EQUITY RESEARCH - INITIATION REPORT

SG CAPITAL   SGC TB
THAILAND / DIVERSIFIED FINANCIALS

BUY

Retail lender ready to race ahead

- Retail loan provider with the strongest expected NP growth.
- Drivers: unique strategies, advantages under JMART's umbrella.
- Initiate with BUY rating and a GGM-based 2023 TP of THB5.5.

TARGET PRICE	THB5.50
IPO PRICE	THB3.90
UP/DOWNSIDE	+41.0%

Strongest expected net profit growth among peers

SG Capital (SGC) provides financial solutions for the low-income retail and SME segments that cannot access bank services. Currently, it has four main lending products: 1) home and commercial appliance hire purchase (HCHP) at 41.6% of total loans; 2) car for cash (C4C) at 56.7%; 3) debt consolidation at 1.6%; and 4) gold instalment plans (Click2Gold) at 0.1%. We expect SGC to deliver outstanding net profit growth vs its peers in 2023 at 41% y-y, and a 25% three-year CAGR during 2021-24, backed by 1) strong 30% loan growth y-y in 2023 and a 33% three-year CAGR; 2) efficient asset quality control, which we expect to result in a relatively stable credit cost over the next three years; and 3) a lower cost to income ratio, owing to the economies of scale.

Unique marketing strategy for approaching clients

Rather than opening branches nationwide, SGC's business model includes: 1) a push marketing strategy offering credit services at customer's workplaces; 2) partnering with agents and dealer networks to access clients; and 3) leveraging SINGER's network to expand its HCHP business. We see two main benefits. First, we expect its loan volume to continue to increase as it can reach untapped clients. Second, we believe SGC should manage OPEX better than its peers.

Synergies from being under the JMART umbrella

We see two advantages from being under the JMART umbrella. First, we expect its loan volume to continue to grow, supported by SINGER and JMART's network. JMART's M&A-driven business expansion plans might generate upside risks for SGC's portfolio from JMART's new partners. Second, we think that SGC could control its asset quality more effectively via technological support and knowledge sharing from JMART. We expect SGC to be able to maintain its asset quality with a stable NPL ratio of around 3.8-3.9% during 2022-24.

2023 TP of THB5.5 (11.3% cost of equity and 16% ROE target)

We initiate coverage on SGC with a BUY call and a 2023 GGM-based TP of THB5.5. Our TP implies 2.7x 2023E P/BV – below our 2023 P/BV target for secured consumer finance firms – and 19.6x 2023E P/E, which isn't far off from the simple average targeted 2023 P/E of secured consumer finance companies under our coverage. With the expected strongest net profit growth among its peers, and the potential increase in its ROE after the IPO, we believe our target price is reasonable.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	726	798	1,126	1,404
Net profit	593	651	918	1,145
EPS (THB)	0.29	0.26	0.28	0.35
Core net profit	593	651	918	1,145
Core EPS (THB)	0.29	0.26	0.28	0.35
EPS growth (%)	0.8	(10.8)	8.7	24.7
Core P/E (x)	13.5	15.1	13.9	11.1
Dividend yield (%)	-	2.6	2.2	2.7
Price/book (x)	3.3	1.6	1.9	1.7
ROE (%)	36.7	15.3	14.3	16.0
ROA (%)	6.4	4.8	5.2	5.0
Mkt cap (USD m)				356
Free float (%)				21
Major shareholder			Singer PCL. (75%)	
Issued shares (m)				3,270

Sources: Bloomberg; FSSIA estimates

SGC's IPO summary

Details	
Pre-IPO shares	2,450m shares
Share offering	820m shares, or 25.08% of total post-IPO shares
Use of proceeds	1) Loan portfolio and working capital
	2) Debt repayment to SINGER
Financial advisors	Asia Plus Advisory and Maybank Securities

NOTE: FINANSIA SYRUS SECURITIES PUBLIC COMPANY LIMITED IS ACTING AS A CO-UNDERWRITER OF THE INITIAL PUBLIC OFFERING (IPO) OF SG CAPITAL COMPANY LIMITED

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Investment thesis

SG Capital (SGC) provides financial solutions for the low-income retail and SME segments that cannot access bank services. We see three main competitive advantages over its peers: 1) using unique marketing strategies to approach clients; 2) having synergies from being under the JMART umbrella; and 3) operating in a less price-competitive industry.

We initiate coverage on SGC with a BUY call and a 2023 GGM-based TP of THB5.5. Our TP implies 2.7x 2023E P/BV – below our 2023 P/BV target for secured consumer finance firms – and 19.6x 2023E P/E, which isn't far off from the simple average targeted 2023 P/E of secured consumer finance companies under our coverage. With the expected strongest net profit growth among its peers, and the potential increase in its ROE after the IPO, we believe our target price is reasonable.

Company profile

SG Capital was registered in 2012 and became a public company on 18 Oct 2021. The company provides non-bank financial services, including 1) hire purchase for home appliances and captive finance; 2) auto-title hire purchase and loans with auto titles as collateral; 3) debt consolidation for employees; and (4) gold financing.

www.sgcapital.co.th

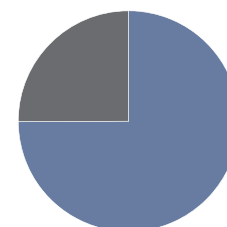### Principal activities (revenue, 2021)

- Net interest income - 96.8 %
- Non-interest income - 3.2 %
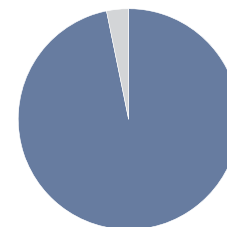
Source: SG Capital

Major shareholders

- Singer PCL. - 74.9 %
- Others - 25.1 %

Source: SG Capital

Catalysts

Potential share price catalysts for SCG include: 1) stronger demand for truck title loans; and 2) a rise in home appliance sales.

Risks to our call

Downside risks to our GGM-derived TP include 1) an economic slowdown; 2) deteriorating asset quality; and 3) higher-than-expected policy rate hikes.

Event calendar

Date	Event
End-February 2023	4Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	651	918	1,145
Net profit growth (%)	9.7	41.1	24.7
NIM (%)	12.30	12.62	12.12
Loan growth (%)	39.3	30.0	29.6
Non-NII growth (%)	10.0	15.0	15.0
Credit cost (bp)	180	205	210
Cost to income (%)	37.7	34.5	33.3

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		--------------- 2023E ---------------		
Loan growth	±2ppt	28.0	30.0	32.0
% change in net profit		(1.3)	-	1.3
NIM (%)	±5bp	12.57	12.62	12.67
% change in net profit		(0.9)	-	0.9
Credit cost (bps)	±10bp	195.0	205.0	215.0
% change in net profit		1.6	-	(1.6)

Source: FSSIA estimates

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Executive summary

SG Capital (SGC) was founded in 2012 under the name "Singer Leasing" to operate a home and commercial appliance hire purchase business. Then, in 2016, Singer Leasing changed its name to SG Capital. Currently, it has four main lending products including 1) HCHP; 2) C4C; 3) debt consolidation for employees; and 4) Click2Gold. As of 2Q22, its outstanding loan portfolio at THB13.8b comprised 41.6% HCHP, 56.7% C4C, 1.6% debt consolidation, and 0.1% Click2Gold. SGC's main clients are the low-income retail and SME segments who cannot access bank services.

Industry outlook: Growth opportunities abound

We have a positive view on HCHP and C4C, especially for truck title loans due to this segment's solid credit demand and less intense price competition. We think the demand for credit from low-income retail clients in Thailand remains strong, and we see room for medium- to large-sized lenders to grow their portfolios by gaining market share from local operators and acquiring new clients. Hence, we expect that the loan volumes of retail consumer lenders should continue to increase. As for price competition, we think an HCHP and truck title loan price war is unlikely in the near term, as we do not see any major players dumping their loan yields to gain more market share. We expect operators to maintain their interest rates at or near the current level for at least one to two more years.

Investment idea: Retail lender ready to race ahead

#1 Unique marketing strategy for approaching clients

Typically, consumer loan providers in Thailand expand their businesses by opening branches nationwide. However, unlike its peers, SGC has a different strategy for acquiring new clients, including: 1) a push marketing strategy of offering credit services at the customer's workplace; 2) partnering with agents and dealer networks nationwide to access clients; 3) leveraging Singer Thailand (SINGER TB, not rated)'s network to expand its HCHP business. We see two main benefits from this unique business model. First, we expect its loan volume to continue to increase via its ability to reach untapped clients, and project total loan growth for SGC in 2023 at 30% y-y, with projected loan growth of 33% based on a three-year CAGR during 2021-24. Second, we believe SGC should manage OPEX better than its peers as it can leverage its parent company's facilities and other agents and dealers to expand its business. We expect that its cost to income ratio should be on a declining trend going forward at 33% in 2024, down from 35% in 2021.

#2 Synergies from being under the JMART umbrella

SGC is held by SINGER (100% pre-IPO and 75% post-IPO). The major shareholder of SINGER is Jay Mart Public Company (JMART TB, BUY, TP THB60). We see two benefits from being under the JMART umbrella. First, we expect its loan volume to continue to grow, supported by SINGER and JMART's networks. Additionally, as JMART is expanding its business via M&A deals, this might generate upside risks for SGC's portfolio from JMART's new partners. Second, we think that SGC could control its asset quality more effectively via technological support and knowledge sharing from JMART. After the acquisition of SINGER in 2015, JMART helped SGC reduce its total NPL ratio substantially from 9.2% in 2019 to 3.9% in 2021. With its strength in using technology to assist the process of lending and debt collection, we expect SGC to be able to maintain good asset quality in the future, with a stable NPL ratio of around 3.8-3.9% during 2022-24.

#3 Operating in a less price-competitive industry

SGC's portfolio mainly consists of HCHP and C4C. We think HCHP is a fragmented market with no major players able to put pressure on interest rate charges. On top of that, hire purchase for home appliance contracts are currently not regulated by government authorities and are unlikely to become regulated in the short to medium term. We, therefore, think SGC should face limited pressure on interest rate charges for this loan type. Regarding the C4C portfolio, with 93% of its portfolio being truck loans and the rest cars, we believe that truck and car title loans are largely immune to price competition. Ngern Tid Lor (TIDLOR TB, not rated), a major player in truck title loans, charges around 10-15%, depending on the risk profile of its clients. Meanwhile, SGC's rates range from 13-15%. We expect that truck title loan rate charges should stay at the current level for the medium term. All in all, we have limited concerns about price competition for all of SGC's main products, and think the company should be able to continue to keep its rates at the current level. However, we forecast SGC's total loan yield to gradually decline to 16.2%/15.9%/15.7% in 2022/23/24 due to the increase in the low-yield loan proportion in its C4C portfolio.

Financial highlights: Strongest net profit growth among peers

We expect SGC to deliver outstanding net profit growth vs its peers in 2023 at 41% y-y, and a 25% three-year CAGR during 2021-24, backed by 1) strong loan growth at 30% y-y in 2023 and at a 33% three-year CAGR, thanks mainly to aggressive loan expansion after receiving new money from its IPO and the support from its ecosystem; 2) efficient asset quality control, which we expect to result in a relatively stable credit cost over the next three years; and 3) a lower cost to income ratio at 34.5%/33.3% in 2023-24 vs 37.7% in 2022E, owing to the economies of scale.

We note that SGC's EPS will increase at a slower pace than its net profit in 2022-23, due to the dilution from its IPO.

Valuation: 2023 GGM-based TP of THB5.5

We apply a GGM-based method to derive SGC's target price. Our GGM variables consist of an 11.3% cost of equity, 8.5% terminal growth, and 16% ROE target. From this, we arrive at a 2023 GGM-based TP of THB5.5. Our TP implies 2.7x 2023E P/BV – below our 2023 P/BV target for secured consumer finance firms – and 19.6x 2023E P/E, which isn't far off from the simple average targeted 2023 P/E of secured consumer finance companies under our coverage. With the expected strongest net profit growth among its peers, and the potential increase in SGC's ROE after the IPO, we believe our target price is reasonable.
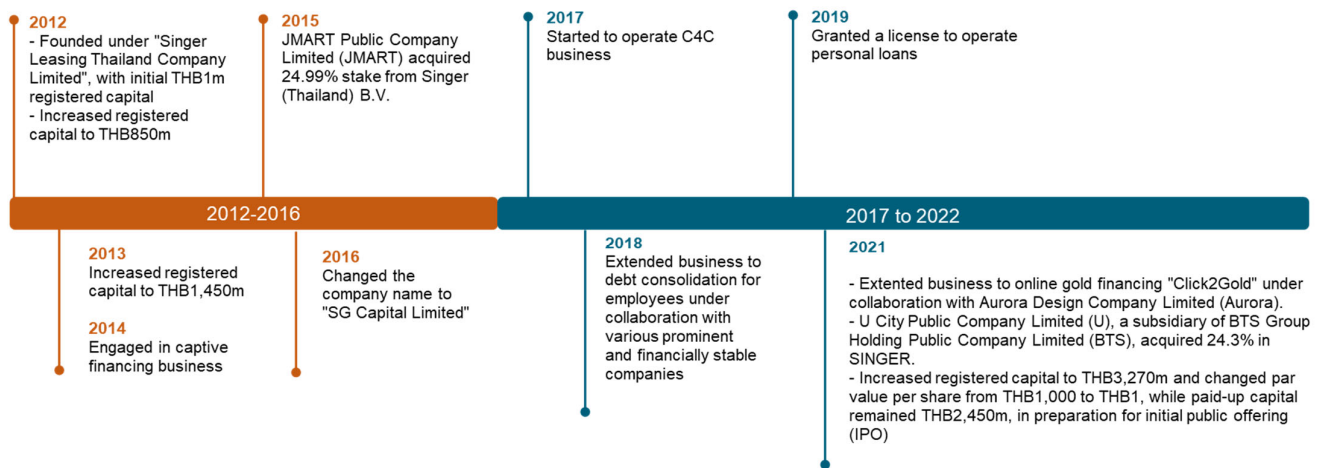
SG Capital at first glance

Company profile and development

SG Capital was founded in 2012 under the name "Singer Leasing" to operate a home and commercial appliance hire purchase business. Then, in 2016, Singer Leasing changed its name to SG Capital before expanding the scope of its business to meet the needs of more diverse customers. In 2017, it started to operate a C4C business offering both hire purchase and auto title loan contracts under the brand "Rod Tam Ngern". In 2018, the company expanded to include an employee welfare loan business (debt consolidation). Recently, in 2021, it began to offer online gold instalment loans (Click2Gold).

Currently, it has four main lending products: 1) HCHP; 2) C4C; 3) debt consolidation; and 4) Click2Gold. As of 2Q22, its outstanding loan portfolio was at THB13.8b (41.6% HCHP, 56.7% C4C, 1.6% debt consolidation, and 0.1% Click2Gold). At present, its major shareholder is SINGER, which holds 75% of the total outstanding shares.

Exhibit 1:   Timeline of SGC

2012
- Founded under "Singer Leasing Thailand Company Limited", with initial THB1m registered capital
- Increased registered capital to THB850m

2015
JMART Public Company Limited (JMART) acquired 24.99% stake from Singer (Thailand) B.V.

2017
Started to operate C4C business

2019
Granted a license to operate personal loans

2012-2016

2017 to 2022

2013
Increased registered capital to THB1,450m

2014
Engaged in captive financing business

2016
Changed the company name to "SG Capital Limited"

2018
Extended business to debt consolidation for employees under collaboration with various prominent and financially stable companies

2021
- Extented business to online gold financing "Click2Gold" under collaboration with Aurora Design Company Limited (Aurora).
- U City Public Company Limited (U), a subsidiary of BTS Group Holding Public Company Limited (BTS), acquired 24.3% in SINGER.
- Increased registered capital to THB3,270m and changed par value per share from THB1,000 to THB1, while paid-up capital remained THB2,450m, in preparation for initial public offering (IPO)

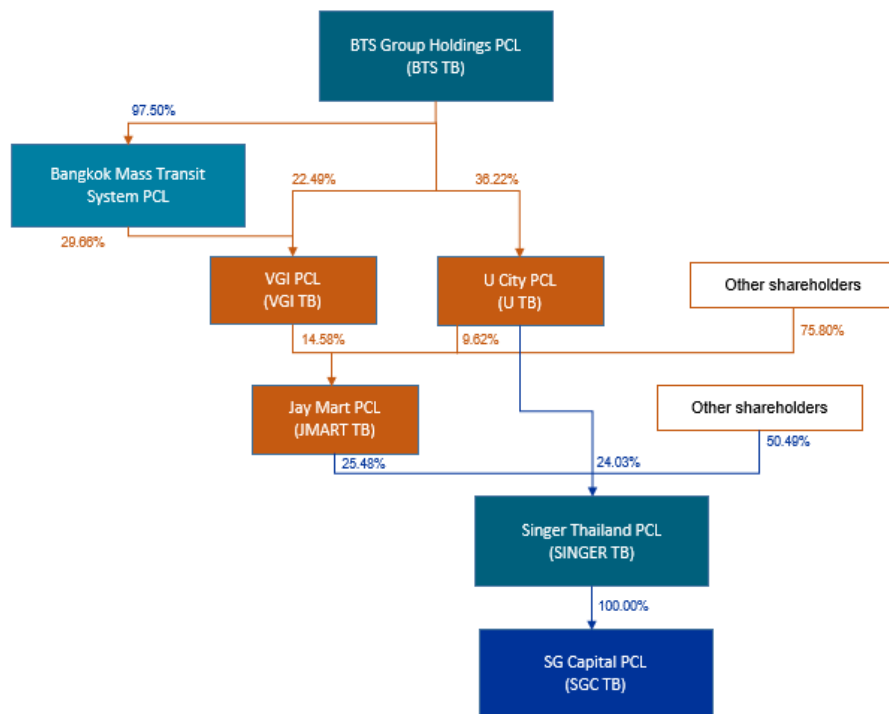Source: SGC; FSSIA's compilation

IPO summary

SGC offered a total of 820 million new shares for its IPO (25.08% of total post-IPO shares). Post-IPO, SINGER is still the major shareholder with a 75% stake, and still fully supports SGC's business expansion. SGC plans to utilise the IPO money for 1) loan portfolio expansion and working capital; and 2) debt repayment to SINGER.

Exhibit 2: IPO information

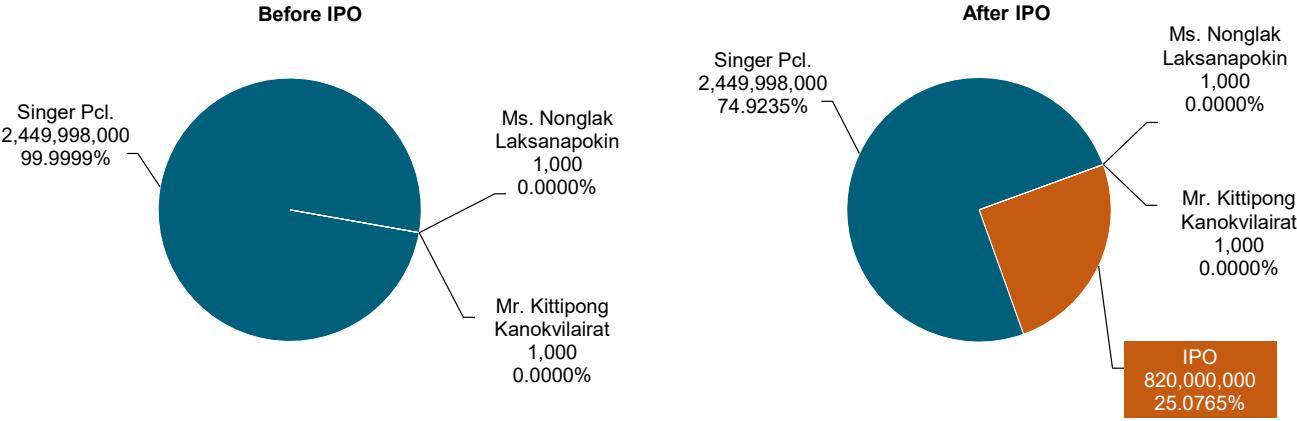|	Details
Offering securities	SG Capital PCL
Ticker	SGC
Secondary market	SET
Industry sector	Financials / Finance & Securities
Nature of business	Lending business under hire purchase and loan contracts
Par value	THB 1.00
Registered / paid-up capital	Before IPO THB2,450m
	After IPO THB3,270m
No. of IPO shares	820m shares, or 25.08% of total shares after IPO
Purpose of capital raising	To expand lending services, to use as working capital, and to partially pay back debt to SINGER
Dividend policy	Not less than 50% of the net profit from the separate financial statements after deduction of corporate income tax and all types of reserves as stipulated in the laws and regulations of the company
Financial advisors	Asia Plus Advisory and Maybank Securities

Source: SGC

Exhibit 3:   Shareholder structure before IPO

Sources: SGC; SET; as of 28 August 2022

Exhibit 4:   Holding structure before and after IPO

Before IPO

Singer Pcl.
2,449,998,000
99.9999%

Ms. Nonglak
Laksanapokin
1,000
0.0000%

Mr. Kittipong
Kanokvilairat
1,000
0.0000%

After IPO

Singer Pcl.
2,449,998,000
74.9235%

Ms. Nonglak
Laksanapokin
1,000
0.0000%

Mr. Kittipong
Kanokvilairat
1,000
0.0000%

IPO
820,000,000
25.0765%

Source: SGC

Industry overview

1) Home appliance hire purchase

### Strong demand for home appliance lending within a fragmented market

We see strong demand for home appliances in Thailand, especially within the next one to two years after the economic recovery from Covid-19. According to Krungsri's research, domestic electric home appliance sales should increase 2-3% p.a. in 2021-24 due to: 1) a recovery in the property market; 2) new product types and marketing campaigns by home appliance manufacturers; and 3) the expected increase in temperature from climate change.

Exhibit 5:   Major electrical appliance manufacturers of white goods in Thailand

| Company	Nationality	Major products
Sharp Appliances (Thailand) Co., Ltd.	Japanese	Microwave ovens, refrigerators, air conditioners, washing machines, air-purifiers
Kang Yong Electric PCL (KYE TB, not rated)	Japanese	Fans, refrigerators, water pumps, washing machines, air conditioners
Thai Toshiba Electric Industries Co., Ltd.	Japanese	Refrigerators, rice cookers, hot pot, electric pans, microwave ovens, freezers, fans, air-purifiers
Thai Samsung Electronics Co.	Korean	Washing machines, refrigerators, microwave ovens, air conditioners
LG Electronics (Thailand) Co., Ltd.	Korean	Washing machines, air conditioners, microwave ovens, compressor units
Haier Electric (Thailand) PCL	Chinese	Washing machines, refrigerators, freezers, air conditioners
Electrolux Thailand Co., Ltd.	Swedish	Washing machines, refrigerators, dryers, dishwashers
Fisher & Paykel Appliances (Thailand) Co., Ltd.	New Zealand	Washing machines, refrigerators, dryers, dishwashers
Beko Thai Co., Ltd.	Turkish	Washing machines, refrigerators

Sources: E&E Intelligence Unit; Krungsri Research

Exhibit 6: Domestic electrical appliance sales by product
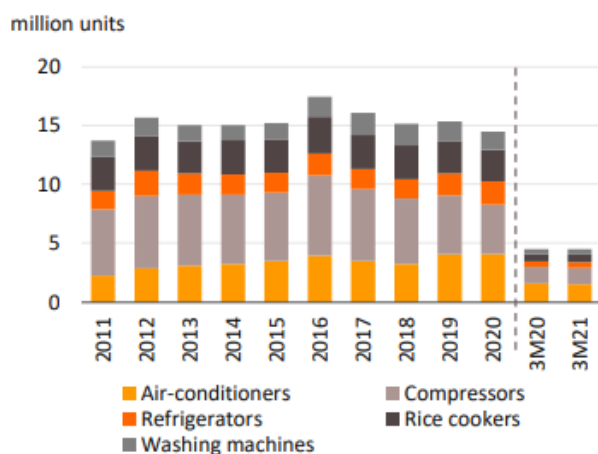
Sources: Office of Industrial Economics (OIE) survey of the domestic sales volume of Thai-made electrical goods; Krungsri Research

Exhibit 7: Domestic sales volume growth

% YoY	2018	2019	2020	2021F-2023F
Exports	3.6	-0.4	-2.7	3.0-4.0
Domestic Sales	-5.7	1.2	-5.7	2.0-3.0
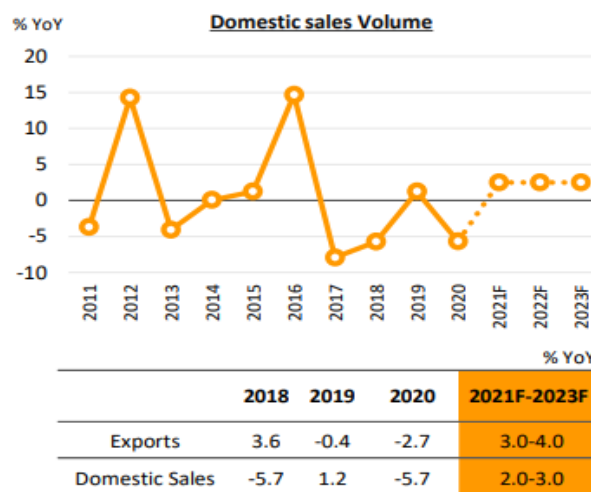
Sources: OIE; Ministry of Commerce (MOC), forecast by Krungsri Research

In Thailand, the purchase of home appliances is often done on an instalment plan. For mid- to high-income consumers, credit card operators typically offer 0% interest on a six to 10-month instalment plan. Low-income earners, on the other hand, often cannot afford to pay the full price in cash and many local home appliance sellers provide vendor financing for their customers. We think the HCHP market is very fragmented, with few players establishing a national presence. One of the biggest players is Siamchai (not listed), which has branches nationwide. SINGER also has a presence nationwide. Other players only operate regionally or provincially.

We believe that SGC's HCHP portfolio should increase in the next couple of years, supported by 1) a rise in demand for home appliances; and 2) being one of the major players of its parent company.

Exhibit 8: A Siamchai advertisement

Source: Siamchai's website

Exhibit 9: Siamchai's mobile application

Source: Siamchai's website

2) Truck title loans

In the auto title loan (ATL) industry, borrowers pledge their vehicle titles for money, while the borrower still retains possession of the vehicle and can use it as they see fit. ATLs have become one of main methods of borrowing money in Thailand, especially for those who do not have access to banking services.

The ATL industry is extremely competitive and both banks and non-banks operate in this business space. Banks have a lower risk appetite (low-risk client profile, lower interest rate charges, and higher loan-to-value (LTV)), while non-bank lenders typically have a higher risk appetite (high-risk client profile, higher interest rate charges and lower LTV). According to the Bank of Thailand (BoT)'s data, non-banks dominate the market with a c80% market share. Non-bank operators can be classified into three groups by loan portfolio size as follows:

Group 1: The top four lenders with nationwide networks: Muangthai Capital (MTC TB, not rated), Srisawad Corporation (SAWAD TB, not rated), TIDLOR, and Somwang (Tisco Financial (TISCO TB, not rated)'s subsidiary; not listed).

Group 2: The medium-sized lenders which operate in groups of provinces, e.g. Saksiam Leasing (SAK TB, not rated), SGC, Heng Leasing (HENG TB, not rated), Nim See Seng (not listed), Ngern Turbo (not listed), and Quick Leasing (not listed).

Group 3: Small local operators in the provinces.

Exhibit 10: Auto title loan providers

	Banks	Non-banks
Targets	Monthly salary earners	Farmers
		Small entrepreneurs
		Factory employees
Key lenders	KBANK	SAWAD
	Krungsri Auto (Car 4 Cash)	MTC
	KKP	TIDLOR
	KTC (KTC P Berm)	Somwang
	SCB (My Car My Cash)	SGC
	TISCO (Auto Cash)	SAK
	TTB (Cash Your Car)	Nim See Seng
		Ngern Turbo
		Quick Leasing
		Small local operators

Sources: Company data; FSSIA's compilation

Exhibit 11:   Lending market share of similar operators – as of 2Q22

	SG Capital	Muangthai Capital	Saksiam Leasing	Srisawad Corporation	Ngern Tid Lor	Micro Leasing	Ratchthani Leasing
	(SGC TB)	(MTC TB)	(SAK TB)	(SAWAD TB)	(TIDLOR TB)	(MICRO TB)	(THANI TB)
Gross loan portfolio (THB m)	13,773	107,401	9,946	40,749	69,424	4,546	52,250
NIM* (%)	11.80	15.36	21.71	18.11	16.13	12.32	5.01
NPL ratio* (%)	3.55	1.96	2.54	2.83	1.42	4.58	2.38
Loan by services							
- Hire purchase	√	√	√	√	√	√	√
- Auto title loans	√	√	√	√	√	√	√
- Debt consolidation	√	x	x	x	x	x	x
- Personal loan	x	√	√	√	x	x	x
- Retail loan for occupation	x	√	√	√	x	x	x
- Land title loans	x	√	x	√	x	x	x
- Cash card	x	x	x	x	√	x	x
Loan by collateral							
- Personal vehicle	√	√	√	√	√	x	√
- Motorcycles	x	√	√	√	√	√	x
- Truck	√	√	√	√	√	√	√
- Agricultural vehicle	x	√	√	√	√	x	x
- Land and house	x	√	x	√	x	x	x
- Other vehicles	x	√	x	√	x	x	√

Note: √ = operates business, x = does not operate business; * based on gross loan
Source: SGC; FSSIA's estimates

There are four popular types of vehicles typically pledged as collateral: motorcycles, cars (including sedans and pickups), tractors, and trucks. In our view, truck title loans have the most sanguine outlook due to 1) less price competition; and 2) the increase in truck title loan demand.

#1 Less price competition in the truck title loan segment

Price competition is still unlikely for car and truck title loans, meanwhile…

We think a car title loan price war will not occur in the near term, as we do not see any major players dumping their loan yields to gain more market share. The same is true for truck title loans, as we believe this business would be the least likely to engage in a price war.

We remain convinced that there is little risk of intense price competition among truck-related lenders, as 1) most competitors charge basically the same average interest rates that match the risks associated with each truck's age; 2) there are still no major competitors trying to pressure interest rate charges downward to compete for more market share; and 3) customers are not very price sensitive. The consumer appeal of truck loan products lies in their reasonable LTV and speed of approval, not the cheapest interest rate.

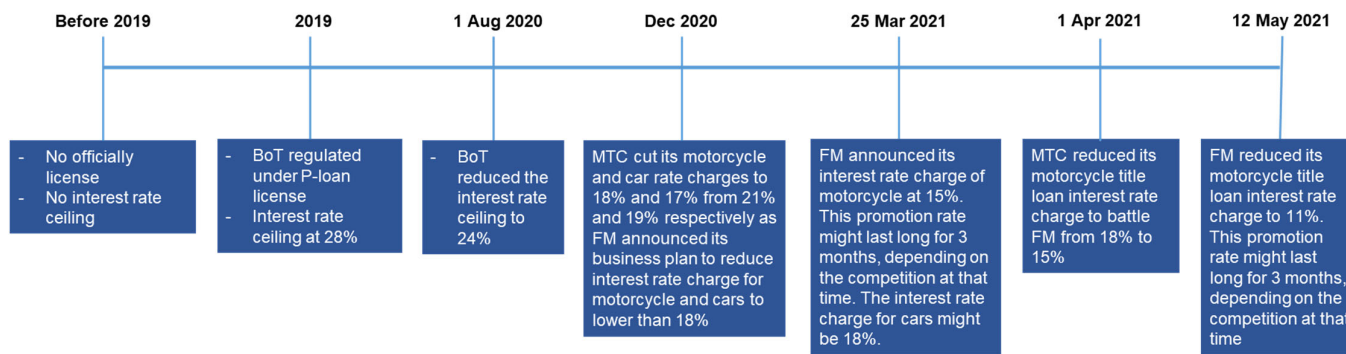**Exhibit 12:   Interest rate charges and LTV of truck lenders**

	-------------- New truck loans --------------		---------------- Used truck and refinancing loans ----------------		-------------- Truck title loans --------------	
	Interest rate charge	LTV	Interest rate charge	LTV	Interest rate charge	LTV
	(%)	(%)	(%)	(%)	(%)	(%)
Bank	5-7	c80	n/a	n/a	n/a	n/a
Non-bank						
ASK	6-8	c80	12-14 (majority is trucks aged below 7 yrs)	70-85		
THANI	6-8	c80	12-14 (majority is trucks aged below 7 yrs)	70-85	Just started business	
MICRO			17-30 (majority is trucks aged 6-15 yrs)	70-85		
SINGER	Does not run this business		13-15	85	13-15	85
TIDLOR			n/a	n/a	10-15	60-80

Sources: Company data; FSSIA estimates

… There is tighter competition in motorcycle title loans

We believe that the motorcycle title loan industry has completely descended into a price war due to the entrance of the Government Savings Bank (GSB). In 4Q20, GSB asked non-banks to propose business partnerships to run a joint business. Fast Money (FM), SAWAD's subsidiary, was the winner of this deal. GSB currently holds 49% of FM's shares. Major operators like MTC and SAWAD currently charge their clients at the noticeably low rate of 13-16%, depending on their promotional campaigns.

Exhibit 13:   Timeline of motorcycle title loan price war

Before 2019	2019	1 Aug 2020	Dec 2020	25 Mar 2021	1 Apr 2021	12 May 2021
- No officially license - No interest rate ceiling	- BoT regulated under P-loan license - Interest rate ceiling at 28%	- BoT reduced the interest rate ceiling to 24%	MTC cut its motorcycle and car rate charges to 18% and 17% from 21% and 19% respectively as FM announced its business plan to reduce interest rate charge for motorcycle and cars to lower than 18%	FM announced its interest rate charge of motorcycle at 15%. This promotion rate might last long for 3 months, depending on the competition at that time. The interest rate charge for cars might be 18%.	MTC reduced its motorcycle title loan interest rate charge to battle FM from 18% to 15%	FM reduced its motorcycle title loan interest rate charge to 11%. This promotion rate might last long for 3 months, depending on the competition at that time

Source: FSSIA's compilation

#2 Solid demand for truck title loans

We believe that truck title lending is a fragmented industry. Most lenders are non-bank players and there are only a few banks that have penetrated this industry, such as TISCO. At present, there is no official data to track the demand for truck title loans. Based on our estimates, we believe the market size is at least cTHB250b. As of 2021, the truck title loan portfolios of TIDLOR and SGC, two of the key players, together accounted for only c7% of the total potential market. Hence, we see more room to grow.

Our methodology to estimate the potential auto title loan market size is as follows:

1) 30% of registered vehicles are eligible for use as collateral for truck title loans;

2) The average ticket size per contract for trucks is THB700,000.

Exhibit 14:   The market size of truck title loans would be at least cTHB250b

|	Nationwide	BKK	Central	East	West	North	Northeast	South
Accumulated registered trucks (m units) – as of Mar-22	1.21	0.16	0.17	0.14	0.15	0.19	0.30	0.10
Assume 30% of registered trucks are eligible for use as collateral for truck title loans (m units)	0.36	0.05	0.05	0.04	0.04	0.06	0.09	0.03
Assume average ticket size for truck title loans is THB700k								
Total potential market of truck title loans (THB b)	**253**	**33**	**35**	**30**	**31**	**39**	**63**	**22**

Sources: DLT; FSSIA estimates

Going forward, we expect to see solid loan growth for truck title operators as we believe that there is still abundant potential demand for truck title loans for three reasons. First, we believe truck owners will continue to want cash flow for business and consumption purposes. Second, we think the potential market for truck title loans is extremely large. Lastly, we think the supply of both new and used trucks might be higher, potentially leading to a higher supply of trucks being used as collateral in the future.

## Demand for trucks has been higher than the pre-Covid level since 2021

We track the demand for trucks using two public sources: 1) new truck sales from the Federation of Thai Industries (FTI); and 2) the number of registered trucks (both new and used) from the Department of Land Transport (DLT). Note that the number of new trucks derived from sales and registrations normally moves in the same direction. However, the increasing/decreasing momentum might differ for some periods due to the transfer process.

Exhibit 15: Total registered trucks
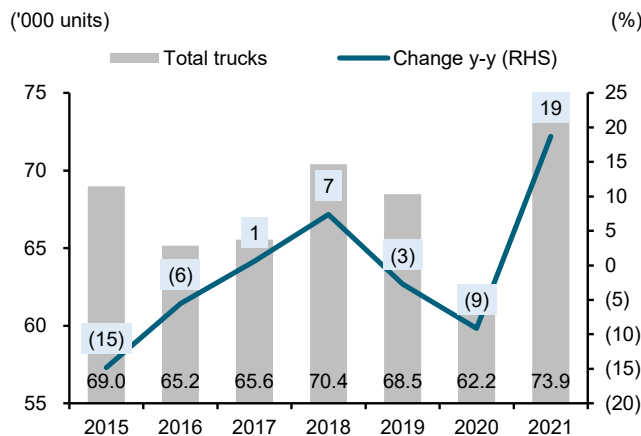
Sources: DLT; FSSIA's compilation

Exhibit 16: New truck sales
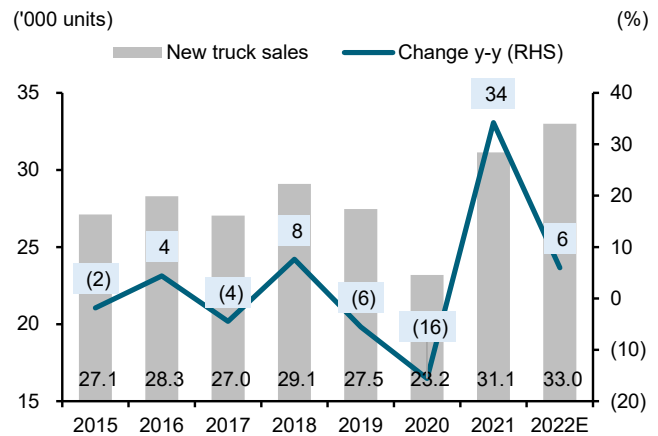
New trucks = two to four-tonne trucks, and trucks over four tonnes and buses
Sources: FTI; FSSIA's compilation

Before Covid-19, the five-year average during 2015-19 of registered trucks in Thailand was 67.7k units per year. In 2020, the total number of registered trucks – excluding 7.5k extra units transferred from Kerry Express (KEX TB, REDUCE, TP THB16) – plunged to 62.2k units. Then, in 2021, it rose materially by 19% y-y to 73.9k units, which was higher than the pre-Covid level.

This trend was also in line with new truck sales. The five-year average during 2015-19 for new truck sales in Thailand was 27.8k units per year. Then, in 2020, new truck sales plummeted to 23.2k units. However, in 2021, this number increased significantly by 34% y-y to 31.1k units, which was higher than the pre-Covid level. In 2022, we have a strong conviction that the demand for trucks could grow continuously, supported by the expansion in agricultural and food products, the fast-moving consumer goods sector, the construction sector, and especially the e-commerce industry. According to Ratchthani Leasing (THANI TB, not rated)'s management, the Truck Association projects new truck sales to reach 33k units in 2022.

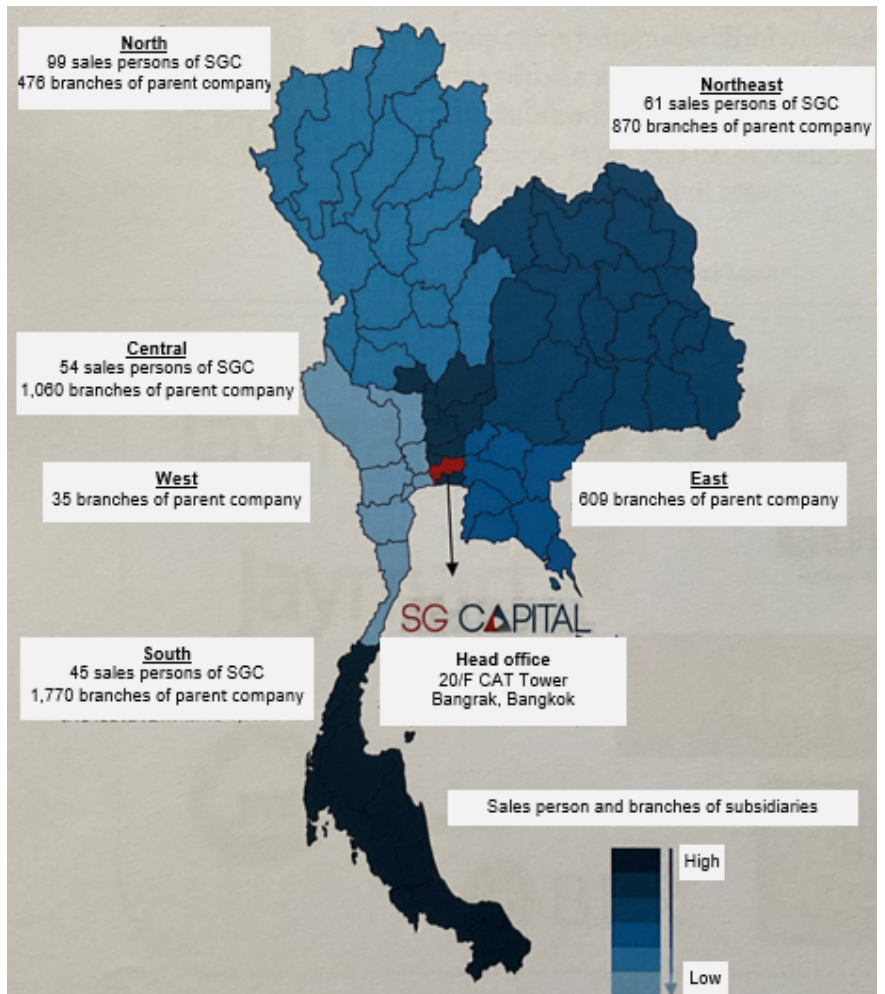## Investment idea: Retail lender ready to race ahead

1) Unique marketing strategy for approaching clients

In general, consumer loan providers in Thailand expand their businesses by opening more branches nationwide. However, unlike its peers, SGC uses a different business model to acquire new clients, including:

1) It uses a push marketing strategy by offering credit services at the customer's workplace. As of Jun-22, the company had 260 experienced salespeople in the C4C business performing their duties anywhere clients might be found.

2) The company partners with agents and dealers nationwide to access clients. As of Jun-22, SGC had a network of 1,721 agents and dealers. Around 34% of its lending came from this channel.

3) SGC leverages SINGER's network to expand its HCHP business. As of Jun-22, SINGER had 4,820 franchise locations across the country.

We see two main benefits from SGC's unique business model. First, we expect its loan volume to continue to increase as it can reach untapped clients. Second, we believe SGC should be able to manage OPEX better than its peers based on its ability to leverage its parent's presence and other agents and dealers to expand its business.

Exhibit 17: SGC's staff and its parent networks nationwide as of 2Q22

Source: SGC

Exhibit 18:   Business structure at end of 2Q22

	HCHP	C4C	Debt consolidation	Click2Gold
		--- Lending type ---		
Proportion of gross loans	41.6%	56.7%	1.6%	0.1%
Collateral assets	Home and commercial electrical appliances, machinery	Automobile (mostly trucks)	None	Gold
Access to customers	4,820 SINGER branches and 16 machinery dealers	260 in-field C4C salespeople, and 1,721 agents and dealers	Partnerships with 81 companies	"SINGER Connect" LINE application or via Aurora Design Co., Ltd.
Interest rate and ceiling by law	Unspecified	1. Unspecified for hire purchase loans; 2. Not exceeding 24% for personal auto title loans; 3. Not exceeding 15% for auto title loans of juristic persons	Not exceeding 15%	Not exceeding 15%
Lending period	Home appliance maximum 48 periods Captive finance maximum 60 periods and Commercial appliance maximum 72 periods	Maximum 72 months	Maximum 72 months	Maximum 24 months
Management of foreclosed assets	Sell back to distributor, except mobile phones	Auction via Apple Auto Auction Co., Ltd.	None	Sell back to Aurora Design Co., Ltd.

Source: SGC

Solid loan growth should continue

With its unique business strategy, we are convinced that SGC should continue to expand its loan portfolio and access untapped customer segments, such as SME business operators who require credit services or loans that genuinely meet the needs of their small business activities. We project SGC's total loan growth in 2023 to reach 30% y-y and rise at a three-year CAGR of 33% during 2021-24.

Exhibit 19: Loan growth
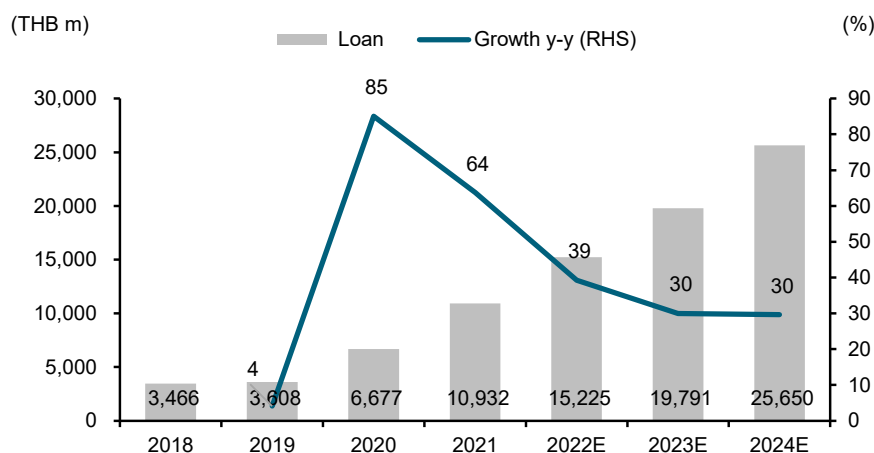
Sources: SGC; FSSIA estimates

Efficient cost control

SGC's cost to income ratio is generally lower than other auto title lenders (MTC, SAK, SAWAD, and TIDLOR). We think this comes from its push marketing strategy and through leveraging parent networks to expand its loan volume which offers savings in terms of staff and branch expansion costs. We expect that its cost to income ratio should be on a declining trend going forward, falling to 33% in 2024 from 35% in 2021 thanks to the increase in its operating leverage. Note that we expect its cost to income ratio in 2022 to increase to 38% from 35% in 2021 due to IPO-related expenses and the short-term slower growth in its NII from the debt forbearance program.

Exhibit 20: SGC's cost to income ratio

(%)
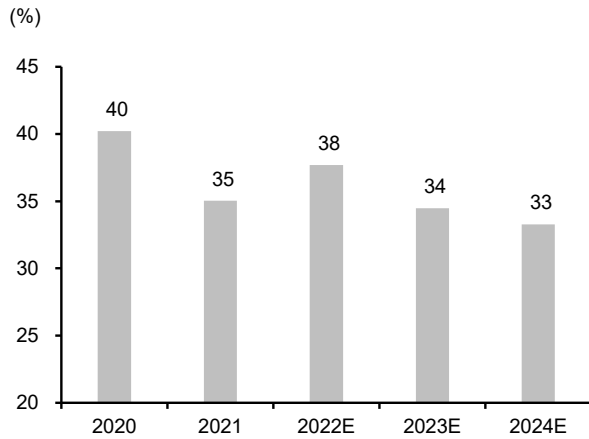
Sources: SGC; FSSIA estimates

Exhibit 21: Comparing SGC's cost to income ratio with other secured consumer finance companies in 2020-2021

(%)
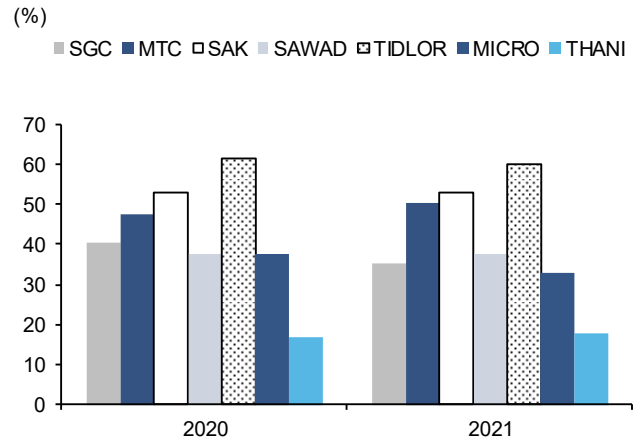
Sources: SGC; FSSIA's compilation

2) Synergies from being under the JMART umbrella

SGC is held by SINGER (100% pre-IPO and 75% post-IPO), while SINGER's major shareholder is JMART. We see two benefits from being under the JMART umbrella. First, we expect its loan volume to continue to grow, supported by SINGER and JMART's networks. Additionally, as JMART expands its business via M&A, this might generate upside risks for SGC's portfolio from JMART's new partners. Second, we think that SGC should be able to control its asset quality more effectively by tapping into the technological support and knowledge sharing from JMART.

Growing loan portfolio via the support of SINGER and JMART

SGC's loan volume increased significantly at a 47% four-year CAGR during 2017-21 after JMART acquired SINGER in 2015. We believe this came from the initiation of its C4C business and the leveraging of both JMART and SINGER's presence to further expand its business.

JMART is expanding its business to include commerce, finance and technology ventures via partnerships or M&A. We think SGC should benefit from JMART's new partnerships, with Gunkul Engineering Company (GUNKUL TB, not rated) and Buriram Sugar (BRR TB, not rated) as two recent examples.

Exhibit 22: SGC's ecosystem

Source: SGC

SINGER, GUNKUL and JMART recently established a JV company, named JGS, with an initial investment of THB1m. GUNKUL will hold 50%, JMART 40.1%, and SINGER 9.9%. JGS has launched its first product, solar rooftops for small commercial clients. SGC will be the lender for clients who cannot afford to pay in cash. As for BRR, JMART acquired a 6.3% stake in BRR in Aug-22. We believe that SGC will benefit from this collaboration as it will open up credit services for Thai farmers. According to SINGER's management, roughly 2,000 commercial trucks operate under BRR's trucking arm. SGC could offer C4C loans and other financial products to their owners.

Accordingly, we are convinced that SGC's portfolio should continue to increase. In addition, there might be further upside risks if JMART expands its business scope to include more under-served, low-income industries as we think JMART would utilise SGC as its financial arm.

More efficient asset quality control from tapping JMART's expertise

After acquiring SINGER, JMART improved SINGER and SGC's operations by revamping inefficient working processes such as linking the employee commission system to the debt collection system and converting the instalment payment process to a digital platform. Moreover, JMART cleaned up the company's low-quality loan portfolio, especially in the mobile phone segment, by noticeably speeding up the write-off process.

As a result, SGC's total NPL ratio fell substantially from 9.2% in 2019 to 3.9% in 2021, and the NPL ratio of its original HCHP portfolio plummeted from 15.9% in 2019 to 7.8% in 2021. At the same time, the NPL ratio of its new C4C portfolio was very low at less than 1%, well below other auto title lenders.

By exploiting technology in the process of lending and debt collection, we expect that SGC should be able to maintain its asset quality in the future, with an expected NPL ratio of around 3.8-3.9% during 2022-24. The gradual end of the forbearance program should be monitored, but we are not overly concerned. As of Jun-22, loans under the forbearance program totalled THB2.7b (15.2% of total loans), with the majority being HCHP. In cases where clients cannot repay the debt, SGC seizes the financed item and SINGER sells it as second-hand. In cases where instalments have been paid for more than six months, we think SGC's credit cost should be manageable. We, therefore, expect its credit costs to be relatively stable during 2022-24.
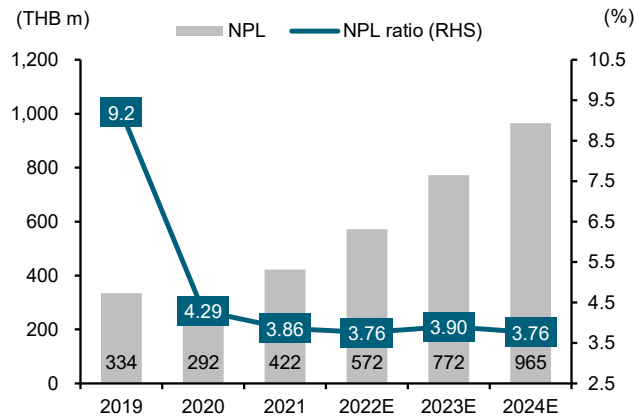
Exhibit 23: NPL ratio by product
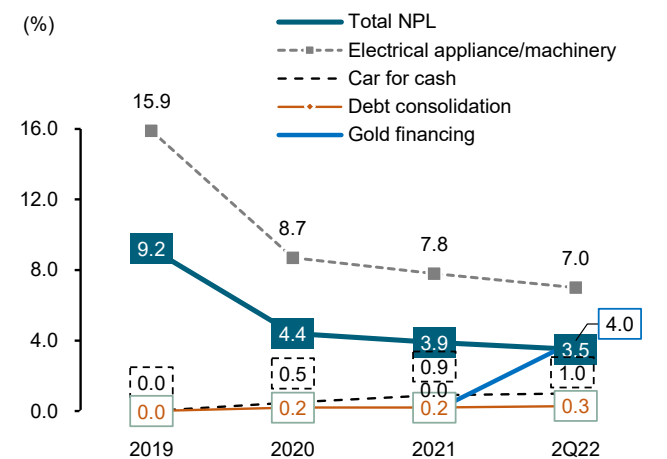
Sources: SGC; FSSIA estimates

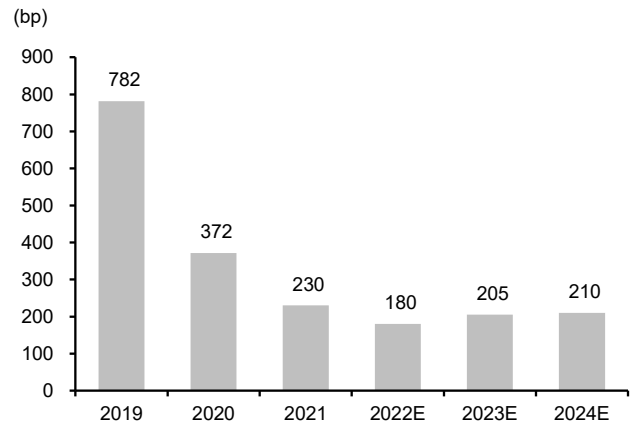**Exhibit 24: Comparison of SGC's C4C NPL ratio with other secured consumer finance companies**
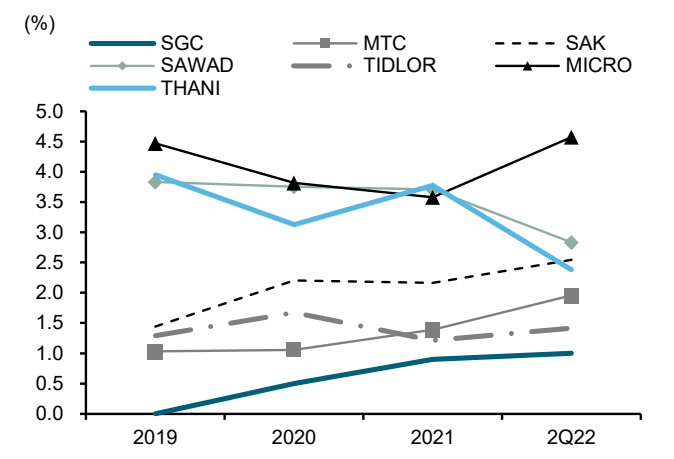
Sources: SGC; FSSIA estimates

Exhibit 25: NPL ratio

Sources: SGC; FSSIA estimates

Exhibit 26: Credit cost*

* Based on FSSIA's calculation, Credit cost is ECL divided by average gross loan (excluding accrued interest)
Sources: SGC; FSSIA estimates

Exhibit 27: SGC's forbearance program as of 2Q22

|	No. of contracts	Outstanding loans	% total loans
	(Contracts)	(THB m)	(%)
Debt holiday	69,639	1,647	11.9
Decrease in monthly instalment	1,033	439	3.2
Extended loan duration	111	8	0.1
Total	**70,783**	**2,094**	**15.2**

Source: SGC

3) Operating in a less price-competitive industry

SGC's main portfolio comprises HCHP (41.6% of total portfolio) and C4C (56.7% of total portfolio). In our view, HCHP is a fragmented market, with no major players to pressure interest rate charges. On top of that, hire purchase for home appliance contracts are not regulated by government authorities. We believe this business will not be regulated, at least in the short to medium term. We, therefore, think SGC would face limited pressure on interest rate charges for this loan type.

Currently, HCHP rates range from 20-24% p.a., depending on product type. In 2019-20, the reported HCHP rate charges were at abnormally high levels as shown in Exhibit 28 as SGC was in the beginning of the resumption of loan expansion. In 2021-2Q22, its rate charge went down noticeably due to the debt relief program and the increasing proportion of low-yield products such as freezers. We believe its HCHP rate charges should gradually increase in 2023 after the end of the forbearance program.

Exhibit 28: Yield by loan type
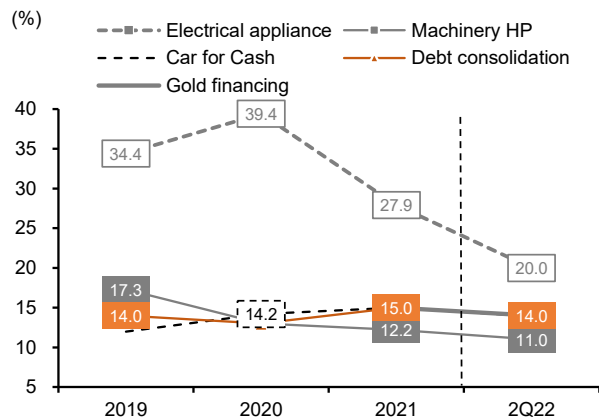
Source: SGC

**Exhibit 29: Yield by loan type**
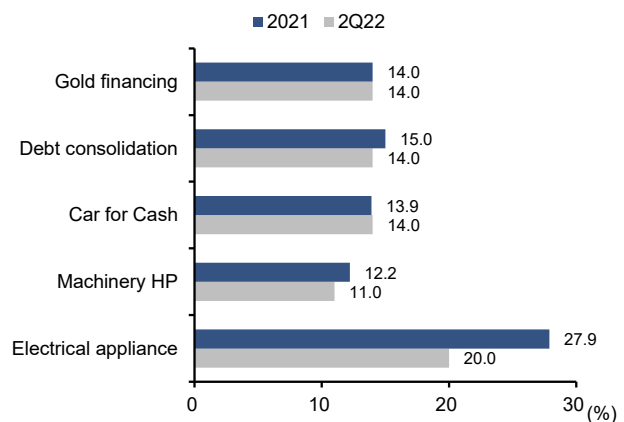
Source: SGC

Regarding the C4C portfolio, 93% of its portfolio is comprised of trucks and the rest cars. As earlier mentioned in the industry overview, we believe that truck and car title loans are largely immune to price competition. For example, TIDLOR, a major player in truck title loans, charges a rate ranging from 10-15%, depending on the risk profile of its clients, while SGC charges c13-15%. Therefore, we expect truck title loan rates to be maintained at the current level for the medium term.

All in all, we have limited concerns about price competition affecting SGC's main products and we think it will be able to maintain its rate charges at their current levels for the foreseeable future. However, we forecast SGC's total loan yield to gradually decline to 16.2%/15.9%/15.7% in 2022/23/24 due to the increasing proportion of low-yield C4C loans in its portfolio.

Exhibit 30:   Loan yield* might gradually decline due to changes in portfolio mix
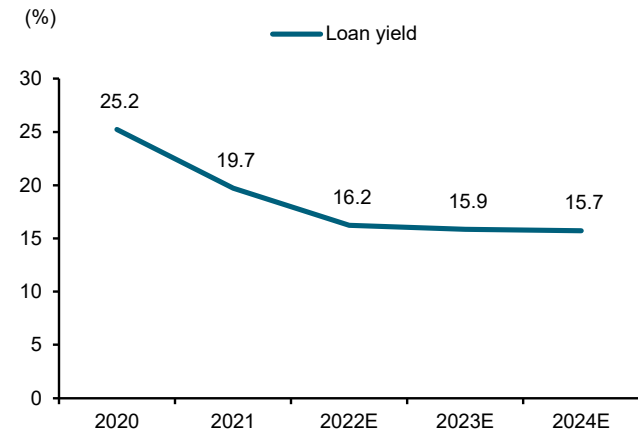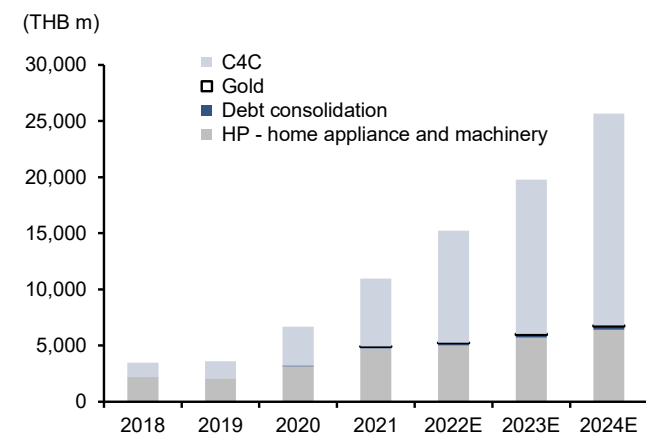

* Based on FSSIA's calculation, Loan yield = interest income divided by average gross loan (excluding accrued interest)
Source: SGC; FSSIA estimates
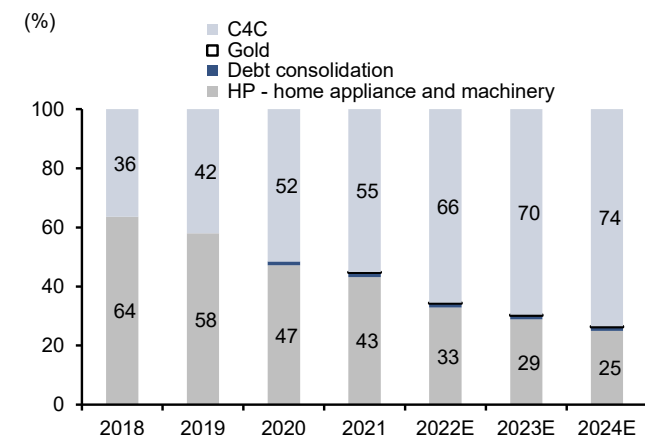
Exhibit 31:   C4C loan breakdown as of 2Q22
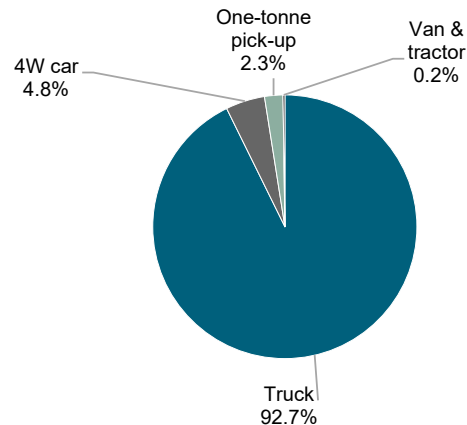
Source: SGC

Exhibit 32: Loan breakdown by type

Sources: SGC; FSSIA estimates

Exhibit 33:   Loan breakdown by type (%)
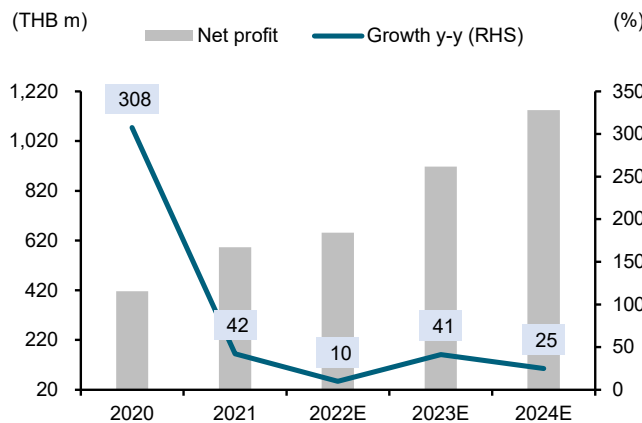

Sources: SGC; FSSIA estimates

Financial highlights – strongest net profit growth among peers

1) Solid earnings growth outlook

We expect SGC to deliver outstanding net profit growth vs its peers in 2023 at 41% y-y, and a 25% three-year CAGR during 2021-24, backed by 1) strong 30% y-y loan growth in 2023 at a 33% three-year CAGR, thanks mainly to aggressive loan expansion after receiving new money from its IPO and the support from its ecosystem; 2) efficient asset quality control, which we expect to result in a relatively stable credit cost over the next three years; and 3) a lower cost to income ratio at 34.5%/33.3% in 2023-24 vs 37.7% in 2022E, owing to the economies of scale.
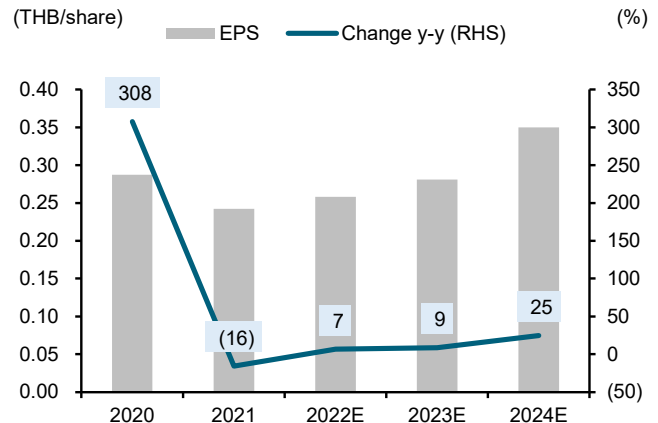
We note that SGC's EPS will increase at a slower pace than its net profit in 2022-23, due to dilution from the IPO.

Exhibit 34: SGC's net profit growth

Source: SGC; FSSIA estimates

Exhibit 35: SGC's EPS growth

Source: SGC; FSSIA estimates

Exhibit 36: SGC should deliver higher net profit growth than its peers in 2023
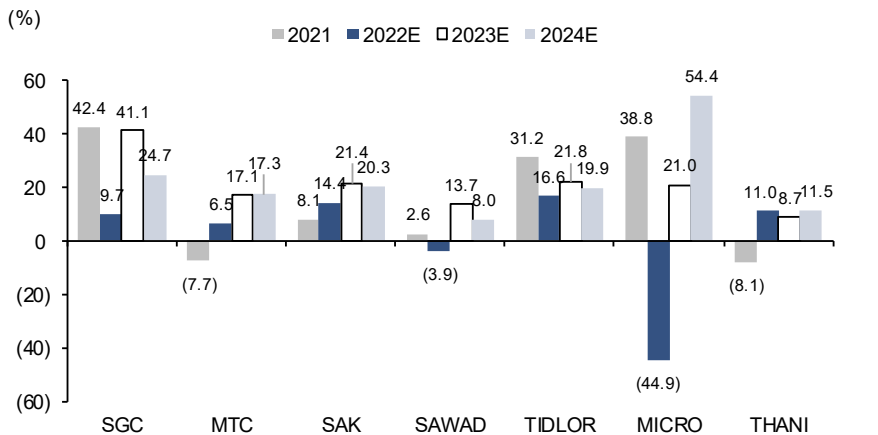
Sources: Company data; FSSIA estimates

1) Robust loan growth over the next three years

During 2021-24, we expect SGC to post strong loan growth of 33% at a three-year CAGR, which would be higher than its peers, driven by 1) aggressive loan expansion after receiving new money from its IPO; 2) leveraging its ecosystem with SINGER and JMART to tap into new client segments and loan types; and 3) ample loan demand from both retail and SME clients.

Exhibit 37: SGC's loan growth by segment

(%)

Legend: HAHP ◼ Debt consolidation ◻ Gold ▨ C4C ◼ Total loans
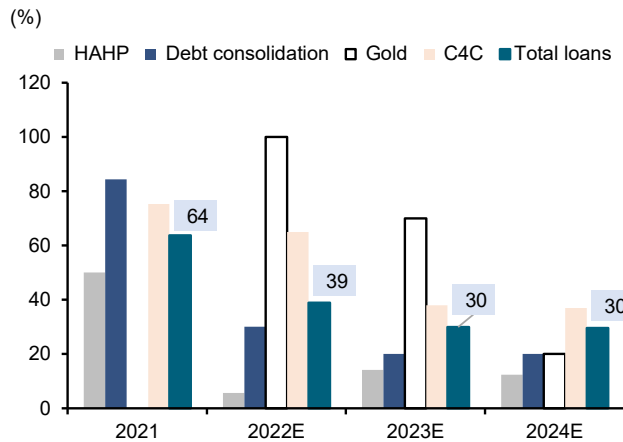
Source: SGC; FSSIA estimates

Exhibit 38: SGC's loan growth was higher than peers in 2021

(%)

Legend: ◼ SGC ◼ MTC ◻ SAK ▨ SAWAD ▨ TIDLOR ◼ MICRO ◼ THANI

Source: Company data

2) Lower loan yield from larger low-yield portfolio mix

We expect C4C loans, which have a lower loan yield, to increase at a significantly faster pace than HCHP due to the substantially larger ticket sizes and strong credit demand. Thus, we expect SGC's loan yield to gradually decline. Also, thanks to the interest rate uptrend, we expect its cost of funds to gradually increase.

Exhibit 39: SGC's loan yield*, cost of funds* and NIM*

(%)

Legend: ── Loan yield ──◼── NIM ─ ─ ─ Cost of funds

* Based on FSSIA's calculations
Sources: SGC; FSSIA estimates

3) Healthy asset quality

We expect its total NPL ratio to be maintained at 3.8-3.9% during 2022-24. We believe SGC should keep its C4C NPLs contained due to its stringent credit approval process which involves checking client records at the credit bureau. Therefore, we expect its NPL ratio to resemble that of 2021 at lower than 1.5% over the next three years.

As for its HCHP portfolio, we expect the NPL ratio to moderately increase in 2023 to nearly 10% after the end of forbearance program. It might take 6-9 months for the company to negotiate with its clients or seize and resell the second-hand appliances. Thus, its HCHP NPL ratio should be lower at around 9% in 2024.

Regarding provisions, we expect its credit costs to be relatively stable during 2022-24 at 180-210 bps, and its coverage ratio should be in the range of 65-68% during the same period. In our view, these provision levels are sufficient for its NPLs as most of its portfolio is secured loans.

Exhibit 40: NPL ratio
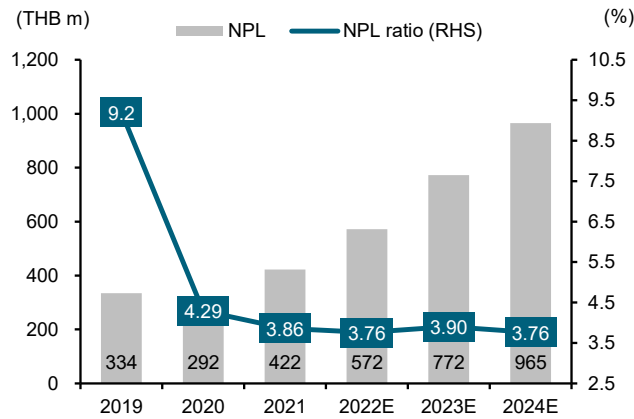
Sources: SGC; FSSIA estimates

Exhibit 41: Credit cost*

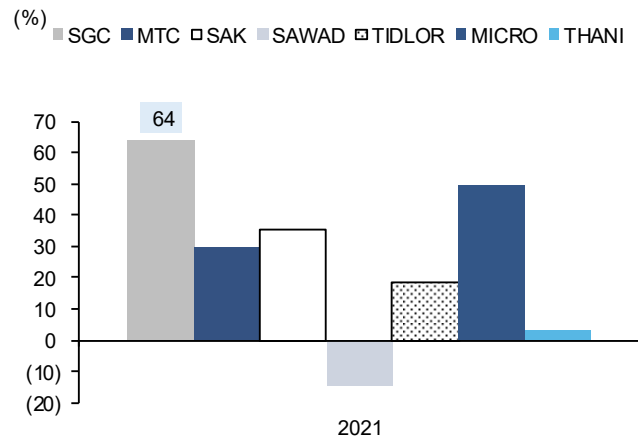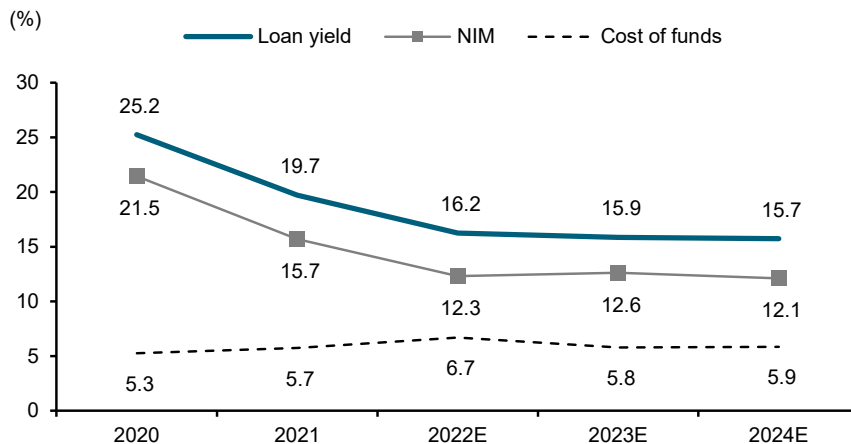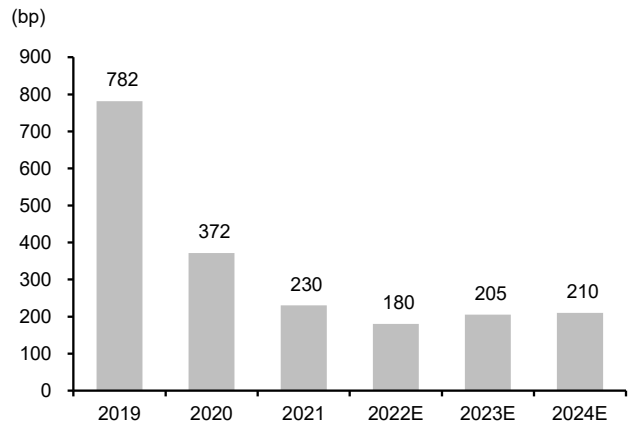* Based on FSSIA's calculation, Credit cost is ECL divided by average gross loan (excluding accrued interest)
Sources: SGC; FSSIA estimates

Exhibit 42: Coverage ratio
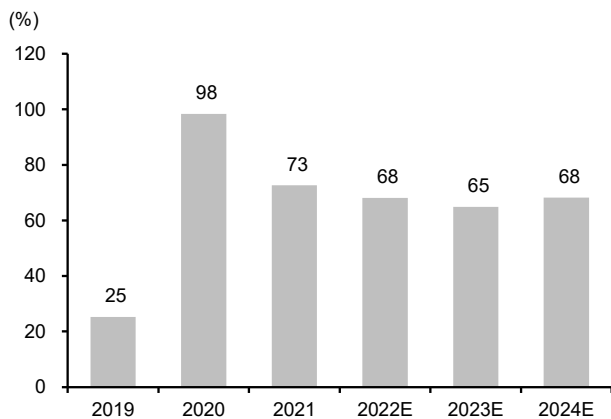
Sources: SGC; FSSIA estimates

Exhibit 43: Loan loss reserves to total loans
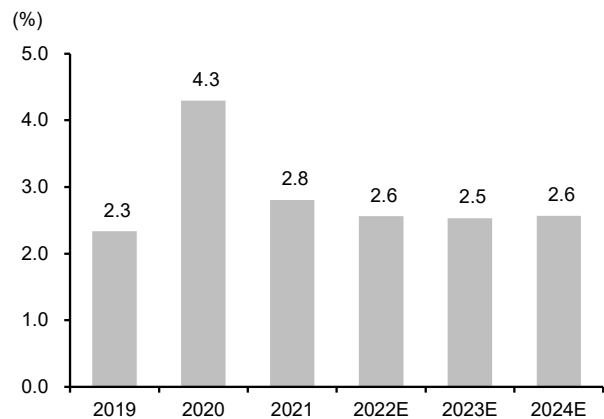
Sources: SGC; FSSIA estimates

4) Declining cost to income ratio from 2023

SGC had a lower cost to income ratio vs its peers in the past as it was able to leverage SINGER's networks to expand its loan volume. We think that in 2023-24, its cost to income ratio should further decline due to better operating leverage.

Exhibit 44: SGC's cost to income ratio
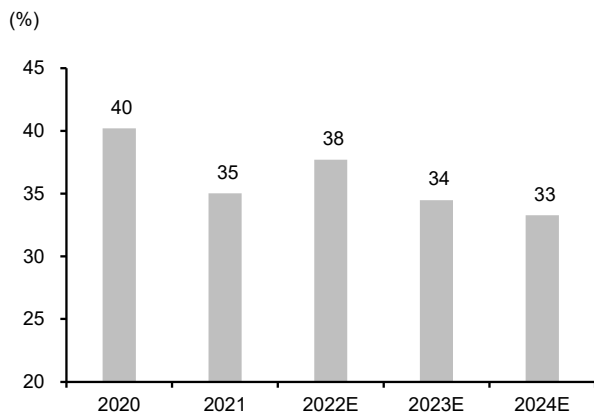
Sources: SGC; FSSIA estimates

Exhibit 45: OPEX growth
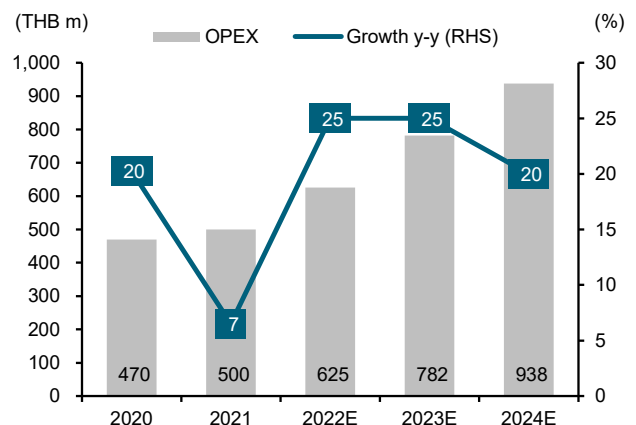
Sources: SGC; FSSIA estimates

2) Improving ROE/ROA in the future

We expect SGC's 2022/23 ROE to decline to 15.3%/14.3% due to the significant increase in equity from its IPO. However, we think its ROE should gradually improve to 16% in 2024, following an expected surge in its net profit.

We also expect its ROA to drop, to 4.8% in 2022, due to the substantial increase in cash from its IPO and its aggressive loan expansion. We are convinced that its ROA should increase to 5.2% and 5.0% in 2023-24, respectively. We believe that SGC should be able to utilise its assets efficiently.

Exhibit 46: SGC's ROE*

(%)

ROE

	2020	2021	2022E	2023E	2024E
	56.4	36.7	15.3	14.3	16.0
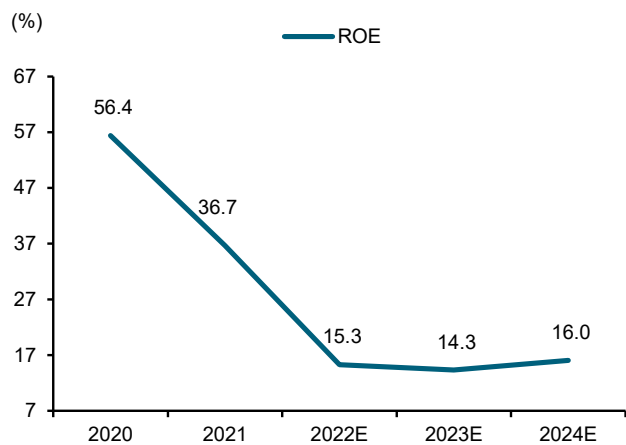
* Based on FSSIA's calculation
Sources: SGC; FSSIA estimates

Exhibit 47: SGC's ROA

(%)

ROA

	2020	2021	2022E	2023E	2024E
	7.6	6.4	4.8	5.2	5.0
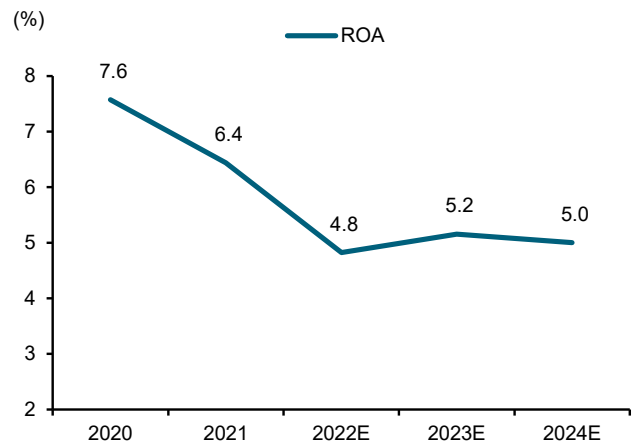
Sources: SGC; FSSIA estimates

3) Ample liquidity to grow its business

We expect its D/E ratio to be in the range of 1.55-2.41x over the next three years vs 3.74x in 2021, pre-IPO. The capital increase from its IPO should be more than enough for the company to grow its business without a new capital call within the next two years, in our view.

Exhibit 48: SGC's D/E ratio

(x)

D/E

	2019	2020	2021	2022E	2023E	2024E
	5.08	7.54	3.74	1.55	1.98	2.41
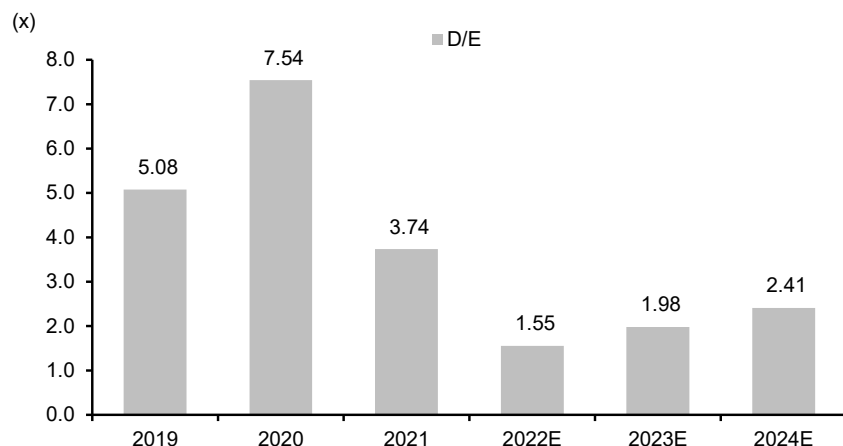
Sources: SGC; FSSIA estimates

Valuation

We apply a GGM-based method to derive SGC's target price as we believe this should represent the intrinsic value of the company and the potential revenue and net profit that the company could generate from its net assets in the future.

Our GGM variables consist of an 11.3% cost of equity, 8.5% terminal growth, and 16% ROE target. From this, we arrive at a 2023 GGM-based TP of THB5.5.

Our TP implies 2.7x 2023E P/BV – below our 2023 P/BV target for secured consumer finance firms – and 19.6x 2023E P/E, which isn't far off from the simple average targeted 2023 P/E of secured consumer finance companies under our coverage. With the expected strongest net profit growth among its peers and the potential increase in SGC's ROE after the IPO, we believe our target price is reasonable.

Exhibit 49: SGC – GGM-derived target price

Target price	THB 5.5
Risk-free rate (%)	3.0
Market risk premium (%)	8.0
Cost to equity (%)	11.3
Terminal growth (%)	8.5
ROE target (%)	16.0
Target PBV (x)	2.7
Implied PE (x)	19.6

Source: FSSIA estimates

Exhibit 50: Current 2023E P/E vs target P/E of secured consumer finance lenders
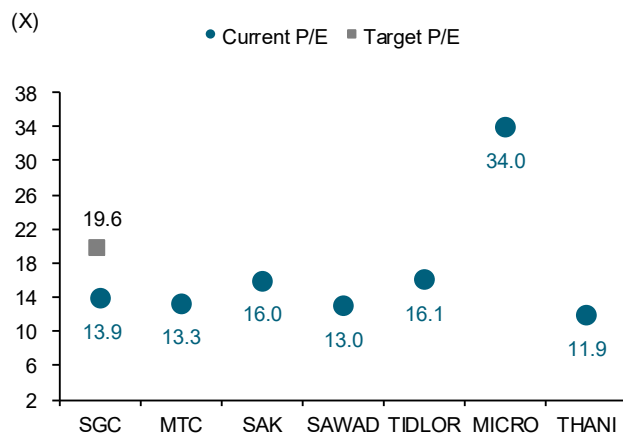
Current share prices as of 8 Dec 2022, except SGC's which is the IPO price
Sources: Bloomberg consensus; FSSIA estimates for SGC

Exhibit 51: Current 2023E P/BV vs target P/BV of secured consumer finance lenders

Current share prices as of 8 Dec 2022, except SGC's which is the IPO price
Sources: Bloomberg consensus; FSSIA estimates for SGC

Exhibit 52: Comparing 2023E and three-year CAGR net profit growth of secured consumer finance lenders

Source: FSSIA estimates

Exhibit 53: Comparing 2022-24E ROE of secured consumer finance lenders

Source: FSSIA estimates

Exhibit 54: Thailand diversified financials - peers comparison

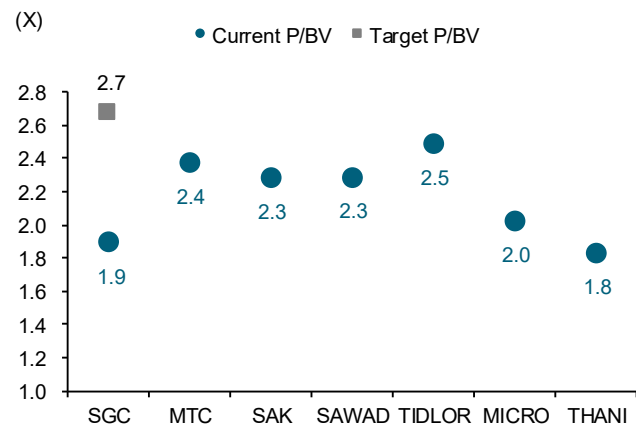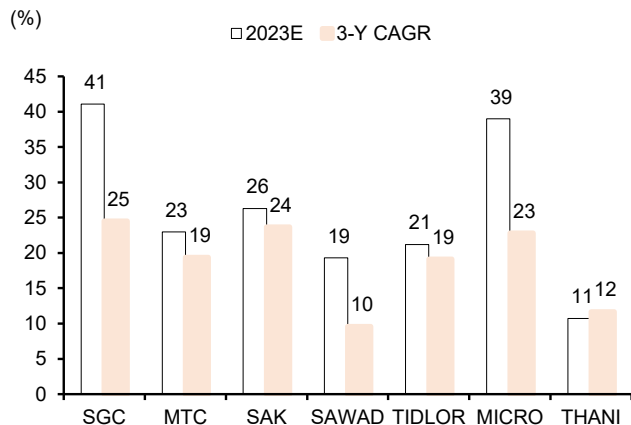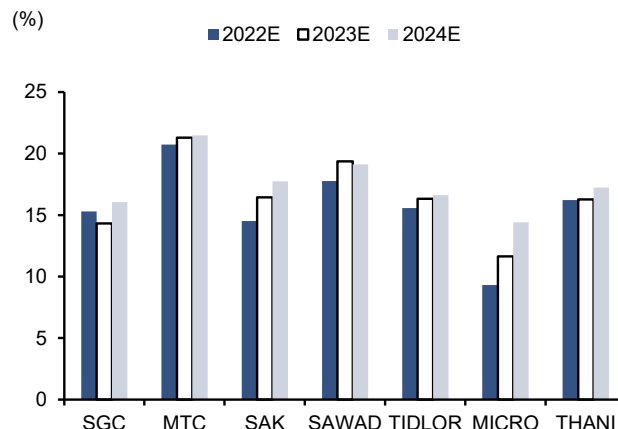| | BBG code | Rec | --- Share price --- | | Up side | Market Cap | - EPS growth - | | ----- P/E ----- | | ---- ROE ---- | | ---- PBV --- | |
			Current (THB)	Target (THB)	(%)	(USD m)	22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)
Diversified financials						21,155	7.9	15.0	23.2	19.1	15.6	15.8	3.0	2.7
SG Capital+	SGC TB	BUY	3.90	5.50	41	356	(10.8)	8.7	15.1	13.9	15.3	14.3	1.6	1.9
Unsecured-loan lender						5,656	16.5	10.5	19.6	17.6	23.6	22.3	4.3	3.7
Aeon Thana Sinsap (Thailand)	AEONTS TB	NR	172.00	n/a	n/a	1,238	14.8	10.7	11.7	10.1	20.2	19.8	2.1	1.9
Krungthai Card	KTC TB	NR	59.50	n/a	n/a	4,417	19.6	10.3	21.8	19.7	24.5	22.9	4.9	4.3
Auto-title lender						6,783	1.2	17.0	16.8	14.2	17.4	17.8	2.7	2.4
Muangthai Capital	MTC TB	NR	38.75	n/a	n/a	2,366	6.6	17.1	15.6	13.3	19.4	18.8	2.8	2.4
Srisawad Corp	SAWAD TB	NR	48.75	n/a	n/a	1,928	(4.3)	14.7	14.9	13.0	17.7	18.5	2.5	2.3
Saksiam Leasing	SAK TB	NR	6.40	n/a	n/a	386	10.8	23.8	19.8	16.0	13.6	15.1	2.5	2.3
Ngern Tid Lor	TIDLOR TB	NR	29.25	n/a	n/a	2,103	2.9	21.0	19.5	16.1	15.4	16.4	2.8	2.5
Truck lender						2,465	(3.1)	33.2	21.0	16.5	10.7	11.3	1.8	1.7
Micro Leasing	MICRO TB	NR	4.52	n/a	n/a	122	(38.3)	20.9	41.1	34.0	6.2	7.7	2.1	2.0
Singer Thailand	SINGER TB	NR	32.00	n/a	n/a	1,287	(3.0)	37.7	25.0	18.2	7.1	8.2	1.7	1.6
Ratchthani Leasing	THANI TB	NR	4.30	n/a	n/a	701	3.6	11.0	13.2	11.9	15.7	16.0	2.0	1.8
Asset management						4,820	8.8	34.2	40.8	30.1	8.5	10.2	3.3	3.1
Bangkok Commercial Asset Mngt.	BAM TB	NR	15.90	n/a	n/a	1,480	11.9	21.8	17.7	14.6	6.7	8.1	1.2	1.2
Chayo Group	CHAYO TB	NR	8.10	n/a	n/a	249	100.1	25.4	27.5	21.9	9.9	10.4	2.2	1.9
JMT Network Services	JMT TB	NR	70.50	n/a	n/a	2,962	6.8	38.5	53.3	38.5	9.0	11.2	4.5	4.2
Knight Club Capital Asset Mngt.	KCC TB	NR	7.25	n/a	n/a	129	49.1	29.4	42.6	33.0	12.4	10.7	3.8	3.3
Other						1,283	(10.7)	11.8	9.4	8.4	8.2	8.8	0.7	0.7
Thanachart Capital	TCAP TB	NR	42.50	n/a	n/a	1,283	(10.7)	11.8	9.4	8.4	8.2	8.8	0.7	0.7
Hire purchase motorcycle						148	(66.3)	(42.1)	40.0	69.1	4.2	2.1	1.2	1.2
Next Capital	NCAP TB	NR	3.80	n/a	n/a	148	(66.3)	(42.1)	40.0	69.1	4.2	2.1	1.2	1.2

Current share prices as of 8 Dec 2022, except SGC's which is the IPO price

Sources: Bloomberg consensus; +FSSIA estimates

Exhibit 55: MTC – one-year rolling prospective P/BV

MTC PBV (x)

std +2 = 7.4x
std +1 = 6.1x
3Y-avg= 4.8x
std -1 = 3.6x
std -2 = 2.3x
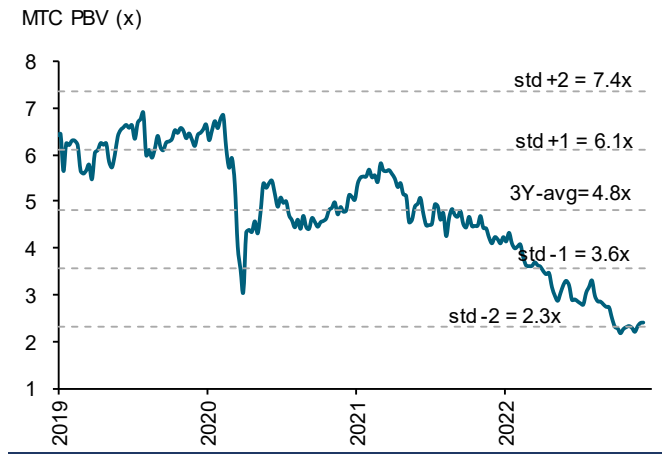
Sources: Bloomberg; FSSIA estimates

Exhibit 56: MTC – one-year rolling prospective P/E

MTC PER (x)

std +2 = 30.7x
std +1 = 26.6x
3Y avg =22.5x
std -1 = 18.4x
std -2 = 14.3x

Sources: Bloomberg; FSSIA estimates

Exhibit 57: SAK – one-year rolling prospective P/BV

SAK PBV (x)

std +2 = 4.9x
std +1 = 4.2x
3Y-avg = 3.5x
std -1 = 2.8x
std -2 = 2.1x
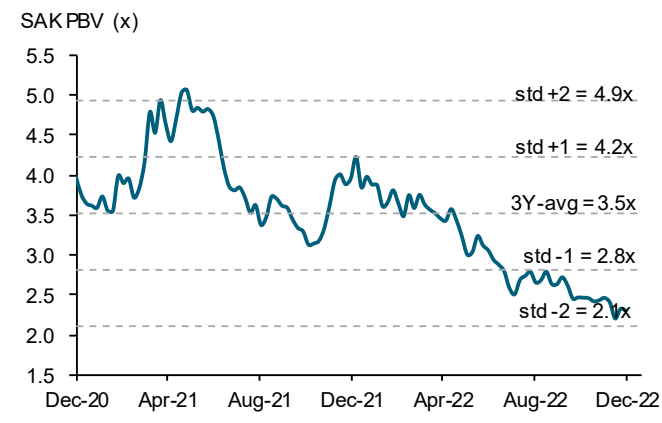
Sources: Bloomberg; FSSIA estimates

Exhibit 58: SAK – one-year rolling prospective P/E

SAK PER (x)

std +2 = 39.9x
std +1 = 33.6x
avg = 27.3x
std -1 = 21x
std -2 = 14.7x
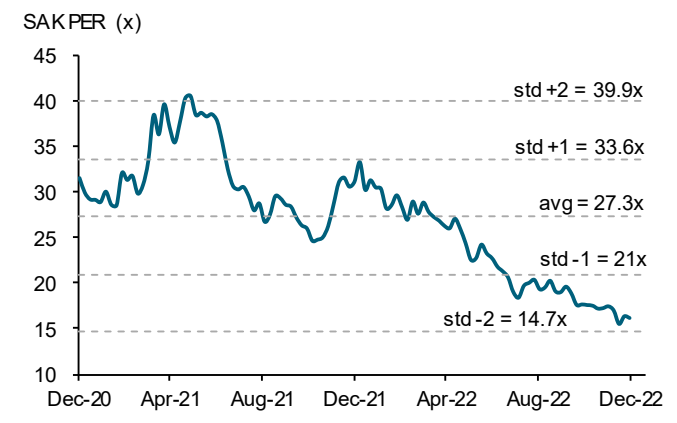
Sources: Bloomberg; FSSIA estimates

Exhibit 59: SAWAD – one-year rolling prospective P/BV

SAWAD PBV (x)

std +2 = 4.6x
std +1 = 4x
3Y-avg = 3.3x
std -1 = 2.7x
std -2 = 2x
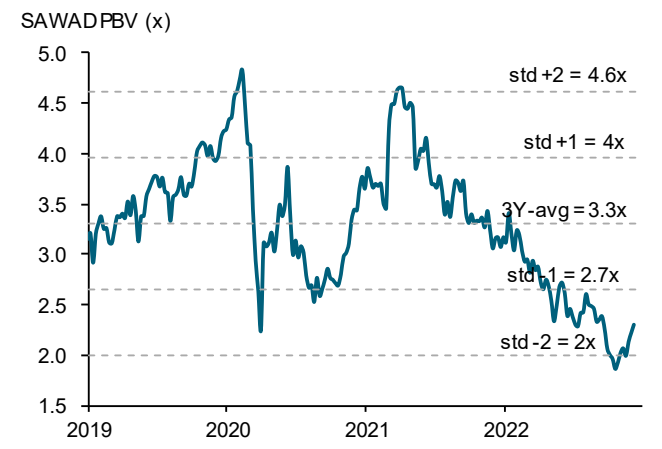
Sources: Bloomberg; FSSIA estimates

Exhibit 60: SAWAD – one-year rolling prospective P/E

SAWAD PER (x)

std +2 = 24.2x
std +1 = 20.8x
3Y-avg = 17.4x
std -1 = 14.1x
std -2 = 10.7x
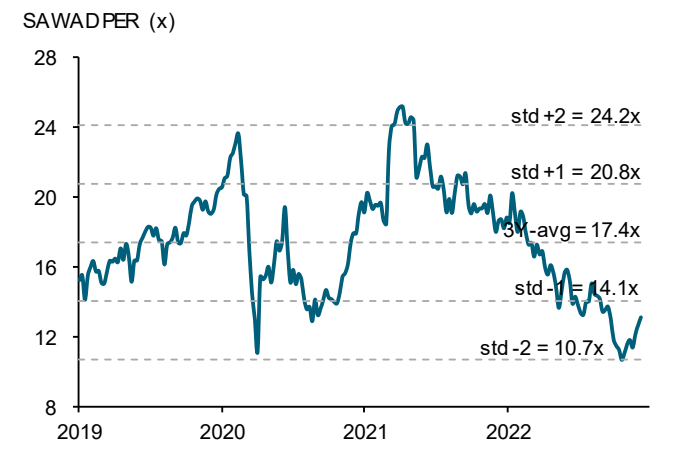
Sources: Bloomberg; FSSIA estimates

Exhibit 61:   TIDLOR – one-year rolling prospective P/BV

TIDLOR PBV (x)

std +2 = 4.1x
std +1 = 3.6x
avg = 3.1x
std -1 = 2.6x
std -2 = 2.1x
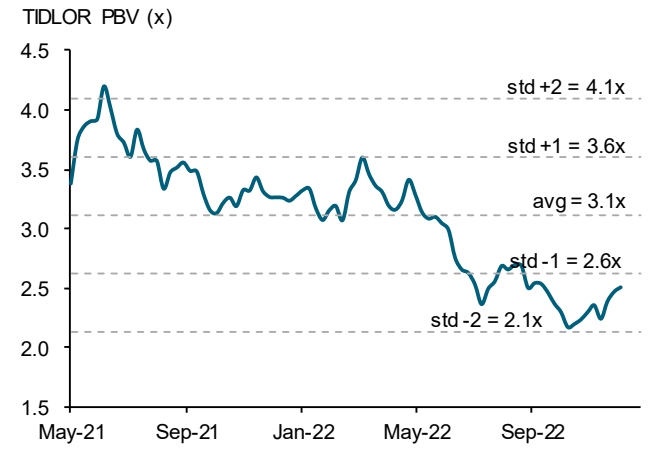
Sources: Bloomberg; FSSIA estimates

Exhibit 62:   TIDLOR – one-year rolling prospective P/E

TIDLOR PER (x)

std +2 = 29.4x
std +1 = 25.4x
avg = 21.4x
std -1 = 17.4x
std -2 = 13.4x
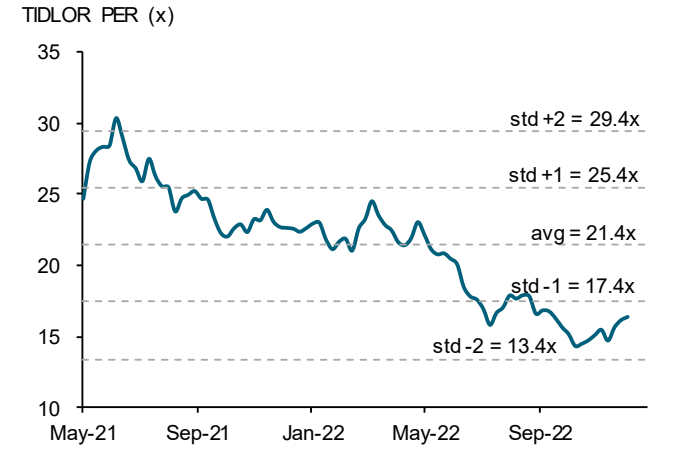
Sources: Bloomberg; FSSIA estimates

Exhibit 63:   MICRO – one-year rolling prospective P/BV

MICRO PBV (x)

std +2 = 4.7x
std +1 = 3.9x
avg = 3.2x
std -1 = 2.4x
std -2 = 1.6x
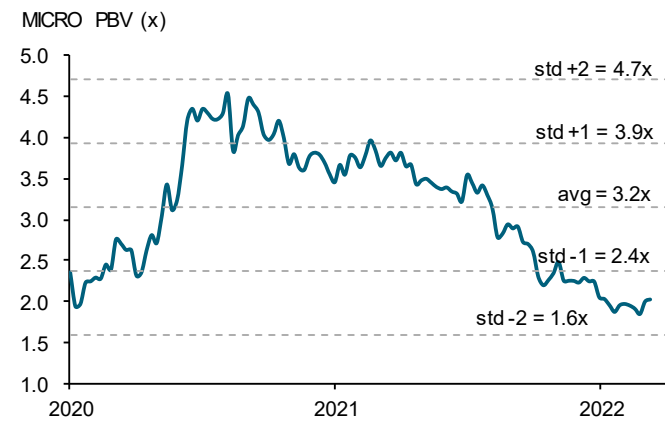
Sources: Bloomberg; FSSIA estimates

Exhibit 64:   MICRO – one-year rolling prospective P/E

MICRO PER (x)

std +2 = 77.6x
std +1 = 63x
avg =48.4x
std -1 = 33.9x
std -2 = 19.3x
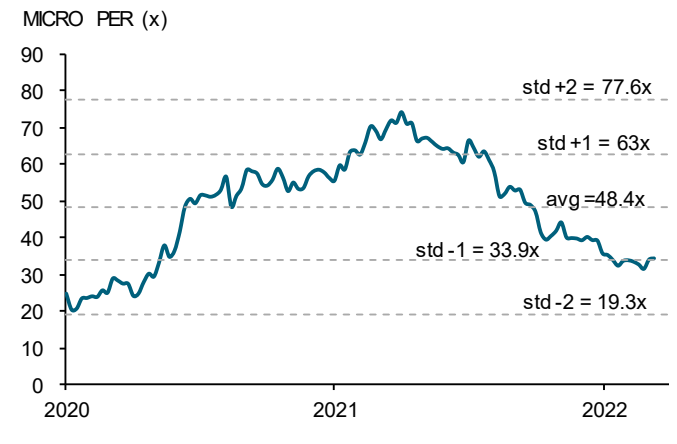
Sources: Bloomberg; FSSIA estimates

Exhibit 65:   THANI – one-year rolling prospective P/BV

THANI PBV (x)

std +2 = 3x
std +1 = 2.5x
3Y-avg = 2.1x
std -1 = 1.7x
std -2 = 1.2x
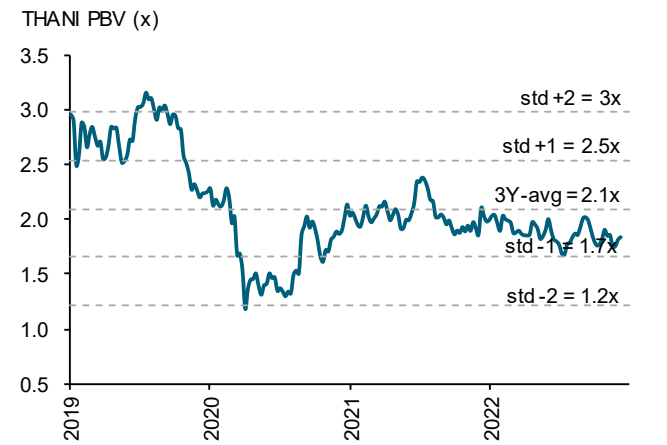
Sources: Bloomberg; FSSIA estimates

Exhibit 66:   THANI – one-year rolling prospective P/E

THANI PER (x)

std +2 = 15.8x
std +1 = 13.9x
3Y-avg = 12x
std -1 = 10x
std -2 = 8.1x

Sources: Bloomberg; FSSIA estimates

SG Capital   SGC TB   FSSIA Research Team

Company background

1) Nature of business

SGC's current business is lending. At present, it has four main lending products: 1) HCHP; 2) C4C; 3) debt consolidation; and 4) Click2Gold. Its main clients are from the low-income segment and SMEs.

Exhibit 67: Loan* growth
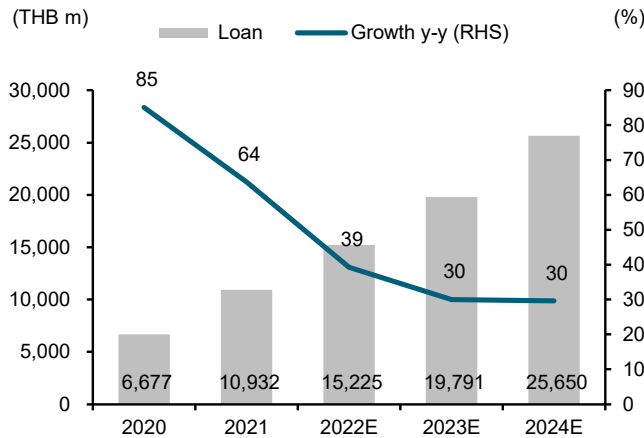
* Excluding accrued interest
Sources: SGC; FSSIA estimates

Exhibit 68: Loan breakdown (%)
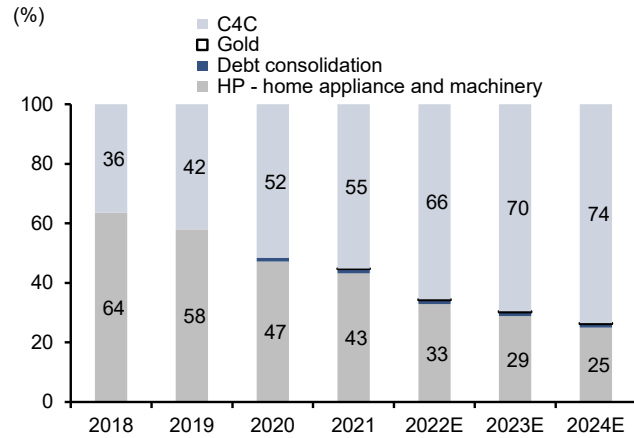
Sources: SGC; FSSIA estimates

2) Revenue structure

Normally, most of SGC's revenue comes in the form of interest income from its lending business. As of 2021, 97% of its revenue came from interest income, while the rest was from fee income and other revenue. In 2022-24, we expect that SGC's revenue structure should be the same as in 2021.

Exhibit 69: Total revenue structure
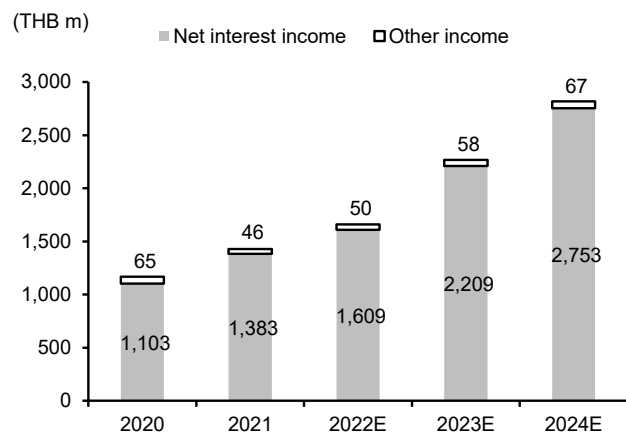
Sources: SGC; FSSIA estimates

Exhibit 70: Total revenue breakdown (%)
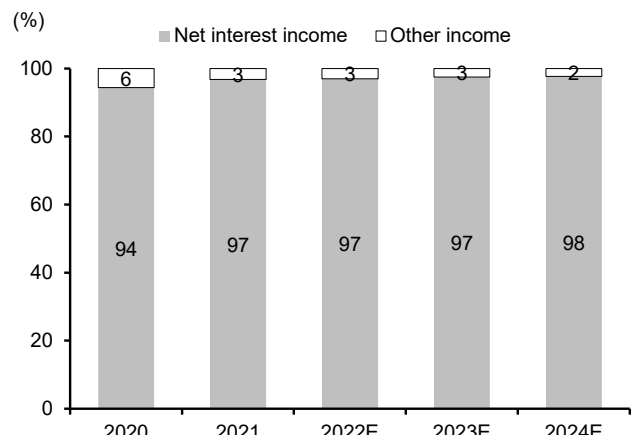
Sources: SGC; FSSIA estimates

Exhibit 71: Interest income breakdown
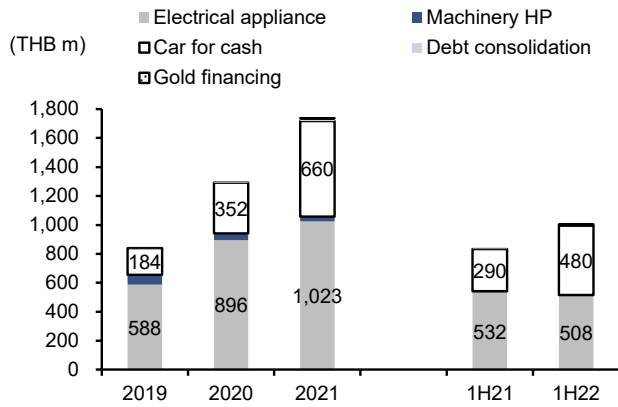
Sources: SGC; FSSIA's compilation

Exhibit 72: Other income breakdown
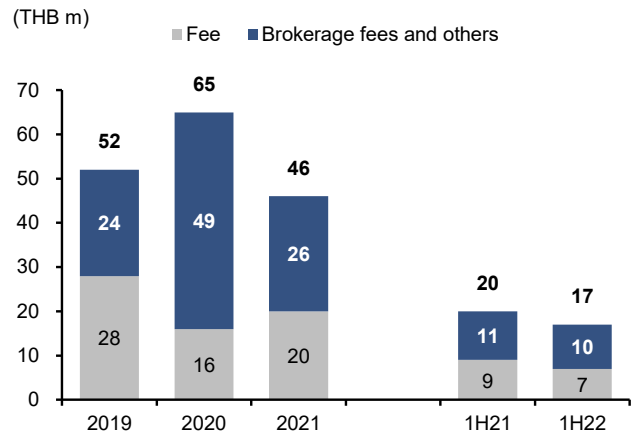
Sources: SGC; FSSIA's compilation

3) Cost structure

SGC's costs consist of interest expenses, operating expenses, and expected credit losses (ECL). As of 2021, 47% was OPEX, 33% interest expenses, and 19% ECL. In the next three years, we expect the proportions to not significantly change from 2021.

Exhibit 73: Cost structure
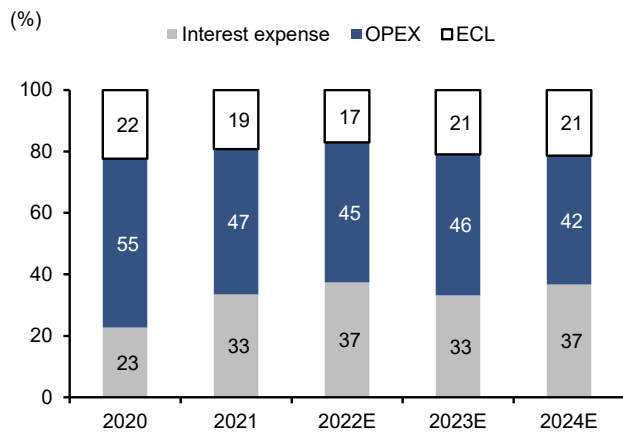
Sources: SGC; FSSIA estimates

Exhibit 74: OPEX growth

Sources: SGC; FSSIA estimates

FINANSIA
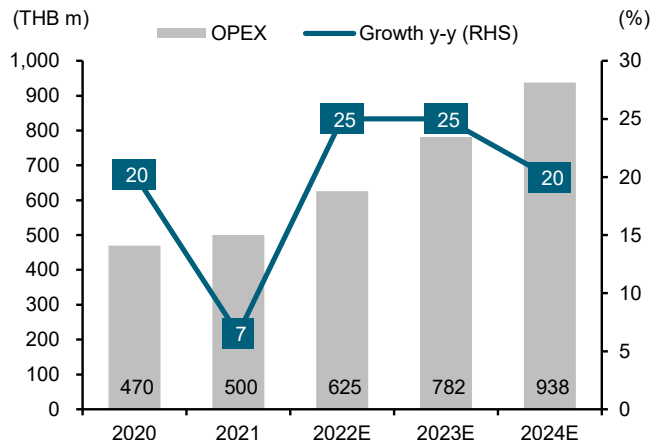
Risks

1) Risk from competition in the hire purchase and auto title loan businesses

The hire purchase and auto title loan businesses in Thailand are very competitive. There are large companies with the advantages of low funding costs and high capital bases, and local operators. If a company is unable to compete effectively with other service providers, it may suffer significant negative impacts to its financial position.

2) Risk from a rise in NPLs

Most of SGCs clients are low-income earners who cannot access bank loans. Thus, its loan portfolio has a higher NPL risk. The company minimises this risk by checking client records with the credit bureau, evaluating and projecting their clients' future cash flows, and asking for co-signers in some cases. However, if there is an increased rate of asset deterioration, the company could potentially set a high ECL buffer. This would eventually hurt its operating performance.

3) Risk from changes in rules and regulations related to loan providers

The company is regulated and supervised by the BoT. The company may be affected by changes in regulations both directly and indirectly, especially sudden changes. This may have a negative impact on its business and its financial position.

Corporate Governance – SG Capital

Board structure

Independent Directors (ID)	4 of 7 board members, one female
Percentage of IDs on the board	57.1%
ID attendance at board meetings	n.a.
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	Nine years consecutively, but can be re-elected by the Board's justification

Additional information:
1) There is one female on the Board, who is also Managing Director of the company. SGC has five out of ten in its executive committee.
2) According to the company's Board of Director Charter, at every AGM, one-third of board members must exit the position, but can be reappointed for another year.
3) The company issues a Board of Directors Charter, to be reviewed every year, to ensure commitment in business operation under Good Corporate Governance towards sustainability of the organisation and to ensure the maximum benefit of the shareholders.

Audit Practices

Auditor	KPMG Phoomchai Audit Ltd.
Length of service	n.a.
Reporting incidents	None
Fee track record	THB2.64m in 2020, THB2.76m in 2021, and THB1.95m in 1H22
Policy on change of audit firm	To review every five years

Additional information: None

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2021, THB 2.85m vs net profit of THB 593m
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

Additional information: At least six meetings will be held annually, four on a quarterly basis for reporting of financial positions and business operations, and the other two for mid-year and next year business plans and budgets in July and November or early December.

Shareholders' rights

Practice	Activity
Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriated and in accordance with SEC guidelines
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

Additional information: None

Sustainability management and policy

The company is determined to be a leader in the hire purchase and auto title lending businesses as well as debt consolidation services and gold financing that aims at reduce the burden on interest payments for customers nationwide. The company's employee and agents will be well-trained for products and services to provide services to customers and learn to treat customers equally and fairly. Apart from the above corporate governance, SGC integrates key materiality issues for sustainability in business operations to drive sustainable development as follows:

Materiality issues	Activities and practice
Support community development	Provide assistance to disaster victims, organising activities 1) to promote and support underprivileged children and youths to have education; 2) to raise awareness of children and youths to conserve and apply resources in accordance with local living and Thai wisdom; and 3) encourage employees to participate in the company's CSR activities.
Employee welfare and wellbeing	The company pays fairly and appropriately according to employees' potential, including creating career stability and having opportunities for fair career advancement and providing welfare in various fields as required by law, and is also determined to encourage employees to work safely in a hygienic workplace.
Human rights and gender equality	As of 30 June 2022, SGC has 877 employees, equally in gender with 405 males and 472 females; eight of which are disables persons.
Training and knowledge development	The Company provides training both internally and outside the organisation focusing on building skills, knowledge, expertise, and abilities to apply knowledge to increase efficiency and productivity at work.
Supply chain management	SGC sets its policy to communicate and convey to all departments and personnel involved in providing customer service to promote and create a culture of fair quality throughout the process, from the development of credit services, advertising, determining distribution channels and providing information on credit services by focusing on the needs and benefits of customers.
Digitalisation and innovation	The company creates a system for collecting customer data in order to know the identity of the customer and to be able to analyse the data in various aspects to respond to the needs of customers appropriately and also developing promotional tools for sales staff, dealer networks and agents to convey the appropriate information conveniently, quickly and accurately. The company provides payment channels through a variety of channels to facilitate customers via bank transfer counter services and payment via the company's QR Code through the SINGER salesperson who takes care of each customer.
Customer relationship management	The company provides services to customers through branches and the customer service centre on the company's website and call centre and also welcomes customers through the application Line: @SGCare

Additional information: No

Financial Statements

SG Capital

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	1,298	1,736	2,124	2,775	3,574
Interest expense	(195)	(353)	(515)	(566)	(821)
Net interest income	1,103	1,383	1,609	2,209	2,753
Net fees & commission	0	0	0	0	0
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	65	46	50	58	67
Non interest income	65	46	50	58	67
Total income	1,168	1,429	1,659	2,267	2,820
Staff costs	-	-	-	-	-
Other operating costs	(470)	(500)	(625)	(782)	(938)
Operating costs	(470)	(500)	(625)	(782)	(938)
Pre provision operating profit	699	928	1,034	1,485	1,882
Provision for bad and doubtful debt	(191)	(203)	(235)	(359)	(477)
Other provisions	-	-	-	-	-
Operating profit	508	726	798	1,126	1,404
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	508	726	798	1,126	1,404
Tax	(91)	(132)	(148)	(208)	(260)
Profit after tax	417	593	651	918	1,145
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	417	593	651	918	1,145
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	417	593	651	918	1,145
Per share (THB)					
Recurring EPS *	0.29	0.29	0.26	0.28	0.35
Reported EPS	0.29	0.29	0.26	0.28	0.35
DPS	0.00	0.00	0.10	0.08	0.11
Growth					
Net interest income (%)	79.6	25.3	16.4	37.3	24.6
Non interest income (%)	(75.4)	(29.6)	10.0	15.0	15.0
Pre provision operating profit (%)	43.0	32.9	11.4	43.7	26.7
Operating profit (%)	440.1	42.9	10.0	41.1	24.7
Reported net profit (%)	307.6	42.4	9.7	41.1	24.7
Recurring EPS (%)	307.6	0.8	(10.8)	8.7	24.7
Reported EPS (%)	307.6	0.8	(10.8)	8.7	24.7
Income Breakdown					
Net interest income (%)	94.4	96.8	97.0	97.4	97.6
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	5.6	3.2	3.0	2.6	2.4
Operating performance					
Gross interest yield (%)	25.24	19.72	16.24	15.85	15.73
Cost of funds (%)	5.26	5.75	6.70	5.80	5.85
Net interest spread (%)	19.98	13.97	9.54	10.05	9.88
Net interest margin (%)	21.5	15.7	12.3	12.6	12.1
Cost/income(%)	40.2	35.0	37.7	34.5	33.3
Cost/assets(%)	8.5	5.4	4.6	4.4	4.1
Effective tax rate (%)	17.9	18.3	18.5	18.5	18.5
Dividend payout on recurring profit (%)	-	-	39.0	30.0	30.0
ROE (%)	56.4	36.7	15.3	14.3	16.0
ROE - COE (%)	45.6	25.9	4.5	3.5	5.2
ROA (%)	7.6	6.4	4.8	5.2	5.0
RORWA (%)	-	-	-	-	-
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: SG Capital; FSSIA estimates

Financial Statements
SG Capital

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	6,677	10,932	15,225	19,791	25,650
Total provisions	(287)	(307)	(390)	(501)	(658)
interest in suspense	17	30	46	59	77
Net customer loans	**6,407**	**10,655**	**14,881**	**19,349**	**25,069**
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	156	391	257	233	99
Other interesting assets	-	-	-	-	-
Tangible fixed assets	8	14	16	17	19
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	432	369	400	450	512
Total assets	**7,003**	**11,430**	**15,554**	**20,048**	**25,699**
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	4,789	7,504	7,874	11,647	16,412
Non interest bearing liabilities	1,394	1,513	1,588	1,668	1,751
Hybrid Capital	-	-	-	-	-
Total liabilities	**6,183**	**9,016**	**9,463**	**13,315**	**18,164**
Share capital	1,450	2,450	3,270	3,270	3,270
Reserves	(630)	(36)	2,821	3,464	4,265
Total equity	**820**	**2,414**	**6,091**	**6,734**	**7,535**
Minority interests	0	0	0	0	0
Total liabilities & equity	**7,003**	**11,430**	**15,554**	**20,048**	**25,699**
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	5,142	8,804	13,078	17,508	22,720
Average interest bearing liabilities	3,701	6,146	7,689	9,761	14,030
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)	292	422	572	772	965
Per share (THB)					
Book value per share	0.57	1.18	2.42	2.06	2.30
Tangible book value per share	0.57	1.18	2.42	2.06	2.30
Growth					
Gross customer loans	85.1	63.7	39.3	30.0	29.6
Average interest earning assets	45.4	71.2	48.6	33.9	29.8
Total asset (%)	75.1	63.2	36.1	28.9	28.2
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	11.7	21.1	39.2	33.6	29.3
Tangible equity/assets (%)	11.7	21.1	39.2	33.6	29.3
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	(12.7)	44.7	35.5	35.0	24.9
NPL/gross loans (%)	4.4	3.9	3.8	3.9	3.8
Total provisions/gross loans (%)	4.3	2.8	2.6	2.0	2.6
Total provisions/NPL (%)	98.3	72.6	68.1	64.9	68.2

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	13.6	13.5	15.1	13.9	11.1
Recurring P/E @ target price (x) *	19.1	19.0	21.3	19.6	15.7
Reported P/E (x)	13.6	13.5	15.1	13.9	11.1
Dividend yield (%)	-	-	2.6	2.2	2.7
Price/book (x)	6.9	3.3	1.6	1.9	1.7
Price/tangible book (x)	6.9	3.3	1.6	1.9	1.7
Price/tangible book @ target price (x)	9.7	4.7	2.3	2.7	2.4

* Pre-exceptional, pre-goodwill and fully diluted

Sources: SG 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	PSH	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	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	WIIK
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	TPIPP	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
AMANAH	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	WIIK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	

DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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

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

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

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FSSIA Research Team FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
SG Capital	SGC TB	THB 3.90	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown; 2) deteriorating asset quality; and 3) higher-than-expected policy rate hikes
Jay Mart	JMART TB	THB 42.25	BUY	Downside risks to our SoTP-based TP include 1) lower-than-expected mobile revenue; 2) lower cash collection from its fully amortised portfolio; and 3) the lower-than-expected acquisition of new bad debt.
Kerry Express (Thailand)	KEX TB	THB 19.10	REDUCE	The key upside risks to our DCF-based TP are 1) if the competition is lower than our expectation; and 2) if the Covid-19 situation is under control

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

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All share prices are as at market close on 8-Dec-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.
HOLD (H). The upside or downside is less than 10%.
REDUCE (R). The downside is 10% or more.
Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

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

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.
Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.
Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

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

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

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