

# RATCHTHANI LEASING

# THANI TB

THAILAND / DIVERSIFIED FINANCIALS

# BUY

UNCHANGED

## Sleeping giant has awakened

- Resumption of loan expansion should drive 2H22 and 2023 NII.
- Very healthy asset quality would result in a lower credit cost.
- We increase 2022-24 net profit forecasts by 5-6% and raise TP to THB5.2. We place THANI as one of our top Buys in DFC.

TARGET PRICE	THB5.20
CLOSE	THB4.44
UP/DOWNSIDE	+17.1%
PRIOR TP	THB4.80
CHANGE IN TP	+8.3%
TP vs CONSENSUS	+4.9%

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	2,143	2,408	2,666	2,949
Net profit	1,709	1,945	2,153	2,382
EPS (THB)	0.30	0.34	0.38	0.42
vs Consensus (%)	-	3.0	3.3	6.6
Core net profit	1,709	1,945	2,153	2,382
Core EPS (THB)	0.30	0.34	0.38	0.42
Chg. In EPS est. (%)	-	4.8	4.9	5.9
EPS growth (%)	(25.0)	13.8	10.7	10.6
Core P/E (x)	14.7	12.9	11.7	10.6
Dividend yield (%)	3.8	4.3	4.8	5.7
Price/book (x)	2.2	2.0	1.9	1.8
ROE (%)	15.3	16.2	16.7	17.2
ROA (%)	3.5	3.8	3.8	3.8

### Potential upturn in credit demand and credit quality in 2022

We expect THANI's 2022 and 2023 net profit to surge by 14% y-y and 11% y-y, respectively, after dropping 25% y-y in 2021, supported by 1) a rise in the demand for truck loans following an economic recovery; and 2) a decline in expected credit losses due to very healthy asset quality.

### The return of loan volume

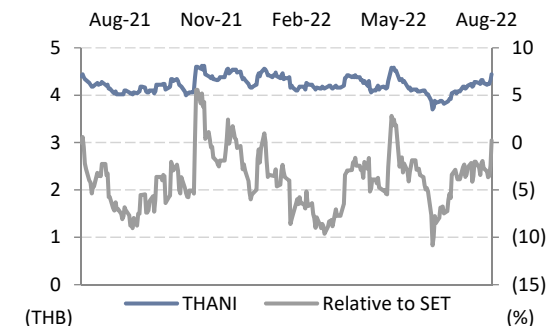
THANI has resumed its loan expansion mode since 1Q22 after it was able to resolve its asset quality problem. Its loan volume increased by 2.5% q-q and 3.2% q-q in 1Q22 and 2Q22, respectively. We expect that THANI should continue to deliver solid loan growth in 2H22 and 2023, driven by 1) the solid demand for trucks (the major truck manufacturers – Hino and Isuzu – expect 2022 new truck sales to increase to up to 32k units and 35k units in 2023); and 2) its newly launched products, including floor plan financing and truck title loans.

### Outperforming asset quality

Outperforming other diversified financial companies (DFC), THANI's NPLs plummeted by 18% q-q in 2Q22 (implying a low NPL ratio of 2.4%) due to two reasons. First, c60% of THANI's truck clients are medium to large business operators. Normally, these segments can pass through their higher costs from the rising energy price to employers. We think THANI's clients will still have a limited impact from the rising energy price and high inflation environment. Second, THANI has implemented more stringent debt collection processes since 4Q21. With the significant reduction in its NPLs and the disciplined provisioning setup, its coverage ratio climbed to an impressive level of 117% in 2Q22. With healthy asset quality and sufficient provisions, we project its credit cost to decline to its normal level of 70 and 75 bps in 2022 and 2023 vs 120 bps in 2021.

### Maintain BUY

We raise our net profit forecasts for 2022/23/24 by 5%/5%/6% and our GGM-based TP to THB5.2 from THB4.8. THANI is now one of our top picks in DFC. We think THANI will be able to manage the impact from the rate hikes and high inflation. It is also resuming its loan expansion mode. We believe its net profit should gradually increase y-y in 2H22 and by 11% in 2023. We think its share price still has not reflected the improving performance that we expect in the coming quarters. THANI's valuation is undemanding at 11.7x 2023E P/E and 1.9x 2023E P/BV.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.9	6.7	0.9
Relative to country (%)	3.8	6.0	(1.7)
Mkt cap (USD m)	698		
3m avg. daily turnover (USD m)	2.0		
Free float (%)	21		
Major shareholder	Thanachart SPV1 Co., LTD (56%)		
12m high/low (THB)	4.78/3.64		
Issued shares (m)	5,663		

Sources: Bloomberg consensus; FSSIA estimates


**Yuvanart Suwanumphai**

 yuvanart.suw@fssia.com  
 +66 2611 3554

## Investment thesis

THANI has a longstanding and strong business position in hire purchase loans in niche markets, mainly for commercial trucks and luxury cars.

We maintain our BUY call as we believe THANI is still the market leader in the truck lending business, and we expect its bottom-line growth to accelerate in 2H22 and 2023.

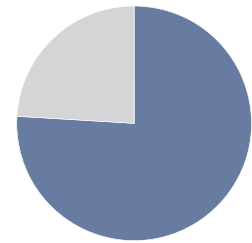
## Company profile

The company's main businesses are hire purchase loans, targeting new and used trucks, and financial leasing, as well as services related to its core businesses.

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

## Principal activities (revenue, 2021)

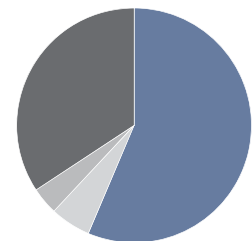
- Net interest income - 76.0 %
- Non-interest income - 24.0 %



Source: Ratchthani Leasing

## Major shareholders

- Thanachart SPV1 Co., LTD - 56.4 %
- Raffles Nominees - 5.6 %
- Thanachart Capital - 3.8 %
- Others - 34.3 %



Source: Ratchthani Leasing

## Catalysts

Potential share price catalysts for THANI include:

- 1) Lower credit cost due to the effective management of its non-performing loans (NPL);
- 2) Strong private investment;
- 3) The growth of logistics activities which would push its loan growth.

## Risks to our call

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.

## Event calendar

Date	Event
November 2022	3Q22 results announcement

## Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	1,945	2,153	2,382
Net profit growth	13.8	10.7	10.6
NIM	4.94	4.88	4.87
Loan growth	10.0	8.0	12.0
Fee growth	24.0	10.0	8.0
Non-NII growth	17.2	7.5	9.0
Credit cost (bp)	70	75	75
Cost to income	20.7	17.8	17.2

Source: FSSIA estimates

## Earnings sensitivity

		----- 2022E -----		
<b>Loan growth</b>	<b>±2ppt</b>	<b>8.0</b>	<b>10.0</b>	<b>12.0</b>
<i>% change in net profit</i>		(1.2)	-	1.2
<b>NIM (%)</b>	<b>±5bp</b>	<b>4.89</b>	<b>4.94</b>	<b>4.99</b>
<i>% change in net profit</i>		(1.1)	-	1.1
<b>Credit cost (bp)</b>	<b>±10bp</b>	<b>60.0</b>	<b>70.0</b>	<b>80.0</b>
<i>% change in net profit</i>		2.2	-	(2.2)

Source: FSSIA estimates

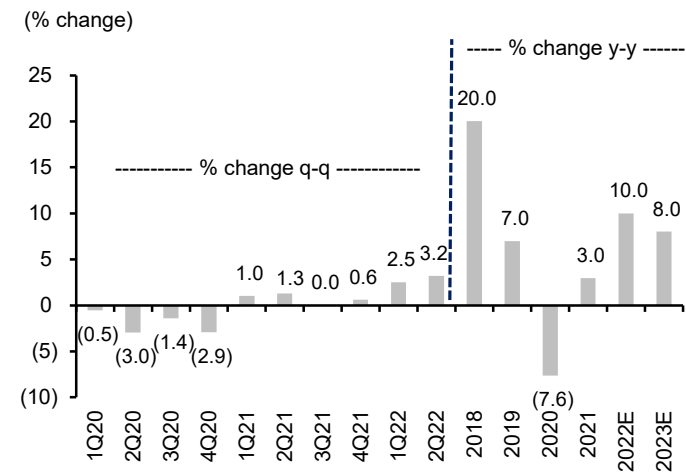
## The return of loan volume

THANI has resumed its loan expansion mode since 1Q22 after it was able to resolve its asset quality problem. Its loan volume increased by 2.5% q-q and 3.2% q-q in 1Q22 and 2Q22, respectively. We expect that THANI should continue to deliver solid loan growth in 2H22 and 2023, driven by the solid demand for trucks and its newly launched products.

THANI’s management stated that the major truck manufacturers (Hino and Isuzu) expect 2022 new truck sales to increase to up to 32k units and 35k units in 2023, backed up by the gradual economic recovery.

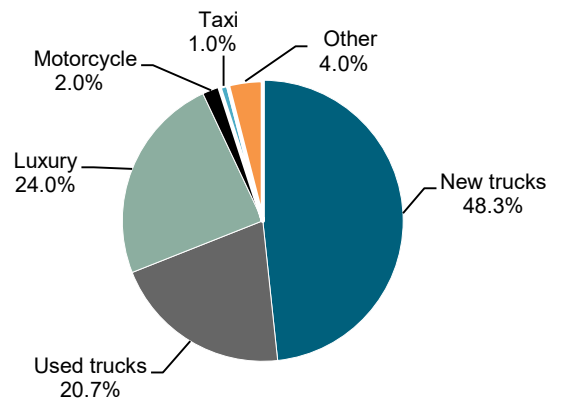
Recently, THANI added two new products in its portfolio, including floor plan financing and truck title loans. These portfolios were still small as of 2Q22. We think they will moderately increase in the next one to two years. These segments should not only raise THANI’s loan volume but widen its NIM also, in our view.

**Exhibit 1: Loan growth**



Sources: THANI; FSSIA estimates

**Exhibit 2: 2Q22 loan breakdown**



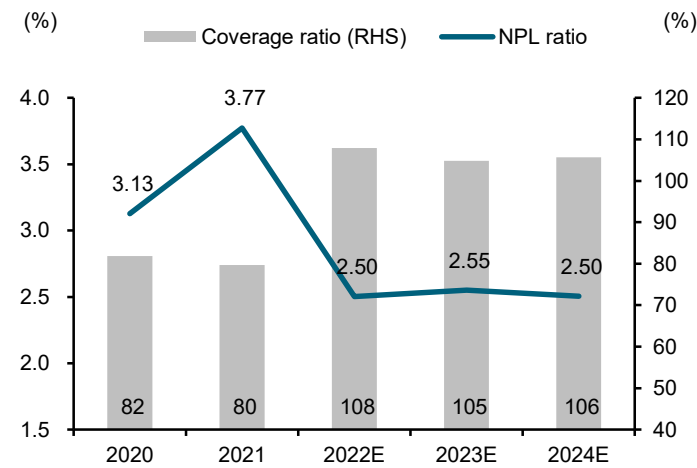
Source: THANI

## Outperforming asset quality

Outperforming other diversified financial companies, THANI's NPLs plummeted by 18% q-q in 2Q22 (implying a low NPL ratio of 2.4%) due to two reasons. First, c60% of THANI's truck clients are medium to large business operators. Normally, these segments can pass through their higher costs from the rising energy price to employers. We think THANI's clients will still have a more limited impact from the rising energy price and high inflation environment than peers. Second, THANI has implemented more stringent debt collection processes since 4Q21.

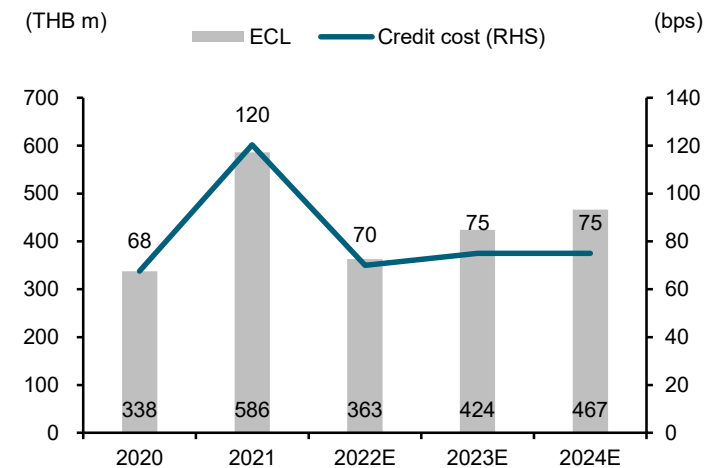
With the significant reduction in its NPLs and the disciplined provisioning setup, its coverage ratio climbed to an impressive level of 117% in 2Q22. With healthy asset quality and sufficient provisions, we project that its credit cost should decline to its normal level of 70 and 75 bps in 2022 and 2023 vs 120 bps in 2021.

**Exhibit 3: NPL ratio vs coverage ratio**



Sources: THANI; FSSIA estimates

**Exhibit 4: Credit cost and ECL**



Sources: THANI; FSSIA estimates

## Earnings and target price revisions

We increase our net profit forecasts for 2022/23/24 by 5%/5%/6% to mainly reflect the healthier asset quality and stronger loan growth. Details as below:

- 1) We lower our 2022/23/24 credit cost assumptions to 70/75/75 bps from 100/85/85 bps to reflect THANI's efficient asset quality management. We lower our 2022/23/24 NPL assumptions by 23%/22%/22%.
- 2) We increase our 2022 loan growth assumption to 10% as THANI has resumed its loan portfolio expansion faster than we expected.

### Exhibit 5: Key changes in assumptions

	-----2022E-----				-----2023E-----			-----2024E-----		
	2021 (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Net interest income	2,517	2,539	2,562	0.9	2,695	2,758	2.3	2,966	3,032	2.2
Non-interest income	796	915	933	2.0	961	1,003	4.4	1,031	1,093	6.0
Operating income	3,313	3,454	3,495	1.2	3,656	3,761	2.9	3,998	4,125	3.2
Operating expenses	585	642	724	12.7	639	671	5.1	684	709	3.7
<b>PPOP before tax</b>	<b>2,729</b>	<b>2,812</b>	<b>2,771</b>	<b>(1.4)</b>	<b>3,017</b>	<b>3,090</b>	<b>2.4</b>	<b>3,314</b>	<b>3,416</b>	<b>3.1</b>
Expected credit loss (Reversal)	586	514	363	(29.3)	476	424	(11.0)	529	467	(11.8)
Tax expenses	434	442	464	4.8	489	513	4.9	536	568	5.9
Minority interest	0	0	-	-	0	-	-	0	-	-
<b>Normalised profit</b>	<b>1,709</b>	<b>1,856</b>	<b>1,945</b>	<b>4.8</b>	<b>2,052</b>	<b>2,153</b>	<b>4.9</b>	<b>2,249</b>	<b>2,382</b>	<b>5.9</b>
Extraordinary items	-	0	-	-	0	-	-	0	-	-
<b>Net profit</b>	<b>1,709</b>	<b>1,856</b>	<b>1,945</b>	<b>4.8</b>	<b>2,052</b>	<b>2,153</b>	<b>4.9</b>	<b>2,249</b>	<b>2,382</b>	<b>5.9</b>
EPS (THB)	0.30	0.33	0.34	4.8	0.4	0.38	4.9	0.4	0.42	5.9
<b>Key statistics and ratios</b>										
<b>Asset quality ratio</b>										
Gross NPLs (THB m)	1,863	1,770	1,360	(23.2)	1,912	1,496	(21.7)	2,103	1,646	(21.7)
Gross NPLs / Loans (%)	3.8	3.3	2.5	-	3.3	2.5	-	3.2	2.5	-
Loan loss reserve/NPLs (%)	80	104	108	-	104	105	-	106	106	-
Credit cost (bps)	120	100	70	(33.3)	85	75	(11.8)	85	75	(11.8)
<b>Profitability ratio (%)</b>										
Cost to income ratio	17.6	18.6	20.7	17.6	17.5	17.8	17.5	17.1	17.2	17.1
Average yield	6.95	6.75	6.75	6.95	6.85	6.85	6.85	6.95	6.95	6.95
Cost of funds	2.49	2.45	2.45	2.49	2.65	2.65	2.65	2.75	2.75	2.75
Net interest margin (NIM)	5.17	4.94	4.94	5.17	4.88	4.88	4.88	4.87	4.87	4.87
<b>Loan growth (%)</b>										
y-y	3.0	8.0	10.0	3.0	8.0	8.0	8.0	12.0	12.0	12.0

Sources: THANI; FSSIA estimates

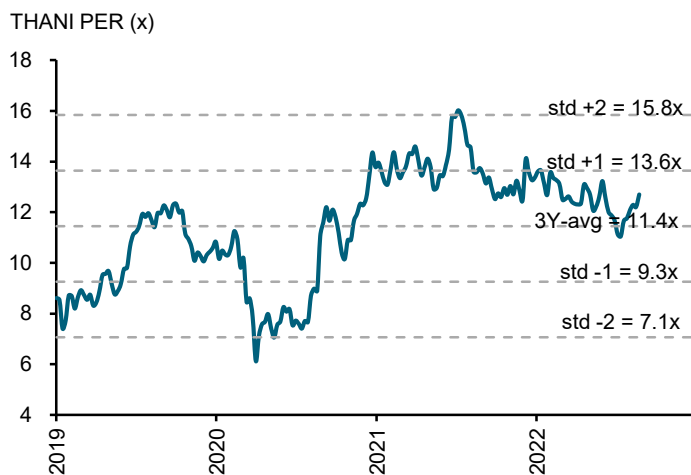
We revise up our GGM-based TP to THB5.2 from THB4.8 to reflect our higher long-term growth and higher ROE assumptions leading to a higher target 2023 P/BV of 2.2x from 2.0x.

### Exhibit 6: THANI – GGM-derived target price

Target price (THB)	5.2 (from 4.8)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.0 (unchanged)
Terminal growth (%)	6.3 (from 6.0)
ROE target (%)	16.7 (from 16.2)
Target P/BV (x)	2.2 (from 2.0)
Implied P/E (x)	13.7 (from 13.3)

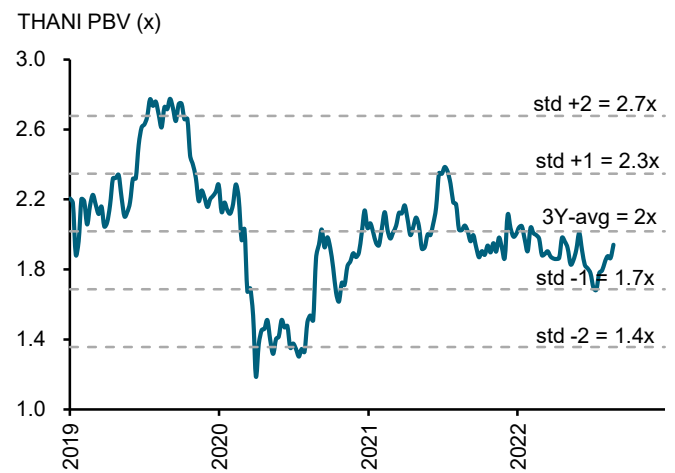
Source: FSSIA estimates

Exhibit 7: THANI's one-year prospective P/E band



Sources: Bloomberg; FSSIA's compilation

Exhibit 8: THANI's one-year prospective P/BV band



Sources: Bloomberg; FSSIA's compilation

Exhibit 9: Key valuations of diversified financials under coverage

	BBG code	Rec	--- Share price ---		Up side (%)	Market Cap (USD m)	EPS growth		---- P/E ----		---- ROE ----		---- PBV ----	
			Current (THB)	Target (THB)			22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)
<b>Diversified financials</b>						<b>20,930</b>	<b>10.9</b>	<b>20.7</b>	<b>24.0</b>	<b>19.3</b>	<b>15.8</b>	<b>16.3</b>	<b>3.2</b>	<b>2.8</b>
<b>Unsecured-loan lender</b>						<b>5,425</b>	<b>12.9</b>	<b>7.3</b>	<b>19.5</b>	<b>18.1</b>	<b>23.1</b>	<b>21.7</b>	<b>4.3</b>	<b>3.8</b>
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	168.00	188.00	12	1,166	19.0	7.0	9.9	9.3	19.8	18.5	1.8	1.6
Krungthai Card*	KTC TB	HOLD	59.50	60.00	1	4,259	11.2	7.4	22.1	20.5	24.1	22.5	5.0	4.3
<b>Auto-title lender</b>						<b>7,061</b>	<b>10.3</b>	<b>20.4</b>	<b>17.2</b>	<b>14.3</b>	<b>18.0</b>	<b>19.0</b>	<b>2.9</b>	<b>2.5</b>
Muangthai Capital	MTC TB	BUY	44.00	60.00	36	2,590	14.3	23.0	16.5	13.4	20.7	21.3	3.1	2.6
Srisawad Corp	SAWAD TB	BUY	50.75	62.00	22	1,935	0.8	19.3	15.0	12.6	17.8	19.4	2.6	2.3
Saksiam Leasing	SAK TB	BUY	7.55	9.70	28	439	23.1	26.3	21.2	16.8	14.5	16.4	2.9	2.6
Ngern Tid Lor	TIDLOR TB	BUY	30.25	37.00	22	2,097	11.4	16.9	19.2	16.5	15.6	16.3	2.9	2.5
<b>Truck lender</b>						<b>1,914</b>	<b>2.7</b>	<b>26.5</b>	<b>26.6</b>	<b>20.4</b>	<b>10.6</b>	<b>12.2</b>	<b>2.3</b>	<b>2.2</b>
Micro Leasing*	MICRO TB	HOLD	4.96	5.50	11	129	0.4	39.0	24.6	17.7	9.3	11.9	2.2	2.0
Singer Thailand*	SINGER TB	BUY	47.75	59.00	24	1,087	(4.1)	35.2	35.6	26.3	7.2	9.4	2.5	2.4
Ratchthani Leasing*	THANI TB	BUY	4.44	5.20	17	698	13.8	10.7	12.9	11.7	16.2	16.7	2.0	1.9
<b>Asset management</b>						<b>5,187</b>	<b>16.1</b>	<b>34.7</b>	<b>40.6</b>	<b>29.6</b>	<b>9.0</b>	<b>10.6</b>	<b>3.6</b>	<b>3.1</b>
Bangkok Commercial Asset Mngt.	BAM TB	BUY	18.20	22.00	21	1,633	14.3	23.2	19.8	16.1	6.9	7.9	1.4	1.2
Chayo Group	CHAYO TB	BUY	10.90	14.20	30	323	8.4	32.5	44.2	33.3	8.8	8.1	3.2	2.3
JMT Network Services	JMT TB	BUY	76.75	92.00	20	3,109	16.4	41.5	51.1	36.1	10.0	12.3	4.8	4.1
Knight Club Capital Asset Mngt.	KCC TB	BUY	7.10	7.10	0	122	53.1	21.9	40.7	33.4	11.7	10.1	3.7	3.1
<b>Other</b>						<b>1,179</b>	<b>4.1</b>	<b>8.5</b>	<b>7.7</b>	<b>7.1</b>	<b>8.0</b>	<b>8.2</b>	<b>0.6</b>	<b>0.6</b>
Thanachart Capital	TCAP TB	HOLD	40.50	43.00	6	1,179	4.1	8.5	7.7	7.1	8.0	8.2	0.6	0.6
<b>Hire purchase motorcycle</b>						<b>164</b>	<b>(52.9)</b>	<b>56.5</b>	<b>26.9</b>	<b>17.2</b>	<b>5.7</b>	<b>7.6</b>	<b>1.3</b>	<b>1.3</b>
Next Capital	NCAP TB	HOLD	4.38	5.00	14	164	(52.9)	56.5	26.9	17.2	5.7	7.6	1.3	1.3

\*Target prices are 2023 GGM-based; share prices as of 26 Aug 2022

Source: FSSIA estimates

## Financial Statements

### Ratchthani Leasing

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	3,516	3,430	3,501	3,871	4,323
Interest expense	(1,063)	(913)	(939)	(1,113)	(1,291)
Net interest income	2,452	2,517	2,562	2,758	3,032
Net fees & commission	316	380	471	518	559
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	431	417	463	486	534
Non interest income	747	796	933	1,003	1,093
Total income	3,199	3,313	3,495	3,761	4,125
Staff costs	(188)	(183)	(201)	(201)	(211)
Other operating costs	(350)	(402)	(523)	(470)	(499)
Operating costs	(538)	(585)	(724)	(671)	(709)
Pre provision operating profit	2,662	2,729	2,771	3,090	3,416
Provision for bad and doubtful debt	(338)	(586)	(363)	(424)	(467)
Other provisions	-	-	-	-	-
Operating profit	2,324	2,143	2,408	2,666	2,949
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	2,324	2,143	2,408	2,666	2,949
Tax	(464)	(434)	(464)	(513)	(568)
Profit after tax	1,860	1,709	1,945	2,153	2,382
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,860	1,709	1,945	2,153	2,382
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	1,860	1,709	1,945	2,153	2,382
<b>Per share (THB)</b>					
Recurring EPS *	0.40	0.30	0.34	0.38	0.42
Reported EPS	0.40	0.30	0.34	0.38	0.42
DPS	0.17	0.17	0.19	0.21	0.25
<b>Growth</b>					
Net interest income (%)	(3.0)	2.6	1.8	7.7	9.9
Non interest income (%)	6.8	6.6	17.2	7.5	9.0
Pre provision operating profit (%)	0.2	2.5	1.6	11.5	10.5
Operating profit (%)	(5.7)	(7.8)	12.4	10.7	10.6
Reported net profit (%)	(5.3)	(8.1)	13.8	10.7	10.6
Recurring EPS (%)	(22.6)	(25.0)	13.8	10.7	10.6
Reported EPS (%)	(22.6)	(25.0)	13.8	10.7	10.6
<b>Income Breakdown</b>					
Net interest income (%)	76.7	76.0	73.3	73.3	73.5
Net fees & commission (%)	9.9	11.5	13.5	13.8	13.6
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	13.5	12.6	13.2	12.9	13.0
<b>Operating performance</b>					
Gross interest yield (%)	7.04	7.05	6.75	6.85	6.95
Cost of funds (%)	2.70	2.49	2.45	2.65	2.75
Net interest spread (%)	4.34	4.56	4.30	4.20	4.20
Net interest margin (%)	4.9	5.2	4.9	4.9	4.9
Cost/income(%)	16.8	17.6	20.7	17.8	17.2
Cost/assets(%)	1.1	1.2	1.4	1.2	1.1
Effective tax rate (%)	19.9	20.2	19.3	19.3	19.3
Dividend payout on recurring profit (%)	42.2	56.3	56.0	56.0	60.0
ROE (%)	20.1	15.3	16.2	16.7	17.2
ROE - COE (%)	9.3	4.5	5.4	5.9	6.4
ROA (%)	3.7	3.5	3.8	3.8	3.8
RORWA (%)	-	-	-	-	-

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

Sources: Ratchthani Leasing; FSSIA estimates

## Financial Statements

### Ratchthani Leasing

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	47,976	49,396	54,336	58,682	65,724
Total provisions	(1,228)	(1,485)	(1,468)	(1,569)	(1,739)
interest in suspense	0	0	0	0	0
<b>Net customer loans</b>	<b>46,748</b>	<b>47,911</b>	<b>52,868</b>	<b>57,114</b>	<b>63,985</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,044	476	202	400	483
Other interesting assets	-	-	-	-	-
Tangible fixed assets	147	165	200	257	345
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	579	671	520	697	896
<b>Total assets</b>	<b>48,518</b>	<b>49,223</b>	<b>53,789</b>	<b>58,468</b>	<b>65,709</b>
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	36,691	36,512	40,165	43,836	50,062
Non interest bearing liabilities	1,008	1,145	1,202	1,262	1,325
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>37,699</b>	<b>37,657</b>	<b>41,367</b>	<b>45,098</b>	<b>51,387</b>
Share capital	5,663	5,663	5,663	5,663	5,663
Reserves	5,156	5,904	6,759	7,706	8,659
<b>Total equity</b>	<b>10,819</b>	<b>11,567</b>	<b>12,422</b>	<b>13,369</b>	<b>14,322</b>
Minority interests	0	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>48,518</b>	<b>49,223</b>	<b>53,789</b>	<b>58,468</b>	<b>65,709</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	49,955	48,686	51,866	56,509	62,203
Average interest bearing liabilities	39,439	36,602	38,339	42,001	46,949
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)	1,500	1,863	1,360	1,496	1,646
<b>Per share (THB)</b>					
Book value per share	1.91	2.04	2.19	2.36	2.53
Tangible book value per share	1.91	2.04	2.19	2.36	2.53
<b>Growth</b>					
Gross customer loans	(7.6)	3.0	10.0	8.0	12.0
Average interest earning assets	(0.6)	(2.5)	6.5	9.0	10.1
Total asset (%)	(4.6)	1.5	9.3	8.7	12.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	22.3	23.5	23.1	22.9	21.8
Tangible equity/assets (%)	22.3	23.5	23.1	22.9	21.8
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality</b>					
Change in NPL (%)	(26.8)	24.2	(27.0)	10.0	10.0
NPL/gross loans (%)	3.1	3.8	2.5	2.5	2.5
Total provisions/gross loans (%)	2.6	3.0	2.7	2.4	2.6
Total provisions/NPL (%)	81.9	79.7	107.9	104.8	105.7
<b>Valuation</b>					
Recurring P/E (x) *	11.0	14.7	12.9	11.7	10.6
Recurring P/E @ target price (x) *	12.9	17.2	15.1	13.7	12.4
Reported P/E (x)	11.0	14.7	12.9	11.7	10.6
Dividend yield (%)	3.8	3.8	4.3	4.8	5.7
Price/book (x)	2.3	2.2	2.0	1.9	1.8
Price/tangible book (x)	2.3	2.2	2.0	1.9	1.8
Price/tangible book @ target price (x)	2.7	2.5	2.4	2.2	2.1

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

Sources: Ratchthani Leasing; 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	BDMS	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	DRSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFCO	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	PPP	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	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	WIK
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	TIPIP	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	SEAOIL	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)

**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 Suwanumchai 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
Ratchthani Leasing	THANI TB	THB 4.44	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 168.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 59.50	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 44.00	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 50.75	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 7.55	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 30.25	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 4.96	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 47.75	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.
Bangkok Commercial Asset Mngt.	BAM TB	THB 18.20	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Chayo Group	CHAYO TB	THB 10.90	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 76.75	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.
Knight Club Capital Asset Mngt.	KCC TB	THB 7.10	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 40.50	HOLD	An upside risk to our GGM-based target price is a 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 4.38	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 26-Aug-2022 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.