

NEXT CAPITAL NCAP TB

THAILAND / DIVERSIFIED FINANCIALS

REDUCE

FROM HOLD

หนทางที่ไม่ราบรื่นรออยู่ข้างหน้า

- NCAP รายงานกำไรสุทธิ 3Q22 ที่อ่อนแอโดยอยู่ที่ 16 ลบ. (-78% y-y, +24% q-q) ส่วนมากมาจากคุณภาพสินทรัพย์ที่ตกต่ำและการแข่งขันที่รุนแรง
- เราคาดว่า NCAP จะรายงานผลประกอบการที่ตกต่ำไปอีกอย่างน้อยใน 2 ปีข้างหน้า จากผลกระทบเชิงลบของนโยบายเพดานอัตราดอกเบี้ย (ที่จะเริ่มมีผลในเดือน ม.ค. 2023)
- เราปรับลดประมาณการกำไรสุทธิปี 2022-24 ลง 37-88% และปรับลดราคาเป้าหมายลงเหลือ 2.5 จาก 5 บาท เราปรับลดคำแนะนำเป็น REDUCE จากถือ

| | |
|-----------------|---------|
| TARGET PRICE | THB2.50 |
| CLOSE | THB3.10 |
| UP/DOWNSIDE | -19.4% |
| PRIOR TP | THB5.00 |
| CHANGE IN TP | -50.0% |
| TP vs CONSENSUS | -37.4% |

KEY STOCK DATA

| YE Dec (THB m) | 2021 | 2022E | 2023E | 2024E |
|----------------------|------|--------|--------|--------|
| Operating profit | 389 | 144 | 124 | 70 |
| Net profit | 311 | 115 | 99 | 56 |
| EPS (THB) | 0.35 | 0.10 | 0.07 | 0.04 |
| vs Consensus (%) | - | - | (41.7) | (80.5) |
| Core net profit | 311 | 115 | 99 | 56 |
| Core EPS (THB) | 0.35 | 0.10 | 0.07 | 0.04 |
| Chg. In EPS est. (%) | - | (37.2) | (71.1) | (87.7) |
| EPS growth (%) | 54.1 | (70.4) | (28.1) | (43.9) |
| Core P/E (x) | 9.0 | 30.4 | 42.2 | 75.2 |
| Dividend yield (%) | - | 0.5 | 0.4 | 0.2 |
| Price/book (x) | 1.4 | 1.0 | 1.0 | 1.0 |
| ROE (%) | 16.9 | 3.8 | 2.4 | 1.3 |
| ROA (%) | 5.9 | 1.6 | 1.0 | 0.4 |

ผลประกอบการ 3Q22 อ่อนแอจากหนี้ด้อยคุณภาพ (NPL) และการแข่งขัน

NCAP รายงานกำไรสุทธิ 3Q22 ที่อ่อนแอโดยอยู่ที่ 16 ลบ. (-78% y-y, +24% q-q) ผลประกอบการที่ตกต่ำดังกล่าวเกิดจาก 1) ผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่เพิ่มอย่างมีนัยสำคัญ (+159% y-y, +5% q-q) ตามหนี้ด้อยคุณภาพ (NPL) ที่เพิ่มเป็นจำนวนมาก (+52% q-q) โดยคิดเป็นสัดส่วน NPL ที่ 2.9% จาก 2% ใน 2Q22 จากการฉ้อโกงของลูกค้าในบางพื้นที่และเงินเฟ้อที่อยู่ในระดับสูง; 2) ส่วนต่างดอกเบี้ย (NIM) ที่ลดลง q-q มาอยู่ที่ 18.2% จาก 18.9% จากผลตอบแทนสินเชื่อสุทธิที่ลดลง; และ 3) อัตราการเติบโตของสินเชื่อที่ลดลงเหลือเพียง 2% q-q ซึ่งต่ำกว่าอัตราการเติบโตตามศักยภาพของบริษัทฯ อย่างมีนัยสำคัญ เราคิดว่าตัวเลขดังกล่าวเกิดจากการแข่งขันที่รุนแรงและกลยุทธ์การปล่อยสินเชื่อใหม่ด้วยความระมัดระวังของบริษัทฯ เพื่อป้องกันการเสื่อมของคุณภาพสินทรัพย์

ปรับลดประมาณการจากคุณภาพสินทรัพย์ที่อ่อนแอและผลกระทบจากเพดานอัตราดอกเบี้ย

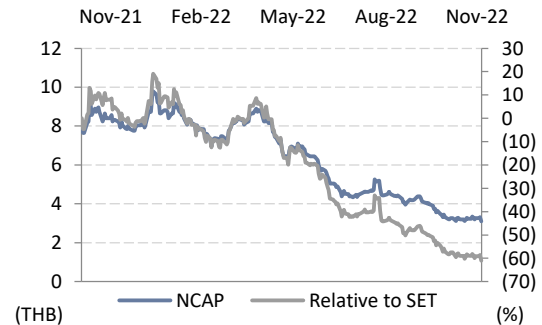
เราคิดว่าปัญหาคุณภาพสินทรัพย์น่าจะยังเป็นอุปสรรคขัดขวางการเติบโตของกำไรของ NCAP ทั้งในแง่ของ ECL ที่สูงขึ้นและการเติบโตของสินเชื่อที่ลดลง นอกจากนี้เรายังเชื่อว่า NCAP จะได้รับผลกระทบเชิงลบจากเพดานอัตราดอกเบี้ยสินเชื่อเช่าซื้อรถจักรยานยนต์ที่ 23% ซึ่งต่ำกว่าอัตราดอกเบี้ยที่ใช้ในปัจจุบันที่ประมาณ 30-35% ด้วยเหตุผลดังกล่าวเราปรับลดประมาณการกำไรปี 2022/23/24 ลง 37%/71%/88%

แนวโน้มหน้าจะอ่อนแอต่อเนื่อง

เราคาดว่า NCAP จะรายงานกำไรสุทธิ 4Q22 ที่อ่อนแอเนื่องจากอัตราการเสื่อมของสินทรัพย์ที่สูงขึ้นน่าจะก่อให้เกิดสำรองที่สูงขึ้นด้วย นอกจากนี้เรายังคาดว่ากำไรสุทธิในปี 2023/24 จะลดลง 14%/44% y-y จากผลตอบแทนสินเชื่อที่ลดลงจากนโยบายเพดานอัตราดอกเบี้ย

ปรับลดคำแนะนำเป็น REDUCE ที่ราคาเป้าหมายปี 2023 ใหม่ที่ 2.5 บาท (GGM)

เราปรับลดราคาเป้าหมายปี 2023 เป็น 2.5 จาก 5 บาท (GGM) และปรับลดคำแนะนำเป็น REDUCE จากถือเนื่องจาก 1) เราคิดว่าคุณภาพสินทรัพย์ของ NCAP ยังไม่ได้แตะจุดต่ำสุด; และ 2) เราคาดว่ากำไรสุทธิรอบ 3 ปีจะลดลง 44% CAGR ในช่วงปี 2021-24 ส่วนมากจากผลกระทบเชิงลบของเพดานอัตราดอกเบี้ย เราอาจหันมามอง NCAP เป็นบวกมากขึ้นถ้า 1) บริษัทฯ สามารถจัดการผลกระทบของเพดานอัตราดอกเบี้ยได้อย่างเป็นรูปธรรม; และ/หรือ 2) บริษัทฯ สามารถแก้ปัญหา NPL ได้



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|----------------|---------|----------|
| Absolute (%) | (6.6) | (35.4) | (57.6) |
| Relative to country (%) | (9.1) | (35.6) | (57.4) |
| Mkt cap (USD m) | 113 | | |
| 3m avg. daily turnover (USD m) | 0.7 | | |
| Free float (%) | 34 | | |
| Major shareholder | COM7 PCL (34%) | | |
| 12m high/low (THB) | 10.10/3.06 | | |
| Issued shares (m) | 900 | | |

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We expect more intense competition in the new motorcycle hire purchase business due to the aggressive expansion plans of Srisawad Capital (SCAP, not rated). Moreover, we think NCAP should be one of the most negatively impacted among diversified financial companies from the rate cap mandate for motorcycle hire purchase. Lastly, we think its poor asset quality will hinder its growth.

Hence, we lower our 2022/23/24 net profit forecasts by 37%/71%/88%. We lower our 2023 GGM-based TP to THB2.5 from THB5.0 and downgrade our recommendation to REDUCE from Hold, as 1) we think NCAP's asset quality has not reached the bottom yet; and 2) we expect NCAP's net profit to drop by 44% at a three-year CAGR during 2021-24 due mainly to the negative impact of the rate cap.

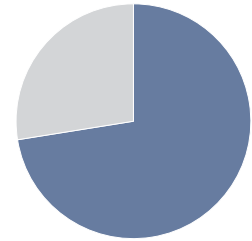
Company profile

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

www.nextcapital.co.th

Principal activities (revenue, 2021)

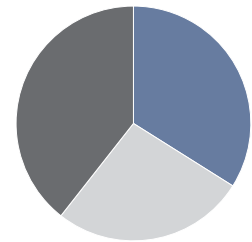
- Net interest income - 72.5 %
- Non-interest income - 27.5 %



Source: Next Capital

Major shareholders

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



Source: Next Capital

Catalysts

Upside risks to our GGM-derived TP include 1) strong demand for motorcycles; and 2) a lower dealer expense.

Risks to our call

Upside risks to our TP include 1) strong demand for motorcycles; and 2) lower commissions paid to dealers.

Event calendar

| Date | Event |
|-------------------|---------------------------|
| 14 November 2022 | NCAP's opportunity day |
| End-February 2023 | 4Q22 results announcement |

Key assumptions

| | 2022E | 2023E | 2024E |
|-----------------------|--------|--------|--------|
| | (%) | (%) | (%) |
| Net profit (THB m) | 115 | 99 | 56 |
| Net profit growth (%) | (63.1) | (13.7) | (43.9) |
| NIM (%) | 19.67 | 16.41 | 12.86 |
| Loan growth (%) | 45.0 | 40.0 | 35.0 |
| Fee growth (%) | 45.0 | 30.0 | 20.0 |
| Non-NII growth (%) | 21.2 | 19.7 | 15.3 |
| Credit cost (bp) | 1,300 | 1,200 | 1,000 |
| Cost to income (%) | 41.6 | 38.5 | 38.7 |

Source: FSSIA estimates

Earnings sensitivity

| | | ----- 2023E ----- | | |
|-------------------------|--------------|-------------------|--------------|--------------|
| Loan growth | ±2ppt | 38.0 | 40.0 | 42.0 |
| % change in net profit | | (2.0) | - | 2.0 |
| NIM (%) | ±5bp | 16.36 | 16.41 | 16.46 |
| % change in net profit | | (0.6) | - | 0.6 |
| Credit cost (bp) | ±10bp | 1,190 | 1,200 | 1,210 |
| % change in net profit | | 1.2 | - | (1.2) |
| | | | | |
| | | | | |

Source: FSSIA estimates

Feeble 3Q22 results from NPLs and competition

NCAP reported a weak 3Q22 net profit of THB16m (-78% y-y, +24% q-q). The poor performance was dragged down by 1) a significant increase in its ECL by 159% y-y and 5% q-q, following a substantial increase in its NPLs by 52% q-q, implying an NPL ratio rising to 2.9% from 2.0% in 2Q22, due to customer fraud in some areas and high inflation; 2) a q-q drop in its NIM to 18.2% from 18.9% due to lower net loan yields; and 3) slower loan growth of only 2% q-q, which is significantly lower than its potential growth, due to intense competition and the company's conservative new lending strategy aimed at preventing asset quality problems.

Exhibit 1: NCAP – summary of 3Q22 operations

| Year-end Dec 31 | 3Q21 | 2Q22 | 3Q22 | | 9M22 | | | 2022E | | Comments |
|----------------------------|------------|------------|------------|-------------|-----------|------------|-------------|-----------|--------------|-------------|
| | (THB m) | (THB m) | (THB m) | (y-y %) | (q-q %) | (THB m) | (y-y %) | %22E | (THB m) | (y-y %) |
| Net interest income | 238 | 347 | 359 | 51 | 3 | 1,015 | 52 | 73 | 1,392 | 50 |
| Non-interest income | 88 | 98 | 91 | 3 | (7) | 299 | 20 | 70 | 429 | 21 |
| Operating income | 326 | 446 | 449 | 38 | 1 | 1,314 | 44 | 72 | 1,821 | 42 |
| Operating expenses | 136 | 187 | 175 | 29 | (6) | 542 | 43 | 72 | 757 | 42 |
| PPOP before tax | 190 | 258 | 274 | 44 | 6 | 772 | 44 | 73 | 1,064 | 41 |
| Expected credit loss | 98 | 241 | 253 | 159 | 5 | 652 | 152 | 71 | 920 | 153 |
| Income tax | 19 | 4 | 5 | (76) | 16 | 25 | (55) | 88 | 29 | (63) |
| Minority interest | (0) | 0 | (0) | - | - | (0) | n/a | | 0 | |
| Normalised profit | 74 | 13 | 16 | (78) | 24 | 95 | (58) | 82 | 115 | (63) |
| Extraordinary items | 0 | 0 | 0 | - | - | 0 | - | | 0 | |
| Net profit | 74 | 13 | 16 | (78) | 24 | 95 | (58) | 82 | 115 | (63) |
| EPS (THB) | 0.08 | 0.01 | 0.01 | (85) | 24 | 0.09 | (62) | 92 | 0.10 | (71) |
| Asset quality ratio | (%) | (%) | (%) | | | | | | (%) | |
| NPLs (THB m) | 78 | 152 | 232 | 197 | 52 | | | | 273 | 250 |
| NPLs / Loans | 1.59 | 1.95 | 2.90 | | | | | | 3.26 | |
| Loan loss reserve/NPLs | 366 | 337 | 255 | | | | | | 243 | |
| Credit cost (bps) | 835 | 1,312 | 1,282 | | | | | | 1,300 | |
| Profitability ratio | (%) | (%) | (%) | | | | | | (%) | |
| Cost to income ratio | 41.6 | 42.0 | 39.0 | | | | | | 41.6 | |
| Average yield | 22.3 | 21.3 | 20.1 | | | | | | 22.0 | |
| Cost of fund | 3.7 | 4.2 | 3.9 | | | | | | 4.5 | |
| Net interest margin (NIM) | 20.3 | 18.9 | 18.2 | | | | | | 19.7 | |
| Non-int inc/total income | 27.0 | 22.0 | 20.2 | | | | | | 23.5 | |
| Loan growth | (%) | (%) | (%) | | | | | | (%) | |
| Year-to-date | 23.3 | 35.3 | 38.2 | | | | | | | |
| y-y | 26.0 | 74.1 | 63.1 | | | | | | 45.0 | |
| q-q | 9.0 | 13.3 | 2.2 | | | | | | | |

Sources: NCAP; FSSIA estimates

Earnings estimates and target price revisions

We think asset quality problems should continue to hinder NCAP's earnings growth in terms of both higher ECLs and lower loan growth. On top of that, we believe NCAP will be negatively impacted by the new interest rate cap mandate for motorcycle hire-purchase. Hence, we lower our 2022/23/24 net profit forecasts by 37%/71%/88%.

Details below:

- 1) We lower our loan yield assumptions in 2023/24 to 19.0%/16.0% from 19.6%/19.2% to reflect the impact of the rate cap and tighter competition.
- 2) We raise our credit cost assumptions in 2022/23/24 to 1,300/1,200/1,000 bps from 1,230/950/875 bps following the rise in NPL assumptions.

To recap, on 12 Oct 2022, the Office of the Consumer Protection Board announced new regulations to control hire purchase contracts for motorcycles and cars, which will take effect in mid-Jan 2023. In our view, there are four main changes between the new and the old regulations, consisting of 1) rate caps for new cars/used cars/motorcycles at 10%/15%/23%; 2) interest savings for clients from early prepayments at 60% for debtors who repay debts of not less than one-third, 70% for debtors who repay debts from one-third to two-thirds, and 100% for debtors who repay more than two-thirds of their debt; 3) in the case of car seizures – if there is a deficit from the car auction, operators would only be able to further ask for the principal portion; and 4) penalty fees in case of default at less than 5%.

Exhibit 2: Key changes in assumptions

| | 2022E | | | | 2023E | | | 2024E | | |
|----------------------------------|-----------------|----------------|----------------|---------------|----------------|----------------|---------------|----------------|----------------|---------------|
| | 2021 (THB m) | Old (THB m) | New (THB m) | Change (%) | Old (THB m) | New (THB m) | Change (%) | Old (THB m) | New (THB m) | Change (%) |
| Net interest income | 931 | 1,421 | 1,392 | (2.0) | 1,873 | 1,650 | (11.9) | 2,436 | 1,772 | (27.3) |
| Non-interest income | 354 | 470 | 429 | (8.9) | 562 | 513 | (8.7) | 647 | 592 | (8.6) |
| Operating income | 1,285 | 1,892 | 1,821 | (3.7) | 2,435 | 2,163 | (11.2) | 3,083 | 2,363 | (23.3) |
| Operating expenses | 532 | 753 | 757 | 0.5 | 978 | 833 | (14.9) | 1,222 | 916 | (25.1) |
| PPOP before tax | 753 | 1,138 | 1,064 | (6.6) | 1,457 | 1,330 | (8.7) | 1,861 | 1,448 | (22.2) |
| Expected credit loss (Reversal) | 363 | 910 | 920 | 1.1 | 1,027 | 1,206 | 17.4 | 1,297 | 1,378 | 6.2 |
| Tax expenses | 78 | 46 | 29 | (37.2) | 86 | 25 | (71.1) | 113 | 14 | (87.7) |
| Minority interest | - | 0 | - | | 0 | - | | - | - | |
| Normalised profit | 311 | 183 | 115 | (37.2) | 344 | 99 | (71.1) | 451 | 56 | (87.7) |
| Extraordinary items | - | 0 | - | | 0 | - | | - | - | |
| Net profit | 311 | 183 | 115 | (37.2) | 344 | 99 | (71.1) | 451 | 56 | (87.7) |
| EPS (THB) | 0.35 | 0.16 | 0.10 | (37.2) | 0.3 | 0.07 | (71.1) | 0.33 | 0.04 | (87.7) |
| Key statistics and ratios | | | | | | | | | | |
| Asset quality ratio | | | | | | | | | | |
| Gross NPLs (THB m) | 78 | 179 | 273 | 52.2 | 260 | 396 | 52.2 | 364 | 554 | 52.2 |
| Gross NPLs / Loans (%) | 1.3 | 2.0 | 3.3 | | 2.1 | 3.4 | | 2.14 | 3.50 | |
| Loan loss reserve/NPLs (%) | 402 | 340 | 243 | | 339 | 295 | | 341 | 302 | |
| Credit cost (bps) | 746 | 1,230 | 1,300 | | 950 | 1,200 | | 875 | 1,000 | |
| Profitability ratio (%) | | | | | | | | | | |
| Cost to income ratio | 41.4 | 39.8 | 41.6 | | 40.2 | 38.5 | | 39.6 | 38.7 | |
| Average yield | 21.1 | 21.2 | 22.0 | | 19.6 | 19.0 | | 19.2 | 16.0 | |
| Cost of funds | 3.2 | 4.0 | 4.5 | | 4.5 | 4.7 | | 4.6 | 4.8 | |
| Net interest margin (NIM) | 19.1 | 19.2 | 19.7 | | 17.3 | 16.4 | | 16.4 | 12.9 | |
| Loan growth (%) | | | | | | | | | | |
| y-y | 45.5 | 56.0 | 45.0 | | 40.0 | 40.0 | | 35.0 | 35.0 | |

Source: FSSIA estimates

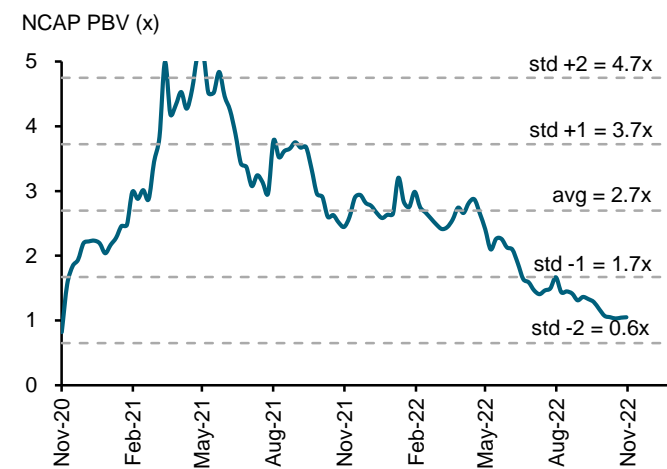
We lower our 2023 GGM-based TP to THB2.5, down from our previous TP of THB5.0, as we 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2023 P/BV to 0.8x from 1.4x, as we lower our ROE and terminal growth estimates to reflect our downward earnings revision. We downgrade our recommendation to REDUCE from Hold.

Exhibit 3: NCAP – GGM-derived target price

| Target price (THB) | 2.5 (from 5.0) |
|-------------------------|--------------------|
| Recommendation | REDUCE (from HOLD) |
| Risk-free rate (%) | 3.0 (unchanged) |
| Market risk premium (%) | 8.0 (unchanged) |
| Cost to equity (%) | 9.8 (unchanged) |
| Terminal growth (%) | 3.4 (from 9.3) |
| ROE target (%) | 8.5 (from 10.0) |
| Target PBV (x) | 0.8 (from 1.4) |

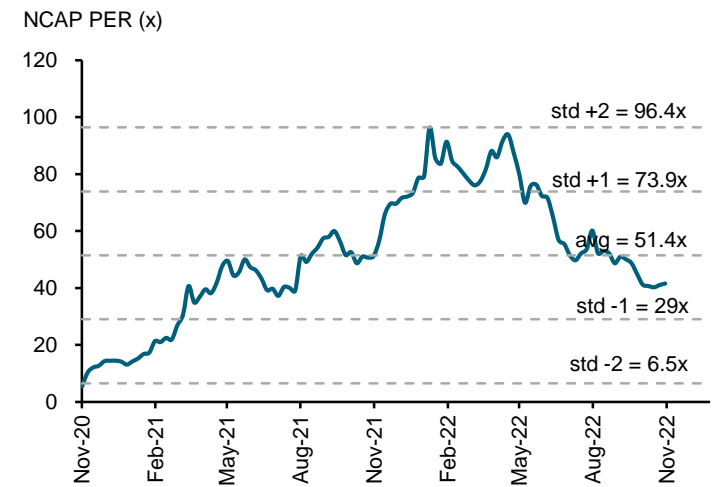
Source: FSSIA estimates

Exhibit 4: NCAP – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 5: NCAP – one-year prospective P/E band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Next Capital

| Profit and Loss (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|-------|-------|--------|---------|---------|
| Interest Income | 880 | 1,028 | 1,557 | 1,910 | 2,205 |
| Interest expense | (114) | (97) | (165) | (260) | (433) |
| Net interest income | 766 | 931 | 1,392 | 1,650 | 1,772 |
| Net fees & commission | 101 | 144 | 208 | 271 | 325 |
| Foreign exchange trading income | - | - | - | - | - |
| Securities trading income | - | - | - | - | - |
| Dividend income | 0 | 0 | 0 | 0 | 0 |
| Other income | 160 | 210 | 220 | 243 | 267 |
| Non interest income | 261 | 354 | 429 | 513 | 592 |
| Total income | 1,028 | 1,285 | 1,821 | 2,163 | 2,363 |
| Staff costs | (396) | (532) | (757) | (833) | (916) |
| Other operating costs | - | - | - | - | - |
| Operating costs | (396) | (532) | (757) | (833) | (916) |
| Pre provision operating profit | 631 | 753 | 1,064 | 1,330 | 1,448 |
| Provision for bad and doubtful debt | (379) | (363) | (920) | (1,206) | (1,378) |
| Other provisions | - | - | - | - | - |
| Operating profit | 253 | 389 | 144 | 124 | 70 |
| Recurring non operating income | 0 | 0 | 0 | 0 | 0 |
| Associates | 0 | 0 | 0 | 0 | 0 |
| Goodwill amortization | - | - | - | - | - |
| Non recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 253 | 389 | 144 | 124 | 70 |
| Tax | (51) | (78) | (29) | (25) | (14) |
| Profit after tax | 202 | 311 | 115 | 99 | 56 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 202 | 311 | 115 | 99 | 56 |
| Non recurring items & goodwill (net) | - | - | 0 | 0 | 0 |
| Recurring net profit | 202 | 311 | 115 | 99 | 56 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.22 | 0.35 | 0.10 | 0.07 | 0.04 |
| Reported EPS | 0.22 | 0.35 | 0.10 | 0.07 | 0.04 |
| DPS | 0.00 | 0.00 | 0.02 | 0.01 | 0.01 |
| Growth | | | | | |
| Net interest income (%) | 0.9 | 21.5 | 49.6 | 18.5 | 7.4 |
| Non interest income (%) | 97.6 | 35.3 | 21.2 | 19.7 | 15.3 |
| Pre provision operating profit (%) | 19.2 | 19.2 | 41.3 | 25.1 | 8.8 |
| Operating profit (%) | 56.3 | 54.1 | (63.1) | (13.7) | (43.9) |
| Reported net profit (%) | 59.8 | 54.1 | (63.1) | (13.7) | (43.9) |
| Recurring EPS (%) | - | 54.1 | (70.4) | (28.1) | (43.9) |
| Reported EPS (%) | - | 54.1 | (70.4) | (28.1) | (43.9) |
| Income Breakdown | | | | | |
| Net interest income (%) | 74.6 | 72.5 | 76.5 | 76.3 | 75.0 |
| Net fees & commission (%) | 9.8 | 11.2 | 11.4 | 12.5 | 13.7 |
| Foreign exchange trading income (%) | - | - | - | - | - |
| Securities trading income (%) | - | - | - | - | - |
| Dividend income (%) | - | - | - | - | - |
| Other income (%) | 15.6 | 16.3 | 12.1 | 11.2 | 11.3 |
| Operating performance | | | | | |
| Gross interest yield (%) | 21.90 | 21.10 | 22.00 | 19.00 | 16.00 |
| Cost of funds (%) | 4.04 | 3.19 | 4.50 | 4.70 | 4.80 |
| Net interest spread (%) | 17.86 | 17.91 | 17.50 | 14.30 | 11.20 |
| Net interest margin (%) | 19.1 | 19.1 | 19.7 | 16.4 | 12.9 |
| Cost/income(%) | 38.6 | 41.4 | 41.6 | 38.5 | 38.7 |
| Cost/assets(%) | 9.2 | 10.1 | 10.5 | 8.1 | 6.6 |
| Effective tax rate (%) | 20.1 | 20.2 | 20.0 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | - | - | 15.0 | 15.0 | 15.0 |
| ROE (%) | 14.8 | 16.9 | 3.8 | 2.4 | 1.3 |
| ROE - COE (%) | 4.0 | 6.1 | (7.0) | (8.4) | (9.5) |
| ROA (%) | 4.6 | 5.9 | 1.6 | 1.0 | 0.4 |
| RORWA (%) | - | - | - | - | - |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Next Capital; FSSIA estimates

Financial Statements

Next Capital

| Balance Sheet (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|--------------|--------------|--------------|---------------|---------------|
| Gross customer loans | 3,970 | 5,777 | 8,377 | 11,728 | 15,832 |
| Total provisions | (230) | (314) | (664) | (1,167) | (1,674) |
| interest in suspense | 0 | 0 | 0 | 0 | 0 |
| Net customer loans | 3,740 | 5,464 | 7,713 | 10,561 | 14,159 |
| Bank loans | - | - | - | - | - |
| Government securities | - | - | - | - | - |
| Trading securities | - | - | - | - | - |
| Investment securities | 0 | 0 | 0 | 0 | 0 |
| Cash & equivalents | 698 | 75 | 565 | 862 | 1,103 |
| Other interesting assets | - | - | - | - | - |
| Tangible fixed assets | 21 | 37 | 70 | 84 | 101 |
| Associates | - | - | - | - | - |
| Goodwill | - | - | - | - | - |
| Other intangible assets | - | - | - | - | - |
| Other assets | 198 | 255 | 265 | 332 | 415 |
| Total assets | 4,657 | 5,831 | 8,613 | 11,838 | 15,778 |
| Customer deposits | 250 | 785 | 824 | 865 | 909 |
| Bank deposits | - | - | - | - | - |
| Other interest bearing liabilities | 2,504 | 2,553 | 3,152 | 6,226 | 10,048 |
| Non interest bearing liabilities | 227 | 485 | 509 | 535 | 562 |
| Hybrid Capital | - | - | - | - | - |
| Total liabilities | 2,980 | 3,823 | 4,486 | 7,626 | 11,518 |
| Share capital | 450 | 450 | 675 | 675 | 675 |
| Reserves | 1,226 | 1,548 | 3,442 | 3,527 | 3,574 |
| Total equity | 1,676 | 1,998 | 4,117 | 4,202 | 4,249 |
| Minority interests | 0 | 10 | 10 | 10 | 11 |
| Total liabilities & equity | 4,657 | 5,831 | 8,613 | 11,838 | 15,778 |
| Supplementary items | | | | | |
| Risk weighted assets (RWA) | n/a | n/a | n/a | n/a | n/a |
| Average interest earning assets | 4,018 | 4,874 | 7,077 | 10,052 | 13,780 |
| Average interest bearing liabilities | 2,812 | 3,046 | 3,657 | 5,534 | 9,024 |
| Tier 1 capital | n/a | n/a | n/a | n/a | n/a |
| Total capital | 0 | 0 | 0 | 0 | 0 |
| Gross non performing loans (NPL) | 65 | 78 | 273 | 396 | 554 |
| Per share (THB) | | | | | |
| Book value per share | 1.86 | 2.22 | 3.05 | 3.11 | 3.15 |
| Tangible book value per share | 1.86 | 2.22 | 3.05 | 3.11 | 3.15 |
| Growth | | | | | |
| Gross customer loans | (2.4) | 45.5 | 45.0 | 40.0 | 35.0 |
| Average interest earning assets | 5.6 | 21.3 | 45.2 | 42.0 | 37.1 |
| Total asset (%) | 16.5 | 25.2 | 47.7 | 37.4 | 33.3 |
| Risk weighted assets (%) | - | - | - | - | - |
| Customer deposits (%) | (84.1) | 214.0 | 5.0 | 5.0 | 5.0 |
| Leverage & capital measures | | | | | |
| Customer loan/deposits (%) | 1,495.9 | 696.0 | 935.8 | 1,220.3 | 1,558.0 |
| Equity/assets (%) | 36.0 | 34.3 | 47.8 | 35.5 | 26.9 |
| Tangible equity/assets (%) | 36.0 | 34.3 | 47.8 | 35.5 | 26.9 |
| RWA/assets (%) | - | - | - | - | - |
| Tier 1 CAR (%) | - | - | - | - | - |
| Total CAR (%) | - | - | - | - | - |
| Asset Quality | | | | | |
| Change in NPL (%) | (33.3) | 20.8 | 250.0 | 45.0 | 40.0 |
| NPL/gross loans (%) | 1.6 | 1.3 | 3.3 | 3.4 | 3.5 |
| Total provisions/gross loans (%) | 5.8 | 5.4 | 7.9 | 7.4 | 10.6 |
| Total provisions/NPL (%) | 356.7 | 402.2 | 243.3 | 294.8 | 302.2 |
| Valuation | | | | | |
| Recurring P/E (x) * | 13.8 | 9.0 | 30.4 | 42.2 | 75.2 |
| Recurring P/E @ target price (x) * | 11.2 | 7.2 | 24.5 | 34.0 | 60.6 |
| Reported P/E (x) | 13.8 | 9.0 | 30.4 | 42.2 | 75.2 |
| Dividend yield (%) | - | - | 0.5 | 0.4 | 0.2 |
| Price/book (x) | 1.7 | 1.4 | 1.0 | 1.0 | 1.0 |
| Price/tangible book (x) | 1.7 | 1.4 | 1.0 | 1.0 | 1.0 |
| Price/tangible book @ target price (x) | 1.3 | 1.1 | 0.8 | 0.8 | 0.8 |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Next Capital; 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 | DRS | SCM | SUSCO | TOA | VIH |
| AMATAV | BTS | DTAC | HANA | LHFG | NVD | PSL | SDC | SUTHA | TOP | WACOAL |
| ANAN | BTW | DUSIT | HARN | LIT | NWR | PTG | SEAFCCO | 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 | MITSIB | PRIME | SCN | SSC | TMI | VRANDA |
| ALUCON | BJCHI | DHOUSE | HTC | KISS | MK | PRIN | SCP | SSF | TMILL | WGE |
| AMANAHA | 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 | 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

Rawisara Suwanumphai FSS International Investment Advisory Securities Co., Ltd

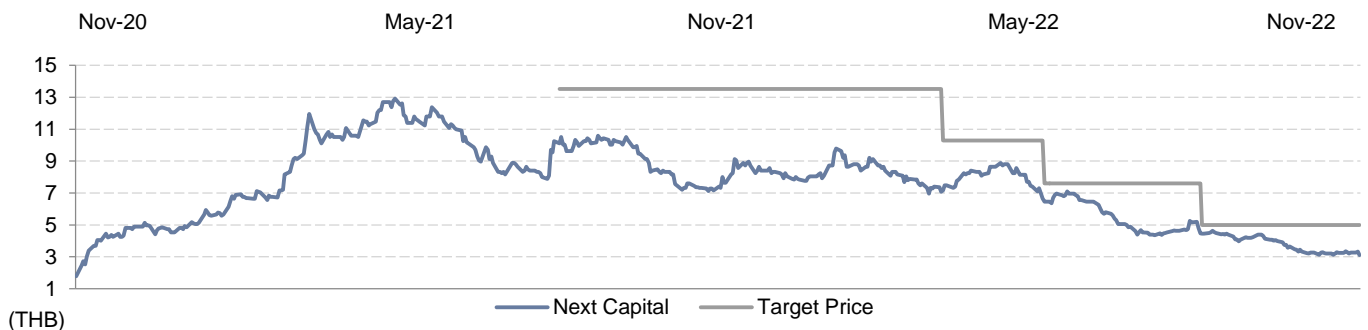
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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History of change in investment rating and/or target price

Next Capital (NCAP TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|------|--------|--------------|
| 06-Aug-2021 | BUY | 13.52 | 12-May-2022 | HOLD | 7.60 | - | - | - |
| 15-Mar-2022 | BUY | 10.30 | 10-Aug-2022 | HOLD | 5.00 | | | |

Rawisara Suwanumphai started covering this stock from 06-Aug-2021

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|--------------|---------|----------|--------|--|
| Next Capital | NCAP TB | THB 3.10 | REDUCE | Upside risks to our TP include 1) strong demand for motorcycles; and 2) lower commissions paid to dealers. |

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 09-Nov-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.