

# CHAYO GROUP CHAYO TB

THAILAND / ASSET MANAGEMENT COMPANIES

## Expect resilient net profit in 2Q22

- Resilient cash collection should drive decent 2Q22 NP of THB63m.
- Lower 2022-24E NP by 12-45% from delay in NPL big plot sale, looming rate hikes, and high inflation.
- Roll forward TP to 2023 at THB14.2, maintain BUY call.

### Expect resilient cash collection in 2Q22 amid high inflation

We expect CHAYO to post a 2Q22 net profit of THB63m (+79% y-y, -14% q-q). We estimate that the strong growth y-y in its net profit would come from a rise in its NPL and NPA cash collection (CC) to THB91m (+10% y-y, -42% q-q) following its strategy to increase its unsecured NPL portfolio and sell NPAs on a regular basis to generate recurring revenue. Also, we expect CHAYO's lending business (8% of total revenue) to increase significantly, with a projected loan portfolio of THB500m (+681% y-y, +29% q-q) due to its aggressive product and client base expansion. Its 2Q22 net profit might decline q-q thanks mainly to lower NPA sales. We expect 2Q22 pre-tax profit from the NPA side of THB9m vs THB16m in 1Q22. We think CHAYO accelerated its NPL acquisitions in 2Q22, with expected NPL purchases of THB480m from THB29m in 1Q22.

### Delayed NPL big plot sale

On 28 March 2022, CHAYO informed the SET that there was a large plot of NPLs auctioned through the Legal Execution Department, selling value of THB900m. The company had expected this deal to be done by July 2022 but there was a petitioner who objected to the result of the auction. The matter will be investigated in court on 23 November 2022. We think there is still uncertainty over whether CHAYO can close the deal within this year or not. Thus, we remove the net tax profit of THB200m that we had expected from this deal from our earnings forecasts.

### Revising down net profit forecasts

Apart from the delayed NPL sale, we also incorporate the impact from the rate hikes and high inflation into our earnings forecasts. We think the rate hikes should lead to a higher cost of funds, while high inflation might result in lower CC and higher credit costs, especially for the secured NPL portfolio. We lower our 2022/23/24 net profit forecasts by 45%/14%/12%.

### Maintain BUY call from strong net profit growth

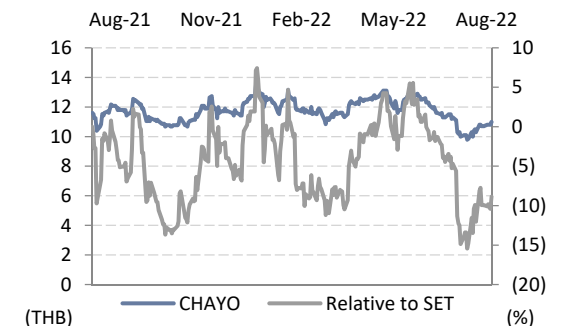
We roll our valuation forward to 2023 and derive a new GGM-based TP of THB14.2, lower than our 2022 TP of THB16.6 due to the negative impact from the looming rate hikes, high inflation and lower-than-expected CC. We maintain our BUY call as we expect CHAYO to experience solid net profit growth, with 2022-24E net profit growth at a 31% three-year CAGR. We believe CHAYO's smaller asset size than its peers gives it greater operational flexibility.

**BUY**  
UNCHANGED

TARGET PRICE	THB14.20
CLOSE	THB11.00
UP/DOWNSIDE	+29.1%
PRIOR TP	THB16.60
CHANGE IN TP	-14.5%
TP vs CONSENSUS	-17.4%

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	268	366	495	692
Net profit	219	294	389	495
EPS (THB)	0.23	0.25	0.33	0.42
vs Consensus (%)	-	(46.8)	(18.7)	(10.6)
Core net profit	219	294	389	495
Core EPS (THB)	0.23	0.25	0.33	0.42
Chg. In EPS est. (%)	-	(44.8)	(14.1)	(12.3)
EPS growth (%)	3.5	8.4	32.5	27.2
Core P/E (x)	48.3	44.6	33.6	26.4
Dividend yield (%)	0.0	0.0	0.0	0.0
Price/book (x)	4.1	3.2	2.4	2.2
ROE (%)	11.8	8.8	8.1	8.6
ROA (%)	5.6	5.3	5.9	7.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.8	(12.7)	(5.3)
Relative to country (%)	3.9	(11.1)	(10.0)
Mkt cap (USD m)	328		
3m avg. daily turnover (USD m)	1.4		
Free float (%)	21		
Major shareholder	Yasasin Family (37%)		
12m high/low (THB)	13.67/9.70		
Issued shares (m)	979		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

CHAYO is one of the smallest asset management companies (AMCs), in terms of assets, among the AMCs under our coverage. However, the small asset size doesn't diminish the attractiveness of the company, in our view. In contrast, we believe its small asset size allows CHAYO greater operational agility. Furthermore, its unique and well-balanced hybrid portfolio, that includes unsecured and secured distressed assets, should provide sustainable growth for CHAYO in both the short and long term.

We expect that CHAYO will deliver robust performance, with 2022-24E net profit growth at a 31% three-year CAGR, supported by stronger cash collection, more aggressive distressed asset acquisitions from its JV and efficient cost control.

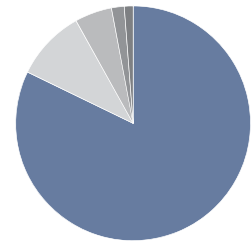
## Company profile

CHAYO provides services relating to debt collection, managing non-performing assets from purchases, transferring secured and non-secured non-performing assets from financial institutions and credit facility companies, providing call centre services, loans, and selling goods and/or providing services.

[www.chayo555.com](http://www.chayo555.com)

## Principal activities (revenue, 2021)

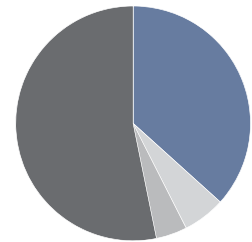
- NPLs management - 82.2 %
- NPAs management - 9.7 %
- Debt collection - 5.1 %
- Loan business - 1.7 %
- Other income - 1.2 %



Source: Chayo Group

## Major shareholders

- Yasasin Family - 36.7 %
- Sereewattana Family - 5.9 %
- Boonmeechot Family - 4.3 %
- Others - 53.2 %



Source: Chayo Group

## Catalysts

Potential catalysts to drive CHAYO's share price include:

- 1) The significant purchase of non-performing loans (NPLs);
- 2) The sale of big-value assets in the range of THB100m-150m;
- 3) AMC JVs with banks.

## Risks to our call

Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.

## Event calendar

Date	Event
11 August 2022	2Q22 results announcement

## Key assumptions

	2022E (THB m)	2023E (THB m)	2024E (THB m)
<b>Norm profit (THB m)</b>	<b>294</b>	<b>389</b>	<b>495</b>
<i>Norm profit growth (%)</i>	34	33	27
<b>Cash collection (THB m)</b>	<b>766</b>	<b>889</b>	<b>978</b>
<i>Cash collection ratio (%)</i>	21.6	19.9	19.1
<b>NPL and NPA purchases (THB m)</b>	<b>1,559</b>	<b>796</b>	<b>872</b>
<i>NPL and NPA purchase growth (%)</i>	20	(49)	10
<b>Cost to income (%)</b>	<b>35.4</b>	<b>34.8</b>	<b>32.2</b>

Source: FSSIA estimates

## Earnings sensitivity

		----- 2022E -----		
<b>Cash collection ratio</b>	<b>±50bp</b>	<b>21.1</b>	<b>21.6</b>	<b>22.1</b>
<i>% change in net profit</i>		(3.9)	-	3.9
<b>Cost to income</b>	<b>±1ppt</b>	<b>34.4</b>	<b>35.4</b>	<b>36.4</b>
<i>% change in net profit</i>		(3.0)	-	3.0

Source: FSSIA estimates

## Expect resilient cash collection in 2Q22 amid high inflation

We expect CHAYO to post a 2Q22 net profit of THB63m (+79% y-y, -14% q-q). We estimate that the strong growth y-y in its net profit would come from a rise in its non-performing loan (NPL) and non-performing asset (NPA) CC to THB91m (+10% y-y, -42% q-q) following its strategy to increase its unsecured NPL portfolio and sell NPAs on a regular basis to generate recurring revenue. On top of that, we expect CHAYO's lending business (8% of total revenue) to increase significantly, with a projected loan portfolio of THB500m (+681% y-y, +29% q-q) due to its aggressive product and client base expansion. Its 2Q22 net profit might drop q-q thanks mainly to lower NPA sales. We expect 2Q22 pre-tax profit from the NPA side of THB9m vs THB16m in 1Q22.

### 2Q22E key highlights

- We expect total CC of THB91m (+10% y-y, -42% q-q) in 2Q22. CHAYO's NPL cash collection in 2Q22 might minimally decrease q-q to THB68m due to seasonality. As for NPA cash collection, we also expect it to drop q-q from lower numbers of medium-sized NPAs sold.
- We project CHAYO's expected credit loss to increase by 11% y-y and 42% q-q from its NPL purchases in 4Q21, for which revenue and expected credit losses started to be realised in 2Q22.
- We think CHAYO accelerated its NPL acquisitions in 2Q22, with expected NPL purchases amounting to THB480m from THB29m in 1Q22.
- We expect its outstanding loan portfolio to be at THB500m in 2Q22 vs THB387m in 1Q22. We think CHAYO aggressively lent to the small SME and retail segments.

### Exhibit 1: CHAYO – 2Q22 results preview

	2Q21	1Q22	2Q22E			1H22E			2022E	Change	2Q22E comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%22E	(THB m)	(y-y%)	
<b>Interest income</b>											
- Interest income from NPLs	144	201	203	41	1	25	404	32	49	816	Strong loan growth
- Interest income from loan	2	13	20	1,127	55	34	33	710	56	59	
<b>Total interest income</b>	<b>146</b>	<b>214</b>	<b>223</b>	<b>53</b>	<b>4</b>	<b>25</b>	<b>437</b>	<b>41</b>	<b>50</b>	<b>875</b>	
Interest expense	25	24	24	(6)	(1)	24	47	(7)	48	98	
<b>Net interest income</b>	<b>121</b>	<b>190</b>	<b>199</b>	<b>65</b>	<b>5</b>	<b>26</b>	<b>389</b>	<b>50</b>	<b>50</b>	<b>776</b>	
<b>Non-interest income</b>											
- Gain on properties for sale	9	16	9	4	(43)	10	26	187	27	94	
- Service income from debt collection services	10	8	8	(23)	1	22	16	(28)	44	36	
- Others	1	1	1	8	24	4	3	(40)	7	36	
<b>Total non-interest income</b>	<b>21</b>	<b>25</b>	<b>19</b>	<b>(9)</b>	<b>(26)</b>	<b>11</b>	<b>44</b>	<b>24</b>	<b>27</b>	<b>166</b>	
<b>Total operating income</b>	<b>141</b>	<b>215</b>	<b>218</b>	<b>54</b>	<b>1</b>	<b>23</b>	<b>434</b>	<b>47</b>	<b>46</b>	<b>943</b>	
Operating expenses	54	74	80	50	8	24	155	48	46	334	
<b>Pre provision operating profit</b>	<b>88</b>	<b>141</b>	<b>138</b>	<b>57</b>	<b>(2)</b>	<b>23</b>	<b>279</b>	<b>46</b>	<b>46</b>	<b>609</b>	
Expected credit loss	54	42	59	11	42	24	101	35	42	243	
<b>Operating profit</b>	<b>34</b>	<b>99</b>	<b>78</b>	<b>128</b>	<b>(21)</b>	<b>21</b>	<b>178</b>	<b>53</b>	<b>49</b>	<b>366</b>	
Income tax expenses	(1)	23	16	nm	(32)	24	39	146	59	66	
<b>Profit before minority interest</b>	<b>35</b>	<b>76</b>	<b>63</b>	<b>78</b>	<b>(18)</b>	<b>21</b>	<b>139</b>	<b>39</b>	<b>46</b>	<b>300</b>	
Minority	0	4	0	nm	nm	n/a	4	594	62	6	
<b>Normalised profit</b>	<b>35</b>	<b>73</b>	<b>63</b>	<b>79</b>	<b>(14)</b>	<b>21</b>	<b>135</b>	<b>36</b>	<b>46</b>	<b>294</b>	
Extra items	0	0	0	nm	nm	n/a	0	nm	nm	0	
<b>Net profit</b>	<b>35</b>	<b>73</b>	<b>63</b>	<b>79</b>	<b>(14)</b>	<b>21</b>	<b>135</b>	<b>36</b>	<b>46</b>	<b>294</b>	
<b>Key financial highlights</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(y-y%)</b>	<b>(q-q%)</b>	<b>(THB m)</b>	<b>(y-y%)</b>		<b>(THB m)</b>		
Gross NPLs outstanding	1,833	2,586	3,007	64	16				3,743	46	
Gross NPAs outstanding	399	270	309	(23)	14				449	35	
NPL & NPA purchases	392	29	480	22	1,567	509	2		1,559	20	
NPL & NPA cash collection	83	157	91	10	(42)	249	26		766	49	
Cash collection/NPL & NPA (%)	16.1	21.9	11.8						21.6		
<b>Key financial ratio</b>											
Liabilities / equity (x)	0.5	0.5	0.7						0.3		
Interest-bearing debt/equity (x)	0.4	0.4	0.7						0.2		
ROA (%)	3.5	5.6	5.0						5.2		
ROE (%)	6.8	10.9	9.1						8.8		
Cost of funds (%)	8.6	7.8	6.1						7.5		
Cost to income (%)	37.9	34.5	36.8						35.4		

Sources: CHAYO; FSSIA estimates

## Earnings and target price revisions

On 28 March 2022, CHAYO informed the SET that there was a large plot of NPLs auctioned through the Legal Execution Department with a selling value of THB900m. The company expected this deal to be done by July 2022. However, a petitioner objected to the result of the auction. The matter will be investigated in court on 23 November 2022.

We think there is still uncertainty over whether or not CHAYO will be able to close the deal within this year. Therefore, we remove the THB200m net tax profit that we had expected from this deal from our earnings forecasts.

On top of that, we incorporate the impact from the looming rate hikes and high inflation into our earnings forecasts. We think that the rate hikes should impact CHAYO's cost of funds. We, therefore, increase our cost of fund assumptions in 2022/23/24 to 7.45%/7.6%/7.65% from 7.3%/7.5%/7.5%. As for the high inflation environment, this should impact its CC, especially its secured NPL portfolio. We think that investors/debtors might delay their decision to conclude big ticket size deals. Hence, we lower our CC estimates in 2022/23/24 by 23%/1%/2%. We also increase our expected credit loss due to the lower CC by 2%/4%/2%.

All in all, we lower our 2022/23/24 net profit forecasts by 45%/14%/12%.

### Exhibit 2: Changes in key assumptions

	-----2022E-----			-----2023E-----			-----2024E-----		
	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
<b>Interest income</b>	1,147	875	(23.7)	1,084	1,039	(4.2)	1,341	1,297	(3.3)
Interest expense	96	98	2.1	62	69	12.2	62	74	20.2
<b>Net interest income</b>	<b>1,051</b>	<b>776</b>	<b>(26.1)</b>	<b>1,023</b>	<b>970</b>	<b>(5.2)</b>	<b>1,279</b>	<b>1,223</b>	<b>(4.4)</b>
<b>Non-interest income</b>	<b>166</b>	<b>166</b>	<b>0.0</b>	<b>184</b>	<b>183</b>	<b>(0.1)</b>	<b>173</b>	<b>173</b>	<b>(0.3)</b>
Total operating income	1,217	943	(22.5)	1,206	1,153	(4.4)	1,452	1,396	(3.9)
Operating expense	322	334	3.8	386	401	3.8	425	449	5.7
<b>Pre-operating profit before tax</b>	<b>895</b>	<b>609</b>	<b>(32.0)</b>	<b>820</b>	<b>752</b>	<b>(8.3)</b>	<b>1,028</b>	<b>947</b>	<b>(7.9)</b>
Expected credit loss	238	243	2.1	247	257	4.3	251	255	1.7
Taxes expenses	118	66	(44.3)	108	93	(13.7)	141	125	(11.0)
Minority interest	6	6		13	13		71	71	
<b>Norm. profit</b>	<b>533</b>	<b>294</b>	<b>(44.8)</b>	<b>453</b>	<b>389</b>	<b>(14.1)</b>	<b>565</b>	<b>495</b>	<b>(12.3)</b>
Extraordinary items	0	0		0	0		0	0	
<b>Net profit</b>	<b>533</b>	<b>294</b>	<b>(44.8)</b>	<b>453</b>	<b>389</b>	<b>(14.1)</b>	<b>565</b>	<b>495</b>	<b>(12.3)</b>
EPS (THB)	0.45	0.25	(44.8)	0.38	0.33	(14.1)	0.47	0.42	(12.3)
<b>Key statistic and ratio</b>									
<b>Leverage ratios (x)</b>									
Liabilities / equity	0.26	0.27		0.10	0.13		0.22	0.25	
Interest-bearing debt / equity	0.23	0.24		0.07	0.10		0.18	0.21	
<b>Profitability ratio (%)</b>									
Cost of funds	7.30	7.45		7.50	7.60		7.50	7.65	
Cost to income	26.4	35.4		32.0	34.8		29.2	32.2	
<b>Specific data for business</b>									
NPL and NPA purchases (THB m)	1,559	1,559	-	796	796	-	872	872	-
NPL and NPA cash collection (THB m)	997	766	(23.2)	896	889	(0.8)	995	978	(1.7)
Cash collection to gross NPLs and NPAs (%)	28.0	21.6		19.8	19.9		19.1	19.1	
<b>Change y-y (%)</b>									
Core profit (y-y %)	143.3	34.2		(14.9)	32.5		24.6	27.2	
NPL and NPA purchases (y-y %)	20.3	20.3		(49.0)	(49.0)		9.6	9.6	
NPL and NPA cash collection (y-y %)	93.9	49.0		(10.1)	16.1		11.0	10.0	

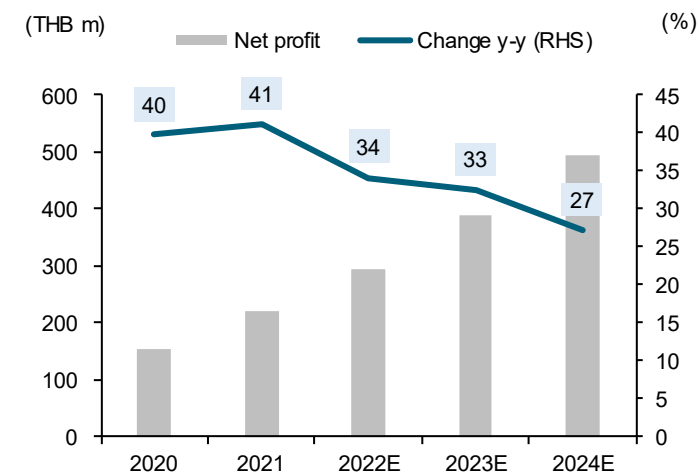
Sources: CHAYO; FSSIA estimates

We roll our valuation forward to 2023 and derive a new GGM-based TP of THB14.2, lower than our 2022 TP of THB16.6 due to the negative impact from the looming rate hikes, high inflation and lower-than-expected CC. Our TP implies 3.1x 2023E P/BV, 0.5 STD above its three-year-average, and 43.4x 2023E P/E. We maintain our BUY call.

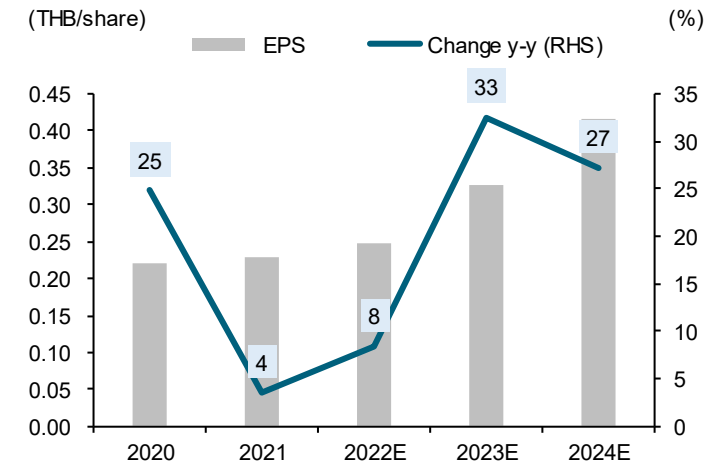
**Exhibit 3: CHAYO – GGM-derived target price**

Target price	THB 14.2 (from THB16.6)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3 (unchanged)
Market risk premium (%)	8 (unchanged)
Cost to equity (%)	9.6 (unchanged)
Long term growth (%)	9.1 (from 9.4)
ROE target (%)	10.5 (from 11.8)
Target PBV (x)	3.1 (from 4.4)
Implied PE (x)	43.4 (from 37.2)

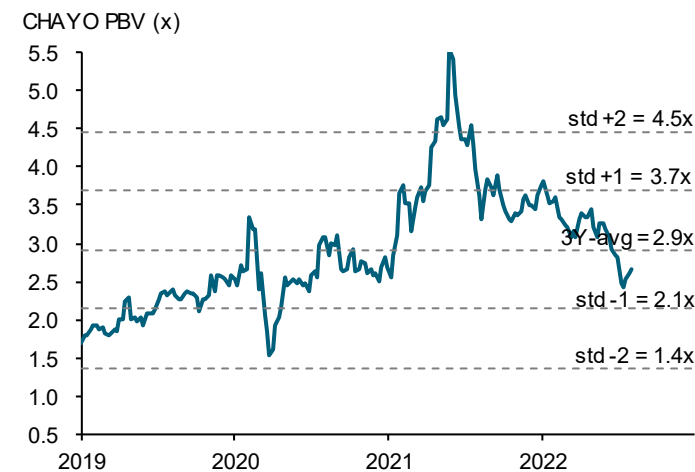
Source: FSSIA estimates

**Exhibit 4: Net profit growth**

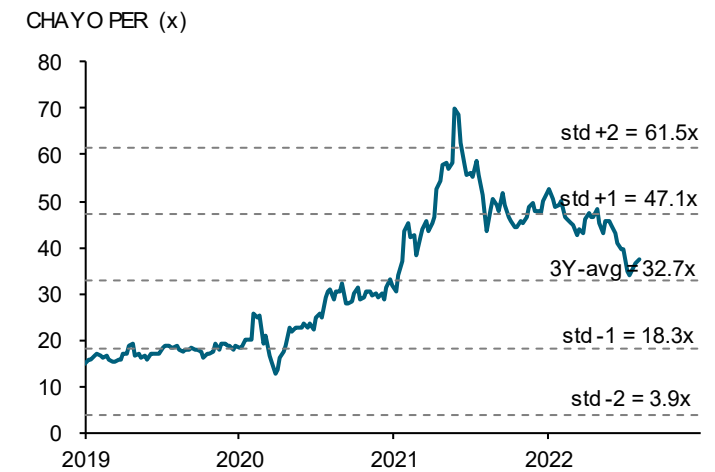
Sources: CHAYO; FSSIA estimates

**Exhibit 5: EPS growth**

Sources: CHAYO; FSSIA estimates

**Exhibit 6: CHAYO – one-year prospective P/BV**

Sources: Bloomberg; FSSIA estimates

**Exhibit 7: CHAYO – one-year prospective P/E**

Sources: Bloomberg; FSSIA estimates

## Exhibit 8: Key valuations of diversified financials under coverage

	BBG code	Rec	---Share price---		Up	Market	EPS growth		----- P/E -----		---- ROE ----		---- PBV ----	
			Current	Target	side	Cap	22E	23E	22E	23E	22E	23E	22E	23E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(x)	(x)
<b>Diversified financials</b>						<b>21,406</b>	<b>10.8</b>	<b>20.5</b>	<b>24.3</b>	<b>19.5</b>	<b>15.9</b>	<b>16.4</b>	<b>3.3</b>	<b>2.9</b>
<b>Unsecured-loan lender</b>						<b>5,450</b>	<b>13.0</b>	<b>7.3</b>	<b>19.1</b>	<b>17.8</b>	<b>23.1</b>	<b>21.6</b>	<b>4.2</b>	<b>3.7</b>
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	176.50	188.00	7	1,233	19.0	7.0	10.4	9.8	19.8	18.5	1.9	1.7
Krungthai Card	KTC TB	HOLD	58.50	60.00	3	4,216	11.2	7.4	21.7	20.2	24.1	22.5	4.9	4.3
<b>Auto-title lender</b>						<b>7,580</b>	<b>10.4</b>	<b>20.5</b>	<b>18.3</b>	<b>15.2</b>	<b>18.1</b>	<b>19.1</b>	<b>3.1</b>	<b>2.7</b>
Muangthai Capital	MTC TB	BUY	50.50	60.00	19	2,993	14.3	23.0	18.9	15.4	20.7	21.3	3.6	3.0
Srisawad Corp	SAWAD TB	BUY	53.50	62.00	16	2,054	0.8	19.3	15.9	13.3	17.8	19.4	2.7	2.5
Saksiam Leasing	SAK TB	BUY	7.50	9.70	29	439	23.1	26.3	21.0	16.6	14.5	16.4	2.9	2.6
Ngern Tid Lor	TIDLOR TB	BUY	30.00	37.00	23	2,094	11.4	16.9	19.1	16.3	15.6	16.3	2.9	2.5
<b>Truck lender</b>						<b>1,861</b>	<b>0.8</b>	<b>26.7</b>	<b>26.1</b>	<b>20.0</b>	<b>10.3</b>	<b>11.9</b>	<b>2.2</b>	<b>2.1</b>
Micro Leasing	MICRO TB	HOLD	5.45	5.50	1	142	0.4	39.0	27.1	19.5	9.3	11.9	2.4	2.2
Singer Thailand	SINGER TB	BUY	46.00	59.00	28	1,054	(4.1)	35.2	34.3	25.4	7.2	9.4	2.4	2.3
Ratchthani Leasing	THANI TB	BUY	4.20	4.80	14	665	8.6	10.6	12.8	11.6	15.5	16.0	1.9	1.8
<b>Asset management</b>						<b>5,192</b>	<b>15.0</b>	<b>35.7</b>	<b>41.9</b>	<b>30.3</b>	<b>9.0</b>	<b>10.6</b>	<b>3.7</b>	<b>3.2</b>
Bangkok Commercial Asset Mngt.	BAM TB	BUY	17.10	22.00	29	1,545	14.3	23.2	18.6	15.1	6.9	7.9	1.3	1.1
Chayo Group	CHAYO TB	BUY	11.00	14.20	29	328	8.4	32.5	44.6	33.6	8.8	8.1	3.2	2.4
JMT Network Services	JMT TB	BUY	78.50	92.00	17	3,202	16.4	41.5	52.3	36.9	10.0	12.3	4.9	4.2
Knight Club Capital Asset Mngt.	KCC TB	BUY	6.75	5.10	(24)	117	3.0	51.5	57.5	37.9	7.9	8.6	3.5	3.0
<b>Other</b>						<b>1,129</b>	<b>4.1</b>	<b>8.5</b>	<b>7.3</b>	<b>6.8</b>	<b>8.0</b>	<b>8.2</b>	<b>0.6</b>	<b>0.5</b>
Thanachart Capital	TCAP TB	HOLD	38.50	42.00	9	1,129	4.1	8.5	7.3	6.8	8.0	8.2	0.6	0.5
<b>Hire purchase motorcycle</b>						<b>194</b>	<b>(9.5)</b>	<b>(4.0)</b>	<b>16.5</b>	<b>17.2</b>	<b>10.1</b>	<b>7.6</b>	<b>1.4</b>	<b>1.2</b>
Next Capital	NCAP TB	HOLD	5.15	7.60	48	194	(9.5)	(4.0)	16.5	17.2	10.1	7.6	1.4	1.2

Share prices as of 5 Aug 2022

Source: FSSIA estimates

## Financial Statements

### Chayo Group

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	425	655	875	1,039	1,297
Interest expense	(53)	(113)	(98)	(69)	(74)
Net interest income	372	543	776	970	1,223
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	96	150	166	183	173
Non interest income	96	150	166	183	173
Total income	467	693	943	1,153	1,396
Staff costs	-	-	-	-	-
Other operating costs	(185)	(247)	(334)	(401)	(449)
Operating costs	(185)	(247)	(334)	(401)	(449)
Pre provision operating profit	282	446	609	752	947
Provision for bad and doubtful debt	(87)	(178)	(243)	(257)	(255)
Other provisions	-	-	-	-	-
Operating profit	195	268	366	495	692
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	195	268	366	495	692
Tax	(41)	(46)	(66)	(93)	(125)
Profit after tax	155	222	300	402	566
Minority interests	1	(3)	(6)	(13)	(71)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	155	219	294	389	495
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	155	219	294	389	495
<b>Per share (THB)</b>					
Recurring EPS *	0.22	0.23	0.25	0.33	0.42
Reported EPS	0.22	0.23	0.25	0.33	0.42
DPS	0.01	0.00	0.00	0.00	0.00
<b>Growth</b>					
Net interest income (%)	65.6	45.9	43.1	24.9	26.1
Non interest income (%)	13.4	57.3	10.6	10.2	(5.7)
Pre provision operating profit (%)	101.5	57.9	36.6	23.6	25.9
Operating profit (%)	39.4	37.2	36.6	35.3	39.7
Reported net profit (%)	39.7	41.1	34.2	32.5	27.2
Recurring EPS (%)	24.8	3.5	8.4	32.5	27.2
Reported EPS (%)	24.8	3.5	8.4	32.5	27.2
<b>Income Breakdown</b>					
Net interest income (%)	79.6	78.3	82.4	84.1	87.6
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	20.4	21.7	17.6	15.9	12.4
<b>Operating performance</b>					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	4.91	7.43	7.45	7.60	7.65
Net interest spread (%)	(4.91)	(7.43)	(7.45)	(7.60)	(7.65)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	39.6	35.7	35.4	34.8	32.2
Cost/assets(%)	8.0	6.3	5.9	5.9	6.1
Effective tax rate (%)	20.8	17.1	18.0	18.8	18.1
Dividend payout on recurring profit (%)	2.8	1.7	1.2	1.0	0.6
ROE (%)	14.7	11.8	8.8	8.1	8.6
ROE - COE (%)	3.9	1.0	(2.0)	(2.7)	(2.2)
ROA (%)	6.7	5.6	5.3	5.9	7.6
RORWA (%)	-	-	-	-	-

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

Sources: Chayo Group; FSSIA estimates



## Financial Statements

### Chayo Group

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	1,573	2,569	3,743	4,171	4,786
Total provisions	(90)	(268)	(511)	(768)	(1,023)
interest in suspense	210	554	412	459	622
<b>Net customer loans</b>	<b>1,693</b>	<b>2,856</b>	<b>3,644</b>	<b>3,862</b>	<b>4,385</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	2	1	2	3	3
Cash & equivalents	708	1,332	1,326	1,653	991
Other interesting assets	328	752	1,136	1,542	1,834
Tangible fixed assets	33	57	59	62	66
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	47	91	126	145	264
<b>Total assets</b>	<b>2,811</b>	<b>5,090</b>	<b>6,294</b>	<b>7,268</b>	<b>7,543</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	1,570	1,468	1,174	646	1,292
Non interest bearing liabilities	94	164	180	198	218
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>1,664</b>	<b>1,632</b>	<b>1,355</b>	<b>844</b>	<b>1,510</b>
Share capital	353	481	551	604	604
Reserves	778	2,106	3,510	4,930	5,428
<b>Total equity</b>	<b>1,130</b>	<b>2,587</b>	<b>4,062</b>	<b>5,534</b>	<b>6,033</b>
Minority interests	16	871	877	890	0
<b>Total liabilities &amp; equity</b>	<b>2,811</b>	<b>5,090</b>	<b>6,294</b>	<b>7,268</b>	<b>7,543</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	1,073	1,519	1,321	910	969
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	n/a	n/a	n/a	n/a	n/a
<b>Per share (THB)</b>					
Book value per share	1.60	2.69	3.41	4.65	5.07
Tangible book value per share	1.60	2.69	3.41	4.65	5.07
<b>Growth</b>					
Gross customer loans	39.0	63.4	45.7	11.4	14.7
Average interest earning assets	-	-	-	-	-
Total asset (%)	54.0	81.1	23.7	15.5	3.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	40.2	50.8	64.5	76.1	80.0
Tangible equity/assets (%)	40.2	50.8	64.5	76.1	80.0
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality</b>					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Total provisions/gross loans (%)	5.7	10.4	13.6	16.0	21.4
Total provisions/NPL (%)	-	-	-	-	-
<b>Valuation</b>					
Recurring P/E (x) *	50.0	48.3	44.6	33.6	26.4
Recurring P/E @ target price (x) *	64.6	62.4	57.5	43.4	34.1
Reported P/E (x)	50.0	48.3	44.6	33.6	26.4
Dividend yield (%)	0.1	0.0	0.0	0.0	0.0
Price/book (x)	6.9	4.1	3.2	2.4	2.2
Price/tangible book (x)	6.9	4.1	3.2	2.4	2.2
Price/tangible book @ target price (x)	8.9	5.3	4.2	3.1	2.8
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Chayo Group; FSSIA estimates



## Corporate Governance report of Thai listed companies 2021

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

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

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

## Anti-corruption Progress Indicator

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

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

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Chayo Group	CHAYO TB	THB 11.00	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 176.50	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 58.50	HOLD	Upside risks to our GGM-derived TP include: 1) stronger-than-expected cost of funds controlling; and 2) better-than-expected bad debt recovery. Downside risks are: 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Muangthai Capital	MTC TB	THB 50.50	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 53.50	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 7.50	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 30.00	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 5.45	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 46.00	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 4.20	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 17.10	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
JMT Network Services	JMT TB	THB 78.50	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.
Knight Club Capital Asset Management	KCC TB	THB 6.75	BUY	Downside risks to our GGM-based TP include 1) lower cash collection due to the slow economic recovery; and 2) lower-than-expected bad debt acquisition.
Thanachart Capital	TCAP TB	THB 38.50	HOLD	Upside risks to our GGM-based target price are the faster-than-expected net profit contribution from Thanachart Plus. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TTB and THANI.
Next Capital	NCAP TB	THB 5.15	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown; 2) deteriorating asset quality; and 3) tighter competition from new players. Upside risks to our TP include 1) strong demand for motorcycles; and 2) a higher rate cap than our base-case assumption of 28% p.a.

Source: FSSIA estimates

**Additional Disclosures**

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

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

All share prices are as at market close on 05-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.