25.5	19.6	10.4	12.0	2.2	2.1
Micro Leasing	MICRO TB	HOLD	5.25	5.50	5	136	0.4	39.0	26.1	18.8	9.3	11.9	2.4	2.1
Singer Thailand	SINGER TB	BUY	45.00	59.00	31	1,022	(4.1)	35.2	33.5	24.8	7.2	9.4	2.4	2.3
Ratchthani Leasing	THANI TB	BUY	4.18	4.80	15	656	8.6	10.6	12.8	11.5	15.5	16.0	1.9	1.8
Asset management						5,065	23.2	33.7	39.2	28.8	9.5	10.9	3.6	3.1
Bangkok Commercial Asset Mngt.	BAM TB	BUY	17.20	25.50	48	1,540	23.2	26.6	17.4	13.7	7.5	8.6	1.3	1.1
Chayo Group	CHAYO TB	BUY	10.80	16.60	54	319	96.6	(14.9)	24.1	28.4	15.5	8.9	3.0	2.2
JMT Network Services	JMT TB	BUY	76.50	92.00	20	3,092	16.4	41.5	51.0	36.0	10.0	12.3	4.7	4.1
Knight Club Capital Asset Mngt.	KCC TB	BUY	6.65	5.10	(23)	114	3.0	51.5	56.6	37.4	7.9	8.6	3.5	3.0
Other						1,111	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	1,111	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Hire purchase motorcycle						174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1
Next Capital	NCAP TB	HOLD	4.66	7.60	63	174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1

*KTC, MICRO, SINGER, and THANI's target prices are 2023 GGM-based
Share prices as of 2 Aug 2022; Sources: Bloomberg; FSSIA estimates

Financial Statements

Muangthai Capital

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	13,962	15,195	18,809	23,792	28,870
Interest expense	(1,817)	(2,127)	(2,754)	(3,716)	(4,662)
Net interest income	12,145	13,068	16,055	20,076	24,209
Net fees & commission	726	769	577	692	761
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	45	55	55	57	60
Non interest income	771	824	631	749	821
Total income	12,916	13,891	16,687	20,826	25,030
Staff costs	(3,676)	(4,272)	(5,596)	(6,883)	(8,536)
Other operating costs	(2,469)	(2,689)	(2,689)	(3,021)	(3,333)
Operating costs	(6,144)	(6,961)	(8,285)	(9,904)	(11,868)
Pre provision operating profit	6,771	6,930	8,401	10,922	13,162
Provision for bad and doubtful debt	(255)	(728)	(1,334)	(2,210)	(2,650)
Other provisions	-	-	-	-	-
Operating profit	6,517	6,201	7,067	8,712	10,512
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	6,517	6,201	7,067	8,712	10,512
Tax	(1,303)	(1,257)	(1,413)	(1,760)	(2,102)
Profit after tax	5,214	4,945	5,654	6,952	8,409
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,214	4,945	5,654	6,952	8,409
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,214	4,945	5,654	6,952	8,409
Per share (THB)					
Recurring EPS *	2.46	2.33	2.67	3.28	3.97
Reported EPS	2.46	2.33	2.67	3.28	3.97
DPS	0.37	0.37	0.40	0.49	0.59
Growth					
Net interest income (%)	17.3	7.6	22.9	25.0	20.6
Non interest income (%)	(4.6)	6.8	(23.3)	18.7	9.6
Pre provision operating profit (%)	15.8	2.3	21.2	30.0	20.5
Operating profit (%)	23.1	(4.8)	14.0	23.3	20.7
Reported net profit (%)	23.0	(5.2)	14.3	23.0	21.0
Recurring EPS (%)	23.0	(5.2)	14.3	23.0	21.0
Reported EPS (%)	23.0	(5.2)	14.3	23.0	21.0
Income Breakdown					
Net interest income (%)	94.0	94.1	96.2	96.4	96.7
Net fees & commission (%)	5.6	5.5	3.5	3.3	3.0
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.3	0.4	0.3	0.3	0.2
Operating performance					
Gross interest yield (%)	21.27	18.67	18.05	18.30	18.30
Cost of funds (%)	3.71	3.43	3.45	3.75	3.90
Net interest spread (%)	17.56	15.24	14.60	14.55	14.40
Net interest margin (%)	18.5	16.1	15.4	15.4	15.3
Cost/income(%)	47.6	50.1	49.7	47.6	47.4
Cost/assets(%)	8.8	7.9	7.5	7.3	7.3
Effective tax rate (%)	20.0	20.3	20.0	20.2	20.0
Dividend payout on recurring profit (%)	15.0	15.9	15.0	15.0	15.0
ROE (%)	28.4	21.7	20.7	21.3	21.5
ROE - COE (%)	17.6	10.9	9.9	10.5	10.7
ROA (%)	7.5	5.6	5.1	5.1	5.2
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

Financial Statements

Muangthai Capital

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	70,968	91,812	116,602	143,420	172,104
Total provisions	(1,328)	(1,832)	(2,699)	(3,906)	(5,179)
interest in suspense	0	0	0	0	0
Net customer loans	69,640	89,981	113,902	139,515	166,925
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,378	1,306	714	359	444
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,928	2,054	2,187	2,329	2,481
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	4,275	5,049	5,286	5,728	6,519
Total assets	77,222	98,390	122,090	147,931	176,368
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	53,699	70,457	89,198	108,969	130,090
Non interest bearing liabilities	2,841	3,064	3,218	3,378	3,547
Hybrid Capital	-	-	-	-	-
Total liabilities	56,540	73,521	92,416	112,348	133,637
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	18,567	22,749	27,554	33,463	40,611
Total equity	20,687	24,869	29,674	35,583	42,731
Minority interests	(5)	0	0	0	0
Total liabilities & equity	77,222	98,390	122,090	147,931	176,368
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	65,653	81,390	104,207	130,011	157,762
Average interest bearing liabilities	48,931	62,078	79,828	99,084	119,529
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	747	1,276	2,360	3,187	4,143
Per share (THB)					
Book value per share	9.76	11.73	14.00	16.78	20.16
Tangible book value per share	9.76	11.73	14.00	16.78	20.16
Growth					
Gross customer loans	17.6	29.4	27.0	23.0	20.0
Average interest earning assets	21.1	24.0	28.0	24.8	21.3
Total asset (%)	24.8	27.4	24.1	21.2	19.2
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	26.8	25.3	24.3	24.1	24.2
Tangible equity/assets (%)	26.8	25.3	24.3	24.1	24.2
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	20.3	70.7	85.0	35.0	30.0
NPL/gross loans (%)	1.1	1.4	2.0	2.2	2.4
Total provisions/gross loans (%)	1.9	2.0	2.3	2.3	3.0
Total provisions/NPL (%)	177.6	143.6	114.4	122.6	125.0
Valuation					
Recurring P/E (x) *	19.8	20.9	18.3	14.9	12.3
Recurring P/E @ target price (x) *	24.4	25.7	22.5	18.3	15.1
Reported P/E (x)	19.8	20.9	18.3	14.9	12.3
Dividend yield (%)	0.8	0.8	0.8	1.0	1.2
Price/book (x)	5.0	4.2	3.5	2.9	2.4
Price/tangible book (x)	5.0	4.2	3.5	2.9	2.4
Price/tangible book @ target price (x)	6.1	5.1	4.3	3.6	3.0

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

SAKSAM LEASING SAK TB

THAILAND / DIVERSIFIED FINANCIALS

BUY
 UNCHANGED

Less bullish but maintain BUY

- Decent 2Q22E NP of THB166m; strong loan growth but high NPLs.
- Revise down 2022-24 earnings forecast to reflect potential rate hikes, high inflation, and drone project delay.
- Less bullish but maintain BUY at 2023 GGM-based TP of THB9.7.

Expect strong loan growth, but higher NPLs in 2Q22

We expect SAK to report a 2Q22 net profit of THB166m (+21% y-y, +1% q-q). There should be mixed performance in this quarter, in our view. On the positive side, we expect strong loan growth of 9% q-q due to the resumption of business activity and agricultural seasonality. However, we see two main negatives. First, we think its NPLs should increase substantially by 17% q-q, implying an NPL ratio of 2.5% from 2.3% in 1Q22, due to the end of forbearance program and the high inflation environment. Hence, we expect SAK to set a higher credit cost of 210 bps in 2Q22 from 130 bps in 1Q22. Second, we expect its cost to income to remain at a high level of 50%, as SAK continues to front-load its branch expansion, adding 171 new branches in 1H22 from its 2022 target of 200 branches.

Stronger performance expected in 2H22

We think SAK's net profit in 2H22 will increase y-y and h-h, driven by two factors. First, we expect its loan volume to increase continuously from ample demand and new loan generation from its new branches. Second, we think its cost to income ratio should slightly decline q-q as SAK has already front-loaded its branch expansion in 1H22. We believe these positives should offset a minimal rise in its cost of funds from future rate hikes and an increase in its ECL due to further asset deterioration.

Net negative impact from rate hikes and high inflation

Rate hikes and high inflation should impact SAK in three key areas, including one positive – stronger loan growth – and two negatives: an intensified NIM squeeze and a higher asset deterioration rate (details in report). All in all, we see a net negative impact on SAK's performance and lower our net profit forecasts for 2022/23/24 by 11%/11%/12%.

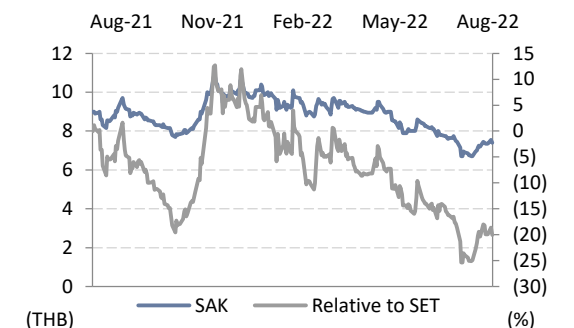
Roll forward to GGM-based 2023 TP of THB9.7

We are less bullish on SAK due to the higher-than-expected increase in its NPLs and the delay in its drone project. However, we reiterate our BUY call and roll forward our valuation to 2023 to derive a new TP of THB9.7, down from our 2022 TP of THB12.0. We think SAK should deliver the strongest 2023 net profit growth at 26% y-y, driven mainly by its solid loan growth and economies of scale.

TARGET PRICE	THB9.70
CLOSE	THB7.40
UP/DOWNSIDE	+31.1%
PRIOR TP	THB12.00
CHANGE IN TP	-19.2%
TP vs CONSENSUS	-5.2%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	758	935	1,178	1,437
Net profit	608	748	945	1,150
EPS (THB)	0.29	0.36	0.45	0.55
vs Consensus (%)	-	(3.5)	(2.2)	(3.5)
Core net profit	608	748	945	1,150
Core EPS (THB)	0.29	0.36	0.45	0.55
Chg. In EPS est. (%)	-	(11.1)	(10.9)	(12.2)
EPS growth (%)	(17.7)	23.1	26.3	21.7
Core P/E (x)	25.5	20.7	16.4	13.5
Dividend yield (%)	1.6	1.4	1.8	2.2
Price/book (x)	3.2	2.9	2.6	2.3
ROE (%)	12.9	14.5	16.4	17.7
ROA (%)	6.6	7.0	7.1	7.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.7)	(17.8)	(15.4)
Relative to country (%)	(1.7)	(14.5)	(18.0)
Mkt cap (USD m)	430		
3m avg. daily turnover (USD m)	0.6		
Free float (%)	21		
Major shareholder	Boonsalee Family (67%)		
12m high/low (THB)	11.00/6.55		
Issued shares (m)	935		

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumphai

yuvanart.suw@fssia.com
+66 2611 3554

Investment thesis

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

We are less bullish on SAK due to the higher-than-expected increase in its NPLs and the delay in its drone project. However, we reiterate our BUY call with a 2023 TP of THB9.7 as we think SAK should deliver the strongest 2023 net profit growth at 26% y-y, driven mainly by its solid loan growth and economies of scale.

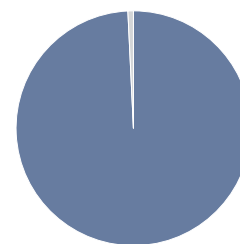
Company profile

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

www.saksiam.com

Principal activities (revenue, 2021)

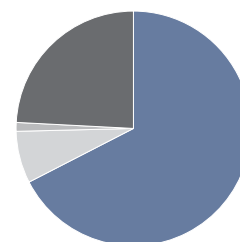
- Net interest income - 99.2 %
- Non-interest income - 0.8 %



Source: Saksiam Leasing

Major shareholders

- Boonsalee Family - 67.5 %
- Bualuang Asset Management - 7.2 %
- Mr. Noppachai Nopsuwanwong - 1.2 %
- Others - 24.2 %



Source: Saksiam Leasing

Catalysts

Potential share price catalysts for SAK include:

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

Risks to our call

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

Event calendar

Date	Event
11 August 2022	2Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	748	945	1,150
Net profit growth	23.1	26.3	21.7
NIM	21.67	21.23	20.68
Loan growth	30.0	25.0	22.0
Credit cost (bp)	200	210	225
Cost to income	48.5	47.3	45.7

Source: FSSIA estimates

Earnings sensitivity

Year to Dec	----- 2022E -----			
Loan growth	±2ppt	28.0	30.0	32.0
% change in net profit		(1.9)	-	1.9
NIM (%)	±5bp	21.62	21.67	21.72
% change in net profit		(0.5)	-	0.5
Credit cost (bps)	±10bp	190.0	200.0	210.0
% change in net profit		1.0	-	(1.0)

Source: FSSIA estimates

Expect strong loan growth, but higher NPLs in 2Q22

We expect SAK to report a 2Q22 net profit of THB166m (+21% y-y, +1% q-q). There should be mixed performance in this quarter, in our view. On the positive side, we expect strong loan growth of 9% q-q due to the resumption of business activity and agricultural seasonality. However, we see two main negatives. First, we think its non-performing loans (NPLs) should increase substantially by 17% q-q, implying an NPL ratio of 2.5% from 2.3% in 1Q22, due to the end of forbearance program and the high inflation environment. Hence, we expect SAK to set a higher credit cost of 210 bps in 2Q22 from 130 bps in 1Q22. Second, we expect its cost to income to remain at a high level of 50%, as SAK continues to front-load its branch expansion, adding 171 new branches in 1H22 from its 2022 target of 200 branches. The aggressive branch expansion should benefit the company in 2H22.

Exhibit 33: SAK – 2Q22 results preview

Year-end Dec 31	2Q21	1Q22	2Q22E	---- Change ----		----- 1H22E -----			2022E	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%22E	(THB m)	(y-y %)	
Net interest income	417	490	517	24	6	1,006	28	46	2,196	27	
Non-interest income	3	4	3	(10)	(32)	7	10	55	13	0	
Operating income	420	494	519	24	5	1,013	28	46	2,209	27	
Operating expenses	238	259	262	10	1	521	14	49	1,071	16	
PPOP before tax	183	235	258	41	10	493	47	43	1,138	38	
Provision	12	29	51	330	73	80	378	39	203	219	
Income tax	34	42	41	23	(0)	83	32	44	187	24	
Minority interest	0	0	0			0			0		
Normalised profit	137	164	166	21	1	330	29	44	748	23	
Extraordinary items	0	0	0			0			0		
Net profit	137	164	166	21	1	330	29	44	748	23	
EPS (THB)	0.07	0.08	0.08	21	1	0.16	29	44	0.36	23	
Asset quality ratio											
Gross NPLs (THB m)	167	211	247	48	17				277	45	
NPL ratios (%)	2.14	2.29	2.46						2.42		
LLR/NPLs (%)	104	111	111						130		
Credit cost (bp)	64	130	210						200		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	56.5	52.4	50.4						48.5		
Average yield	23.9	23.2	23.2						23.2		
Cost of fund	2.7	2.9	3.2						3.0		
Net interest margin (NIM)	22.8	21.8	21.5						21.7		
Non-int inc/total income	0.8	0.9	0.6						38.5		
Loan growth	(%)	(%)	(%)						(%)		
y-y	25.3	32.9	29.1						30.0		
q-q	12.2	4.5	9.0								

Source: SAK; FSSIA estimates

Net negative impact from rate hikes and high inflation

Rate hikes and high inflation should impact SAK in three key areas, including one positive – stronger loan growth – and two negatives: an intensified NIM squeeze and a higher asset deterioration rate.

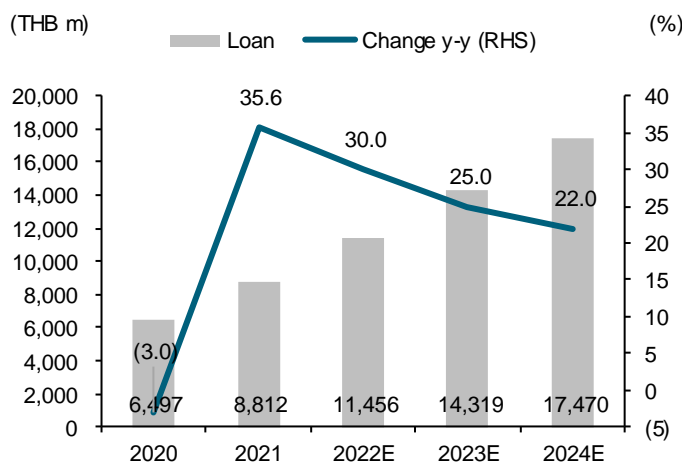
1) Stronger loan growth. We expect stronger loan demand for SAK as its clients, farmers in particular, borrow more to compensate for the higher agricultural costs. However, we think this upside will be dragged down by lower loan growth from the delay in its drone project due to the raw material shortage from China's lockdown and the slow staff training to sell drones. Therefore, we maintain our loan growth forecasts in 2022-24.

2) Greater NIM squeeze. We expect SAK's NIM to narrow, as cost of funds should increase along with the rise in the M-rate of banks, while its loan yields are fixed rate. Thus, we revise up our cost of funds assumptions in 2022-24.

3) Higher asset deterioration rate. We think the debt repayment ability of SAK's clients might decline amid the high inflation, especially for unsecured lending (c16% of total portfolio). Thus, we increase our NPL and credit cost estimates in 2022-24.

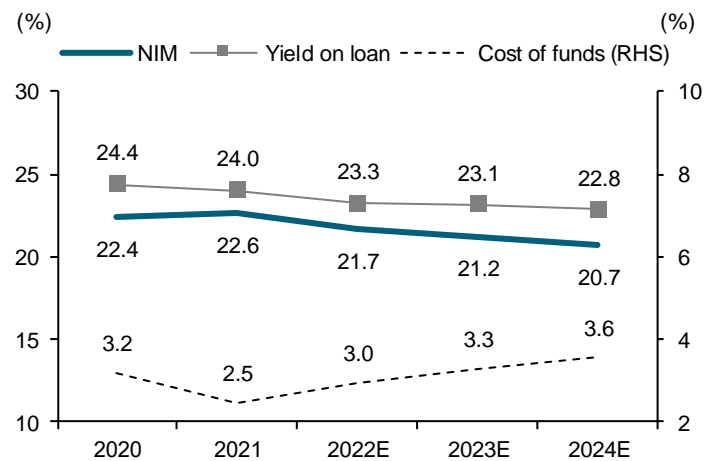
All in all, we see a net negative impact on SAK's performance from the potential rate hikes and high inflation. Therefore, we lower our net profit forecasts for 2022/23/24 by 11%/11%/12%.

Exhibit 34: Loan growth (% y-y)



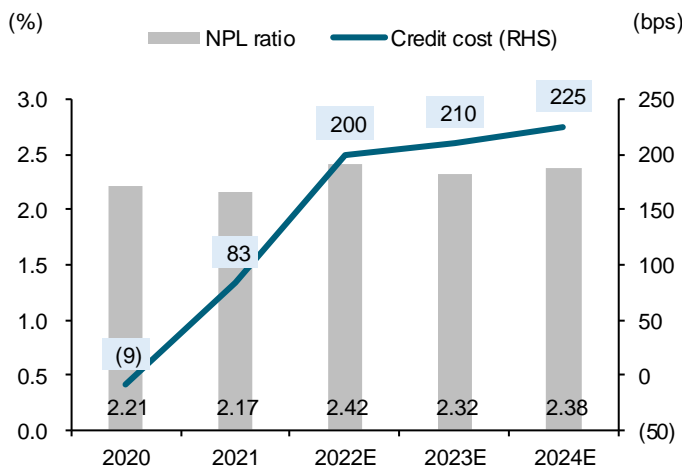
Sources: FSSIA's estimates

Exhibit 35: NIM, loan yield, and cost of funds



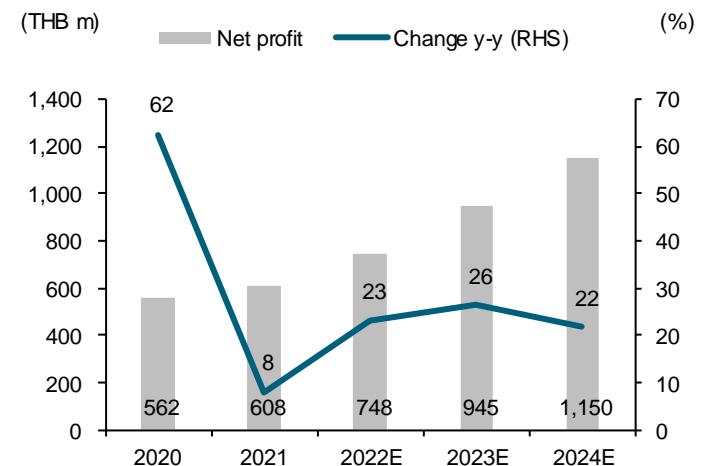
Sources: FSSIA's estimates

Exhibit 36: NPL ratio (%) and credit cost (bps)



Sources: FSSIA estimates

Exhibit 37: Net profit growth (% y-y)



Sources: FSSIA estimates

Earnings and target price revisions

We lower our net profit forecasts for 2022/23/24 by 11%/11%/12% to mainly reflect a rise in cost of funds from the potential rate hike and an increase in its expected credit loss (ECL) from the higher asset deterioration rate following the high inflation. We also revise down the expected loan volume from its drone project. However, this should be totally offset by stronger auto title loan demand from the high inflation. Thus, we retain our loan growth assumptions.

To recap, FSSIA believes the Bank of Thailand (BoT)'s upcoming MPC meeting on 10 Aug-22 is likely to result in a hike in its policy rate by 0.25%, followed by another 0.25% hike in Nov-22, with the aim of proactively reining in consumer inflation expectations, given the rising prices of energy, electricity, and food despite the potential for collateral damage in the form of lower GDP in 2022-23. Then in 2023, we expect the BoT to hike its rate by 0.25% twice, likely in 1H23, in order to curb inflation and – mostly importantly – crush higher consumer inflation expectations. Note that we forecast banks to increase their M-rate to only 50% of the policy rate hike vs the normal rate of 60-70% due to the slow economic recovery.

Exhibit 38: Key changes in assumptions

	2022E				2023E			2024E		
	2021	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	1,731	2,231	2,196	(1.6)	2,758	2,736	(0.8)	3,334	3,287	(1.4)
Non-interest income	13	17	13	(23.2)	20	15	(24.2)	23	17	(25.0)
Operating income	1,744	2,249	2,209	(1.8)	2,778	2,751	(1.0)	3,357	3,304	(1.6)
Operating expenses	922	1,071	1,071	0.0	1,269	1,303	2.6	1,494	1,509	1.0
PPOP before tax	822	1,177	1,138	(3.4)	1,509	1,448	(4.0)	1,863	1,795	(3.7)
Expected credit loss (Reversal)	64	128	203	58.7	187	271	44.8	230	358	55.2
Tax expenses	151	208	187	(10.0)	262	233	(10.9)	323	287	(11.1)
Minority interest	-	0	-		0	-		-	-	
Normalised profit	608	842	748	(11.1)	1,060	945	(10.9)	1,309	1,150	(12.2)
Extraordinary items	-	0	-		0	-		-	-	
Net profit	608	842	748	(11.1)	1,060	945	(10.9)	1,309	1,150	(12.2)
EPS (THB)	0.29	0.40	0.36	(11.1)	0.5	0.45	(10.9)	0.62	0.55	(12.2)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	191	248	277	11.5	310	332	7.1	388	415	7.1
Gross NPLs / Loans (%)	2.2	2.2	2.4		2.2	2.3		2.22	2.38	
Loan loss reserve/NPLs (%)	109	114	130		131	170		137	197	
Credit cost (bps)	83	126	200		145	210		145	225	
Profitability ratio (%)										
Cost to income ratio	52.9	47.6	48.5		45.7	47.3		44.5	45.7	
Average yield	24.0	23.20	23.20		23.10	23.10		22.80	22.80	
Cost of funds	2.46	2.85	2.95		3.00	3.30		3.05	3.55	
Net interest margin (NIM)	22.6	21.75	21.67		21.37	21.23		20.95	20.68	
Loan growth (%)										
y-y	35.6	30.0	30.0		25.0	25.0		22.0	22.0	

Sources: SAK; FSSIA estimates

Exhibit 39: Net profits from drone project

	2022E	2023E	2024E
	(THB m)	(THB m)	(THB m)
1) Selling business			
No. of drones (drones)	300	600	1,000
Sale	48	96	160
Net profit	4	17	40
Contribution to SAK (70%)	3	12	28
2) Lending business			
Gross loans	48	96	112
Net interest income	6	9	12
OPEX	4	6	6
ECL	0	1	1
Tax	1	2	2
Net profit	0	1	4
Total incremental profit from drone project	3	12	32

Sources: SAK; FSSIA estimates

We roll forward our valuation to 2023 and derive a new TP of THB9.7, down from our 2022 TP of THB12, as we believe the company should be negatively impacted by the rate hikes and high inflation. Our TP implies 0.82x 2023E PEG and 3.3x 2023E P/BV, 0.5 STD below its two-year average. We maintain our BUY rating.

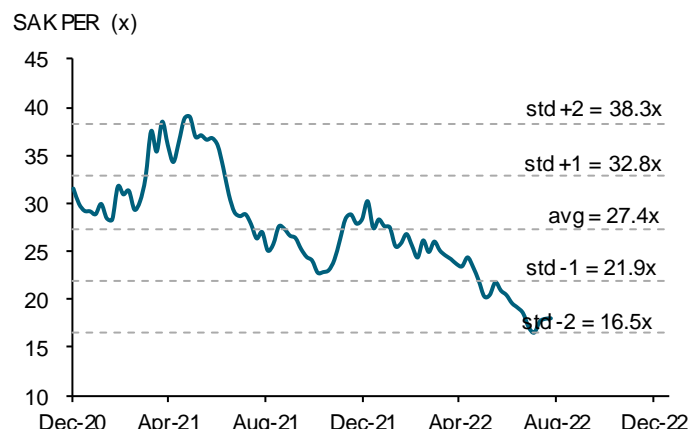
Exhibit 40: SAK – GGM-derived target price

Target price (THB)	9.7 (from 12.0)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.6 (unchanged)
Terminal growth (%)	9.3 (from 9.9)
ROE target (%)	17.0 (from 17.8)
Target PBV (x)	3.3 (from 4.6)

Source: FSSIA estimates

Exhibit 41: SAK – prospective P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 42: SAK – prospective P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 43: Diversified financial companies under coverage – summary of key valuations

	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						20,743	12.9	20.0	23.3	18.9	16.0	16.4	3.2	2.8
Unsecured-loan lender						5,340	13.0	7.3	18.9	17.6	23.1	21.6	4.2	3.6
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	175.50	188.00	7	1,215	19.0	7.0	10.4	9.7	19.8	18.5	1.9	1.7
Krungthai Card	KTC TB	HOLD	57.75	60.00	4	4,125	11.2	7.4	21.4	19.9	24.1	22.5	4.8	4.2
Auto-title lender						7,239	10.4	20.5	17.6	14.6	18.1	19.1	3.0	2.6
Muangthai Capital	MTC TB	BUY	48.75	60.00	23	2,863	14.3	23.0	18.3	14.9	20.7	21.3	3.5	2.9
Srisawad Corp	SAWAD TB	BUY	51.00	62.00	22	1,940	0.8	19.3	15.1	12.7	17.8	19.4	2.6	2.3
Saksiam Leasing	SAK TB	BUY	7.40	9.70	31	430	23.1	26.3	20.7	16.4	14.5	16.4	2.9	2.6
Ngern Tid Lor	TIDLOR TB	BUY	29.00	37.00	28	2,006	11.4	16.9	18.5	15.8	15.6	16.3	2.8	2.4
Truck lender						1,814	0.8	26.6	25.5	19.6	10.4	12.0	2.2	2.1
Micro Leasing	MICRO TB	HOLD	5.25	5.50	5	136	0.4	39.0	26.1	18.8	9.3	11.9	2.4	2.1
Singer Thailand	SINGER TB	BUY	45.00	59.00	31	1,022	(4.1)	35.2	33.5	24.8	7.2	9.4	2.4	2.3
Ratchthani Leasing	THANI TB	BUY	4.18	4.80	15	656	8.6	10.6	12.8	11.5	15.5	16.0	1.9	1.8
Asset management						5,065	23.2	33.7	39.2	28.8	9.5	10.9	3.6	3.1
Bangkok Commercial Asset Mngt.	BAM TB	BUY	17.20	25.50	48	1,540	23.2	26.6	17.4	13.7	7.5	8.6	1.3	1.1
Chayo Group	CHAYO TB	BUY	10.80	16.60	54	319	96.6	(14.9)	24.1	28.4	15.5	8.9	3.0	2.2
JMT Network Services	JMT TB	BUY	76.50	92.00	20	3,092	16.4	41.5	51.0	36.0	10.0	12.3	4.7	4.1
Knight Club Capital Asset Mngt.	KCC TB	BUY	6.65	5.10	(23)	114	3.0	51.5	56.6	37.4	7.9	8.6	3.5	3.0
Other						1,111	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	1,111	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Hire purchase motorcycle						174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1

Next Capital	NCAP TB	HOLD	4.66	7.60	63	174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1
--------------	---------	------	------	------	----	-----	-------	-------	------	------	------	-----	-----	-----

*KTC, MICRO, SINGER, and THANI's target prices are 2023 GGM-based
Share prices as of 2 Aug 2022; Sources: Bloomberg; FSSIA estimates

Financial Statements

Saksiam Leasing

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	1,607	1,834	2,351	2,977	3,624
Interest expense	(131)	(104)	(155)	(241)	(337)
Net interest income	1,476	1,731	2,196	2,736	3,287
Net fees & commission	2	5	5	5	6
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	5	8	8	10	12
Non interest income	7	13	13	15	17
Total income	1,482	1,744	2,209	2,751	3,304
Staff costs	-	-	-	-	-
Other operating costs	(788)	(922)	(1,071)	(1,303)	(1,509)
Operating costs	(788)	(922)	(1,071)	(1,303)	(1,509)
Pre provision operating profit	695	822	1,138	1,448	1,795
Provision for bad and doubtful debt	6	(64)	(203)	(271)	(358)
Other provisions	-	-	-	-	-
Operating profit	700	758	935	1,178	1,437
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	700	758	935	1,178	1,437
Tax	(138)	(151)	(187)	(233)	(287)
Profit after tax	562	608	748	945	1,150
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	562	608	748	945	1,150
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	562	608	748	945	1,150
Per share (THB)					
Recurring EPS *	0.35	0.29	0.36	0.45	0.55
Reported EPS	0.35	0.29	0.36	0.45	0.55
DPS	0.18	0.12	0.11	0.14	0.16
Growth					
Net interest income (%)	4.2	17.3	26.9	24.6	20.1
Non interest income (%)	(77.2)	96.0	0.4	14.1	14.6
Pre provision operating profit (%)	27.0	18.3	38.4	27.3	23.9
Operating profit (%)	62.3	8.3	23.3	26.0	22.0
Reported net profit (%)	62.4	8.1	23.1	26.3	21.7
Recurring EPS (%)	51.7	(17.7)	23.1	26.3	21.7
Reported EPS (%)	51.7	(17.7)	23.1	26.3	21.7
Income Breakdown					
Net interest income (%)	99.5	99.2	99.4	99.5	99.5
Net fees & commission (%)	0.1	0.3	0.2	0.2	0.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.3	0.5	0.4	0.3	0.3
Operating performance					
Gross interest yield (%)	24.35	23.97	23.20	23.10	22.80
Cost of funds (%)	3.20	2.46	2.95	3.30	3.55
Net interest spread (%)	21.15	21.51	20.25	19.80	19.25
Net interest margin (%)	22.4	22.6	21.7	21.2	20.7
Cost/income(%)	53.1	52.9	48.5	47.3	45.7
Cost/assets(%)	9.9	10.1	10.0	9.8	9.3
Effective tax rate (%)	19.8	19.9	20.0	19.8	20.0
Dividend payout on recurring profit (%)	52.2	40.0	30.0	30.0	30.0
ROE (%)	15.4	12.9	14.5	16.4	17.7
ROE - COE (%)	4.6	2.1	3.7	5.6	6.9
ROA (%)	7.1	6.6	7.0	7.1	7.1
RORWA (%)	-	-	-	-	-
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Saksiam Leasing; FSSIA estimates

Financial Statements

Saksiam Leasing

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	6,497	8,812	11,456	14,319	17,470
Total provisions	(162)	(208)	(359)	(565)	(818)
interest in suspense	72	81	137	172	210
Net customer loans	6,406	8,685	11,234	13,926	16,861
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	1,600	0	0	0	0
Cash & equivalents	307	307	119	307	133
Other interesting assets	-	-	-	-	-
Tangible fixed assets	113	129	148	169	194
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	352	407	384	424	573
Total assets	8,778	9,530	11,885	14,827	17,762
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	4,072	4,354	6,173	8,438	10,554
Non interest bearing liabilities	198	269	282	296	311
Hybrid Capital	-	-	-	-	-
Total liabilities	4,270	4,623	6,455	8,735	10,865
Share capital	2,096	2,096	2,096	2,096	2,096
Reserves	2,412	2,796	3,319	3,980	4,785
Total equity	4,508	4,892	5,415	6,076	6,881
Minority interests	0	15	15	16	16
Total liabilities & equity	8,778	9,530	11,885	14,827	17,762
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	6,598	7,654	10,134	12,887	15,895
Average interest bearing liabilities	4,102	4,213	5,263	7,306	9,496
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	143	191	277	332	415
Per share (THB)					
Book value per share	2.83	2.33	2.58	2.90	3.28
Tangible book value per share	2.83	2.33	2.58	2.90	3.28
Growth					
Gross customer loans	(3.0)	35.6	30.0	25.0	22.0
Average interest earning assets	7.1	16.0	32.4	27.2	23.3
Total asset (%)	22.6	8.6	24.7	24.7	19.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	51.4	51.3	45.6	41.0	38.7
Tangible equity/assets (%)	51.4	51.3	45.6	41.0	38.7
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	48.1	33.2	45.0	20.0	25.0
NPL/gross loans (%)	2.2	2.2	2.4	2.3	2.4
Total provisions/gross loans (%)	2.5	2.4	3.1	3.2	4.7
Total provisions/NPL (%)	113.3	108.9	129.7	170.2	197.1
Valuation					
Recurring P/E (x) *	21.0	25.5	20.7	16.4	13.5
Recurring P/E @ target price (x) *	27.5	33.5	27.2	21.5	17.7
Reported P/E (x)	21.0	25.5	20.7	16.4	13.5
Dividend yield (%)	2.5	1.6	1.4	1.8	2.2
Price/book (x)	2.6	3.2	2.9	2.6	2.3
Price/tangible book (x)	2.6	3.2	2.9	2.6	2.3
Price/tangible book @ target price (x)	3.4	4.2	3.8	3.3	3.0

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

SRISAWAD CORP

SAWAD TB

THAILAND / DIVERSIFIED FINANCIALS

BUY
 UNCHANGED

Loan growth accelerating again

- Expect a soft 2Q22 NP of THB1.0b on high ECL, OPEX.
- Revise down 2022/23/24 net profit forecasts by 8%/9%/10% to reflect the potential rate hikes and high inflation.
- Maintain BUY from the resumption of loan growth trajectory.

Soft 2Q22 net profit from lazy balance sheet in previous quarters

We expect SAWAD to report a lukewarm 2Q22 net profit of THB1,042m (-6% y-y, +1% q-q) for three reasons. First, although we expect its NPLs to drop by 1% q-q from a rise in car seizures, we think its credit cost should rise to 75 bps in 2Q22 from 23 bps in 1Q22 following the strong growth in the riskier motorcycle hire purchase (HP) segment. Second, we expect SAWAD to aggressively resume its growth mode, with strong loan growth of 11% q-q. We expect that its loan volume might increase significantly at the end of 2Q22. SAWAD did not expand its loan volume in the previous quarter. Hence, we think it will still not fully benefit from strong loan growth in this quarter, resulting in slow NII growth. Lastly, we think SAWAD's cost to income should remain at a high level of 40% as it might increase its marketing campaign to boost its loan volume.

Stronger performance expected in 2H22

We think SAWAD's net profit in 2H22 will increase y-y and h-h, driven by strong loan growth. We expect the company to continue to expand its loan volume aggressively in 2H22. We think SAWAD will gain more market share in motorcycle title loans. Also, we believe SAWAD will fully benefit from robust loan growth which we project at 18% 6MTD.

Net impact from rate hikes and high inflation

Rate hikes and high inflation should impact SAWAD in four key areas, including one positive – stronger loan growth – and three negatives: slower insurance fees, an intensified NIM squeeze and a higher asset deterioration rate (details in report). All in all, we see a net negative impact on SAK's performance and lower our net profit forecasts for 2022/23/24 by 8%/9%/10%.

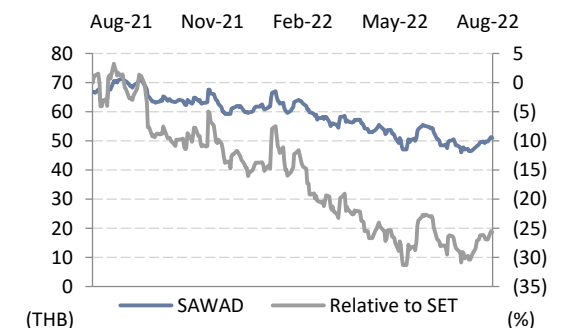
Maintain BUY at 2023 GGM-based TP of THB62

We roll forward our valuation to 2023 and derive a TP of THB62, down from our 2022 TP of THB68. We maintain our BUY call. After two years of lazy balance sheets, SAWAD has become more active in its loan expansion, especially in the motorcycle HP business. Thus, we expect its normalised profit to resume growing noticeably in 2023 at 19% y-y, up from zero growth in 2022E. But, we prefer MTC to SAWAD as there is still uncertainty from the potential motorcycle HP rate cap. We think if the rate cap is below 28%, there would be a downside risk to its earnings.

TARGET PRICE	THB62.00
CLOSE	THB51.00
UP/DOWNSIDE	+21.6%
PRIOR TP	THB68.00
CHANGE IN TP	-8.8%
TP vs CONSENSUS	-5.2%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	6,241	5,779	6,833	7,810
Net profit	4,722	4,580	5,465	6,215
EPS (THB)	3.48	3.37	4.03	4.69
vs Consensus (%)	-	(2.6)	(0.8)	0.0
Core net profit	4,544	4,580	5,465	6,215
Core EPS (THB)	3.35	3.37	4.03	4.69
Chg. In EPS est. (%)	-	(8.4)	(9.3)	(9.8)
EPS growth (%)	0.8	0.8	19.3	16.5
Core P/E (x)	15.2	15.1	12.7	10.9
Dividend yield (%)	3.4	3.3	3.9	0.5
Price/book (x)	2.8	2.6	2.3	1.9
ROE (%)	19.4	17.8	19.4	19.1
ROA (%)	9.5	8.8	9.2	9.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.2	(5.1)	(20.0)
Relative to country (%)	4.1	(1.3)	(22.4)
Mkt cap (USD m)	1,940		
3m avg. daily turnover (USD m)	10.6		
Free float (%)	66		
Major shareholder	Kaewbootta Family (34%)		
12m high/low (THB)	72.75/45.50		
Issued shares (m)	1,373		

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumphai

yuvanart.suw@fssia.com
+66 2611 3554

Investment thesis

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

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

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

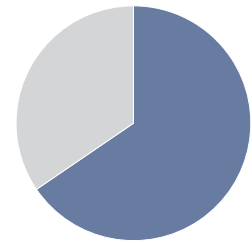
Company profile

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

www.meebaanmeerod.com

Principal activities (revenue, 2021)

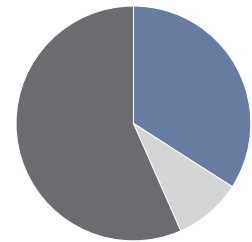
- Net interest income - 65.5 %
- Non-interest income - 34.5 %



Source: Srisawad Corp

Major shareholders

- Kaewbootta Family - 34.1 %
- Thai NVDR - 9.3 %
- Others - 56.6 %



Source: Srisawad Corp

Catalysts

Potential share price catalysts for SAWAD include:

- Strong loan growth, especially in the motorcycle hire purchase segment;
- The success of its home appliance hire purchase business.

Risks to our call

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

Event calendar

Date	Event
15 August 2022	2Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	4,580	5,465	6,215
Net profit growth	(3.0)	19.3	13.7
NIM	18.12	18.21	18.32
Loan growth	23.0	20.0	18.0
Non-NII growth	2.4	6.0	6.0
Credit cost (bp)	90	120	150
Cost to income	39.3	37.3	36.6

Source: FSSIA estimates

Earnings sensitivity

		2022E		
Loan growth	±2ppt	21.0	23.0	25.0
% change in net profit		(1.0)	-	1.0
NIM (%)	±5bp	18.07	18.12	18.17
% change in net profit		(0.5)	-	0.5
Credit cost (bp)	±10bp	80.0	90.0	100.0
% change in net profit		(0.6)	-	0.6

Source: FSSIA estimates

Soft 2Q22E net profit from lazy balance sheet in previous quarters

We expect SAWAD to report a lukewarm 2Q22 net profit of THB1,042m (-6% y-y, +1% q-q) due to three reasons. First, although we expect its non-performing loans (NPLs) to drop by 1% q-q from a rise in car seizures, we think its credit cost should rise to 75 bps in 2Q22 from 23 bps in 1Q22 following the strong growth in the riskier motorcycle HP segment. Second, we expect SAWAD to aggressively resume its growth mode, with the strongest expected loan growth among auto title lenders at 11% q-q – especially for motorcycle HP. We expect that its loan volume might increase significantly at the end of 2Q22. Also, SAWAD did not expand its loan volume in the previous quarter. Therefore, we think SAWAD will still not fully benefit from strong loan growth in this quarter, resulting in slow NII growth. Lastly, we think SAWAD's cost to income should remain at a high level of 40% as it might increase its marketing campaign to boost its loan volume.

2Q22E key highlights

- SAWAD's total loan volume should rise strongly by 11% q-q. Motorcycle HP lending should be the key driver, in our view. Car and land title loans might also increase slightly, we think.
- Amid the rising NPL trend among auto title lenders, SAWAD's NPLs might minimally drop 1% q-q, implying an NPL ratio of 3.0% in 2Q22 from 3.4% in 1Q22.
- Fast Money (JV between SAWAD and the Government Savings Bank) should contribute a slightly green bottom line of THB2m from a loss of THB6m in 1Q22 from lower marketing costs.

Exhibit 44: SAWAD – 2Q22 results preview

Year-end Dec 31	2Q21	1Q22	2Q22E	---- Change ----		----- 1H22E -----			2022E	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%22E	(THB m)	(y-y %)	
Net interest income	1,415	1,560	1,602	13	3	3,162	2	46	6,804	12	
Non-interest income	831	794	764	(8)	(4)	1,558	3	48	3,273	2	
Operating income	2,246	2,354	2,366	5	1	4,720	2	47	10,076	9	
Operating expenses	793	991	952	20	(4)	1,942	14	49	3,960	14	
PPOP before tax	1,453	1,363	1,415	(3)	4	2,778	(4)	45	6,116	6	
Provision	(48)	20	71	n/a	255	91	(141)	27	338	n/a	
Income tax	315	219	268	(15)	22	487	(30)	44	1,098	(19)	
Minority interest	84	82	35	(58)	(57)	117			112	(65)	
Normalised profit	1,106	1,036	1,042	(6)	1	2,078	(9)	45	4,580	1	
Extraordinary items	0	0	0			0			0		
Net profit	1,106	1,036	1,042	(6)	1	2,078	(16)	45	4,580	(3)	
EPS (THB)	0.81	0.75	0.76	(6)	1	1.51	(16)	45	3.37	(3)	
Asset quality ratio											
Gross NPLs (THB m)	1,532	1,207	1,195	(22)	(1)				1,473	18	
NPL ratios (%)	4.70	3.37	3.00						3.56		
LLR/NPLs (%)	69	58	60						64		
Credit cost (bp)	(59)	23	75						90		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	35.3	42.1	40.2						39.3		
Average yield	20.1	19.9	18.8						20.1		
Cost of funds	3.5	3.5	3.6						3.6		
Net interest margin (NIM)	17.5	17.9	16.9						18.1		
Non-int inc/total income	37.0	33.7	32.3						38.5		
Loan growth	(%)	(%)	(%)						(%)		
y-y	(15.4)	12.1	22.2						23.0		
q-q	1.8	6.5	11.0								

Source: SAWAD; FSSIA estimates

Net impact from rate hikes and high inflation

Rate hikes and high inflation should impact SAWAD in four key areas, including one positive – stronger loan growth – and three negatives: slower insurance fees, an intensified NIM squeeze and a higher asset deterioration rate.

1) Stronger loan growth. We expect stronger loan demand for SAWAD as its clients will likely borrow more to maintain their lifestyles and operate their businesses in a highly inflationary environment. On top of that, SAWAD is resuming its growth trajectory faster than expected. Therefore, we increase our loan growth assumptions in 2022/23 to 23%/20% y-y from 18%/18% y-y.

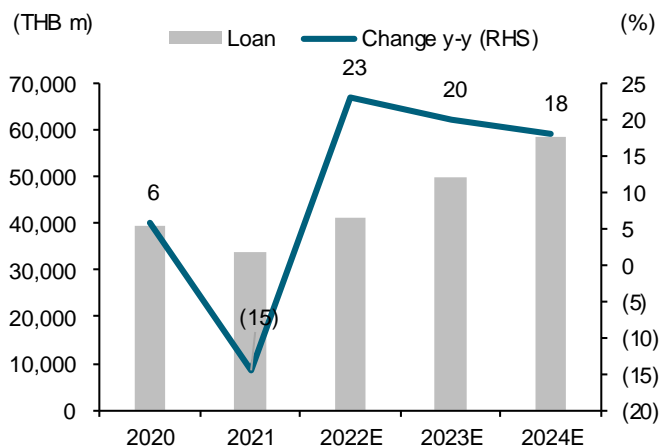
2) Slower insurance fee income. We lower our non-NII estimates by 8%/12%/14% in 2022/23/24 due to lower expected insurance income. High inflation may cause customers to switch from first-class insurance to second-class insurance, in our view.

3) Greater NIM squeeze. We expect SAWAD's NIM to narrow as its cost of funds should increase along with the rise in the M-rate of banks, while its loan yields are fixed rate. Thus, we increase our cost of fund assumptions in 2023/24 to 3.75%/3.85% from 3.55%/3.60%.

4) Higher asset deterioration rate. We increase our credit cost assumptions in 2022/23/24 to 90/120/150 bps from 65/80/110 bps due to a higher asset deterioration rate from the high inflation environment and stronger-than-expected motorcycle HP expansion.

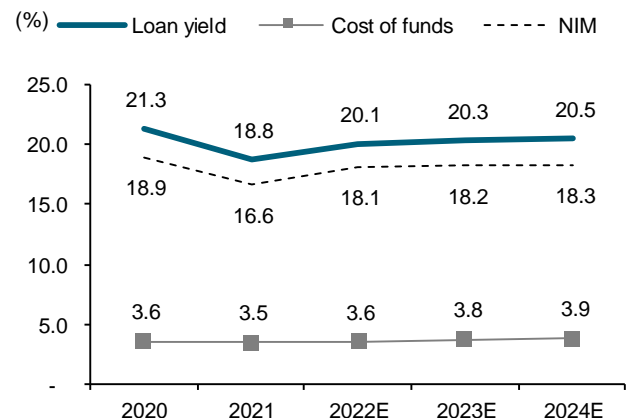
All in all, we see a net negative impact on SAWAD's performance. Therefore, we lower our net profit forecasts for 2022/23/24 by 8%/9%/10%.

Exhibit 45: Loan growth (y-y%)



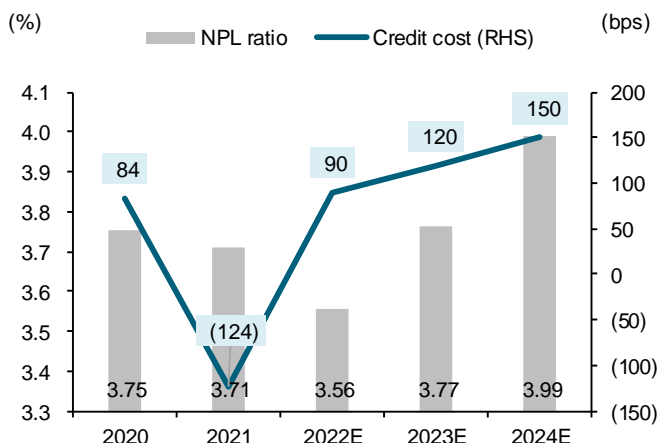
Source: FSSIA estimates

Exhibit 46: NIM, loan yield, and cost of funds



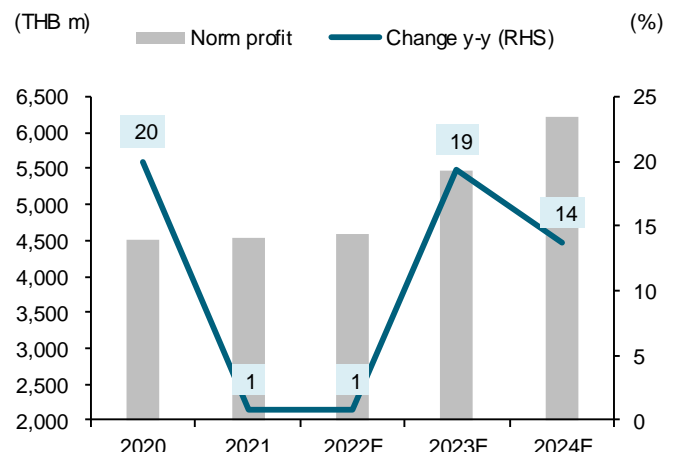
Source: FSSIA estimates

Exhibit 47: NPL ratio (%) and credit cost (bps)



Source: FSSIA estimates

Exhibit 48: Norm profit growth (y-y%)



Source: FSSIA estimates

Earnings and target price revisions

We lower our net profit forecasts for 2022/23/24 by 8%/9%/10% to mainly reflect a rise in cost of funds, lower insurance fees, and an increase in its ECL from rate hikes and high inflation.

To recap, FSSIA believes the Bank of Thailand (BoT)'s upcoming MPC meeting on 10 Aug-22 is likely to result in a hike in its policy rate by 0.25%, followed by another 0.25% hike in Nov-22, with the aim of proactively reining in consumer inflation expectations, given the rising prices of energy, electricity, and food despite the potential for collateral damage in the form of lower GDP in 2022-23. Then in 2023, we expect the BoT to hike its rate by 0.25% twice, likely in 1H23, in order to curb inflation and – mostly importantly – crush higher consumer inflation expectations. Note that we forecast banks to increase their M-rate to only 50% of the policy rate hike vs the normal rate of 60-70% due to the slow economic recovery.

Exhibit 49: Changes in key assumptions

	2022E				2023E			2024E		
	2021	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	6,065	6,701	6,804	1.5	8,052	8,297	3.0	9,637	9,922	3.0
Non-interest income	3,198	3,562	3,273	(8.1)	3,953	3,469	(12.2)	4,269	3,677	(13.9)
Operating income	9,262	10,263	10,076	(1.8)	12,005	11,766	(2.0)	13,905	13,599	(2.2)
Operating expenses	3,476	3,728	3,960	6.2	4,130	4,387	6.2	4,684	4,976	6.2
PPOP before tax	5,786	6,535	6,116	(6.4)	7,875	7,379	(6.3)	9,221	8,623	(6.5)
Expected credit loss (Reversal)	(455)	239	338	41.6	346	547	57.8	562	813	44.6
Tax expenses	1,352	1,196	1,098	(8.2)	1,461	1,326	(9.2)	1,732	1,562	(9.8)
Minority interest	316	112	112	0.0	112	112	0.0	112	112	0.0
Normalised profit	4,544	5,000	4,580	(8.4)	6,026	5,465	(9.3)	6,894	6,215	(9.8)
Extraordinary items	178	0	-		0	-		-	-	
Net profit	4,722	5,000	4,580	(8.4)	6,026	5,465	(9.3)	6,894	6,215	(9.8)
EPS (THB)	3.48	3.68	3.37	(8.4)	4.4	4.03	(9.3)	5.20	4.69	(9.8)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	1,249	1,473	1,473	0.0	1,842	1,871	1.6	2,302	2,339	1.6
Gross NPLs / Loans (%)	3.7	3.7	3.6		3.9	3.8		4.16	3.99	
Loan loss reserve/NPLs (%)	59	66	64		64.1	72		68	85	
Credit cost (bps)	(124)	65	90		80	120		110	150	
Profitability ratio (%)										
Cost to income ratio	37.5	36.3	39.3		34.4	37.3		33.7	36.6	
Average yield	18.75	20.10	20.10		20.30	20.30		20.50	20.50	
Cost of funds	3.51	3.55	3.55		3.55	3.75		3.60	3.85	
Net interest margin (NIM)	16.59	18.16	18.12		18.35	18.21		18.50	18.32	
Loan growth (%)										
y-y	(14.7)	18.0	23.0		18.0	20.0		18.0	18.0	

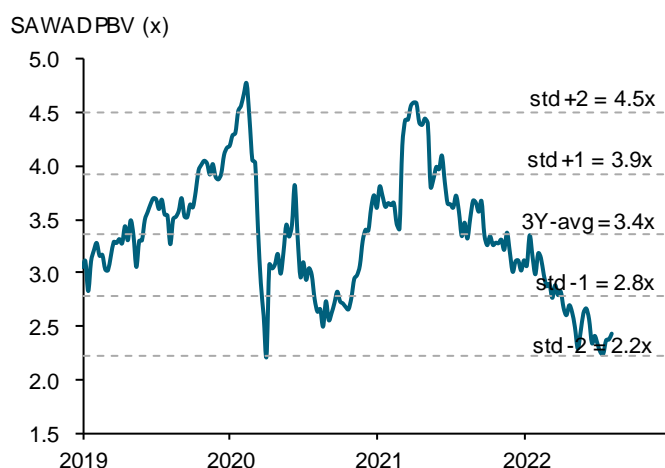
Sources: SAWAD; FSSIA estimates

We roll forward our valuation to 2023 and derive a new TP of THB62, down from our 2022 TP of THB68, as we believe the company should be negatively impacted by the rate hikes and high inflation. Our TP implies 0.8x 2023E PEG and 2.8x 2023E P/BV, 1.0 STD below its four-year average. We maintain our BUY rating.

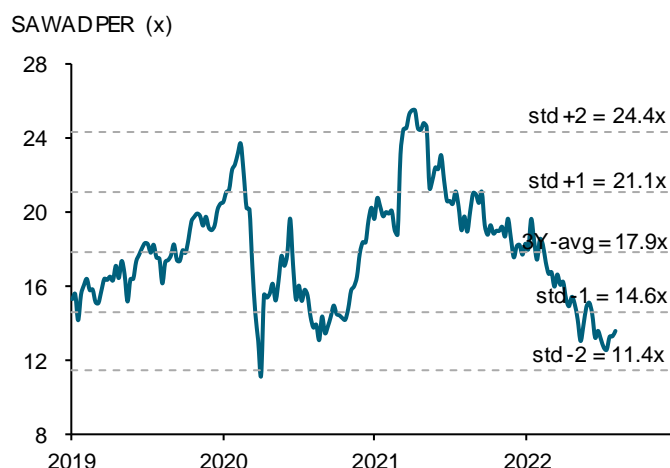
Exhibit 50: SAWAD – GGM-derived target price

Target price (THB)	62 (from 68)
Recommendation	BUY (Unchanged)
Risk-free rate (%)	3 (Unchanged)
Market risk premium (%)	8 (Unchanged)
Cost to equity (%)	11.6 (Unchanged)
Terminal growth (%)	7.4 (from 7.6)
ROE target (%)	19.2 (from 20)
Targeted P/BV (x)	2.8x (from 3.4)

Source: FSSIA estimates

Exhibit 51: SAWAD – prospective P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 52: SAWAD – prospective P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 53: Diversified financial companies under coverage – summary of key valuations

	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						20,743	12.9	20.0	23.3	18.9	16.0	16.4	3.2	2.8
Unsecured-loan lender						5,340	13.0	7.3	18.9	17.6	23.1	21.6	4.2	3.6
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	175.50	188.00	7	1,215	19.0	7.0	10.4	9.7	19.8	18.5	1.9	1.7
Krungthai Card	KTC TB	HOLD	57.75	60.00	4	4,125	11.2	7.4	21.4	19.9	24.1	22.5	4.8	4.2
Auto-title lender						7,239	10.4	20.5	17.6	14.6	18.1	19.1	3.0	2.6
Muangthai Capital	MTC TB	BUY	48.75	60.00	23	2,863	14.3	23.0	18.3	14.9	20.7	21.3	3.5	2.9
Srisawad Corp	SAWAD TB	BUY	51.00	62.00	22	1,940	0.8	19.3	15.1	12.7	17.8	19.4	2.6	2.3
Saksiam Leasing	SAK TB	BUY	7.40	9.70	31	430	23.1	26.3	20.7	16.4	14.5	16.4	2.9	2.6
Ngern Tid Lor	TIDLOR TB	BUY	29.00	37.00	28	2,006	11.4	16.9	18.5	15.8	15.6	16.3	2.8	2.4
Truck lender						1,814	0.8	26.6	25.5	19.6	10.4	12.0	2.2	2.1
Micro Leasing	MICRO TB	HOLD	5.25	5.50	5	136	0.4	39.0	26.1	18.8	9.3	11.9	2.4	2.1
Singer Thailand	SINGER TB	BUY	45.00	59.00	31	1,022	(4.1)	35.2	33.5	24.8	7.2	9.4	2.4	2.3
Ratchthani Leasing	THANI TB	BUY	4.18	4.80	15	656	8.6	10.6	12.8	11.5	15.5	16.0	1.9	1.8
Asset management						5,065	23.2	33.7	39.2	28.8	9.5	10.9	3.6	3.1
Bangkok Commercial Asset Mngt.	BAM TB	BUY	17.20	25.50	48	1,540	23.2	26.6	17.4	13.7	7.5	8.6	1.3	1.1
Chayo Group	CHAYO TB	BUY	10.80	16.60	54	319	96.6	(14.9)	24.1	28.4	15.5	8.9	3.0	2.2
JMT Network Services	JMT TB	BUY	76.50	92.00	20	3,092	16.4	41.5	51.0	36.0	10.0	12.3	4.7	4.1
Knight Club Capital Asset Mngt.	KCC TB	BUY	6.65	5.10	(23)	114	3.0	51.5	56.6	37.4	7.9	8.6	3.5	3.0
Other						1,111	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	1,111	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Hire purchase motorcycle						174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1
Next Capital	NCAP TB	HOLD	4.66	7.60	63	174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1

*KTC, MICRO, SINGER, and THANI's target prices are 2023 GGM-based
Share prices as of 2 Aug 2022; Sources: Bloomberg; FSSIA estimates

Financial Statements

Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	8,166	6,855	7,546	9,247	11,104
Interest expense	(903)	(791)	(742)	(950)	(1,182)
Net interest income	7,263	6,065	6,804	8,297	9,922
Net fees & commission	1,315	1,516	1,592	1,687	1,789
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	2	1	0	0	0
Other income	1,510	1,681	1,681	1,782	1,889
Non interest income	2,827	3,198	3,273	3,469	3,677
Total income	10,090	9,262	10,076	11,766	13,599
Staff costs	(1,869)	(1,479)	(1,774)	(1,952)	(2,225)
Other operating costs	(1,918)	(1,997)	(2,186)	(2,435)	(2,751)
Operating costs	(3,787)	(3,476)	(3,960)	(4,387)	(4,976)
Pre provision operating profit	6,304	5,786	6,116	7,379	8,623
Provision for bad and doubtful debt	(321)	455	(338)	(547)	(813)
Other provisions	-	-	-	-	-
Operating profit	5,983	6,241	5,779	6,833	7,810
Recurring non operating income	0	(29)	11	69	78
Associates	0	(29)	11	69	78
Goodwill amortization	-	-	-	-	-
Non recurring items	0	178	0	0	0
Profit before tax	5,983	6,390	5,790	6,902	7,889
Tax	(1,192)	(1,352)	(1,098)	(1,326)	(1,562)
Profit after tax	4,791	5,038	4,692	5,576	6,327
Minority interests	(283)	(316)	(112)	(112)	(112)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,508	4,722	4,580	5,465	6,215
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,508	4,544	4,580	5,465	6,215
Per share (THB)					
Recurring EPS *	3.32	3.35	3.37	4.03	4.69
Reported EPS	3.32	3.48	3.37	4.03	4.69
DPS	1.80	1.74	1.69	2.01	0.23
Growth					
Net interest income (%)	13.3	(16.5)	12.2	21.9	19.6
Non interest income (%)	10.7	13.1	2.4	6.0	6.0
Pre provision operating profit (%)	16.0	(8.2)	5.7	20.7	16.8
Operating profit (%)	22.6	4.3	(7.4)	18.2	14.3
Reported net profit (%)	20.0	4.7	(3.0)	19.3	13.7
Recurring EPS (%)	17.2	0.8	0.8	19.3	16.5
Reported EPS (%)	14.5	4.7	(3.0)	19.3	16.5
Income Breakdown					
Net interest income (%)	72.0	65.5	67.5	70.5	73.0
Net fees & commission (%)	13.0	16.4	15.8	14.3	13.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.0	0.0	-	-	-
Other income (%)	15.0	18.1	16.7	15.1	13.9
Operating performance					
Gross interest yield (%)	21.28	18.75	20.10	20.30	20.50
Cost of funds (%)	3.62	3.51	3.55	3.75	3.85
Net interest spread (%)	17.66	15.24	16.55	16.55	16.65
Net interest margin (%)	18.9	16.6	18.1	18.2	18.3
Cost/income(%)	37.5	37.5	39.3	37.3	36.6
Cost/assets(%)	7.8	6.8	7.5	7.3	7.1
Effective tax rate (%)	19.9	21.2	19.0	19.2	19.8
Dividend payout on recurring profit (%)	54.2	52.0	50.0	50.0	5.0
ROE (%)	22.3	19.4	17.8	19.4	19.1
ROE - COE (%)	11.5	8.6	7.0	8.6	8.3
ROA (%)	9.8	9.5	8.8	9.2	9.0
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Financial Statements

Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	39,450	33,668	41,412	49,694	58,639
Total provisions	(1,312)	(736)	(949)	(1,347)	(1,983)
interest in suspense	206	386	207	248	293
Net customer loans	38,344	33,318	40,670	48,596	56,949
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,838	2,689	746	338	1,695
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,306	1,334	1,367	1,408	1,456
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	10,519	12,626	13,482	14,287	16,083
Total assets	52,007	49,967	56,265	64,629	76,184
Customer deposits	5,234	170	170	170	178
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	20,731	18,967	22,494	27,857	33,219
Non interest bearing liabilities	1,972	3,855	4,433	4,655	4,888
Hybrid Capital	-	-	-	-	-
Total liabilities	27,937	22,992	27,097	32,682	38,285
Share capital	1,373	1,373	1,373	1,373	1,373
Reserves	20,712	23,325	25,472	28,204	34,109
Total equity	22,085	24,698	26,845	29,578	35,482
Minority interests	1,985	2,277	2,323	2,369	2,417
Total liabilities & equity	52,007	49,967	56,265	64,629	76,184
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	38,372	36,559	37,540	45,553	54,167
Average interest bearing liabilities	24,916	22,551	20,900	25,345	30,712
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	1,480	1,249	1,473	1,871	2,339
Per share (THB)					
Book value per share	16.27	18.19	19.78	21.79	26.77
Tangible book value per share	16.27	18.19	19.78	21.79	26.77
Growth					
Gross customer loans	5.8	(14.7)	23.0	20.0	18.0
Average interest earning assets	13.1	(4.7)	2.7	21.3	18.9
Total asset (%)	14.4	(3.9)	12.6	14.9	17.9
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(17.6)	(96.8)	-	-	5.0
Leverage & capital measures					
Customer loan/deposits (%)	732.6	19,610.5	23,937.4	28,602.7	31,923.0
Equity/assets (%)	42.5	49.4	47.7	45.8	46.6
Tangible equity/assets (%)	42.5	49.4	47.7	45.8	46.6
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	3.6	(15.6)	18.0	27.0	25.0
NPL/gross loans (%)	3.8	3.7	3.6	3.8	4.0
Total provisions/gross loans (%)	3.3	2.2	2.3	2.3	3.4
Total provisions/NPL (%)	88.7	58.9	64.4	72.0	84.8
Valuation					
Recurring P/E (x) *	15.4	15.2	15.1	12.7	10.9
Recurring P/E @ target price (x) *	18.7	18.5	18.4	15.4	13.2
Reported P/E (x)	15.4	14.7	15.1	12.7	10.9
Dividend yield (%)	3.5	3.4	3.3	3.9	0.5
Price/book (x)	3.1	2.8	2.6	2.3	1.9
Price/tangible book (x)	3.1	2.8	2.6	2.3	1.9
Price/tangible book @ target price (x)	3.8	3.4	3.1	2.8	2.3

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

NGERN TID LOR TIDLOR TB

THAILAND / DIVERSIFIED FINANCIALS

BUY
 UNCHANGED

As good as it could be

- Expect a solid 2Q22 NP of THB954m on strong top-line growth.
- Revise down 2022/23/24 net profit forecasts by 2%/2%/4% to reflect the potential rate hikes and high inflation.
- Maintain BUY on its innovative products and strong asset quality.

Strong top line should drive 2Q22 performance

We expect TIDLOR to post a 2Q22 net profit of THB954m (+23% y-y, +1% q-q), driven by 1) strong loan growth of 25% y-y and 5% q-q following ample demand from the resumption of business activity and high inflation; and 2) an increase in its insurance brokerage fee income y-y. Strong revenue growth should offset a rise in its ECL following an increase in NPLs and its conservative strategy; setting special provisions to provide a cushion against future uncertainties. We expect NPLs to rise moderately by 12% q-q in 2Q22, thanks to the end of the forbearance program. However, we have little concern about asset quality due to its sufficient provisions, with an expected coverage ratio at 296% in 2Q22.

Expect 2H22 net profit to rise y-y, but be relatively be stable h-h

In 2H22, we expect TIDLOR's net profit to increase y-y, driven by 1) a rise in its loan volume from ample loan demand; and 2) an increase in insurance fee income from the low base due to Covid last year. However, net profit might drop h-h from a rise in seasonal OPEX and a higher provisioning setup. Due to the slow economic recovery and high inflation, we believe TIDLOR will implement a conservative policy to set extra ECL.

Slight impact from rate hikes and high inflation

Rate hikes and high inflation should impact TIDLOR in four key areas, including one positive – stronger loan growth – and three negatives: slower insurance fees, an intensified NIM squeeze and a higher asset deterioration rate (details in report). All in all, we think TIDLOR should be able to manage its cost of funds better than its peers due to its upgraded credit rating. We see a slightly negative impact on TIDLOR's performance, and hence cut our 2022/23/24E net profit by 2%/2%/4%.

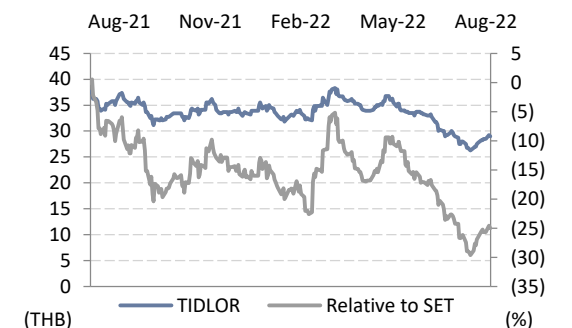
Maintain BUY at 2023 GGM-based TP of THB37

We roll forward our valuation to 2023 and derive a new GGM-based TP of THB37, down from our 2022 TP of THB43. We maintain our BUY call on TIDLOR due to 1) its stringent asset quality control and highest coverage ratio among auto title lenders; 2) its strong insurance brokerage business; and 3) its strategy to not engage in price wars but instead use unique product strategies, e.g. TIDLOR cash card, to take on competitors. However, we prefer MTC to TIDLOR as TIDLOR has a more expensive valuation at its current 2023E PEG of 0.74x vs 0.64x for MTC.

TARGET PRICE	THB37.00
CLOSE	THB29.00
UP/DOWNSIDE	+27.6%
PRIOR TP	THB43.00
CHANGE IN TP	-14.0%
TP vs CONSENSUS	-12.1%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	3,953	4,768	5,734	6,694
Net profit	3,169	3,785	4,587	5,355
EPS (THB)	1.41	1.57	1.84	2.14
vs Consensus (%)	-	(1.1)	(5.3)	(7.5)
Core net profit	3,169	3,785	4,587	5,355
Core EPS (THB)	1.41	1.57	1.84	2.14
Chg. In EPS est. (%)	-	(2.4)	(1.7)	(3.7)
EPS growth (%)	22.9	11.4	16.9	16.7
Core P/E (x)	20.6	18.5	15.8	13.5
Dividend yield (%)	1.0	1.1	1.3	1.1
Price/book (x)	2.9	2.8	2.4	2.1
ROE (%)	18.6	15.6	16.3	16.6
ROA (%)	5.3	5.2	5.3	5.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(21.1)	(19.9)
Relative to country (%)	(1.0)	(18.0)	(22.4)
Mkt cap (USD m)	2,006		
3m avg. daily turnover (USD m)	11.8		
Free float (%)	21		
Major shareholder	Bank of Ayudhya (30%)		
12m high/low (THB)	38.54/26.00		
Issued shares (m)	2,319		

Sources: Bloomberg consensus; FSSIA estimates



Yuvarat Suwanumchai

yuvarat.suw@fssia.com
+66 2611 3554

Investment thesis

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

We maintain BUY on TIDLOR due to 1) its stringent asset quality control and highest coverage ratio among auto title lenders; 2) its strong insurance brokerage business; and 3) its strategy to not engage in price wars but instead use unique product strategies, e.g. TIDLOR cash card, to take on competitors.

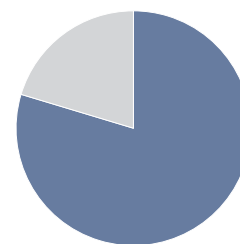
Company profile

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

www.ngerntidlor.com

Principal activities (revenue, 2021)

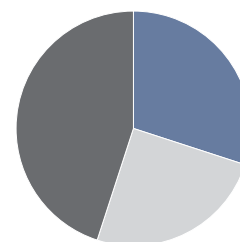
- Net interest income - 79.7 %
- Non-interest income - 20.3 %



Source: Ngern Tid Lor

Major shareholders

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



Source: Ngern Tid Lor

Catalysts

Potential share price catalysts for TIDLOR include:

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

Risks to our call

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

Event calendar

Date	Event
10 August 2022	2Q22 results announcement

Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	3,785	4,587	5,355
Net profit growth	19.4	21.2	16.7
NIM	15.96	15.57	15.51
Loan growth	23.0	18.0	18.0
Non-NII growth	9.9	14.9	12.9
Credit cost (bp)	105	95	100
Cost to income	58.5	57.8	57.4

Source: FSSIA estimates

Earnings sensitivity

		2022E		
Loan growth	±2ppt	21.0	23.0	25.0
% change in net profit		(2.1)	-	2.1
NIM (%)	±5bp	15.91	15.96	16.01
% change in net profit		(0.8)	-	0.8
Credit cost (bp)	±10bp	95	105	115
% change in net profit		1.3	-	(1.3)

Source: FSSIA estimates

Strong top line should drive 2Q22 performance

We expect TIDLOR to post a 2Q22 net profit of THB954m (+23% y-y, +1% q-q). The solid net profit should be driven by 1) strong loan growth of 25% y-y and 5% q-q following ample demand from the resumption of business activity and high inflation; and 2) an increase in its insurance brokerage fee income y-y (dropping q-q due to seasonality). Strong revenue growth should offset a rise in TIDLOR's expected credit loss (ECL) following an increase in non-performing loans (NPLs) and its conservative strategy; setting special provisions to provide a cushion against future uncertainties. We expect NPLs to rise moderately by 12% q-q in 2Q22, implying an NPL ratio of 1.4% from 1.3% in 1Q22, thanks to the end of the forbearance program. However, we have little concern about asset quality due to its stringent credit underwriting and sufficient provisions. We expect that TIDLOR should still have a high coverage ratio at 296% in 2Q22.

2Q22E highlights

- We expect NII to increase 25% y-y and 6% q-q following a rise in its loan volume and a stable q-q NIM at 16%.
- Cost to income ratio should remain stable q-q at 57% from better cost control.

Exhibit 54: TIDLOR – 2Q22 results preview

Year-end Dec 31	2Q21	1Q22	2Q22E	---- Change ----		----- 1H22E -----			2022E	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%22E	(THB m)	(y-y %)	
Net interest income	2,113	2,496	2,641	25	6	5,137	24	48	10,738	23	
Non-interest income	506	596	556	10	(7)	1,151	9	47	2,443	10	
Operating income	2,619	3,092	3,197	22	3	6,288	21	48	13,181	21	
Operating expenses	1,519	1,779	1,823	20	2	3,601	16	47	7,707	18	
PPOP before tax	1,100	1,313	1,374	25	5	2,687	28	49	5,475	25	
Provision	130	140	182	40	30	322	111	46	706	71	
Income tax	192	233	238	24	2	471	21	48	983	25	
Minority interest	0	0	0			0			0		
Normalised profit	777	940	954	23	1	1,894	21	50	3,785	19	
Extraordinary items	0	0	0			0			0		
Net profit	777	940	954	23	1	1,894	21	50	3,785	19	
EPS (THB)	0.34	0.41	0.41	23	1	0.82	16	52	1.57	11	
Asset quality ratio											
Gross NPLs (THB m)	853	823	922	8	12				930	27	
NPL ratios (%)	1.57	1.28	1.36						1.25		
LLR/NPLs (%)	306	317	296						293		
Credit cost (bp)	97	90	110						105		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	58.0	57.5	57.0						58.5		
Average yield	18.04	17.71	17.70						17.8		
Cost of fund	2.90	2.43	2.46						2.7		
Net interest margin (NIM)	15.80	15.99	15.97						16.0		
Non-int inc/total income	19.31	19.26	17.39						18.5		
Loan growth	(%)	(%)	(%)						(%)		
y-y	17.3	22.3	25.0						23.0		
q-q	2.7	7.0	5.0								

Source: TIDLOR; FSSIA estimates

Slight impact from rate hikes and high inflation

Rate hikes and high inflation should impact TIDLOR in four key areas, including one positive – stronger loan growth – and three negatives: slower insurance fees, an intensified NIM squeeze and a higher asset deterioration rate.

1) Stronger loan growth. We expect stronger loan demand for TIDLOR as its clients will likely borrow more to maintain their lifestyles and operate their businesses in a highly inflationary environment. On top of that, we think its promotional campaign for truck title loans and its new product – TIDLOR cash card for car title loans – are working well. Thus, we increase our loan growth assumption in 2022 to 23% y-y from 18% y-y.

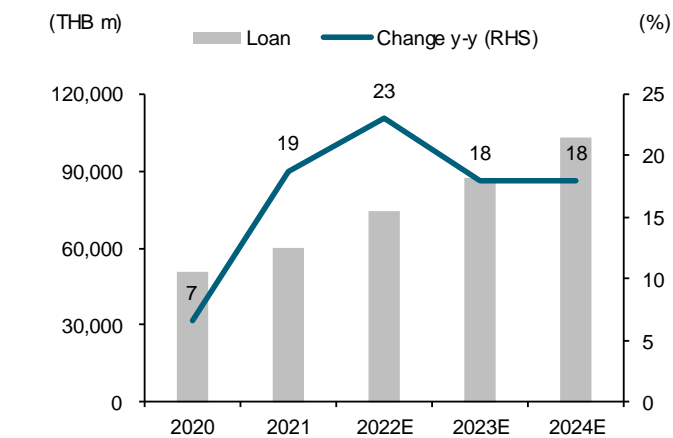
2) Slower insurance fee income. We lower our non-NII estimates by 3%/6%/11% in 2022/23/24 due to the expectation of lower insurance income. High inflation may cause customers to switch from first-class insurance to second-class insurance, in our view.

3) Greater NIM squeeze. We expect TIDLOR's NIM to narrow as cost of funds should increase along with the rise in the M-rate of banks, while its loan yields are fixed rate. But, we believe TIDLOR will be the least impacted compared to its peers due to its upgraded company rating by Thai Rating and Information Services (TRIS) from A- to A in May 2021. Thus, we only slightly increase our cost of fund assumptions in 2023/24 to 2.9%/3.0% from 2.75%/2.8%.

4) Higher asset deterioration rate. We increase our credit cost assumptions in 2022/23/24 to 105/95/100 bps from 80/80/80 bps as we expect a higher asset deterioration rate from the high inflation environment. We think TIDLOR will conservatively set aside extra provisions to provide a cushion against future uncertainties.

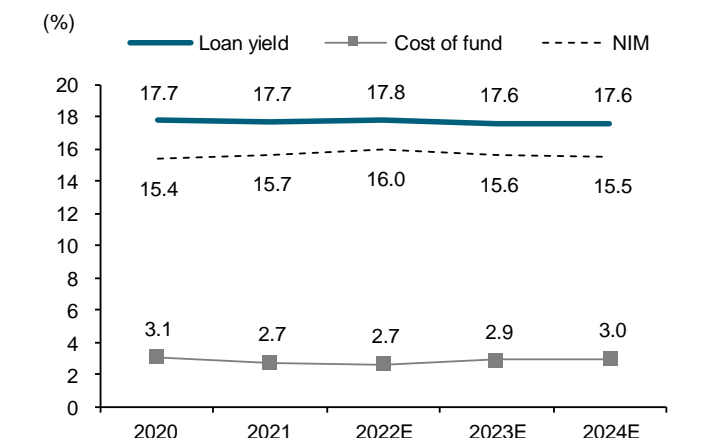
All in all, we see a slightly negative impact on TIDLOR's performance. Therefore, we lower our net profit forecasts for 2022/23/24 by 2%/2%/4%.

Exhibit 55: Loan growth (y-y%)



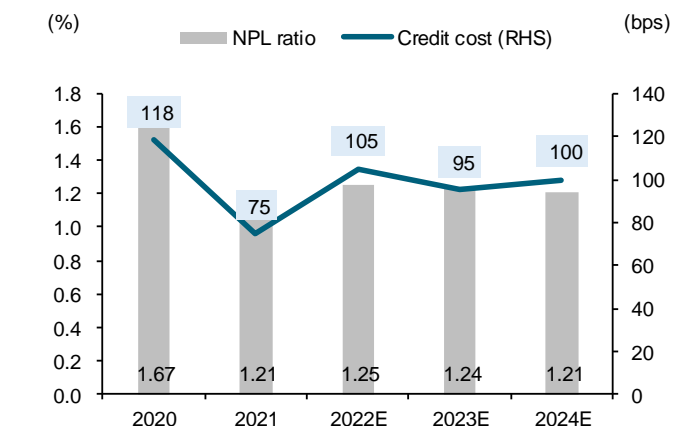
Source: FSSIA estimates

Exhibit 56: NIM, loan yield, and cost of funds



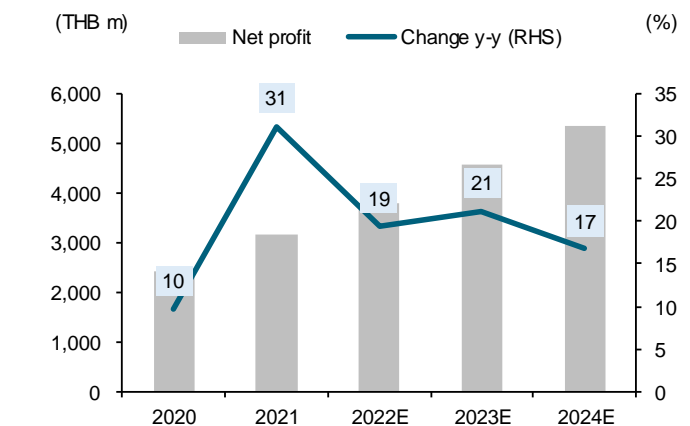
Source: FSSIA estimates

Exhibit 57: NPL ratio (%) and credit cost (bps)



Source: FSSIA estimates

Exhibit 58: Net profit growth (y-y%)



Source: FSSIA estimates

Earnings and target price revisions

We lower our net profit forecasts for 2022/23/24 by 2%/2%/4% to mainly reflect a rise in cost of funds, lower insurance fees, and an increase in its ECL from rate hikes and high inflation.

To recap, FSSIA believes the Bank of Thailand (BoT)'s upcoming MPC meeting on 10 Aug-22 is likely to result in a hike in its policy rate by 0.25%, followed by another 0.25% hike in Nov-22, with the aim of proactively reining in consumer inflation expectations, given the rising prices of energy, electricity, and food despite the potential for collateral damage in the form of lower GDP in 2022-23. Then in 2023, we expect the BoT to hike its rate by 0.25% twice, likely in 1H23, in order to curb inflation and – mostly importantly – crush higher consumer inflation expectations. Note that we forecast banks to increase their M-rate to only 50% of the policy rate hike vs the normal rate of 60-70% due to the slow economic recovery.

Exhibit 59: Key changes in assumptions

	2022E				2023E			2024E		
	2021	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	8,704	10,380	10,738	3.4	12,131	12,597	3.8	14,101	14,804	5.0
Non-interest income	2,222	2,509	2,443	(2.6)	2,982	2,807	(5.9)	3,545	3,170	(10.6)
Operating income	10,926	12,889	13,181	2.3	15,113	15,404	1.9	17,646	17,974	1.9
Operating expenses	6,559	7,477	7,707	3.1	8,674	8,901	2.6	9,975	10,325	3.5
PPOP before tax	4,367	5,412	5,475	1.2	6,439	6,503	1.0	7,672	7,649	(0.3)
Expected credit loss (Reversal)	414	526	706	34.3	621	769	23.8	733	955	30.3
Tax expenses	784	1,007	983	(2.4)	1,161	1,147	(1.3)	1,388	1,339	(3.5)
Minority interest	-	0	-		0	-		-	-	
Normalised profit	3,169	3,878	3,785	(2.4)	4,657	4,587	(1.5)	5,551	5,355	(3.5)
Extraordinary items	-	0	-		0	-		-	-	
Net profit	3,169	3,878	3,785	(2.4)	4,657	4,587	(1.5)	5,551	5,355	(3.5)
EPS (THB)	1.41	1.61	1.57	(2.4)	1.9	1.84	(1.7)	2.22	2.14	(3.7)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	732	879	930	5.8	1,010	1,088	7.7	1,112	1,251	12.6
Gross NPLs / Loans (%)	1.21	1.23	1.25		1.20	1.24		1.12	1.21	
Loan loss reserve/NPLs (%)	357	292	310		291	320		303	349	
Credit cost (bps)	75	80	105		80	95		80	100	
Profitability ratio (%)										
Cost to income ratio	60.0	58.0	58.5		57.4	57.8		56.5	57.4	
Average yield	17.7	17.70	17.80		17.60	17.60		17.65	17.60	
Cost of funds	2.7	2.80	2.65		2.75	2.90		2.80	3.00	
Net interest margin (NIM)	15.7	15.78	15.96		15.63	15.57		15.60	15.51	
Loan growth (%)										
y-y	18.8	18.0	23.0		18.0	18.0		18.0	18.0	

Sources: TIDLOR; FSSIA estimates

We roll forward our valuation to 2023 and derive a new TP of THB37, down from our 2022 TP of THB43, as we believe the company should be negatively impacted by the rate hikes and high inflation. Our TP implies 0.95x 2023E PEG and 3.1x 2023E P/BV, 0.5 STD below its one-year average. We maintain our BUY rating.

Exhibit 60: TIDLOR – GGM-derived target price

Target price (THB)	37 (from 43.0)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	10.8 (unchanged)
Terminal growth (%)	8.0 (from 8.2)
ROE target (%)	16.4 (from 17.0)
Target PBV (x)	3.1 (from 4.1)

Source: FSSIA estimates

Exhibit 61: TIDLOR – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 62: TIDLOR – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 63: Diversified financial companies under coverage – summary of key valuations

	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						20,743	12.9	20.0	23.3	18.9	16.0	16.4	3.2	2.8
Unsecured-loan lender						5,340	13.0	7.3	18.9	17.6	23.1	21.6	4.2	3.6
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	175.50	188.00	7	1,215	19.0	7.0	10.4	9.7	19.8	18.5	1.9	1.7
Krunghai Card	KTC TB	HOLD	57.75	60.00	4	4,125	11.2	7.4	21.4	19.9	24.1	22.5	4.8	4.2
Auto-title lender						7,239	10.4	20.5	17.6	14.6	18.1	19.1	3.0	2.6
Muangthai Capital	MTC TB	BUY	48.75	60.00	23	2,863	14.3	23.0	18.3	14.9	20.7	21.3	3.5	2.9
Srisawad Corp	SAWAD TB	BUY	51.00	62.00	22	1,940	0.8	19.3	15.1	12.7	17.8	19.4	2.6	2.3
Saksiam Leasing	SAK TB	BUY	7.40	9.70	31	430	23.1	26.3	20.7	16.4	14.5	16.4	2.9	2.6
Ngern Tid Lor	TIDLOR TB	BUY	29.00	37.00	28	2,006	11.4	16.9	18.5	15.8	15.6	16.3	2.8	2.4
Truck lender						1,814	0.8	26.6	25.5	19.6	10.4	12.0	2.2	2.1
Micro Leasing	MICRO TB	HOLD	5.25	5.50	5	136	0.4	39.0	26.1	18.8	9.3	11.9	2.4	2.1
Singer Thailand	SINGER TB	BUY	45.00	59.00	31	1,022	(4.1)	35.2	33.5	24.8	7.2	9.4	2.4	2.3
Ratchthani Leasing	THANI TB	BUY	4.18	4.80	15	656	8.6	10.6	12.8	11.5	15.5	16.0	1.9	1.8
Asset management						5,065	23.2	33.7	39.2	28.8	9.5	10.9	3.6	3.1
Bangkok Commercial Asset Mngt.	BAM TB	BUY	17.20	25.50	48	1,540	23.2	26.6	17.4	13.7	7.5	8.6	1.3	1.1
Chayo Group	CHAYO TB	BUY	10.80	16.60	54	319	96.6	(14.9)	24.1	28.4	15.5	8.9	3.0	2.2
JMT Network Services	JMT TB	BUY	76.50	92.00	20	3,092	16.4	41.5	51.0	36.0	10.0	12.3	4.7	4.1
Knight Club Capital Asset Mngt.	KCC TB	BUY	6.65	5.10	(23)	114	3.0	51.5	56.6	37.4	7.9	8.6	3.5	3.0
Other						1,111	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	1,111	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Hire purchase motorcycle						174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1
Next Capital	NCAP TB	HOLD	4.66	7.60	63	174	(9.5)	(4.0)	14.9	15.5	10.1	7.6	1.3	1.1

*KTC, MICRO, SINGER, and THANI's target prices are 2023 GGM-based
Share prices as of 2 Aug 2022; Sources: Bloomberg; FSSIA estimates

Financial Statements

Ngern Tid Lor

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	8,735	9,825	11,975	14,238	16,800
Interest expense	(1,178)	(1,121)	(1,238)	(1,641)	(1,996)
Net interest income	7,557	8,704	10,738	12,597	14,804
Net fees & commission	1,792	2,197	2,417	2,779	3,141
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	32	25	27	28	29
Non interest income	1,824	2,222	2,443	2,807	3,170
Total income	9,381	10,926	13,181	15,404	17,974
Staff costs	(5,772)	(6,559)	(7,707)	(8,901)	(10,325)
Other operating costs	-	-	-	-	-
Operating costs	(5,772)	(6,559)	(7,707)	(8,901)	(10,325)
Pre provision operating profit	3,609	4,367	5,475	6,503	7,649
Provision for bad and doubtful debt	(582)	(414)	(706)	(769)	(955)
Other provisions	-	-	-	-	-
Operating profit	3,027	3,953	4,768	5,734	6,694
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	3,027	3,953	4,768	5,734	6,694
Tax	(611)	(784)	(983)	(1,147)	(1,339)
Profit after tax	2,416	3,169	3,785	4,587	5,355
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	2,416	3,169	3,785	4,587	5,355
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	2,416	3,169	3,785	4,587	5,355
Per share (THB)					
Recurring EPS *	1.15	1.41	1.57	1.84	2.14
Reported EPS	1.15	1.41	1.57	1.84	2.14
DPS	0.00	0.28	0.31	0.37	0.32
Growth					
Net interest income (%)	14.0	15.2	23.4	17.3	17.5
Non interest income (%)	0.1	21.9	9.9	14.9	12.9
Pre provision operating profit (%)	9.9	21.0	25.4	18.8	17.6
Operating profit (%)	10.0	30.6	20.6	20.3	16.7
Reported net profit (%)	9.7	31.2	19.4	21.2	16.7
Recurring EPS (%)	(15.0)	22.9	11.4	16.9	16.7
Reported EPS (%)	(15.0)	22.9	11.4	16.9	16.7
Income Breakdown					
Net interest income (%)	80.6	79.7	81.5	81.8	82.4
Net fees & commission (%)	19.1	20.1	18.3	18.0	17.5
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.3	0.2	0.2	0.2	0.2
Operating performance					
Gross interest yield (%)	17.75	17.68	17.80	17.60	17.60
Cost of funds (%)	3.07	2.75	2.65	2.90	3.00
Net interest spread (%)	14.68	14.93	15.15	14.70	14.60
Net interest margin (%)	15.4	15.7	16.0	15.6	15.5
Cost/income(%)	61.5	60.0	58.5	57.8	57.4
Cost/assets(%)	11.3	10.9	10.5	10.2	10.2
Effective tax rate (%)	20.2	19.8	20.6	20.0	20.0
Dividend payout on recurring profit (%)	-	20.1	20.0	20.0	15.0
ROE (%)	22.9	18.6	15.6	16.3	16.6
ROE - COE (%)	12.1	7.8	4.8	5.5	5.8
ROA (%)	4.7	5.3	5.2	5.3	5.3
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ngern Tid Lor; FSSIA estimates

Financial Statements

Ngern Tid Lor

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	50,807	60,339	74,217	87,576	103,339
Total provisions	(2,763)	(2,611)	(2,724)	(3,229)	(3,874)
interest in suspense	524	1,120	742	876	1,033
Net customer loans	48,568	58,847	72,235	85,222	100,499
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,265	3,995	3,132	3,443	2,611
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,378	1,453	1,539	1,635	1,740
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	2,124	2,230	3,204	3,763	3,636
Total assets	53,336	66,525	80,110	94,063	108,486
Customer deposits	2,600	3,300	3,465	3,638	3,820
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	37,095	38,594	48,039	58,031	67,598
Non interest bearing liabilities	1,892	2,226	2,337	2,454	2,577
Hybrid Capital	-	-	-	-	-
Total liabilities	41,587	44,120	53,841	64,124	73,995
Share capital	7,800	8,580	9,240	9,240	9,240
Reserves	3,948	13,825	17,029	20,699	25,251
Total equity	11,749	22,405	26,269	29,939	34,491
Minority interests	0	0	0	0	0
Total liabilities & equity	53,336	66,525	80,110	94,063	108,486
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	49,223	55,573	67,278	80,896	95,457
Average interest bearing liabilities	38,395	40,795	46,699	56,587	66,544
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	850	732	930	1,088	1,251
Per share (THB)					
Book value per share	5.58	9.97	10.52	11.99	13.81
Tangible book value per share	5.58	9.97	10.52	11.99	13.81
Growth					
Gross customer loans	6.7	18.8	23.0	18.0	18.0
Average interest earning assets	12.8	12.9	21.1	20.2	18.0
Total asset (%)	10.2	24.7	20.4	17.4	15.3
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(65.6)	26.9	5.0	5.0	5.0
Leverage & capital measures					
Customer loan/deposits (%)	1,868.0	1,783.3	2,084.7	2,342.4	2,630.7
Equity/assets (%)	22.0	33.7	32.8	31.8	31.8
Tangible equity/assets (%)	22.0	33.7	32.8	31.8	31.8
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	38.1	(13.9)	27.0	17.0	15.0
NPL/gross loans (%)	1.7	1.2	1.3	1.2	1.2
Total provisions/gross loans (%)	5.4	4.3	3.7	3.1	3.7
Total provisions/NPL (%)	325.1	356.6	292.9	296.8	309.6
Valuation					
Recurring P/E (x) *	25.3	20.6	18.5	15.8	13.5
Recurring P/E @ target price (x) *	32.3	26.2	23.5	20.1	17.3
Reported P/E (x)	25.3	20.6	18.5	15.8	13.5
Dividend yield (%)	-	1.0	1.1	1.3	1.1
Price/book (x)	5.2	2.9	2.8	2.4	2.1
Price/tangible book (x)	5.2	2.9	2.8	2.4	2.1
Price/tangible book @ target price (x)	6.6	3.7	3.5	3.1	2.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ngern Tid Lor; 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	CENTEL	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	UNIQ	
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	

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

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	SEAOL	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	WIIK
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)

Disclaimer:

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

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 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

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.

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

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

Company	Ticker	Price	Rating	Valuation & Risks
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 175.50	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 57.75	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 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.
Srisawad Corp	SAWAD TB	THB 51.00	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.
Saksiam Leasing	SAK TB	THB 7.40	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 29.00	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 5.25	HOLD	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) higher-than-expected policy rate hikes. Upside risks include 1) efficient asset quality control; and 2) the faster ramping up of its new businesses, including new motorcycle hire purchase loans, truck title loans, and insurance brokerage
Singer Thailand	SINGER TB	THB 45.00	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 4.18	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 17.20	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 10.80	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 76.50	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.
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 4.66	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.
SCB X	SCB TB	THB 100.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.

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 02-Aug-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.