

SRISAWAD CORP

SAWAD TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

UNCHANGED

TARGET PRICE	THB51.00
CLOSE	THB43.25
UP/DOWNSIDE	+17.9%
PRIOR TP	THB62.00
CHANGE IN TP	-17.7%
TP vs CONSENSUS	-8.3%

Solid loan growth, but high OPEX

- SAWAD plans to maintain its aggressive loan expansion in 2023.
- We have some concerns over the rate cap impact and the asset quality of MHP. Thus, we cut 2022-24E net profit by 3-10%.

In-line 3Q22 net profit

SAWAD reported a 3Q22 net profit of THB1,186m, while its 3Q22 core profit was at THB1,224m (+10% y-y, +18% q-q). There were two extra items: 1) an accounting gain on an investment in Vietnam; and 2) an impairment on the return of BFIT (not listed)'s finance business licenses. Its core performance was mixed, though we see three positives. First, SAWAD reported the strongest loan growth among auto title lenders at 17% q-q, especially for motorcycle hire-purchase (MHP). Second, there was a slightly higher NIM q-q, aided by the solid growth of high-yield MHP. Lastly, its NPLs increased at a slower rate than its peers at 9% q-q from a rise in car seizures. On the negative side, OPEX jumped substantially in 3Q22 from a rise in the commissions paid to dealers as a result of its MHP expansion.

Resuming Vietnam operations and continuously expanding MHP

At its post-results meeting, SAWAD reaffirmed its aggressive loan expansion, with targeted 2023 loan growth of more than 25% y-y (higher than its normal rate of 20-25%). SAWAD expects MHP growth of more than 40%, and auto loan growth of more than 25% next year. Although its portfolio will gear toward higher-risk segments like MHP, the company believes that stringent credit underwriting will allow it to control its asset quality. Thus, management expects credit cost to rise at a manageable level in 2023. As for its international presence, SAWAD has resumed its Vietnam operations. It currently operates motorcycle title loans, with an interest rate charge of 60% EIR. Its outstanding loans amounted to cTHB100m-200m in 9M22. We came away with a neutral view.

Cut 2022-24 net profit forecasts by 3-10%

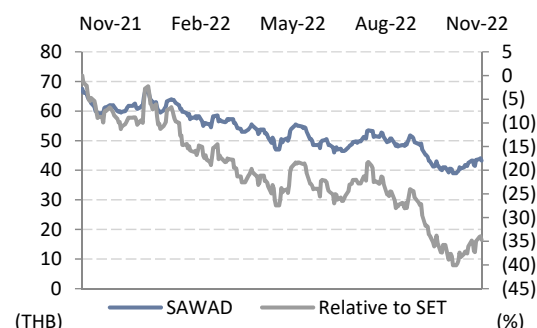
We think SAWAD might have a stronger outlook than other auto title lenders in the short term, with net profit growth expected both y-y and q-q in 4Q22, driven by strong loan growth from MHP and a rise in its NIM. However, in the medium term, we have some concerns over 1) the asset quality of its MHP portfolio; and 2) the impact from the rate cap – effective in Jan 2023. Thus, we lower our net profit forecasts for 2022/23/24 by 3%/10%/10% to mainly reflect a higher projected credit cost and OPEX.

Cut 2023 GGM-based TP to THB51 from THB62

We maintain our BUY call, but lower our 2023 TP to THB51 from THB62 to reflect our downward earnings revision and the concern over the rate cap's impact on MHP next year.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	6,241	5,867	6,392	7,291
Net profit	4,722	4,441	4,913	5,612
EPS (THB)	3.48	3.27	3.62	4.23
vs Consensus (%)	-	(1.0)	(2.9)	1.8
Core net profit	4,544	4,480	4,913	5,612
Core EPS (THB)	3.35	3.30	3.62	4.23
Chg. In EPS est. (%)	-	(2.2)	(10.1)	(9.7)
EPS growth (%)	0.8	(1.4)	9.7	17.0
Core P/E (x)	12.9	13.1	12.0	10.2
Dividend yield (%)	4.0	3.8	4.2	0.5
Price/book (x)	2.4	2.2	2.0	1.7
ROE (%)	19.4	17.4	17.5	17.6
ROA (%)	9.5	8.2	7.2	7.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.5	(16.4)	(31.6)
Relative to country (%)	1.6	(15.9)	(30.6)
Mkt cap (USD m)	1,668		
3m avg. daily turnover (USD m)	12.4		
Free float (%)	66		
Major shareholder	Kaewbootta Family (34%)		
12m high/low (THB)	68.50/38.00		
Issued shares (m)	1,373		

Sources: Bloomberg consensus; FSSIA estimates



Rawisara Suwanumchai

rawisara.suw@fssia.com
+66 2611 3554

Investment thesis

SAWAD has a solid market position as the third largest lender in the title loan market. In 2022, it has aggressively expanded the motorcycle hire-purchase (MHP) business. It currently ranks number one in terms of market share.

We think SAWAD might have a stronger outlook than other auto title lenders in the short term, with net profit growth expected both y-y and q-q in 4Q22. However, in the medium term, we have some concerns over 1) the asset quality of its motorcycle hire-purchase portfolio; and 2) the impact from the rate cap measure – effective in January 2023. Thus, we lower our net profit forecasts for 2022/23/24 by 3%/10%/10% to mainly reflect a higher projected credit cost and OPEX. We maintain our BUY call, but lower our 2023 TP to THB51 from THB62.

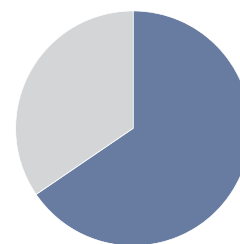
Company profile

SAWAD provides loan services to retail customers. Its business operations can be classified into four main categories: 1) auto title loans against all types of used vehicles, homes, and land; 2) unsecured personal loans; 3) motorcycle hire-purchase; and 4) asset management.

www.meebaanmeerod.com

Principal activities (revenue, 2021)

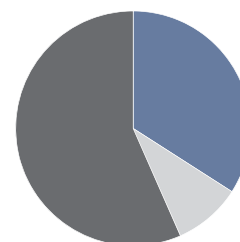
- Net interest income - 65.5 %
- Non-interest income - 34.5 %



Source: Srisawad Corp

Major shareholders

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



Source: Srisawad Corp

Catalysts

Potential share price catalysts for SAWAD include:

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

Risks to our call

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

Event calendar

Date	Event
End-February 2023	4Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	4,441	4,913	5,612
Net profit growth	(6.0)	10.6	14.2
NIM	18.08	17.74	17.82
Loan growth	50.0	20.0	15.0
Non-NII growth	1.4	6.5	6.5
Credit cost (bp)	(2)	200	210
Cost to income	46.0	43.6	43.4

Source: FSSIA estimates

Earnings sensitivity

		----- 2022E -----		
Loan growth	±2ppt	18.0	20.0	22.0
% change in net profit		(1.0)	-	1.0
NIM (%)	±5bp	17.69	17.74	17.79
% change in net profit		(0.5)	-	0.5
Credit cost (bp)	±10bp	190.0	200.0	210.0
% change in net profit		(0.6)	-	0.6

Source: FSSIA estimates

Solid loan growth but high OPEX and low Non-NII in 3Q22

SAWAD reported a 3Q22 net profit of THB1,186m (+7% y-y, +14% q-q), which was in line with the Bloomberg consensus forecast. Meanwhile, its 3Q22 core profit was at THB1,224m (+10% y-y, +18% q-q). There were two extra items: 1) a gain from a change in the classification of investments totalling THB184m from the acquired share capital of Srisawad Vietnam Liability Co., Ltd.; and 2) an impairment on the return of BFIT's finance business licenses amounting to THB223m. Its 9M22 core profit accounts for 73% of our 2022 forecast.

The company's core performance was mixed, though we see three positives. First, SAWAD aggressively resumed its growth mode, with the strongest loan growth among auto title lenders at 17% q-q, especially for MHP. Second, there was a slightly higher NIM q-q to 18.7% from 18.1% in 2Q22, aided by the solid growth of high-yield MHP. Lastly, unlike its peers, its non-performing loans (NPLs) increased at a slower rate of 9% q-q from a rise in car seizures. SAWAD's NPL ratio went down q-q to 2.65% in 3Q22. Meanwhile, its coverage ratio decreased to 51% from 61% in 2Q22 as the company reversed its ECL due to the determination of BFIT's portfolio. On the negative side, OPEX jumped substantially in 3Q22, resulting in a surge in its CIR ratio to 49.7% from a rise in the commissions paid to dealers as a result of its MHP expansion and a rise in its marketing campaign to boost its loan volume. Additionally, Non-NII went down by 7% y-y and 5% q-q from the slowdown in insurance brokerage fees.

Exhibit 1: SAWAD – summary of 3Q22 operations

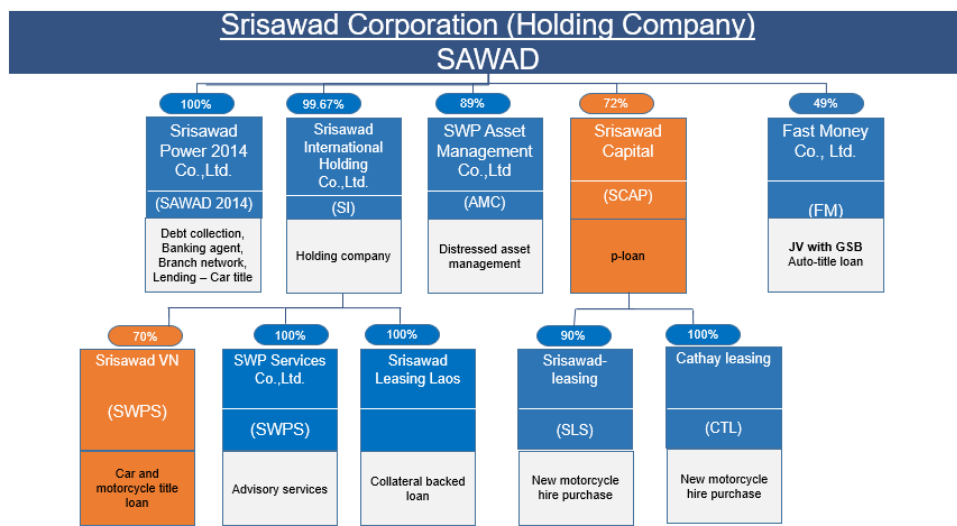
Year-end Dec 31	3Q21	2Q22	3Q22			9M22			2022E	
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%22E	(THB m)	(y-y %)
Net interest income	1,436	1,734	2,072	44	19	5,366	18	70	7,611	26
Non-interest income	841	830	786	(7)	(5)	2,410	2	74	3,242	1
Operating income	2,277	2,564	2,858	26	11	7,775	13	72	10,854	17
Operating expenses	863	1,118	1,419	64	27	3,528	37	71	4,995	44
PPOP before tax	1,414	1,446	1,439	2	(0)	4,248	(2)	73	5,859	1
Expected credit loss	(101)	31	(121)	<i>n.a.</i>	(491)	(70)	(78)	831	(8)	<i>n.a.</i>
Income tax	307	291	295	(4)	1	805	(19)	72	1,115	(18)
Minority interest	86	97	66	(24)	(32)	244	5		298	(6)
Normalised profit	1,112	1,042	1,224	10	18	3,302	(3)	74	4,480	(1)
Extraordinary items	0	0	(39)			(39)			(39)	
Net profit	1,112	1,042	1,186	7	14	3,263	(9)	73	4,441	(6)
EPS (THB)	0.81	0.76	0.86	7	14	2.38	(9)	73	3.27	(6)
Asset quality ratio										
NPLs (THB m)	1,480	1,155	1,264	(15)	9				1,311	5
NPLs / Loans (%)	4.40	2.83	2.65						2.60	
Loan loss reserve/NPLs (%)	64	61	51						55	
Credit cost (bps)	(122)	32	(109)						(2)	
Profitability ratio (%)										
Cost to income ratio	37.9	43.6	57.5						46.0	
Average yield	19.6	20.0	20.9						20.2	
Cost of fund	3.5	3.1	3.1						3.4	
Net interest margin (NIM)	17.3	18.1	18.7						18.1	
Non-interest income / total income	36.9	32.4	27.5						39.7	
Loan growth (%)										
y-y	(14.2)	25.1	42.0						50.0	
q-q	3.3	13.6	17.2							

Sources: SAWAD; FSSIA estimates

Neutral view from analyst meeting

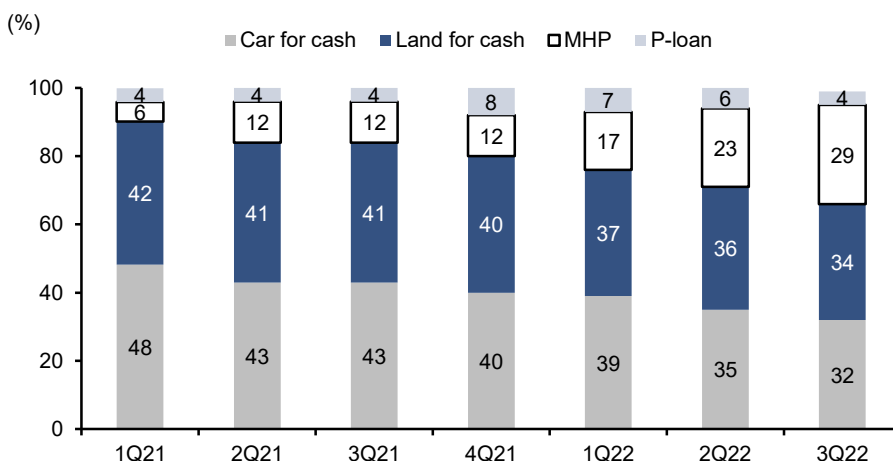
- SAWAD targets loan growth of more than 25% y-y in 2023 (higher than its normal rate of 20-25%), with MHP growth of more than 40% and auto loan growth of more than 25% expected.
- Its cost to income ratio in 2023 should be lower than in 2022, given that 1) SAWAD will sell bundled products (e.g. loans and insurance); and 2) its costs should increase at a slower rate from the reduction of commissions paid to dealers for MHP and the economies of scale of MHP.
- To minimise the impact of the MHP rate cut, SAWAD expects that MHP operators will reduce the commissions paid to dealers by 50-70% from the current level of 8-10% of the motorcycle price.
- The company expects that its NPL ratio should increase to c3% in 2023 from its portfolio expansion. Its normal NPL ratio level would be 3-4%.
- SAWAD intends to set higher provisions in 2023 (from the ECL reversal in 9M22) following its portfolio growth. However, the provision level should not rise too high as 1) SAWAD believes it will be able to control its asset quality; and 2) the company does not need to accelerate its coverage ratio.
- SAWAD has resumed its Vietnam operations. It currently operates motorcycle title loans, with an interest rate charge of 60% EIR. Its outstanding loans amounted to cTHB100m-200m in 9M22.

Exhibit 2: SAWAD's organisation structure



Source: SAWAD

Exhibit 3: SAWAD has aggressively expanded its MHP since 1Q22



Source: SAWAD

Earnings and target price revisions

We lower our net profit forecasts for 2022/23/24 by 3%/10%/10% to mainly reflect a higher projected credit cost and OPEX. Although we increase our loan growth assumptions following SAWAD's aggressive expansion, the revised figures are insufficient to offset the negative impacts expected from the two aforementioned factors. Details are as follows:

- 1) We increase our cost to income ratio assumptions to 46.0%/43.6%/43.4% from 39.3%/37.3%/36.6% in 2022/23/24 due to higher staff costs, the ramping-up of its marketing campaign, and an increase in commissions paid to dealers for the MHP business. Normally, the motorcycle business has a higher cost to income structure than the auto title loan business. Thus, once this portfolio increases substantially, we think SAWAD's cost to income structure will rise to the 40% level.
- 2) We raise our credit cost assumptions for 2023-24 to 200/210 bps from 120/150 bps to reflect a rise in its higher-risk portfolio – MHP.
- 3) We increase our loan growth assumption to 50% y-y in 2022 as the company has aggressively expanded its motorcycle loan volume. For our loan growth assumptions in 2023/24, we maintain them at 20%/15%. We still have a conservative view vs the company's guideline.
- 4) As for our loan yield assumptions, we have already incorporated the potential impact of the motorcycle interest rate cap. We maintain our loan yield assumption in 2023 at 20.3% and only slightly lower our 2024E to 20.4% from 20.5%, as the lower rate charge to 23% should be offset by higher growth for MHP loans.

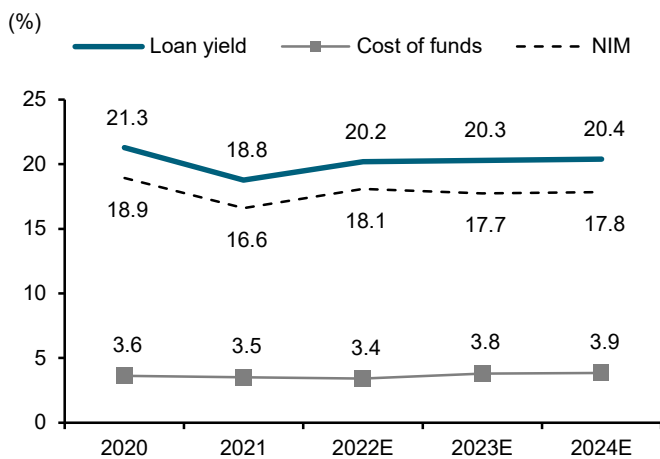
To recap, on 12 October 2022, the Office of the Consumer Protection Board announced new regulations to control hire purchase contracts for motorcycles and cars, which will take effect in mid-January 2023. In our view, there are four main changes between the new and the old regulations, consisting of 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 4: Changes in key 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	6,065	6,804	7,611	11.9	8,297	9,856	18.8	9,922	11,611	17.0
Non-interest income	3,198	3,273	3,242	(0.9)	3,469	3,453	(0.5)	3,677	3,676	(0.0)
Operating income	9,262	10,076	10,854	7.7	11,766	13,309	13.1	13,599	15,288	12.4
Operating expenses	3,476	3,960	4,995	26.1	4,387	5,806	32.4	4,976	6,628	33.2
PPOP before tax	5,786	6,116	5,859	(4.2)	7,379	7,503	1.7	8,623	8,660	0.4
Expected credit loss (Reversal)	(455)	338	(8)	(102.5)	547	1,111	103.3	813	1,368	68.4
Tax expenses	1,352	1,098	1,115	1.5	1,326	1,278	(3.6)	1,562	1,458	(6.6)
Minority interest	316	112	298	166.7	112	270	141.9	112	300	168.8
Normalised profit	4,544	4,580	4,480	(2.2)	5,465	4,913	(10.1)	6,215	5,612	(9.7)
Extraordinary items	178	0	(39)		0	-		-	-	
Net profit	4,722	4,580	4,441	(3.1)	5,465	4,913	(10.1)	6,215	5,612	(9.7)
EPS (THB)	3.48	3.37	3.27	(3.1)	4.0	3.62	(10.1)	4.69	4.23	(9.7)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	1,249	1,473	1,311	(11.0)	1,871	1,901	1.6	2,339	2,756	17.8
Gross NPLs / Loans (%)	3.7	3.56	2.60		3.77	3.14		3.99	3.96	
Loan loss reserve/NPLs (%)	59	64	55		72	65		85	69	
Credit cost (bps)	(124)	90	(2)		120	200		150	210	
Profitability ratio (%)										
Cost to income ratio	37.5	39.3	46.0		37.3	43.6		36.6	43.4	
Average yield	18.75	20.10	20.20		20.30	20.30		20.50	20.40	
Cost of funds	3.51	3.55	3.40		3.75	3.80		3.85	3.85	
Net interest margin (NIM)	16.59	18.12	18.08		18.21	17.74		18.32	17.82	
Loan growth (%)										
y-y	(14.7)	23.0	50.0		20.0	20.0		15.0	15.0	

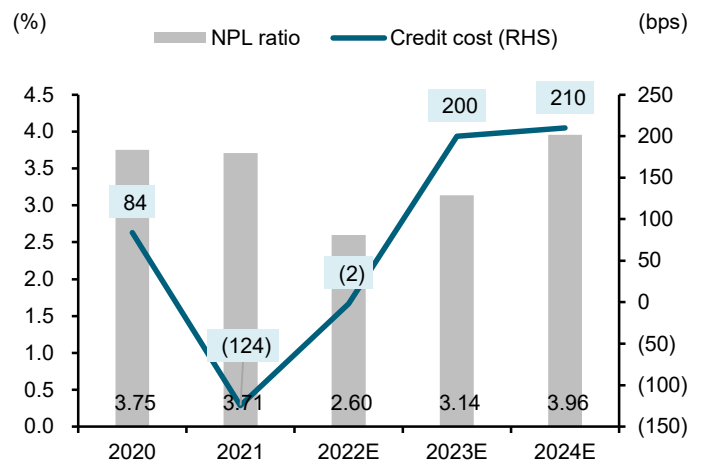
Sources: SAWAD; FSSIA estimates

Exhibit 5: Loan yield, cost of funds, and NIM



Sources: SAWAD; FSSIA estimates

Exhibit 6: NPL ratio and credit cost



Sources: SAWAD; FSSIA estimates

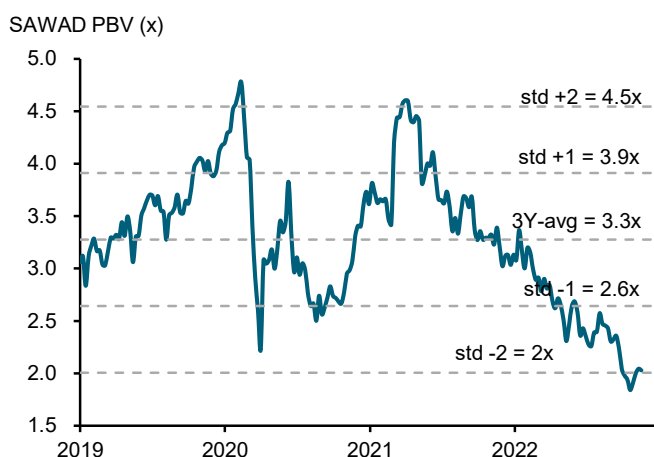
We lower our 2023 GGM-based TP to THB51 from our previous TP of THB62, as we 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2023 P/BV to 2.4x from 2.8x, as we lower our ROE and terminal growth estimates to reflect our downward earnings revision. We maintain our BUY call.

Exhibit 7: SAWAD – GGM-derived target price

Target price (THB)	51 (from 62)
Recommendation	BUY (Unchanged)
Risk-free rate (%)	3 (Unchanged)
Market risk premium (%)	8 (Unchanged)
Cost to equity (%)	11.6 (Unchanged)
Terminal growth (%)	6.9 (from 7.4)
ROE target (%)	18.0 (from 19.2)
Targeted P/BV (x)	2.4x (from 2.8)

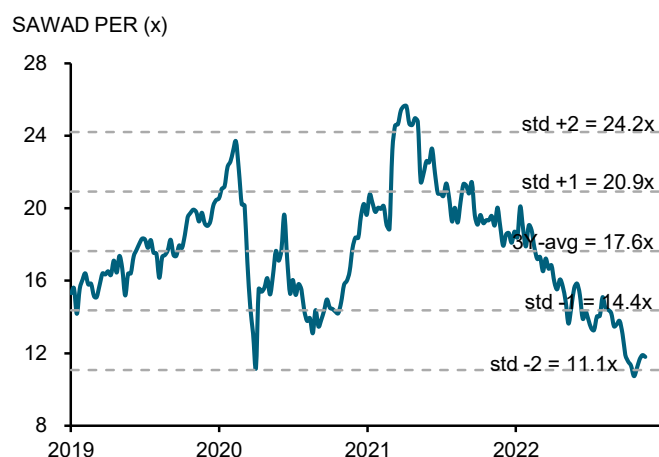
Source: FSSIA estimates

Exhibit 8: SAWAD – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: SAWAD – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 10: Diversified financial companies under coverage – summary of key valuations

	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)
Diversified financials						19,336	7.7	18.3	21.7	17.7	15.7	15.9	2.9	2.6
Unsecured-loan lender						5,404	19.6	7.9	18.1	16.7	24.5	22.9	4.2	3.7
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	161.00	188.00	17	1,131	19.0	7.0	9.5	8.9	19.8	18.5	1.8	1.5
Krungthai Card	KTC TB	BUY	59.00	65.00	10	4,273	19.8	8.1	20.3	18.8	25.8	24.1	4.9	4.2
Auto-title lender						6,089	4.2	13.2	15.6	13.7	17.0	17.1	2.5	2.2
Muangthai Capital	MTC TB	HOLD	36.50	39.00	7	2,174	3.8	14.6	15.1	13.1	19.0	18.5	2.6	2.3
Srisawad Corp	SAWAD TB	BUY	43.25	51.00	18	1,668	(1.4)	9.7	13.1	12.0	17.4	17.5	2.2	2.0
Saksiam Leasing	SAK TB	BUY	6.60	8.40	27	389	15.6	22.6	19.7	16.1	13.7	15.1	2.6	2.3
Ngern Tid Lor	TIDLOR TB	BUY	26.50	32.00	21	1,859	7.2	12.6	17.5	15.6	15.0	15.3	2.5	2.2
Truck lender						2,093	(0.3)	27.6	21.4	16.4	10.0	11.6	1.8	1.7
Micro Leasing	MICRO TB	HOLD	4.22	4.00	(5)	111	(39.1)	39.1	34.5	24.8	5.7	7.6	1.9	1.8
Singer Thailand	SINGER TB	BUY	33.50	59.00	76	1,314	(4.1)	35.2	25.0	18.5	7.2	9.4	1.8	1.7
Ratchthani Leasing	THANI TB	BUY	4.20	5.20	24	668	13.8	10.7	12.2	11.0	16.2	16.7	1.9	1.8
Asset management						4,423	4.7	37.8	38.4	27.2	8.2	10.2	3.1	2.9
Bangkok Commercial Asset Mngt.	BAM TB	BUY	15.30	20.00	31	1,389	5.2	21.0	18.1	14.9	6.4	7.2	1.1	1.0
Chayo Group	CHAYO TB	BUY	8.15	10.60	30	244	(1.6)	25.9	36.4	28.9	9.6	8.0	3.3	1.8
JMT Network Services	JMT TB	BUY	65.00	84.00	29	2,664	2.7	48.4	49.1	33.1	8.9	12.0	4.0	3.9
Knight Club Capital Asset Mngt.	KCC TB	HOLD	7.25	7.10	(2)	126	53.1	21.9	41.6	34.1	11.7	10.1	3.8	3.1
Other						1,208	4.1	8.5	7.8	7.2	8.0	8.2	0.6	0.6
Thanachart Capital	TCAP TB	HOLD	41.00	43.00	5	1,208	4.1	8.5	7.8	7.2	8.0	8.2	0.6	0.6
Hire purchase motorcycle						120	(70.5)	(28.1)	30.9	43.0	3.8	2.4	1.0	1.0
Next Capital	NCAP TB	REDUCE	3.16	2.50	(21)	120	(70.5)	(28.1)	30.9	43.0	3.8	2.4	1.0	1.0

Share prices as of 16 Nov 2022;

Sources: Bloomberg; FSSIA estimates

Financial Statements

Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	8,166	6,855	8,501	11,277	13,290
Interest expense	(903)	(791)	(890)	(1,421)	(1,679)
Net interest income	7,263	6,065	7,611	9,856	11,611
Net fees & commission	1,315	1,516	1,562	1,671	1,788
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	2	1	0	0	0
Other income	1,510	1,681	1,681	1,782	1,889
Non interest income	2,827	3,198	3,242	3,453	3,676
Total income	10,090	9,262	10,854	13,309	15,288
Staff costs	(1,869)	(1,479)	(2,809)	(3,371)	(3,877)
Other operating costs	(1,918)	(1,997)	(2,186)	(2,435)	(2,751)
Operating costs	(3,787)	(3,476)	(4,995)	(5,806)	(6,628)
Pre provision operating profit	6,304	5,786	5,859	7,503	8,660
Provision for bad and doubtful debt	(321)	455	8	(1,111)	(1,368)
Other provisions	-	-	-	-	-
Operating profit	5,983	6,241	5,867	6,392	7,291
Recurring non operating income	0	(29)	25	69	78
Associates	0	(29)	25	69	78
Goodwill amortization	-	-	-	-	-
Non recurring items	0	178	(39)	0	0
Profit before tax	5,983	6,390	5,853	6,461	7,370
Tax	(1,192)	(1,352)	(1,115)	(1,278)	(1,458)
Profit after tax	4,791	5,038	4,738	5,183	5,912
Minority interests	(283)	(316)	(298)	(270)	(300)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,508	4,722	4,441	4,913	5,612
Non recurring items & goodwill (net)	-	-	39	0	0
Recurring net profit	4,508	4,544	4,480	4,913	5,612
Per share (THB)					
Recurring EPS *	3.32	3.35	3.30	3.62	4.23
Reported EPS	3.32	3.48	3.27	3.62	4.23
DPS	1.80	1.74	1.64	1.81	0.21
Growth					
Net interest income (%)	13.3	(16.5)	25.5	29.5	17.8
Non interest income (%)	10.7	13.1	1.4	6.5	6.5
Pre provision operating profit (%)	16.0	(8.2)	1.2	28.1	15.4
Operating profit (%)	22.6	4.3	(6.0)	8.9	14.1
Reported net profit (%)	20.0	4.7	(6.0)	10.6	14.2
Recurring EPS (%)	17.2	0.8	(1.4)	9.7	17.0
Reported EPS (%)	14.5	4.7	(6.0)	10.6	17.0
Income Breakdown					
Net interest income (%)	72.0	65.5	70.1	74.1	76.0
Net fees & commission (%)	13.0	16.4	14.4	12.6	11.7
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.0	0.0	-	-	-
Other income (%)	15.0	18.1	15.5	13.4	12.4
Operating performance					
Gross interest yield (%)	21.28	18.75	20.20	20.30	20.40
Cost of funds (%)	3.62	3.51	3.40	3.80	3.85
Net interest spread (%)	17.66	15.24	16.80	16.50	16.55
Net interest margin (%)	18.9	16.6	18.1	17.7	17.8
Cost/income(%)	37.5	37.5	46.0	43.6	43.4
Cost/assets(%)	7.8	6.8	8.6	8.0	8.0
Effective tax rate (%)	19.9	21.2	19.0	19.8	19.8
Dividend payout on recurring profit (%)	54.2	52.0	49.6	50.0	5.0
ROE (%)	22.3	19.4	17.4	17.5	17.6
ROE - COE (%)	11.5	8.6	6.6	6.7	6.8
ROA (%)	9.8	9.5	8.2	7.2	7.2
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Financial Statements

Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	39,450	33,668	50,502	60,603	69,693
Total provisions	(1,312)	(736)	(727)	(1,232)	(1,903)
interest in suspense	206	386	556	727	871
Net customer loans	38,344	33,318	50,331	60,098	68,661
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,838	2,689	1,441	2,643	2,472
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,306	1,334	1,367	1,408	1,456
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	10,519	12,626	13,616	13,667	14,932
Total assets	52,007	49,967	66,755	77,816	87,521
Customer deposits	5,234	170	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	20,731	18,967	33,223	41,560	45,654
Non interest bearing liabilities	1,972	3,855	4,433	4,655	4,888
Hybrid Capital	-	-	-	-	-
Total liabilities	27,937	22,992	37,656	46,215	50,541
Share capital	1,373	1,373	1,373	1,373	1,373
Reserves	20,712	23,325	25,402	27,858	33,189
Total equity	22,085	24,698	26,775	29,232	34,563
Minority interests	1,985	2,277	2,323	2,369	2,417
Total liabilities & equity	52,007	49,967	66,755	77,816	87,521
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	38,372	36,559	42,085	55,553	65,148
Average interest bearing liabilities	24,916	22,551	26,180	37,392	43,607
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	1,480	1,249	1,311	1,901	2,756
Per share (THB)					
Book value per share	16.27	18.19	19.72	21.53	26.08
Tangible book value per share	16.27	18.19	19.72	21.53	26.08
Growth					
Gross customer loans	5.8	(14.7)	50.0	20.0	15.0
Average interest earning assets	13.1	(4.7)	15.1	32.0	17.3
Total asset (%)	14.4	(3.9)	33.6	16.6	12.5
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(17.6)	(96.8)	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	732.6	19,610.5	-	-	-
Equity/assets (%)	42.5	49.4	40.1	37.6	39.5
Tangible equity/assets (%)	42.5	49.4	40.1	37.6	39.5
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	3.6	(15.6)	5.0	45.0	45.0
NPL/gross loans (%)	3.8	3.7	2.6	3.1	4.0
Total provisions/gross loans (%)	3.3	2.2	1.4	1.8	2.7
Total provisions/NPL (%)	88.7	58.9	55.5	64.8	69.1
Valuation					
Recurring P/E (x) *	13.0	12.9	13.1	12.0	10.2
Recurring P/E @ target price (x) *	15.4	15.2	15.5	14.1	12.0
Reported P/E (x)	13.0	12.4	13.2	12.0	10.2
Dividend yield (%)	4.2	4.0	3.8	4.2	0.5
Price/book (x)	2.7	2.4	2.2	2.0	1.7
Price/tangible book (x)	2.7	2.4	2.2	2.0	1.7
Price/tangible book @ target price (x)	3.1	2.8	2.6	2.4	2.0

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; 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	SEAOIL	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
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	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.

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
Srisawad Corp	SAWAD TB	THB 43.25	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 161.00	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 59.00	BUY	Downside risks are: 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Muangthai Capital	MTC TB	THB 36.50	HOLD	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. Upside risks to our TP include 1) a better asset quality control; and 2) an increase interest rate charge to clients.
Saksiam Leasing	SAK TB	THB 6.60	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 26.50	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 4.22	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 33.50	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.
Ratchthani Leasing	THANI TB	THB 4.20	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 15.30	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 8.15	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 65.00	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 7.25	HOLD	Upside risks to our GGM-based TP include 1) higher NPL acquisitions; and 2) higher corporate NPL settlements. 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 41.00	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 3.16	REDUCE	Upside risks to our TP include 1) strong demand for motorcycles; and 2) a lower commission 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 16-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.