

STAR MONEY SM TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

ผู้ประกอบการธุรกิจสินเชื่อ/ค้าปลีกที่มีรากฐานมั่นคง

- ผู้ประกอบการธุรกิจสินเชื่อและค้าปลีกระดับภูมิภาคพร้อมการเติบโตของกำไรสุทธิที่คาดว่าจะอยู่ในระดับปานกลาง
- ปัจจัยหนุน: รากฐานที่มั่นคงและสภาพคล่องที่เพิ่มขึ้นในการขยายธุรกิจ
- เราเริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมายปี 2023 ที่ 2.54 บาท (GGM)

TARGET PRICE
IPO PRICE
UP/DOWNSIDE

THB2.54
THB2.04
+24.5%

คาดการณ์กำไรสุทธิจะโตดีที่สุดในกลุ่มฯ

Star Money (SM) ให้บริการทางการเงินแก่ลูกค้ารายได้น้อยที่ไม่สามารถเข้าถึงบริการทางธนาคาร บริษัทฯ ประกอบ 2 ธุรกิจหลัก: 1) ขายผลิตภัณฑ์เครื่องใช้ไฟฟ้าและเครื่องใช้ภายในบ้าน (HEA) (58% ของรายได้รวมใน 2021); และ 2) บริการสินเชื่อ (38%) ประกอบด้วยสินเชื่อเช่าซื้อ HEA, สินเชื่อทะเบียนรถยนต์และโฉนดที่ดิน, และสินเชื่อบุคคล เราคาดว่า SM จะรายงานกำไรสุทธิในระดับปานกลางใกล้เคียงกับกลุ่มฯ ในปี 2023 ที่ 22% y-y และ 21% CAGR ในช่วงปี 2021-24 จาก 1) อัตราการเติบโตของยอดขาย HEA ที่อยู่ในเกณฑ์ที่ดีที่ 18% y-y ในปี 2023 และ 22% CAGR ในรอบ 3 ปี; 2) สินเชื่อที่โตในระดับปานกลางที่ 18% y-y ในปี 2023 และ 19% CAGR ในรอบ 3 ปีจากการขยายสาขาและสินเชื่อเชิงรุกหลังได้รับเงินทุนใหม่จากการเสนอขายหุ้นเป็นครั้งแรกให้แก่ประชาชนทั่วไป (IPO); และ 3) สัดส่วนค่าใช้จ่ายการขายและการบริหาร (SG&A expense) ต่อรายได้ที่ลดลงจากขนาดการดำเนินงานที่ใหญ่ขึ้น

รากฐานที่มั่นคงในภาคตะวันออก

ณ สิ้นไตรมาส 2Q22 SM มีสาขา 91 แห่งครอบคลุม 7 จังหวัดในภาคตะวันออกและอีก 2 จังหวัดในภาคตะวันออกเฉียงเหนือ เราเห็นประโยชน์สำคัญ 2 ประการจากรากฐานที่มั่นคงในภูมิภาคดังกล่าว ข้อแรกเราคิดว่า SM น่าจะสามารถรักษากำไรขั้นต้นของธุรกิจการขาย HEA (ประมาณ 14%) ไว้ได้ ด้วยปริมาณขายที่มีนัยสำคัญ เราเชื่อว่า SM จะมีอำนาจในการต่อรองกับผู้ผลิตและผู้จัดจำหน่าย ข้อสองเราเชื่อว่า SM น่าจะสามารถบริหารคุณภาพสินทรัพย์ได้อย่างมีประสิทธิภาพ การมีรากฐานที่มั่นคงทำให้บริษัทฯ เข้าใจปัจจัยเสี่ยงของลูกค้าได้ดีขึ้น และทำให้กระบวนการเก็บเงินสดมีประสิทธิภาพยิ่งขึ้น ด้วยเหตุผลดังกล่าวเราเชื่อว่าสัดส่วนหนี้ต่อสินทรัพย์ (NPL ratio) ในปี 2022-24 น่าจะทรงตัวอยู่ในช่วง 3.6-3.9%

สภาพคล่องที่สูงขึ้นจะช่วยให้ขยายธุรกิจเชิงรุกมากยิ่งขึ้น

ในช่วง 3 ปีที่ผ่านมา SM ขยายสาขาได้เพียงปีละ 1 แห่งจากเงินทุนที่มีจำกัด บริษัทฯ มีสัดส่วนหนี้ต่อส่วนผู้ถือหุ้น (D/E ratio) ในระดับสูงที่ 3.5x ในปี 2021 หลัง IPO เราคาดว่าบริษัทฯ จะมี D/E ratio ในปี 2023 ที่ 1.8x SM วางแผนเปิดสาขาใหม่เชิงรุกที่ 10-15 สาขาต่อปี เราว่าการขยายสาขาน่าจะช่วยให้รายได้จากการขายและพอร์ตสินเชื่อเนื่องจากบริษัทฯ น่าจะสามารถจับลูกค้าได้เพิ่มขึ้น นอกจากนี้เรายังคิดว่าประสิทธิภาพต่อสาขาจะไม่ลดลง โดยเราคาดว่ามูลค่าสินเชื่อต่อสาขาน่าจะแตะ 29.6 ลบ. ในปี 2024 จาก 23.9 ลบ. ในปี 2021 และยอดขาย HEA ต่อสาขาน่าจะแตะ 11.4 ลบ. ในปี 2024 จาก 8.5 ลบ. ในปี 2021

ราคาเป้าหมายปี 2023 อยู่ที่ 2.54 บาท (cost of equity 10.8%, เป้า ROE 16%)

เราเริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 2.54 บาท ราคาดังกล่าวคิดเป็น 2.4x ของค่า 2023E P/BV ซึ่งต่ำกว่าเป้า 2023 P/BV สำหรับบริษัทการเงินที่ประกอบธุรกิจสินเชื่อเพื่อการอุปโภคบริโภคประเภทมีหลักทรัพย์ค้ำประกันและ 18.7x ของค่า 2023E P/E ซึ่งใกล้เคียงกับค่า 2023E P/E เฉลี่ยของบริษัทการเงินที่ประกอบธุรกิจสินเชื่อเพื่อการอุปโภคบริโภคประเภทมีหลักทรัพย์ค้ำประกันที่เราศึกษา

KEY STOCK DATA

| YE Dec (THB m) | 2021 | 2022E | 2023E | 2024E |
|--------------------|-----------------------------|-------|-------|-------|
| Operating profit | 129 | 151 | 186 | 226 |
| Net profit | 103 | 123 | 150 | 182 |
| EPS (THB) | 0.13 | 0.15 | 0.14 | 0.17 |
| Core net profit | 103 | 123 | 150 | 182 |
| Core EPS (THB) | 0.13 | 0.15 | 0.14 | 0.17 |
| EPS growth (%) | 116.2 | 15.6 | (8.5) | 21.6 |
| Core P/E (x) | 15.9 | 13.7 | 15.0 | 12.3 |
| Dividend yield (%) | 6.3 | 2.9 | 2.7 | 3.2 |
| Price/book (x) | 3.2 | 2.1 | 1.9 | 1.7 |
| ROE (%) | 21.0 | 15.4 | 13.3 | 14.8 |
| ROA (%) | 4.5 | 4.7 | 4.8 | 5.1 |
| Mkt cap (USD m) | 63 | | | |
| Free float (%) | 21 | | | |
| Major shareholder | Thanathiwat Co., Ltd. (31%) | | | |
| Issued shares (m) | 1,100 | | | |

Sources: Bloomberg; FSSIA estimates

SM's IPO summary

| | Details |
|--------------------|---|
| Pre-IPO shares | 800m shares |
| Share offering | 300m shares, or 27.27% total post-IPO shares |
| Use of proceeds | 1) Expanding branches, lending, and other related business 2) Debt repayment 3) Working capital |
| Financial advisors | KGI Securities (Thailand) PCL |

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

FSSIA Research Team

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Investment thesis

SM provides financial solutions for low-income clients who cannot access bank services. It has two main business: 1) selling home and electrical appliances; and 2) a lending business. We see three main competitive advantages over its peers, including 1) having a strong presence in the eastern region; 2) entering a more aggressive growth mode after receiving new capital from its IPO; and 3) having a diversified business model to sustain growth.

We initiate coverage on SM with a BUY call and a 2023 GGM-based TP of THB2.54. Our TP implies 2.4x 2023E P/BV – below our 2023 P/BV target for secured consumer finance firms – and 18.7x 2023E P/E, which is close to the simple average 2023E P/E of secured consumer finance companies under our coverage.

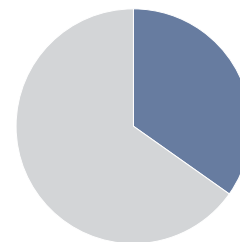
Company profile

In 2016, Star Money (SM) spun off from Thanathiwat Co., Ltd., whose credit providing business is rooted in Rayong and Chantaburi provinces. SM sells home electrical appliances via both cash and instalment plans, and provides collateral loans under Bank of Thailand supervision, such as motorcycle, car, commercial vehicle, agricultural vehicle, and land or home loans.

www.star.money.co.th

Principal activities (revenue, 2021)

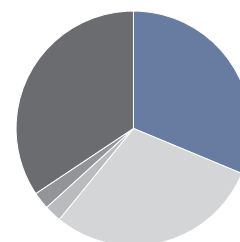
- Net interest income - 34.8 %
- Non-interest income - 65.2 %



Source: Star Money

Major shareholders

- Thanathiwat Co., Ltd. - 31.3 %
- Lavansthien Family - 29.6 %
- Leenuwongpan Family - 2.4 %
- Wiwatwongkasem Family - 2.4 %
- Others - 34.4 %



Source: Star Money

Catalysts

Potential share price catalysts for SM include: 1) a more aggressive branch expansion plan; 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) | 123 | 150 | 182 |
| Net profit growth (%) | 19.3 | 22.0 | 21.6 |
| NIM (%) | 19.67 | 19.96 | 19.94 |
| Loan growth (%) | 20.0 | 18.0 | 18.0 |
| Non-NII growth (%) | 29.9 | 17.6 | 17.6 |
| Credit cost (bp) | 300 | 330 | 340 |
| Cost to income (%) | 84.9 | 84.0 | 83.4 |

Source: FSSIA estimates

Earnings sensitivity

| Year to Dec | | 2023E | | |
|--------------------------|--------------|--------------|--------------|--------------|
| Loan growth | ±2ppt | 16.0 | 18.0 | 20.0 |
| % change in net profit | | (1.3) | - | 1.3 |
| NIM (%) | ±5bp | 19.91 | 19.96 | 20.01 |
| % change in net profit | | (0.9) | - | 0.9 |
| Credit cost (bps) | ±10bp | 320.0 | 330.0 | 340.0 |
| % change in net profit | | 1.3 | - | (1.3) |

Source: FSSIA estimates

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Executive summary

Thanathiwat Company Limited was established on 25 July 1991 to operate secured lending in Klaeng District, Rayong Province. Later, the company expanded its operations to selling HEAs. Thanathiwat became one of the major electrical appliance distributors in the eastern region. In 2018, in preparation for its listing on the SET, Thanathiwat transferred the entirety of its HEA selling and lending businesses to Star Money Company Limited, or SM. SM currently has two main businesses: 1) an HEA selling business offering products such as refrigerators, TVs, mobile phones, etc. which can be purchased via both cash and instalments; and 2) a lending business, including HEA hire-purchase, auto and land title loans, and personal loans. As of 2021, 58% of its revenue came from the HEA business and 38% came from the lending business.

Industry outlook: Growth opportunities abound

We have a positive view on HEA and auto title loans, especially for car and 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 HEA and car 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.

On top of that, we believe the Eastern Economic Corridor (EEC) plan will benefit the eastern region in terms of increasing employment rates and spending power. This would benefit the retail and lending businesses.

Investment idea: Retail leader in the eastern region

#1 Strong presence in the eastern region

As of 2Q22, SM had 91 branches, consisting of 16 main branches, 69 sub branches, 3 express branches, and 3 supported branches. Its entire network covers 7 provinces in the eastern region and 2 provinces in the north-eastern region. We see two main benefits from its strong presence in the region.

First, we think SM should be able to maintain the gross margin of its HEA sales business. With its significant sales volume, we believe SM has bargaining power with producers and dealers. The gross margin of its goods selling business was relatively stable at c14-15% during 2019-21. We are convinced that SM should be able to maintain its gross margin at the same level in 2022-24 at c14%.

Second, we think SM should be able to manage its asset quality effectively. We believe that having a strong presence in service areas is one of the key factors in asset quality control. This allows the company to better understand its clients' risk profiles. Also, it should make the debt collection process more efficient. We believe that SM's NPL ratio in 2022-24 should maintain in the range of 3.6-3.9%.

#2 Increased liquidity to expand its business more aggressively

Over the past three years, SM expanded only one branch per year due to its limited capital. Its D/E ratio was high at 3.5x in 2021. Post-IPO, we expect its capital base to be stronger with an expected 2023 D/E ratio of 1.8x. The larger capital base would allow SM to expand its business more aggressively. After its IPO, the company targets opening 10-15 new branches. We believe the branch expansion should accelerate its sales revenue and loan portfolio as it would be able to tap more clients.

Although the company plans to open more branches, we believe its efficiency per branch will not drop due to the ample loan demand and the gradual spending power recovery expected following the resumption of Thai tourism and the expansion of the EEC. Based on our assumption that SM will add 10 branches per year over the next three years, its loan value per branch, in our estimation, should reach THB29.6m in 2024 from THB23.9m in 2021. Also, its HEA sales per branch should reach THB11.4m in 2024 from THB8.5m in 2021.

#3 Diversified business model to sustain growth

In our view, SM has a diversified business structure. As of 2021, its income came from two main sources: HEA sales (58% of total revenue) and lending (38% of total revenue). Having a diversified business structure makes it possible to meet the various needs of its customers, we think. In addition, if any of its business is affected by intense competition or regulatory risks, the company can adjust its focus to another business with a high level of expertise easier and faster than other companies. Therefore, we believe that the company's profits will be able to grow steadily in the long term.

Financial highlights – moderate net profit growth

We expect SM to deliver moderate net profit growth – in line with its peers – in 2023 at 22% y-y, and at a 21% 3-year CAGR during 2021-24, backed by 1) solid HEA sales growth of 18% y-y in 2023 – at a 22% 3-year CAGR; 2) moderate 18% y-y loan growth in 2023 – at a 19% 3-year CAGR, thanks to an aggressive branch and loan expansion after receiving new money from its IPO; and 3) a lower SG&A expense to revenue ratio at 27.1%/26.5%/25.9% in 2022-24 vs 28.4% in 2021, owing to the economies of scale.

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

Valuation: 2023 GGM-based TP of THB2.54

We apply a GGM-based method to derive SM's target price. Our GGM variables consist of a 10.8% cost of equity, 7.1% terminal growth, and 16% ROE target. From this, we arrive at a 2023 GGM-based TP of THB2.54. Our TP implies 2.4x 2023E P/BV – below our 2023 P/BV target for secured consumer finance firms – and 18.7x 2023E P/E, which is close to the simple average targeted 2023 P/E of secured consumer finance companies under our coverage. With the expectation of relatively the same net profit growth among its peers and the potential increase in SM's ROE after the IPO, we believe our target price is reasonable.

Star Money at first glance

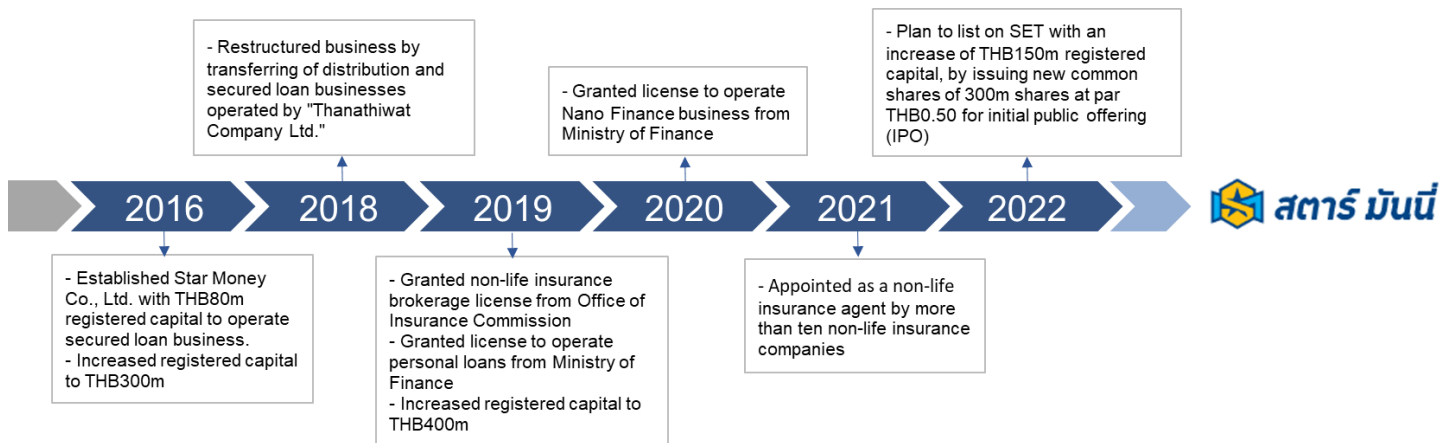
Company profile and development

Mr. Vitit Lawansathian established “Thanathiwat Company Limited” on 25 July 1991 to operate a secured lending business in Klaeng District, Rayong Province. Later, the company expanded its operations to HEA sales, selling products such as TVs, washing machines, computers, smartphones, and motorcycles by opening branches both in local shops and department stores in Rayong and Chantaburi. Thanathiwat became one of the major electrical appliance distributors in the eastern region. Then in 2018, in preparation for its listing on the SET, Thanathiwat transferred the entirety of its HEA selling and lending businesses to Star Money Company Limited, or SM.

SM currently has two main businesses: 1) an HEA selling business offering products such as refrigerators, TVs, mobile phones, etc. which can be purchased via both cash and instalments; and 2) a lending business, including HEA hire-purchase, auto and land title loans, and personal loans. As of 2021, 58% of its revenue came from the HEA business and 38% came from the lending business.

As of 2Q22, SM had 91 branches, consisting of 16 major branches, 69 sub branches, 3 express branches, and 3 supported branches across 7 eastern provinces and 2 north-eastern provinces.

Exhibit 1: Timeline of SM



Source: SM; FSSIA's compilation

IPO summary

SM offered a total of 300,000,000 new shares for its IPO (27.27% of total post-IPO shares). The total number of shares after the IPO is 1,100,000,000 shares. SM plans to utilise the IPO money for 1) expanding branches, lending, and other related business including non-life insurance brokerage and/or life insurance brokerage; 2) partial debt repayment to financial institutions; and 3) working capital requirements.

Exhibit 2: IPO information

| | Details |
|------------------------------|---|
| Offering securities | Star Money PCL |
| Ticker | SM |
| Secondary market | SET |
| Industry sector | Financials / Finance & Securities |
| Nature of business | 1) HEA Selling Business 2) Lending business under hire purchase and loan contracts |
| Par value | THB 0.50 |
| Registered / paid-up capital | Before IPO THB 400m After IPO THB 550m |
| No. of IPO shares | 300m shares, or 27.27% of total shares after IPO |
| Purpose of capital raising | 1) expanding branches, lending, and other related business including non-life insurance brokerage and/or life insurance brokerage; 2) partial debt repayment to financial institutions; and 3) working capital requirements |
| Dividend policy | Not less than 40% of the net profit from the separate financial statements after the deduction of corporate income tax and all types of reserves as stipulated in the laws and regulations of the company |
| Financial advisor | KGI Securities (Thailand) PCL |

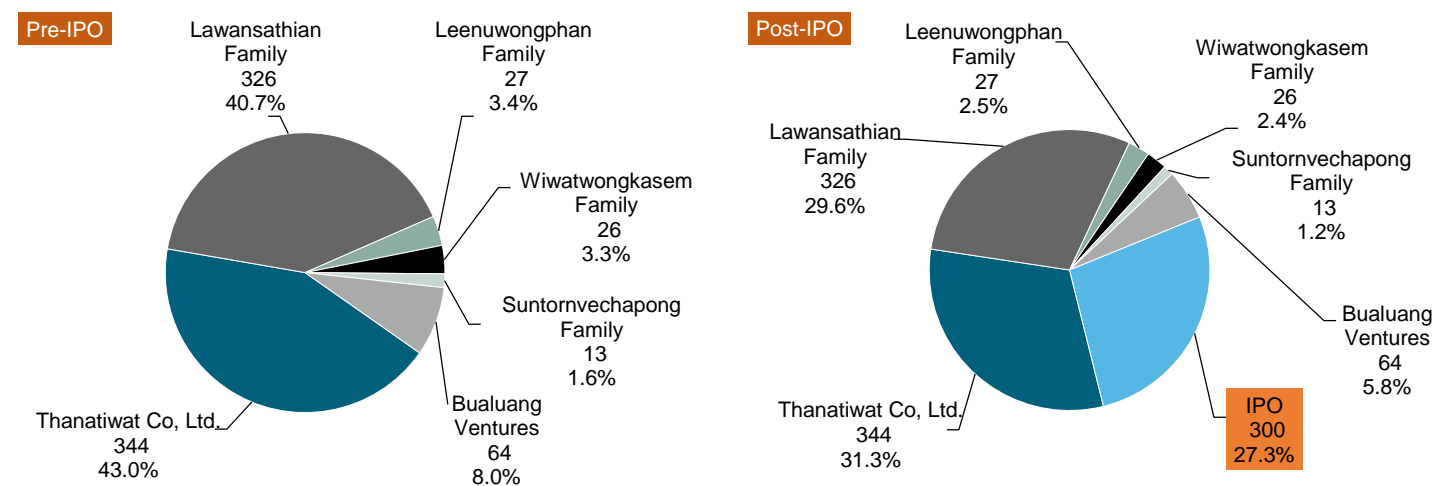
Source: SM

Shareholding structure

Pre-IPO, Thanathiwat Company Limited, as the founding company, owned a 43.0% stake in SM, followed by Lawansathian – the founding family (40.7%), Leenuwongphan family (3.4%), Wiwatwongkasem family (3.3%) Sunthornvechapong family (1.6%) and Bualuang Ventures Limited (8.0%).

Post-IPO, the stakes owned by Thanathiwat Company Limited, Lawansathian Family, Leenuwongphan family, Wiwatwongkasem family, Sunthornvechapong family and Bualuang Ventures Limited declined to 31.3%, 29.6%, 2.5%, 2.4%, 1.2%, and 5.8%, respectively, taking into consideration the additional new IPO shares issued.

Exhibit 3: Holding structure before and after IPO



Source: SM

Industry overview

1) HEA hire purchase

Strong demand for HEA lending within a fragmented market

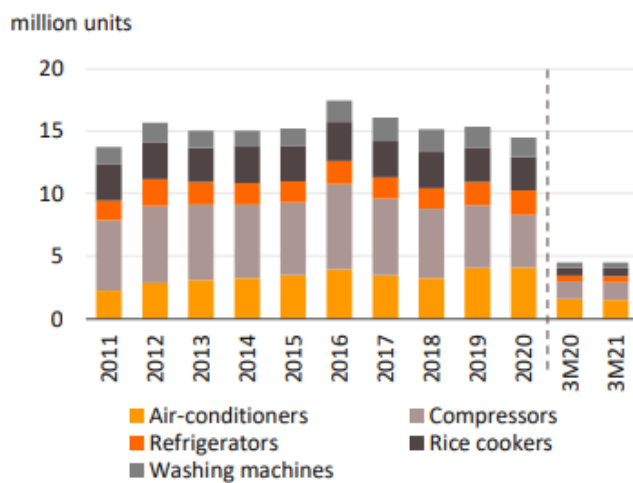
We see strong demand for HEA in Thailand, especially within the next one to two years after the economic recovery from Covid-19. According to Krungsri's research, domestic electric home appliance sales should increase 2-3% p.a. in 2021-24 due to: 1) a recovery in the property market; 2) new product types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

Exhibit 4: 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 5: Domestic electrical appliance sales by product

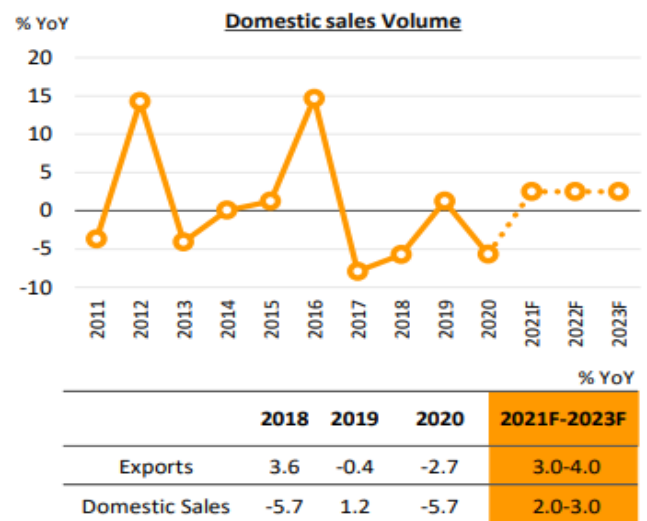


Sources: Office of Industrial Economics (OIE) survey of the domestic sales volume of Thai-made electrical goods; Krungsri Research

In Thailand, the purchase of HEA 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 HEA market is very fragmented, with few players establishing a national presence, such as Siamchai (not listed) and Singer Thailand (SINGER TB, not rated). Other players only operate regionally or provincially, such as SM, which is one of the HEA sales leaders in the eastern region.

We believe that SM's HEA business and HEA hire-purchase portfolio should increase in the next couple of years, supported by 1) a rise in demand for home appliances; and 2) its aggressive branch expansion post-IPO.

Exhibit 6: Domestic sales volume growth



Sources: OIE; Ministry of Commerce (MOC), forecast by Krungsri Research

2) Auto title loans

In the auto title loan 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. Auto title loans have become one of main methods of borrowing money in Thailand, especially for those who do not have access to banking services.

The auto title loan 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), Ngern Tid Lor (TIDLOR TB, not rated), 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), SG Capital (SGC TB, BUY, TP THB5.50; SINGER's subsidiary), 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 7: Auto title loan providers

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

Sources: Company data; FSSIA's compilation

Exhibit 8: Lending market share of similar operators – as of 2Q22

| | Star Money | SG Capital | Muangthai Capital | Saksiam Leasing | Srisawad Corporation | Ngern Tid Lor | Micro Leasing | Ratchthani Leasing |
|------------------------------|------------|------------|-------------------|-----------------|----------------------|---------------|---------------|--------------------|
| | (SM TB) | (SGC TB) | (MTC TB) | (SAK TB) | (SAWAD TB) | (TIDLOR TB) | (MICRO TB) | (THANI TB) |
| Gross loan portfolio (THB m) | 2,162 | 13,773 | 107,401 | 9,946 | 40,749 | 69,424 | 4,546 | 52,250 |
| NIM* (%) | 19.66 | 11.80 | 15.36 | 21.71 | 18.11 | 16.13 | 12.32 | 5.01 |
| NPL ratio* (%) | 3.72 | 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 | x |
| - Personal loan | √ | x | √ | √ | √ | x | x | x |
| - Retail loan for occupation | √ | x | √ | √ | √ | x | x | x |
| - Land title loans | x | x | √ | x | √ | x | x | x |
| - Cash card | x | x | x | x | x | √ | x | x |
| Loan by collateral | | | | | | | | |
| - Personal vehicle | √ | √ | √ | √ | √ | √ | x | √ |
| - Motorcycle | √ | x | √ | √ | √ | √ | √ | x |
| - Truck | √ | √ | √ | √ | √ | √ | √ | √ |
| - Agricultural vehicle | √ | x | √ | √ | √ | √ | x | x |
| - Land and house | √ | x | √ | x | √ | x | x | x |
| - Other vehicles | x | x | √ | x | √ | x | x | √ |

Note: √ = operates business, x = does not operate business; * based on gross loans

Source: FSSIA estimates

There are four popular types of vehicles typically pledged as collateral: motorcycles, cars (including sedans and pickups), tractors, and trucks. In our view, motorcycle title loans face the most intense competition, while car and truck title loans have less price competition.

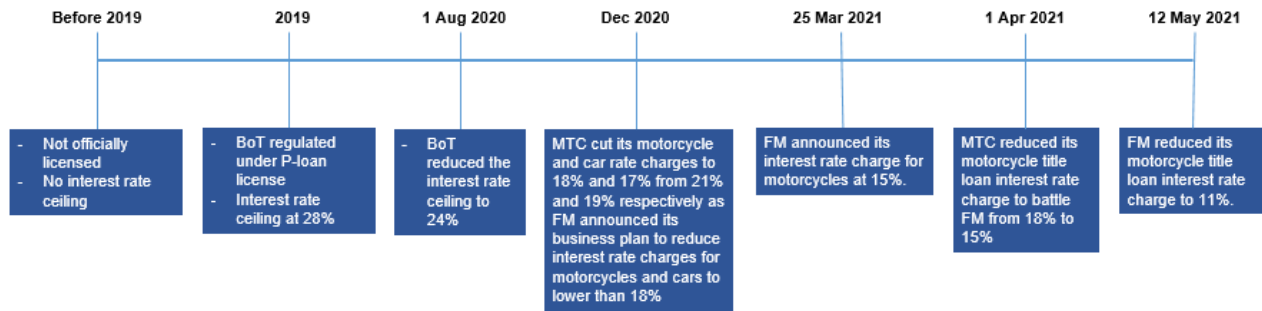
#1 Less price competition in the car and truck title loan segment**Price competition is still unlikely for car and truck title loans, meanwhile...**

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. We believe this business would be the least likely to engage in a price war 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.

... 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% from 22-24% previously, depending on their promotional campaigns.

Exhibit 9: Timeline of motorcycle title loan price war



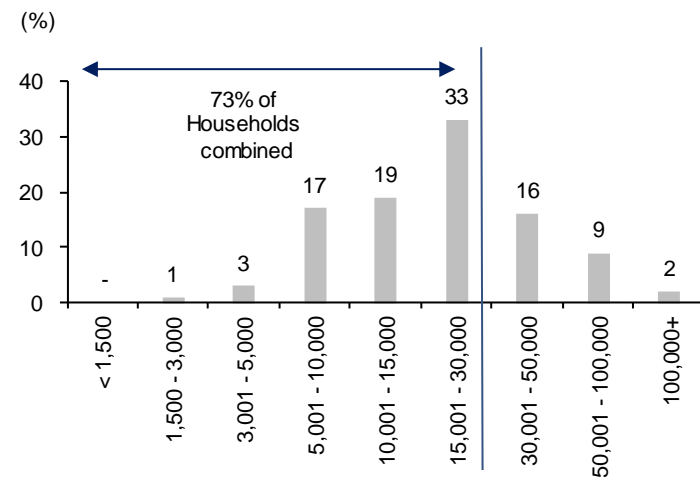
Source: FSSIA's compilation

#2 Less attractive but still growing

Although we think the margins of auto title loan operators are declining, we believe that there is still more room for all operators to increase their loan portfolio sizes. The potential market for auto title loans is extremely large, with a market size of at least cTHB1.25t, in our estimation. Moreover, auto title loans are like revolving credit for unbanked people. Thus, we believe they will always borrow money to help them live their lives.

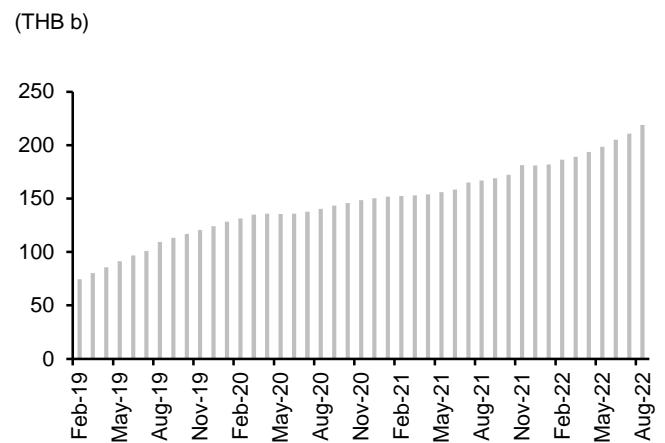
With an official industry volume of cTHB220b, as reported by the BoT, we believe auto title loans should experience yearly growth of 10-15% in the next three years at least, as 1) nearly three-quarters of Thai households have monthly incomes of lower than THB30,000; 2) a registered pledge loan is like an overdraft credit line for underbanked people; and 3) the Thai government is attempting to reduce the proliferation of loan sharks by drawing underbanked people into the legal non-bank financial system.

Exhibit 10: 73% of households have monthly incomes below THB30,000



Sources: National Statistical Office; FSSIA's compilation

Exhibit 11: Auto title loans outstanding



Sources: Bank of Thailand; FSSIA's compilation

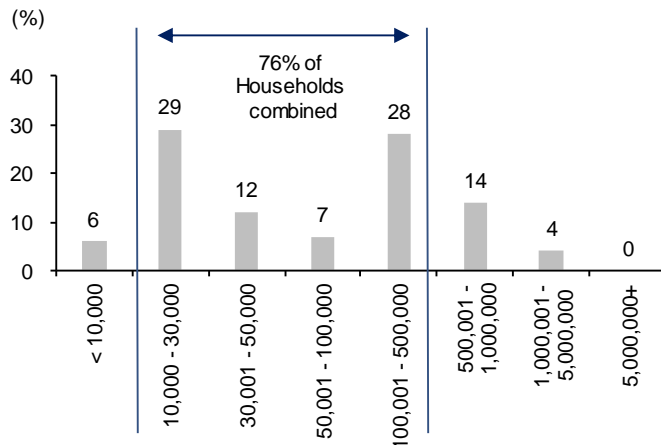
Based on our estimate, we believe the market size for auto title loans would be cTHB1.25t, with more than two-thirds in car title loans, vs the officially reported figure by the BoT of only cTHB220b, or just an 18% penetration rate.

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

- 1) 70% of registered vehicles are eligible to use as collateral for auto title loans;
- 2) 70% of households which own vehicles valued at THB10,000-500,000/vehicle (76% of total households own vehicles within that range) would use their vehicles to pledge for money;
- 3) The average ticket size per contract for motorcycles is THB15,000, for sedans and pickups it is THB100,000, and for tractors and trucks it is THB500,000.

Consequently, we believe all listed operators could grow their loans for at least as long as the industry grows.

Exhibit 12: 76% of total households own vehicles valued at THB10,000-500,000 per vehicle



Sources: National Statistical Office; FSSIA's compilation

Exhibit 13: Average ticket size per contract assumptions

| Vehicle type | Value per contract (THB) |
|------------------------|--------------------------|
| Motorcycle | 15,000 |
| Car | 100,000 |
| Truck and Farm vehicle | 500,000 |

Sources: FSSIA estimates

Exhibit 14: No. of registered vehicles as of 2021

| Vehicle type | (m units) |
|--------------|--------------|
| Motorcycle | 21.84 |
| Car | 18.37 |
| Truck | 1.34 |
| Farm vehicle | 0.71 |
| Others | 0.04 |
| Total | 42.31 |

Sources: Department of Land Transportation; FSSIA's compilation

Exhibit 15: Potential auto title loans could amount to THB1.25t

| Vehicle type | (THB t) |
|--------------|-------------|
| Motorcycle | 0.02 |
| Car | 0.90 |
| Truck | 0.33 |
| Farm vehicle | 0.17 |
| Others | 0.00 |
| Total | 1.25 |

Source: FSSIA estimates

In conclusion, we believe that SM can continue to grow its auto title loan portfolio along with the industry's growth in the next three years. Moreover, we think the pressure on its margin would be less than its peers as around 90% of its portfolio is made up of car and truck title loans, which are still far away from intense price competition.

3) Eastern Economic Corridor

From the 20-year national strategy and policy vision to drive Thailand under the Thailand 4.0 policy, the EEC plan has been formulated. The development of this special area will focus on three provinces in the eastern region, namely Chachoengsao, Chonburi and Rayong. The EEC is meant to benefit all regions nationwide, but especially these three provinces. According to the EEC's plan, it expects an average 20-year Thailand GDP growth rate of 5.04% per year, with an average 20-year EEC area GDP growth rate of 6.30% per year.

We believe that the employment rate in the EEC area will increase, leading to higher spending power. This should benefit SM's business.

Investment idea: Retailer and lender in the eastern region

1) Strong presence in the eastern region

SM originated from the Thanathiwat Company, which was one of the major players selling HEA in the eastern region of Thailand. After the transfer of Thanathiwat's business to SM in 2018, SM has continued to have a strong presence in the eastern region. As of 2Q22, SM had 91 branches, consisting of 16 main branches, 69 sub branches, 3 express branches, and 3 supported branches. Its entire network covers 7 provinces in the eastern region and 2 provinces in the north-eastern region.

- Main branches: Main branches provides services for 1) selling HEA, both cash and instalment sales; and 2) lending. Each branch has 10-20 full-time staff, depending on the size of the branch.
- Sub branches: Sub branches provide only lending services. Each branch consists of 2-3 staff members.
- Express branches: Express branches provide the same services as the main branches, including selling HEA and lending services. But express branches are smaller sized than main branches. Also, there are only 5-7 staff members per branch.

We see two main benefits from SM's strong presence in the region. First, we expect that SM should be able to maintain the gross margin of its HEA sales business. Second, we believe SM should be able to manage its asset quality effectively.

Exhibit 16: Number of branches (by province) as of 2Q22

| Region | Province | (no.) |
|--------------|-------------------|-----------|
| Eastern | Chonburi | 30 |
| | Rayong | 28 |
| | Chanthaburi | 12 |
| | Chachoengsao | 8 |
| | Prachin Buri | 6 |
| | Sa Kaeo | 3 |
| | Trat | 2 |
| Northeastern | Udon Thani | 1 |
| | Nakhon Ratchasima | 1 |
| Total | | 91 |

Sources: SM; FSSIA's compilation

Exhibit 17: Example of one of SM's standalone branches – Banchang



Source: SM

Exhibit 18: Example of an SM branch in a department store – Central



Source: SM

Stable gross margin for the HEA sales business

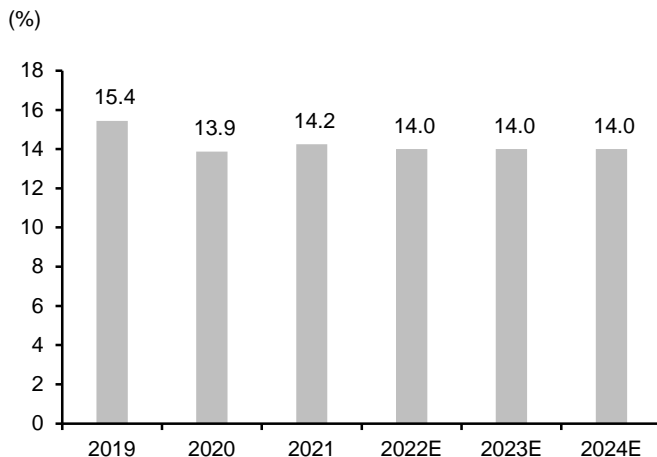
SM is one of the major HEA dealers in the eastern region. It has a strong relationship with many producers and dealers. With its significant sales volume, we believe SM has bargaining power with producers and dealers. The gross margin of its goods selling business was relatively stable at c14-15% during 2019-21. We are convinced that SM should be able to maintain its gross margin at the same level in 2022-24 at c14%.

Exhibit 19: Sample of HEA brands sold at SM



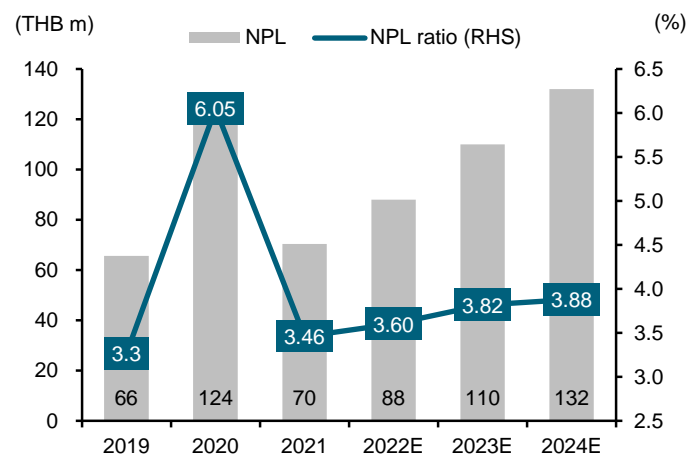
Source: SM

Exhibit 20: Gross margin of HEA sales business



Sources: SM; FSSIA estimates

Exhibit 21: NPL ratio



Sources: SM; FSSIA estimates

Efficient asset quality control

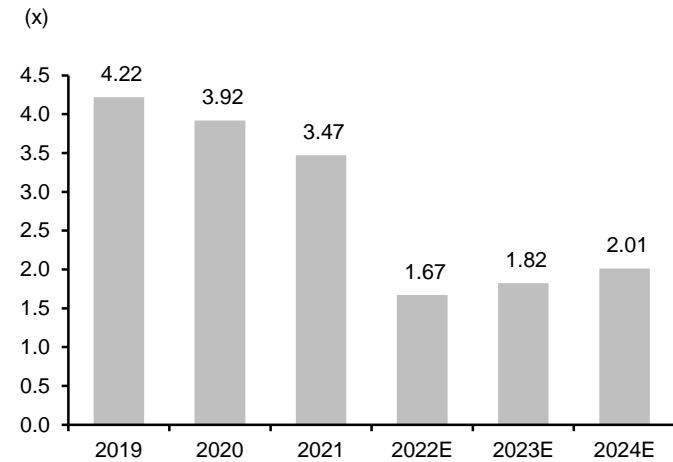
We believe that having a strong presence in service areas is one of the key factors in asset quality control. This allows the company to better understand its clients' risk profiles. Also, it should make the debt collection process more efficient. SM's NPL ratio was at 3.3% in 2019. Then, its NPL ratio surged to 6.05% in 2020 due to the impact of Covid-19 and the implementation of the new accounting standard, TFRS 9. However, SM took only one year to solve its NPL problem. In 2021, its NPL ratio plummeted to 3.5%. We believe that its NPL ratio in 2022-24 should maintain in the range of 3.6-3.9%.

2) Increased liquidity to expand its business more aggressively

Over the past three years, SM expanded only one branch per year due to its limited capital. Its D/E ratio was high at 3.5x in 2021. Post-IPO, we expect its capital base to be stronger with an expected 2023 D/E ratio of 1.8x. The larger capital base would allow SM to expand its business more aggressively. We believe a branch expansion would accelerate its sales revenue and loan portfolio as it would be able to tap more clients.

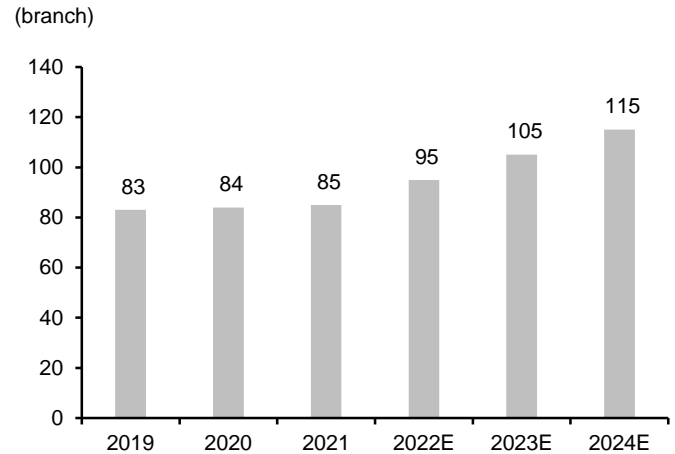
After its IPO, the company targets opening 10-15 new branches, mostly in the sub branch and express format due to the lower investment cost. According to SM's management, the investment cost/branch for sub and express branches is approximately THB0.5m and THB1.3m, respectively. The payback period for the sub branch and express format is around 1 year and 1.5-2 years, respectively.

Exhibit 22: D/E ratio



Sources: SM; FSSIA estimates

Exhibit 23: Branch expansion

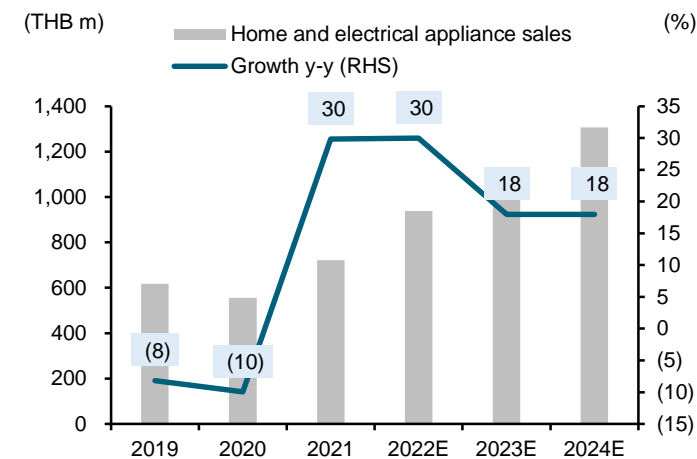


Sources: SM; FSSIA estimates

With the more aggressive branch expansion plan and the stronger capital base to grow its business, we expect SM's HEA sales to increase 18% y-y in 2023 and at a 22% 3-year CAGR during 2021-24. Also, we expect its credit portfolio to increase to 18% y-y in 2023 and at a 19% 3-year CAGR during 2021-24.

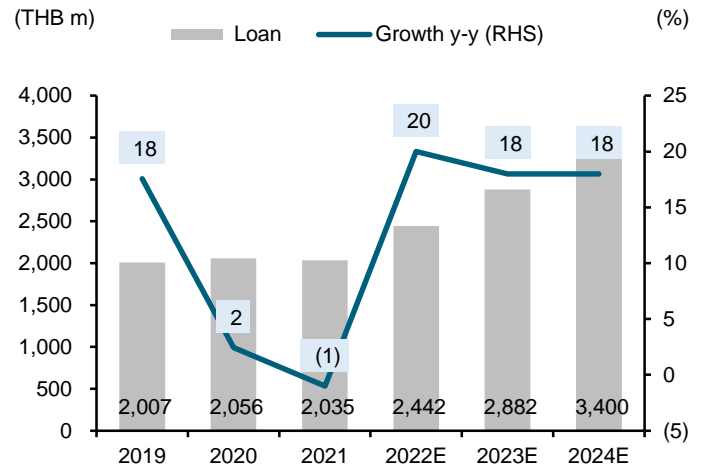
Although the company will open more branches, we believe its efficiency per branch will not drop due to the ample loan demand and the gradual spending power recovery expected following the resumption of Thai tourism and the expansion of the EEC. Based on our assumption that SM will add 10 branches per year over the next three years, its loan value per branch, in our estimation, should reach THB29.6m in 2024 from THB23.9m in 2021. Also, its HEA sales per branch should reach THB11.4m in 2024 from THB8.5m in 2021. Note that the number of branches we use to calculate loans and sales per branch includes all of its branch formats.

Exhibit 24: HEA sales growth

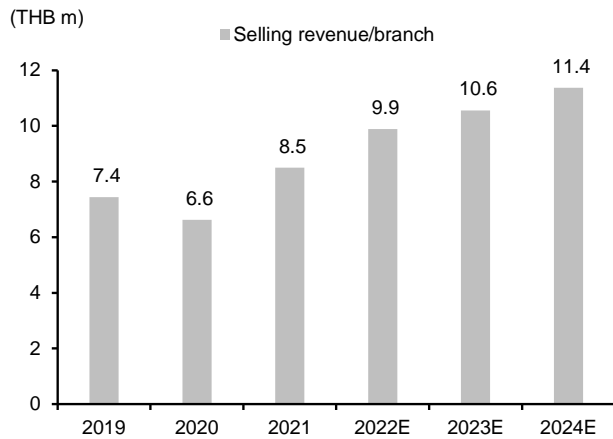


Sources: SM; FSSIA estimates

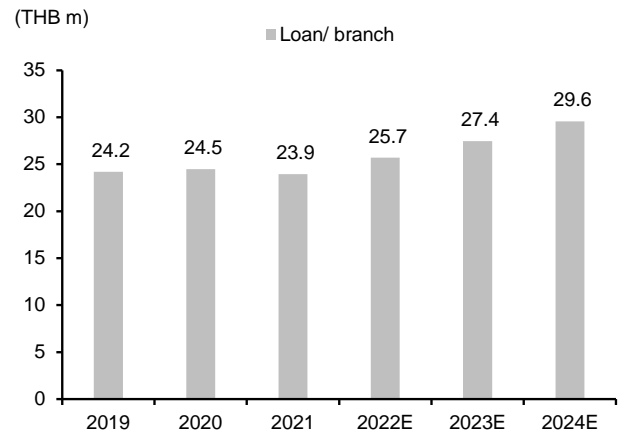
Exhibit 25: Loan growth



Sources: SM; FSSIA estimates

Exhibit 26: HEA sales per branch

Sources: SM; FSSIA estimates

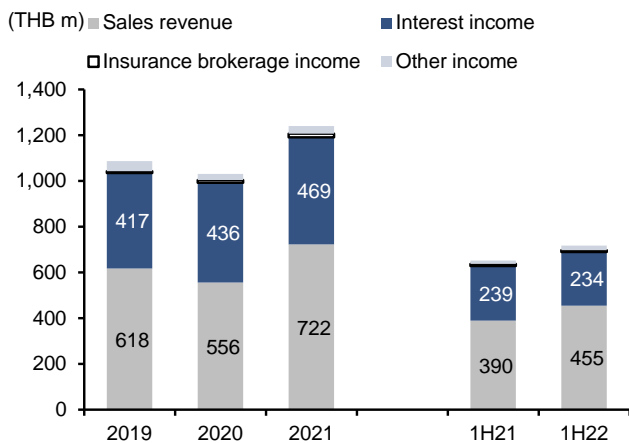
Exhibit 27: Loan value per branch

Sources: SM; FSSIA estimates

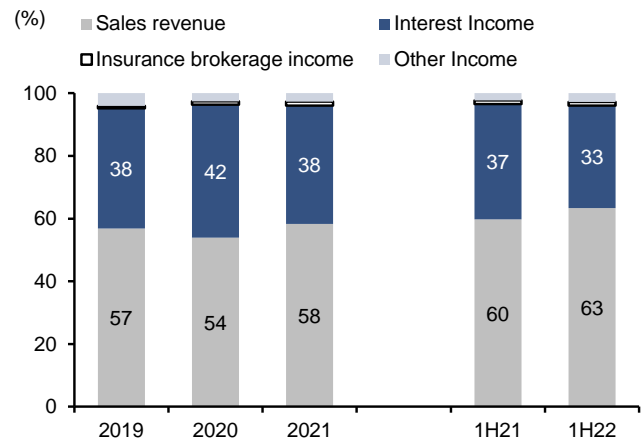
3) Diversified business model to sustain growth

In our view, SM has a diversified business structure. At present, its income comes from two main sources: HEA sales and lending.

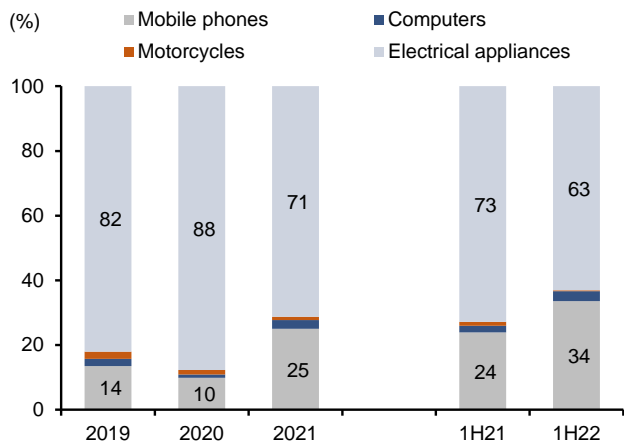
As of 2021, revenue from HEA sales accounted for 58% of its total revenue, while interest income was 38%. In 2021, 71% of its sales revenue came from selling general electrical appliances such as TVs, washing machines, air conditioners, etc., while revenue from selling mobile phones accounted for 25%.

Exhibit 28: Revenue breakdown by business

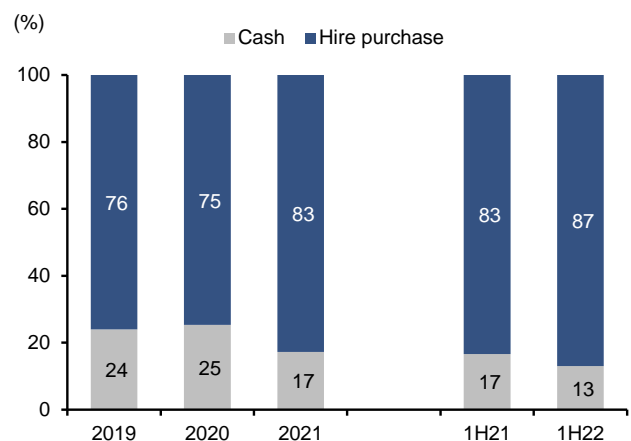
Sources: SM; FSSIA's compilation

Exhibit 29: % revenue breakdown by business

Sources: SM; FSSIA's compilation

Exhibit 30: % HEA revenue breakdown

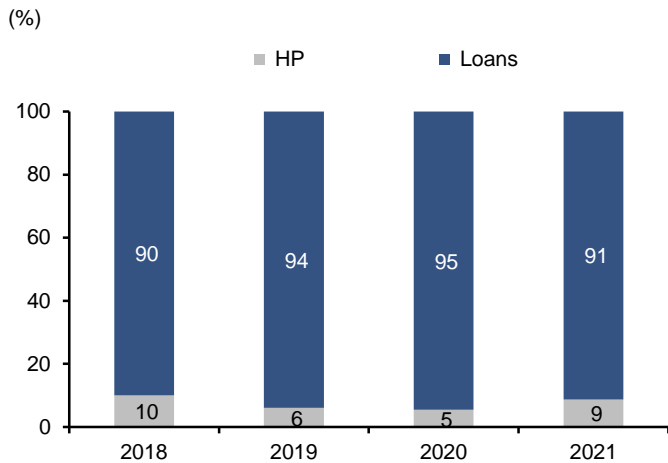
Sources: SM; FSSIA's compilation

Exhibit 31: Most of SM's clients purchase HEA via instalments

Sources: SM; FSSIA's compilation

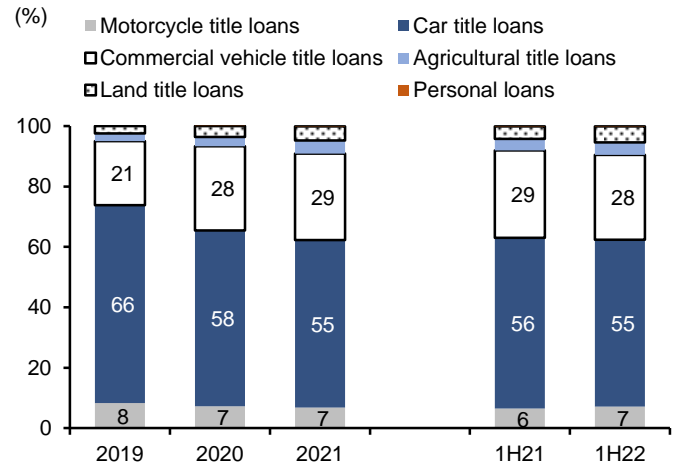
Regarding interest income, SM's gross credit volume as of 2021 was at THB2.0b, comprising 9% hire-purchase contracts and 91% loan contracts. Hire-purchase came from its HEA sales business, of which 83% were in instalments. Meanwhile, its loan portfolio consisted of 55% car title loans, 29% commercial vehicle title loans, 7% motorcycle title loans, 5% in land title loans, 4% in agricultural title loans, and the rest in personal loans.

Exhibit 32: % outstanding credit portfolio by loan type



Sources: SM; FSSIA's compilation

Exhibit 33: % outstanding credit portfolio under loan contract breakdown



Sources: SM; FSSIA's compilation

Having a diversified business structure makes it possible to meet the various needs of its customers, we think. In addition, if any of its business is affected by intense competition or regulatory risks, the company can adjust its focus to another business with a high level of expertise easier and faster than other companies. Therefore, we believe that the company's profits will be able to grow steadily in the long term.

Exhibit 34: Business structure

| Business | Products and services | Terms and conditions | | | | Collateral |
|---|---|----------------------|-------------|----------------------|------------------|---|
| | | Payment | Period | Guarantee | Effective rate | |
| Sales of home and electrical appliances | Cash | Immediate | | | | None |
| | Instalment (hire purchase) | Instalment | 3-36 months | Qualified guarantor* | | Home and electrical appliances, computers, mobile phones, motorcycles |
| Lending | Auto title loans | Instalment | 6-84 months | Qualified guarantor* | Maximum 24% p.a. | Motorcycles, cars, commercial cars, agricultural vehicles |
| | Land title loans | Instalment | 6-72 months | | Maximum 15% p.a. | Land and buildings |
| | Unsecured personal loans for insurance premiums | | 10 months | | - | - |
| Non-life insurance brokerage agent | Non-life insurance products | - | - | - | - | - |

Note: * As specified by the company

Sources: SM; FSSIA's compilation

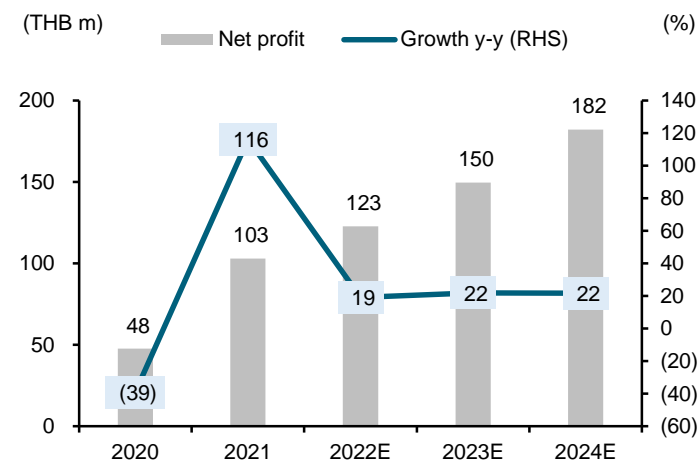
Financial highlights – moderate net profit growth

1) Moderate earnings growth outlook

We expect SM to deliver moderate net profit growth – in line with its peers – in 2023 at 22% y-y, and at a 21% 3-year CAGR during 2021-24, backed by 1) solid HEA sales growth of 18% y-y in 2023 – at a 22% 3-year CAGR; 2) moderate 18% y-y loan growth in 2023 – at a 19% 3-year CAGR, thanks to an aggressive branch and loan expansion after receiving new money from its IPO; and 3) a lower SG&A expense to revenue ratio at 27.1%/26.5%/25.9% in 2022-24 vs 28.4% in 2021, owing to the economies of scale.

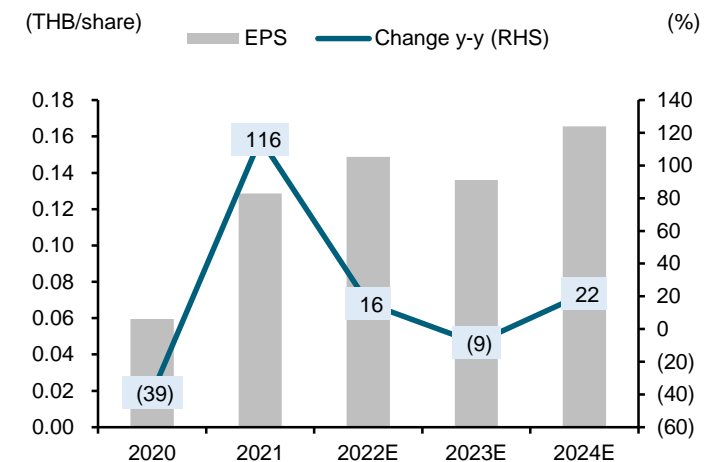
We note that SM's EPS will increase at a slower pace than its net profit in 2022-23, due to dilution from the IPO.

Exhibit 35: SM's net profit growth



Source: SM; FSSIA estimates

Exhibit 36: SM's EPS growth

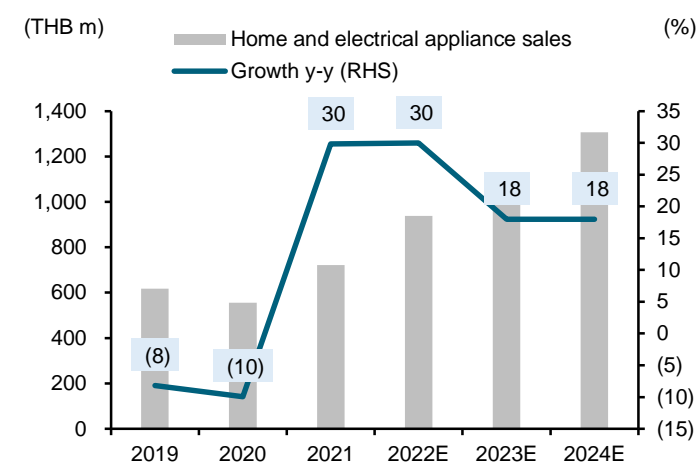


Source: SM; FSSIA estimates

1) Solid growth of HEA sales and loan volume

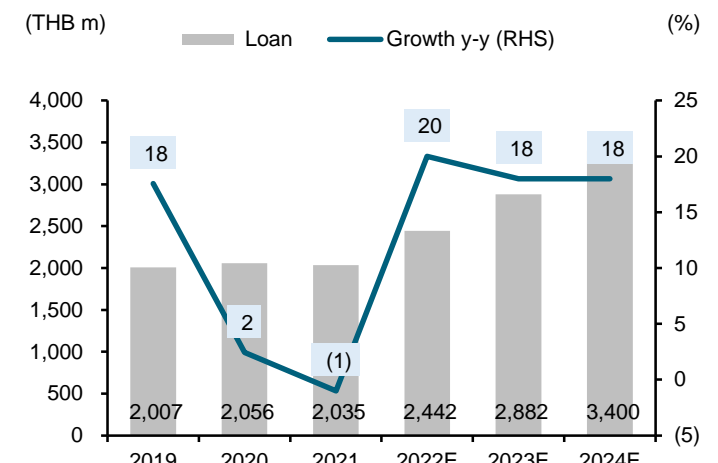
We expect SM to expand its branches more aggressively after receiving money from the IPO. Therefore, we believe it will be in a better position to serve its existing clients as well as reach untapped customers. This should result in robust HEA growth at a 22% 3-year CAGR during 2021-24 and strong loan growth at a 19% 3-year CAGR during 2021-24.

Exhibit 37: HEA sales growth



Sources: SM; FSSIA estimates

Exhibit 38: Loan growth

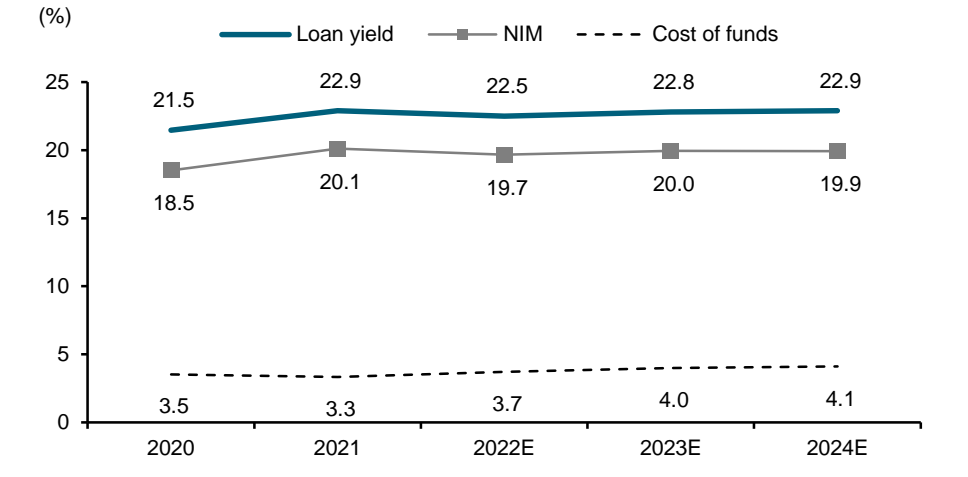


Sources: SM; FSSIA estimates

2) Relatively stable NIM over the next three years

We expect SM's NIM to be relatively stable at 20% in 2022-24. Although its cost of funds should increase due to the policy rate uptrend and the changing funding structure to more long-term borrowing, we think its loan yield should also rise as SM plans to accelerate its HEA hire-purchases, which have a higher loan yield than title loans.

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

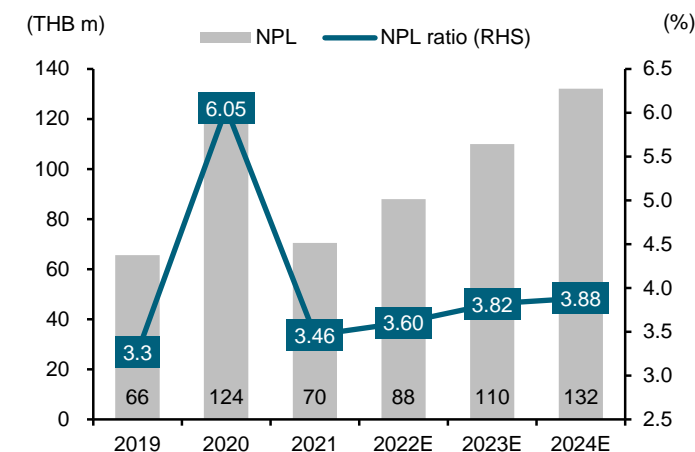


Sources: SM; FSSIA estimates

3) Healthy asset quality

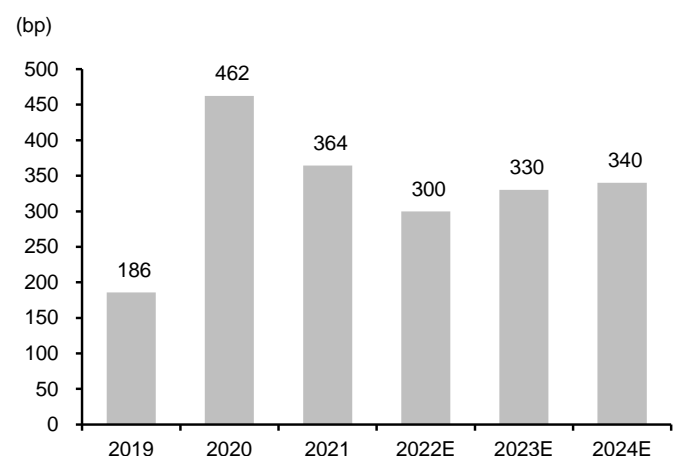
We expect SM's total NPL ratio to gradually increase to 3.6%/3.8%/3.9% in 2022/23/24 from 3.5% in 2021, as SM plans to accelerate its HEA hire-purchase portfolio, which has a higher risk-adjusted return. Thus, we forecast its credit cost to also gradually increase to 330/340 bps in 2023/24 from the expected 300 bps in 2022. Regarding coverage ratio, we think it should be at a high level of 144-149% during 2022-24.

Exhibit 40: NPL ratio

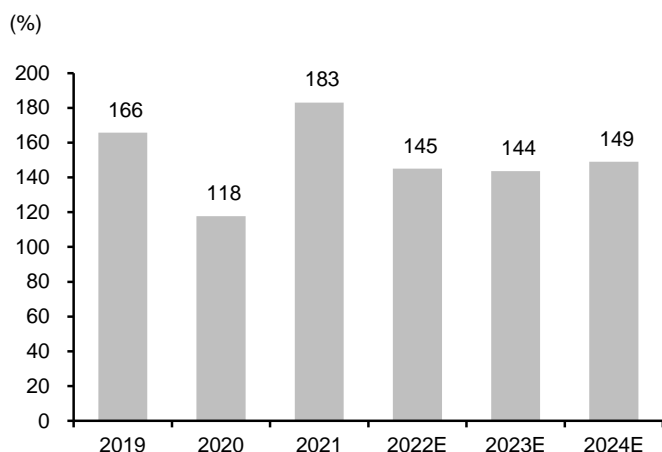


Sources: SM; FSSIA estimates

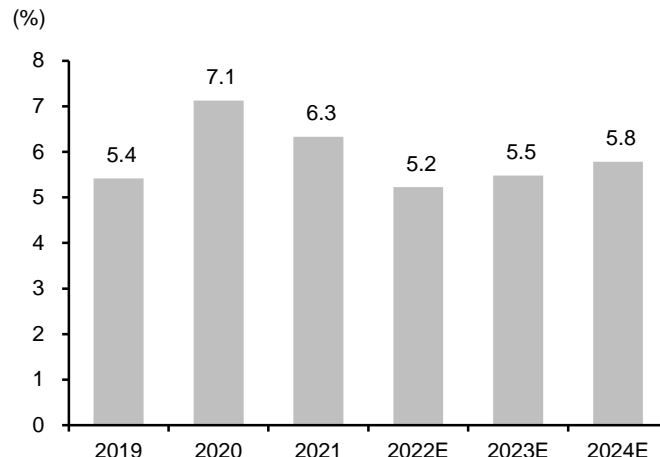
Exhibit 41: Credit cost



Sources: SM; FSSIA estimates

Exhibit 42: Coverage ratio

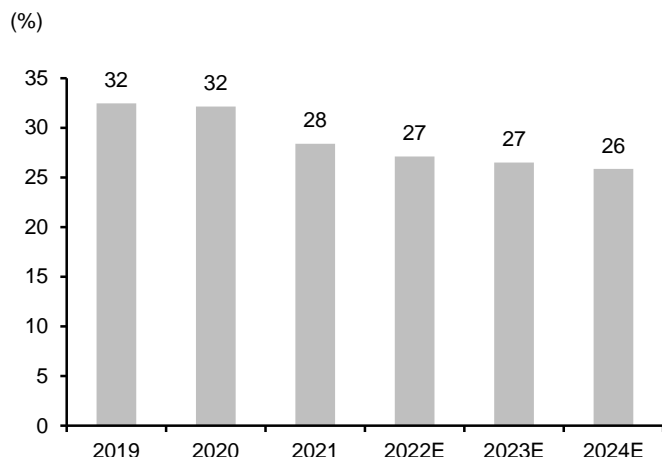
Sources: SM; FSSIA estimates

Exhibit 43: Loan loss reserves to total loans

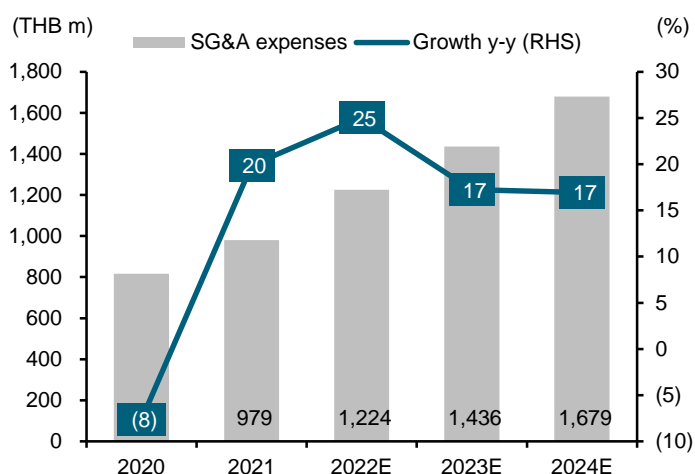
Sources: SM; FSSIA estimates

4) Declining SG&A expense to revenue ratio

We expect SM's SG&A in 2022-24 to increase at a higher rate compared to 2020-21 thanks to its more aggressive branch expansion. However, due to the efficient utilisation of its branches, we also expect a stronger increase in its revenue. Thus, in 2022-24, its SG&A expense to revenue ratio should gradually drop from 28.4% in 2021 to 25.9% in 2024.

Exhibit 44: SM's cost to income ratio

Sources: SM; FSSIA estimates

Exhibit 45: OPEX growth

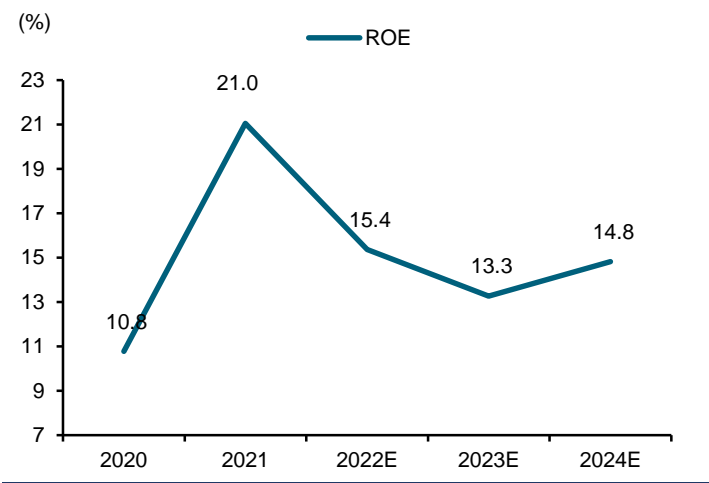
Sources: SM; FSSIA estimates

2) Improving ROE/ROA in the future

We expect SM's 2022/23 ROE to decline to 15.4%/13.3%, respectively, due to the significant increase in equity from its IPO. However, we think its ROE should gradually improve to 14.8% in 2024, following an expected surge in its net profit.

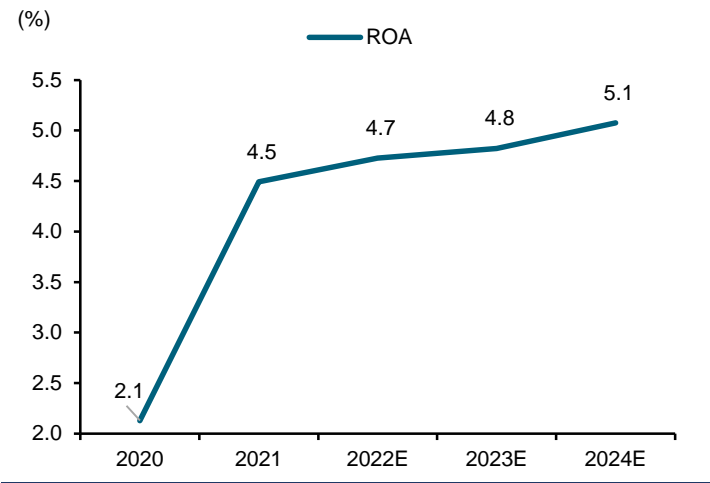
Meanwhile, we forecast its ROA to increase to 4.7%/4.8%/5.1% in 2022/23/24, respectively. We believe that SM should be able to utilise its assets efficiently.

Exhibit 46: SM's ROE



Sources: SM; FSSIA estimates

Exhibit 47: SM's ROA



Sources: SM; FSSIA estimates

Valuation

We apply a GGM-based method to derive SM'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 a 10.8% cost of equity, 7.1% terminal growth, and 16% ROE target. From this, we arrive at a 2023 GGM-based TP of THB2.54.

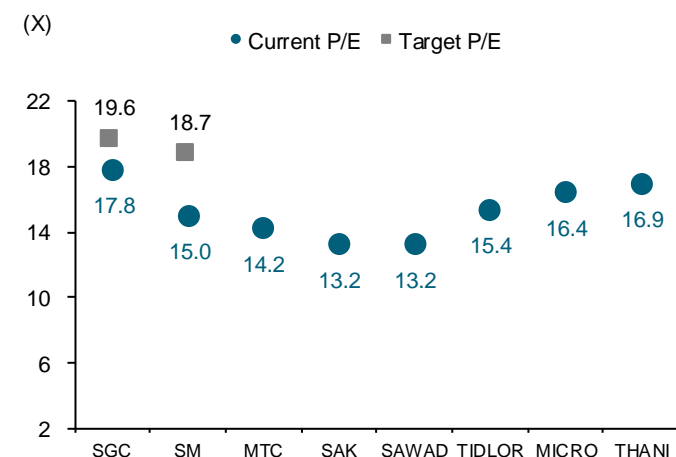
Our TP implies 2.4x 2023E P/BV – below our 2023 P/BV target for secured consumer finance firms – and 18.7x 2023E P/E, which is close to the simple average targeted 2023 P/E of secured consumer finance companies under our coverage. With the expectation of relatively the same net profit growth among its peers and the potential increase in SM's ROE after the IPO, we believe our target price is reasonable.

Exhibit 48: SM – GGM-derived target price

| Target price | THB 2.54 |
|-------------------------|----------|
| Risk-free rate (%) | 3.0 |
| Market risk premium (%) | 8.0 |
| Cost to equity (%) | 10.8 |
| Terminal growth (%) | 7.1 |
| ROE target (%) | 16.0 |
| Target PBV (x) | 2.4 |
| Implied PE (x) | 18.7 |

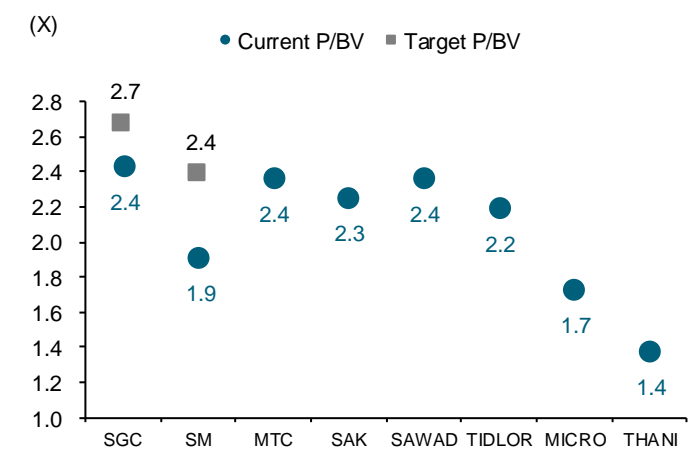
Source: FSSIA estimates

Exhibit 49: Current 2023E P/E vs target P/E of secured consumer finance lenders

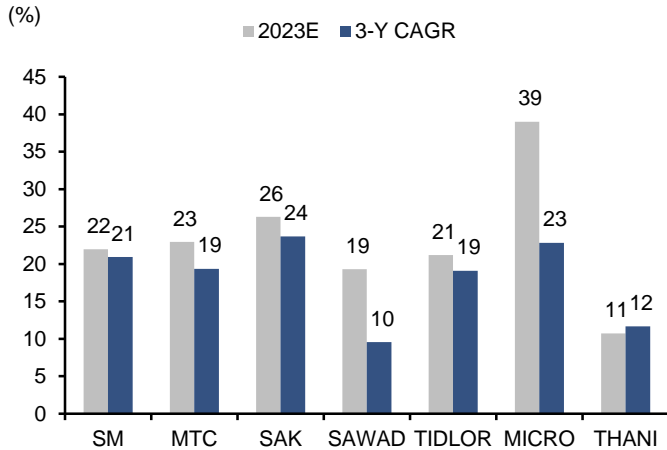


Current share prices as of 16 Dec 2022, except SM's which is the IPO price
Sources: Bloomberg consensus; FSSIA estimates for SGC and SM

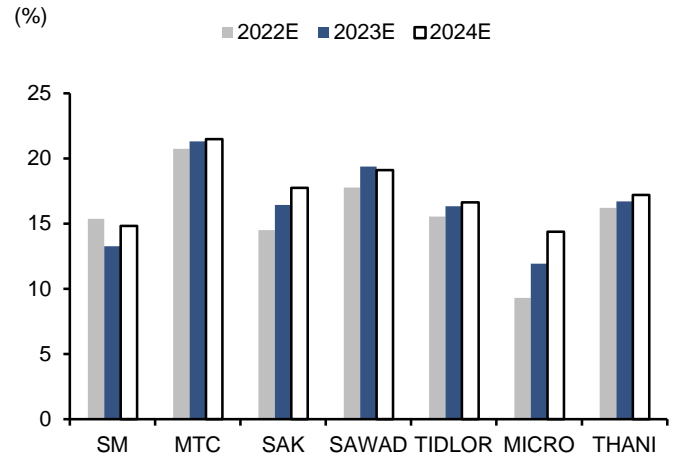
Exhibit 50: Current 2023E P/BV vs target P/BV of secured consumer finance lenders



Current share prices as of 16 Dec 2022, except SM's which is the IPO price
Sources: Bloomberg consensus; FSSIA estimates for SGC and SM

Exhibit 51: Comparing 2023E and 3-year CAGR net profit growth of secured consumer finance lenders

Source: FSSIA estimates

Exhibit 52: Comparing 2022-24E ROE of secured consumer finance lenders

Source: FSSIA estimates

Exhibit 53: Thailand diversified financials - peers comparison

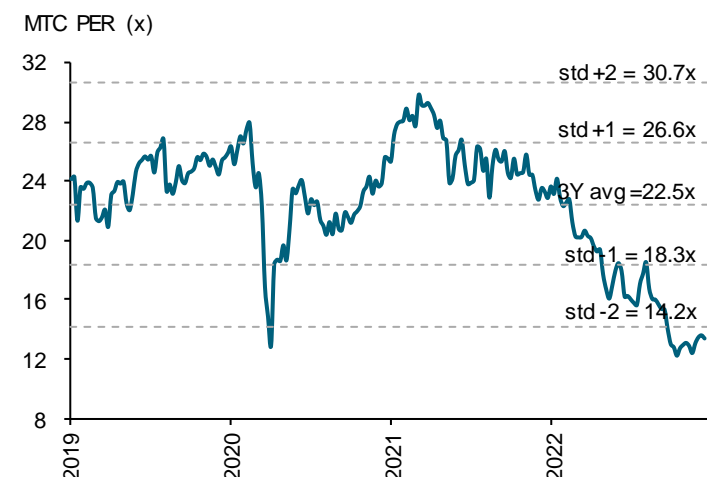
| | BBG code | Rec | ---Share price --- | | Up | Market | EPS growth | | ---- P/E ---- | | --- ROE --- | | --- PBV --- | |
|---------------------------------|-------------|-----|--------------------|-----------------|-------------|----------------|------------|------------|---------------|------------|-------------|------------|-------------|------------|
| | | | Current (THB) | Target (THB) | side (%) | Cap (USD m) | 22E (%) | 23E (%) | 22E (x) | 23E (x) | 22E (%) | 23E (%) | 22E (x) | 23E (x) |
| Diversified financials | | | | | | 20,859 | 8.0 | 14.8 | 22.6 | 18.7 | 15.7 | 15.9 | 3.0 | 2.7 |
| Star Money+ | SM TB | BUY | 2.04 | 2.54 | 25 | 63 | 15.6 | (8.5) | 13.7 | 15.0 | 15.4 | 13.3 | 2.1 | 1.9 |
| SG Capital+ | SGC TB | BUY | 5.00 | 5.50 | 10 | 467 | (10.8) | 8.6 | 19.4 | 17.8 | 15.3 | 14.3 | 2.1 | 2.4 |
| Unsecured-loan lender | | | | | | 5,688 | 16.6 | 11.4 | 19.8 | 17.8 | 23.6 | 22.2 | 4.3 | 3.8 |
| Aeon Thana Sinsap (Thailand) | AEONTS TB | NR | 172.00 | n/a | n/a | 1,236 | 14.9 | 12.0 | 11.8 | 10.2 | 20.2 | 19.7 | 2.1 | 1.9 |
| Krungthai Card | KTC TB | NR | 60.25 | n/a | n/a | 4,452 | 19.6 | 10.3 | 22.0 | 20.0 | 24.5 | 22.9 | 5.0 | 4.3 |
| Auto-title lender | | | | | | 6,721 | 1.2 | 15.9 | 16.7 | 14.2 | 17.3 | 17.7 | 2.7 | 2.4 |
| Muangthai Capital | MTC TB | NR | 38.50 | n/a | n/a | 2,339 | 6.6 | 16.9 | 15.5 | 13.2 | 19.4 | 18.7 | 2.8 | 2.4 |
| Srisawad Corp | SAWAD TB | NR | 49.25 | n/a | n/a | 1,919 | (4.3) | 12.2 | 14.9 | 13.2 | 17.4 | 18.1 | 2.5 | 2.3 |
| Saksiam Leasing | SAK TB | NR | 6.15 | n/a | n/a | 369 | 10.8 | 23.8 | 19.0 | 15.4 | 13.6 | 15.1 | 2.4 | 2.2 |
| Ngern Tid Lor | TIDLOR TB | NR | 29.25 | n/a | n/a | 2,094 | 3.0 | 20.9 | 19.4 | 16.1 | 15.4 | 16.4 | 2.8 | 2.5 |
| Truck lender | | | | | | 2,373 | (3.4) | 24.9 | 19.7 | 16.4 | 11.1 | 11.3 | 1.7 | 1.7 |
| Micro Leasing | MICRO TB | NR | 4.50 | n/a | n/a | 120 | (38.3) | 20.9 | 40.5 | 33.5 | 6.2 | 7.7 | 2.1 | 2.0 |
| Singer Thailand | SINGER TB | NR | 27.50 | n/a | n/a | 1,110 | (3.2) | 28.5 | 21.8 | 16.9 | 7.1 | 7.6 | 1.5 | 1.4 |
| Ratchthani Leasing | THANI TB | NR | 4.14 | n/a | n/a | 675 | 3.6 | 11.0 | 12.8 | 11.5 | 15.7 | 16.0 | 1.9 | 1.8 |
| Asset management | | | | | | 4,677 | 9.0 | 34.1 | 39.3 | 29.0 | 8.5 | 10.2 | 3.2 | 3.0 |
| Bangkok Commercial Asset Mngt. | BAM TB | NR | 16.00 | n/a | n/a | 1,464 | 12.4 | 22.1 | 17.6 | 14.4 | 6.8 | 8.1 | 1.2 | 1.2 |
| Chayo Group | CHAYO TB | NR | 7.95 | n/a | n/a | 246 | 100.1 | 25.4 | 27.3 | 21.8 | 9.9 | 10.4 | 2.2 | 1.9 |
| JMT Network Services | JMT TB | NR | 67.50 | n/a | n/a | 2,844 | 6.8 | 38.5 | 51.4 | 37.1 | 9.0 | 11.2 | 4.3 | 4.0 |
| Knight Club Capital Asset Mngt. | KCC TB | NR | 6.95 | n/a | n/a | 123 | 49.1 | 29.4 | 40.9 | 31.6 | 12.4 | 10.7 | 3.7 | 3.2 |
| Other | | | | | | 1,277 | (10.7) | 11.8 | 9.4 | 8.4 | 8.2 | 8.8 | 0.7 | 0.7 |
| Thanachart Capital | TCAP TB | NR | 42.75 | n/a | n/a | 1,277 | (10.7) | 11.8 | 9.4 | 8.4 | 8.2 | 8.8 | 0.7 | 0.7 |
| Hire purchase motorcycle | | | | | | 123 | (66.3) | (42.1) | 33.5 | 57.8 | 4.2 | 2.1 | 1.0 | 1.0 |
| Next Capital | NCAP TB | NR | 3.14 | n/a | n/a | 123 | (66.3) | (42.1) | 33.5 | 57.8 | 4.2 | 2.1 | 1.0 | 1.0 |

Current share prices as of 16 Dec 2022, except SM's which is the IPO price

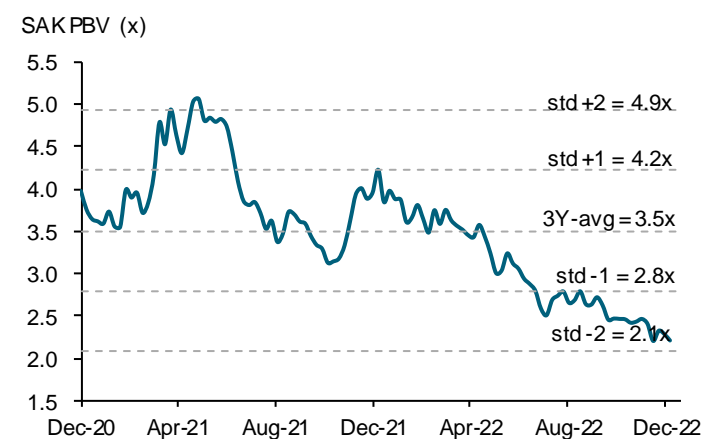
Sources: Bloomberg consensus; +FSSIA estimates

Exhibit 54: MTC – one-year rolling prospective P/BV

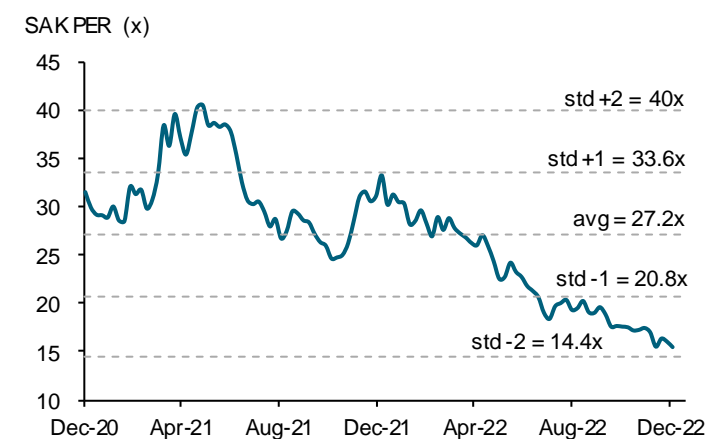
Source: Bloomberg consensus

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

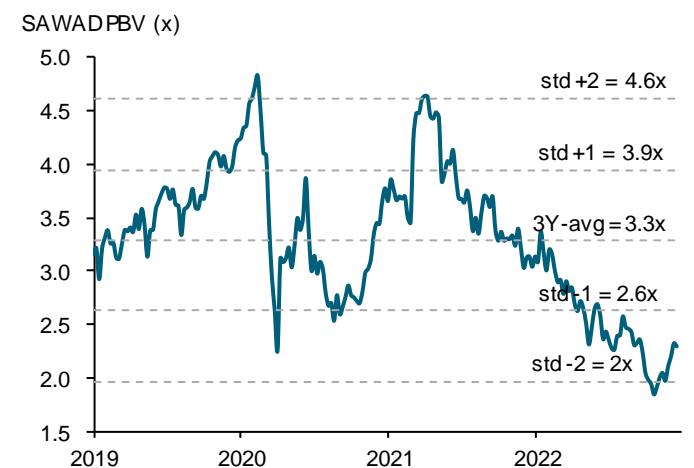
Source: Bloomberg consensus

Exhibit 56: SAK – one-year rolling prospective P/BV

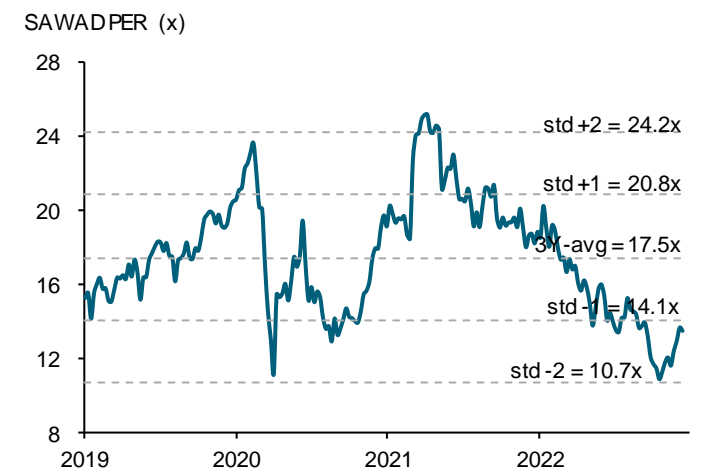
Source: Bloomberg consensus

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

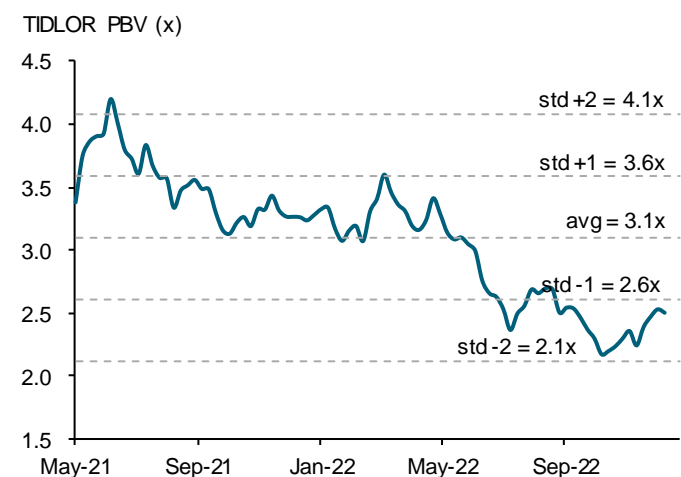
Source: Bloomberg consensus

Exhibit 58: SAWAD – one-year rolling prospective P/BV

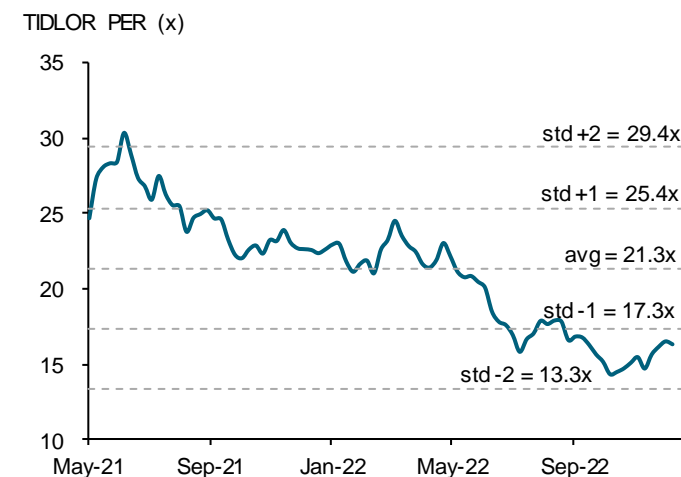
Source: Bloomberg consensus

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

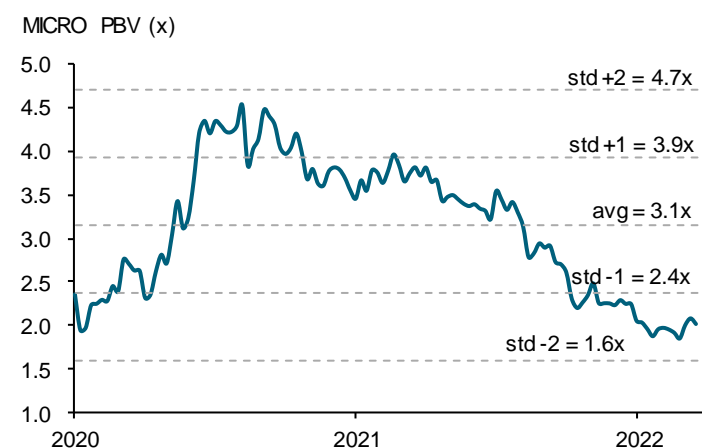
Source: Bloomberg consensus

Exhibit 60: TIDLOR – one-year rolling prospective P/BV

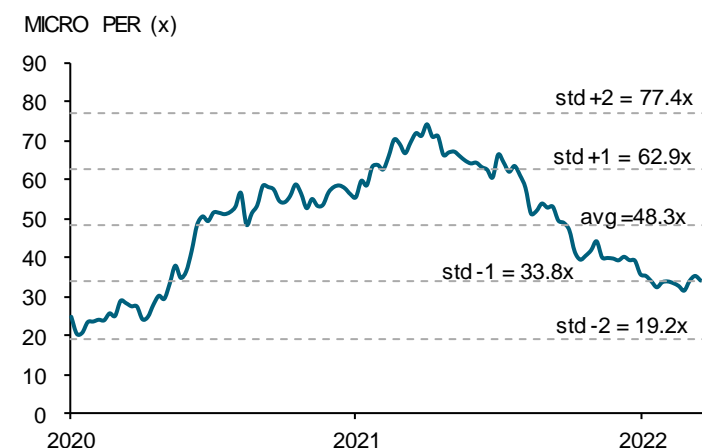
Source: Bloomberg consensus

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

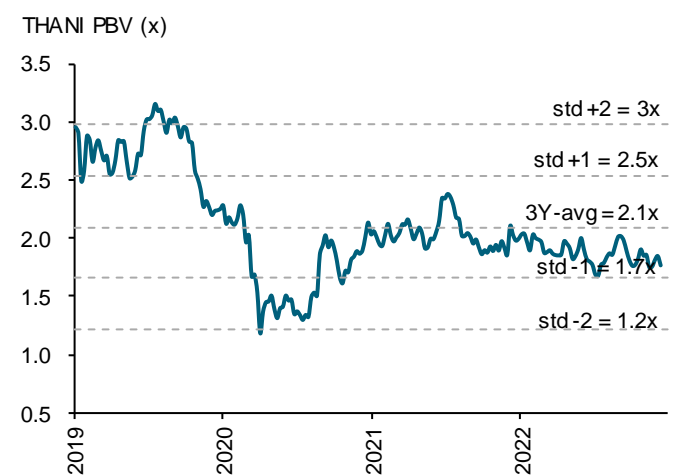
Source: Bloomberg consensus

Exhibit 62: MICRO – one-year rolling prospective P/BV

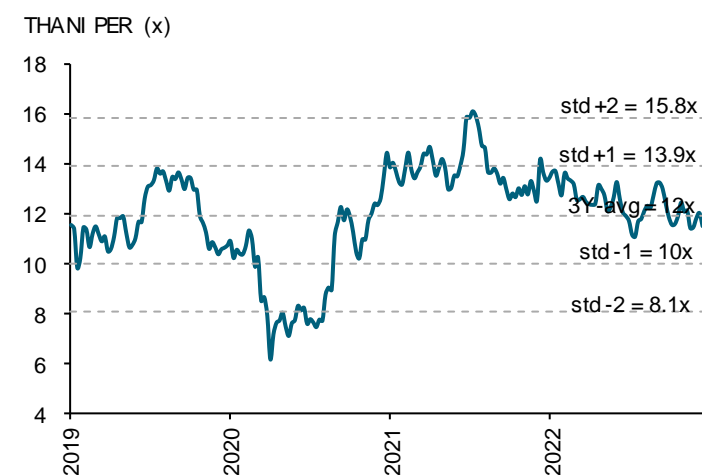
Source: Bloomberg consensus

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

Source: Bloomberg consensus

Exhibit 64: THANI – one-year rolling prospective P/BV

Source: Bloomberg consensus

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

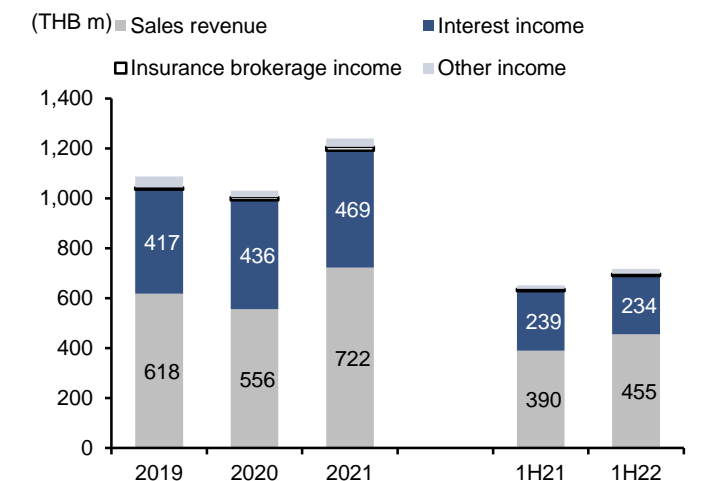
Source: Bloomberg consensus

Company background

1) Revenue structure

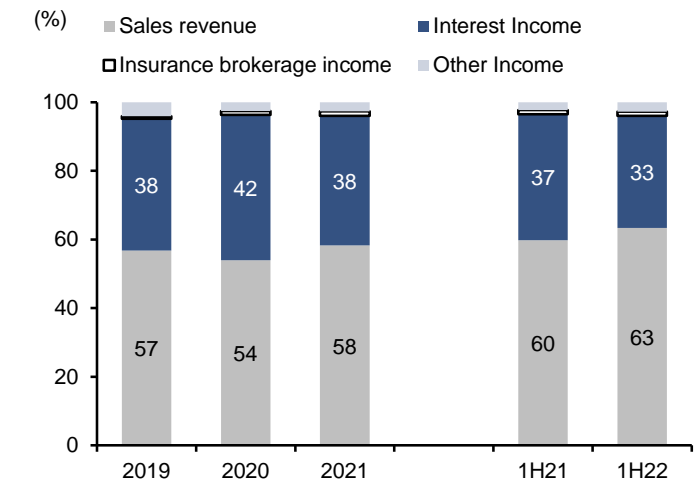
SM's total revenue as of 2021 mostly came from sales of electrical appliances (58.3%) followed by interest income from the lending business and hire-purchase (37.8%) and non-life insurance brokerage (1.3%).

Exhibit 66: Revenue breakdown by business



Sources: SM; FSSIA's compilation

Exhibit 67: % revenue breakdown by business

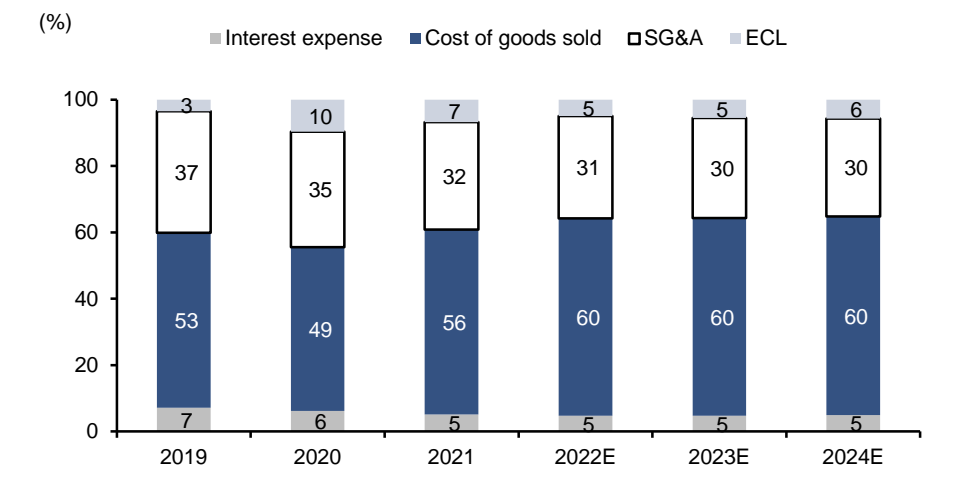


Sources: SM; FSSIA's compilation

2) Cost structure

SM's costs consist of the cost of HEA sold, SG&A, expected credit losses (ECL), and interest expenses. As of 2021, the cost of HEA sold accounted for 56%, with 32% from SG&A, 7% from ECL, and 5% from interest expenses. In the next three years, we do not expect the proportions to significantly change from 2021.

Exhibit 68: Cost structure



Sources: SM; FSSIA estimates

3) Management team

SM's major shareholders and management have a lot of experience in HEA selling and lending.

Exhibit 69: Management team



คุณวิทิต ลาวัณย์เสถียร

รองประธานคณะกรรมการ /
ประธานกรรมการบริหาร



คุณชูกิจดี วิวัฒน์วงศ์เกษม

กรรมการ / กรรมการผู้จัดการ



คุณสาวตรี ลาวัณย์เสถียร

กรรมการ / รองกรรมการผู้จัดการสายงานพัฒนา
ธุรกิจและสนับสนุนองค์กร



คุณสุรยุทธ ลาวัณย์เสถียร

กรรมการ / รองกรรมการผู้จัดการสายงาน
ตรวจสอบและบริหารสินเชื่อ



คุณเอกภพ ลาวัณย์เสถียร

กรรมการ /
รองกรรมการผู้จัดการสายงานธุรกิจองค์กร



คุณสุวคนธ์ หมดดวง

รองกรรมการผู้จัดการสายงานบัญชี การเงิน
และงบประมาณ

Source: SM

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 SM's 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 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.

4) Risk from technological advancement

Household and commercial electronic appliances like computers and smartphones could become obsolete due to technological advancements. This might cause a higher asset deterioration rate. However, the company has a team that keeps track of movements, including product and technological trends, and it has guidelines for developing regular promotional campaigns to stimulate sales and manage inventory.

Corporate Governance – Star Money

Board structure

| Independent Directors (ID) | 3 of 9 board members |
|------------------------------------|--|
| Percentage of IDs on the board | 33.3% |
| ID attendance at board meetings | 100% |
| ID in audit/remuneration committee | 3/3 in audit committee and 2/4 in remuneration committee |
| ID terms | Nine years consecutively, but can be re-elected by the Board's justification |

Additional information: SM requires at least five and max twelve board members, with ID of one-third or at least three.

Compensation and remuneration

| Directors' remuneration vs earnings/ROE/share performance | THB 2.9m in 2021, vs net profit of THB102.9m |
|---|--|
| Changes/stability in senior management | None |
| Incidents of termination of senior management | None |
| Track record on insider sales | None |

Additional information: None

ESG and sustainability management

Star Money (SM) is determined to be the leader of credit providers in instalment loans, hire-purchase loans, and consumer loans under the concept of providing its clients financial literacy and financial immunity toward sustainable business. The company aims to give priority to risk management, good governance; product designs and services that satisfy the clients' needs with technology and databases; be honest to create sustainable value for our clients, shareholders, employees, and society; and to give back to the community in which the company is located to create helpful and sustainable value.

SM has a Corporate Governance Committee to establish guidelines for good corporate governance in accordance with the Securities Exchange Commission's criteria. Some key issues are follows:

| Materiality issues | Activities and practice |
|---|---|
| Cyber security and personal data protection | SM developed Star Money Mobile Application as a user-friendly tool for customers to explore products and services provided as well as submit loan requests. The application has been extended to handle some internal control over day-to-day operations such as online customer's documents, budget planning, and alert client application status. SM has an Information Technology Risk Management Policy, Information Security Policy, and Information Security Standard, which covers from risk identification, threat prevention, proactive monitoring and surveillance, timely response to threat incidents, to treatment and the recovery of damage caused by cyber threats, in order to manage risks from cyber threats. In 2021, the Company was not damaged or affected by cyber threats. SM holds the principle to collect, use and/or disclose personal data with limits, as necessary and in accordance with the Personal Data Protection Act (PDPA) before it came into effect in June 2022. |
| Hire-purchase and lending system | SM has written a lending operational manual that is in line with practices from applying, approving, contract-signing, checking customers' documents and financial information throughout the process for payments, instalments, accrued interest income, income from NPLs customers, etc. |
| Supply chain management | SM clearly outlines practices to respond to the expectations of all stakeholders, for example, shareholders to participate in AGM for operational transparency, employees to receive fair welfare and remuneration/equal treatment/training for advancing positions. As for customers, SM provides various communication channels both online and offline; ensures fair treatment regarding credit terms, interest rates, and product prices; enhances financial literacy; and maintains the confidentiality of customer information. For trade partners, to whom information will be confidential, SM will strictly deal with fairness and transparency. Lastly, for the community, SM will support community development nearby to better living conditions. |
| Environmental management | SM initiates Star Green Office projects and encourages employees to take care in the use of plastic materials or those that are difficult to decompose and have the potential to have an adverse effect on the environment, campaign to reduce the use of paper and increase the green environment within the organisation by caring desk-plants. In 2022, SM will join with a nearby community to grow plants at a Mangrove forest and undertake activities to help cycle waste. |
| CSR | SM provides scholarships through the Foundation for Poor Students A, supports charity runs to fund medical equipment for provincial hospitals, donates drinking water purifier machines to remote schools, sharing food and medical supplies during Covid-19, etc. |

Additional information: None

Audit Practices

| Auditor | EY Office Company Limited |
|--------------------------------|----------------------------|
| Length of service | Since 2019 |
| Reporting incidents | None |
| Fee track record | Not available |
| Policy on change of audit firm | To review every five years |

Additional information: Based on financial statements since 2019 to 2Q22

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

Financial Statements

Star Money

| Profit and Loss (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|--------|-------|---------|---------|---------|
| Interest Income | 436 | 469 | 504 | 607 | 719 |
| Interest expense | (60) | (57) | (63) | (75) | (93) |
| Net interest income | 376 | 411 | 440 | 531 | 626 |
| Net fees & commission | 13 | 15 | 17 | 19 | 22 |
| Foreign exchange trading income | - | - | - | - | - |
| Securities trading income | - | - | - | - | - |
| Dividend income | 0 | 0 | 0 | 0 | 0 |
| Other income | 582 | 757 | 985 | 1,159 | 1,363 |
| Non interest income | 594 | 771 | 1,002 | 1,178 | 1,386 |
| Total income | 971 | 1,183 | 1,442 | 1,710 | 2,012 |
| Staff costs | - | - | - | - | - |
| Other operating costs | (817) | (979) | (1,224) | (1,436) | (1,679) |
| Operating costs | (817) | (979) | (1,224) | (1,436) | (1,679) |
| Pre provision operating profit | 154 | 203 | 218 | 274 | 333 |
| Provision for bad and doubtful debt | (94) | (75) | (67) | (88) | (107) |
| Other provisions | - | - | - | - | - |
| Operating profit | 60 | 129 | 151 | 186 | 226 |
| 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 | 60 | 129 | 151 | 186 | 226 |
| Tax | (12) | (26) | (28) | (36) | (44) |
| Profit after tax | 48 | 103 | 123 | 150 | 182 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 48 | 103 | 123 | 150 | 182 |
| Non recurring items & goodwill (net) | - | - | 0 | 0 | 0 |
| Recurring net profit | 48 | 103 | 123 | 150 | 182 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.06 | 0.13 | 0.15 | 0.14 | 0.17 |
| Reported EPS | 0.06 | 0.13 | 0.15 | 0.14 | 0.17 |
| DPS | 0.00 | 0.13 | 0.06 | 0.05 | 0.07 |
| Growth | | | | | |
| Net interest income (%) | 8.6 | 9.3 | 7.0 | 20.7 | 17.9 |
| Non interest income (%) | (11.3) | 29.7 | 29.9 | 17.6 | 17.6 |
| Pre provision operating profit (%) | 16.4 | 32.0 | 7.3 | 25.7 | 21.6 |
| Operating profit (%) | (38.7) | 114.7 | 17.2 | 23.5 | 21.6 |
| Reported net profit (%) | (39.1) | 116.2 | 19.3 | 22.0 | 21.6 |
| Recurring EPS (%) | (39.1) | 116.2 | 15.6 | (8.5) | 21.6 |
| Reported EPS (%) | (53.5) | 116.2 | 15.6 | (8.5) | 21.6 |
| Income Breakdown | | | | | |
| Net interest income (%) | 38.8 | 34.8 | 30.5 | 31.1 | 31.1 |
| Net fees & commission (%) | 1.3 | 1.2 | 1.2 | 1.1 | 1.1 |
| Foreign exchange trading income (%) | - | - | - | - | - |
| Securities trading income (%) | - | - | - | - | - |
| Dividend income (%) | - | - | - | - | - |
| Other income (%) | 59.9 | 64.0 | 68.3 | 67.8 | 67.8 |
| Operating performance | | | | | |
| Gross interest yield (%) | 21.48 | 22.91 | 22.50 | 22.80 | 22.90 |
| Cost of funds (%) | 3.53 | 3.34 | 3.70 | 4.00 | 4.10 |
| Net interest spread (%) | 17.95 | 19.57 | 18.80 | 18.80 | 18.80 |
| Net interest margin (%) | 18.5 | 20.1 | 19.7 | 20.0 | 19.9 |
| Cost/income(%) | 84.2 | 82.8 | 84.9 | 84.0 | 83.4 |
| Cost/assets(%) | 36.5 | 42.8 | 47.1 | 46.2 | 46.8 |
| Effective tax rate (%) | 20.4 | 19.9 | 18.5 | 19.5 | 19.5 |
| Dividend payout on recurring profit (%) | - | 99.1 | 40.0 | 40.0 | 40.0 |
| ROE (%) | 10.8 | 21.0 | 15.4 | 13.3 | 14.8 |
| ROE - COE (%) | 0.0 | 10.2 | 4.6 | 2.5 | 4.0 |
| ROA (%) | 2.1 | 4.5 | 4.7 | 4.8 | 5.1 |
| RORWA (%) | - | - | - | - | - |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Star Money; FSSIA estimates

Financial Statements

Star Money

| Balance Sheet (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|--------------|--------------|--------------|--------------|--------------|
| Gross customer loans | 2,056 | 2,035 | 2,442 | 2,882 | 3,400 |
| Total provisions | (147) | (129) | (128) | (158) | (197) |
| interest in suspense | 30 | 37 | 44 | 52 | 61 |
| Net customer loans | 1,939 | 1,943 | 2,358 | 2,776 | 3,265 |
| Bank loans | - | - | - | - | - |
| Government securities | - | - | - | - | - |
| Trading securities | - | - | - | - | - |
| Investment securities | 0 | 0 | 0 | 0 | 0 |
| Cash & equivalents | 15 | 21 | 142 | 86 | 84 |
| Other interesting assets | - | - | - | - | - |
| Tangible fixed assets | 77 | 88 | 99 | 112 | 127 |
| Associates | - | - | - | - | - |
| Goodwill | - | - | - | - | - |
| Other intangible assets | - | - | - | - | - |
| Other assets | 253 | 246 | 298 | 339 | 389 |
| Total assets | 2,284 | 2,298 | 2,897 | 3,312 | 3,866 |
| Customer deposits | 59 | 70 | 95 | 112 | 132 |
| Bank deposits | - | - | - | - | - |
| Other interest bearing liabilities | 1,668 | 1,631 | 1,632 | 1,936 | 2,350 |
| Non interest bearing liabilities | 92 | 83 | 87 | 91 | 100 |
| Hybrid Capital | - | - | - | - | - |
| Total liabilities | 1,820 | 1,784 | 1,813 | 2,139 | 2,583 |
| Share capital | 400 | 400 | 550 | 550 | 550 |
| Reserves | 64 | 114 | 534 | 623 | 733 |
| Total equity | 464 | 514 | 1,084 | 1,173 | 1,283 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Total liabilities & equity | 2,284 | 2,298 | 2,897 | 3,312 | 3,866 |
| Supplementary items | | | | | |
| Risk weighted assets (RWA) | n/a | n/a | n/a | n/a | n/a |
| Average interest earning assets | 2,032 | 2,046 | 2,239 | 2,662 | 3,141 |
| Average interest bearing liabilities | 1,698 | 1,714 | 1,714 | 1,887 | 2,265 |
| 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) | 124 | 70 | 88 | 110 | 132 |
| Per share (THB) | | | | | |
| Book value per share | 0.58 | 0.64 | 0.99 | 1.07 | 1.17 |
| Tangible book value per share | 0.58 | 0.64 | 0.99 | 1.07 | 1.17 |
| Growth | | | | | |
| Gross customer loans | 2.4 | (1.0) | 20.0 | 18.0 | 18.0 |
| Average interest earning assets | 9.4 | 0.7 | 9.4 | 18.9 | 18.0 |
| Total asset (%) | 4.4 | 0.6 | 26.1 | 14.3 | 16.7 |
| Risk weighted assets (%) | - | - | - | - | - |
| Customer deposits (%) | 3.3 | 18.6 | 35.1 | 18.0 | 18.0 |
| Leverage & capital measures | | | | | |
| Customer loan/deposits (%) | 3,271.6 | 2,763.8 | 2,482.5 | 2,476.1 | 2,468.2 |
| Equity/assets (%) | 20.3 | 22.4 | 37.4 | 35.4 | 33.2 |
| Tangible equity/assets (%) | 20.3 | 22.4 | 37.4 | 35.4 | 33.2 |
| RWA/assets (%) | - | - | - | - | - |
| Tier 1 CAR (%) | - | - | - | - | - |
| Total CAR (%) | - | - | - | - | - |
| Asset Quality | | | | | |
| Change in NPL (%) | 89.5 | (43.4) | 25.0 | 25.0 | 20.0 |
| NPL/gross loans (%) | 6.1 | 3.5 | 3.6 | 3.8 | 3.9 |
| Total provisions/gross loans (%) | 7.1 | 6.3 | 5.2 | 4.6 | 5.8 |
| Total provisions/NPL (%) | 117.8 | 183.1 | 145.1 | 143.5 | 149.0 |
| Valuation | | | | | |
| Recurring P/E (x) * | 34.3 | 15.9 | 13.7 | 15.0 | 12.3 |
| Recurring P/E @ target price (x) * | 42.7 | 19.7 | 17.1 | 18.7 | 15.3 |
| Reported P/E (x) | 34.3 | 15.9 | 13.7 | 15.0 | 12.3 |
| Dividend yield (%) | - | 6.3 | 2.9 | 2.7 | 3.2 |
| Price/book (x) | 3.5 | 3.2 | 2.1 | 1.9 | 1.7 |
| Price/tangible book (x) | 3.5 | 3.2 | 2.1 | 1.9 | 1.7 |
| Price/tangible book @ target price (x) | 4.4 | 4.0 | 2.6 | 2.4 | 2.2 |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Star Money; 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 | SEAFECO | SVI | TPBI | WAVE |
| AOT | BWG | EA | HMPRO | LPN | NYT | PTT | SEAOL | SYMC | TQM | WHA |
| AP | CENTEL | EASTW | ICC | MACO | OISHI | PTTEP | SE-ED | SYNTEC | TRC | WHAUP |
| ARIP | CFRESH | ECF | ICHI | MAJOR | OR | PTTGC | SELIC | TACC | TRU | WICE |
| ARROW | CHEWA | ECL | III | MAKRO | ORI | PYLON | SENA | TASCO | TRUE | WINNER |
| ASP | CHO | EE | ILINK | MALEE | OSP | Q-CON | SHR | TCAP | TSC | ZEN |
| AUCT | CIMBT | EGCO | ILM | MBK | OTO | QH | SIRI | TEAMG | TSR | |
| AWC | CK | EPG | INTUCH | MC | PAP | QTC | SIS | TFMAMA | TSTE | |
| AYUD | CKP | ETC | IP | MCOT | PCSGH | RATCH | SITHAI | TGH | TSTH | |
| BAFS | CM | FPI | IRPC | METCO | PDG | RS | SMK | THANA | TTA | |
| BANPU | CNT | FPT | ITEL | MFEC | PDJ | S | SMPC | THANI | TTB | |
| BAY | COM7 | FSMART | IVL | MINT | PG | S & J | SNC | THCOM | TTCL | |
| BBL | COMAN | GBX | JSP | MONO | PHOL | SAAM | SONIC | THG | TTW | |
| BCP | COTTO | GC | JWD | MOONG | PLANB | SABINA | SPALI | THIP | TU | |
| VERY GOOD LEVEL – Score range 80-89 | | | | | | | | | | |
| 2S | ASIMAR | CHOW | FLOYD | IT | LOXLEY | OCC | RPC | SKY | TCC | TVT |
| 7UP | ASK | CI | FN | ITD | LRH | OGC | RT | SLP | TCMC | TWP |
| ABICO | ASN | CIG | FNS | J | LST | PATO | RWI | SMIT | TEAM | UEC |
| ABM | ATP30 | CMC | FORTH | JAS | M | PB | S11 | SMT | TFG | UMI |
| ACE | B | COLOR | FSS | JCK | MATCH | PICO | SA | SNP | TFI | UOBKH |
| ACG | BA | CPL | FTE | JCKH | MBAX | PIMO | SAK | SO | TIGER | UP |
| ADB | BAM | CPW | FVC | JMART | MEGA | PJW | SALEE | SORKON | TITLE | UPF |
| AEONTS | BC | CRD | GEL | JMT | META | PL | SAMCO | SPA | TKN | UPOIC |
| AGE | BCH | CSC | GENCO | KBS | MFC | PM | SANKO | SPC | TKS | UTP |
| AHC | BEC | CSP | GJS | KCAR | MGT | PMTA | SAPPE | SPCG | TM | VCOM |
| AIT | BEYOND | CWT | GYT | KEX | MICRO | PPP | SAWAD | SR | TMC | VL |
| ALL | BFIT | DCC | HEMP | KGI | MILL | PPPM | SCI | SRICHA | TMD | VPO |
| ALLA | BJC | DCON | HPT | KIAT | MTSIB | PRIME | SCN | SSC | TMI | VRANDA |
| ALUCON | BJCHI | DHOUSE | HTC | KISS | MK | PRIN | SCP | SSF | TMILL | WGE |
| AMANAH | BLA | DOD | HYDRO | KOOL | MODERN | PRINC | SE | STANLY | TNL | WIJK |
| AMARIN | BR | DOHOME | ICN | KTIS | MTI | PSG | SFLEX | STGT | TNP | WP |
| APCO | BROOK | DV8 | IFS | KUMWEL | NBC | PSTC | SFP | STOWER | TOG | XO |
| APCS | CBG | EASON | IMH | KUN | NCAP | PT | SFT | STPI | TPA | XPG |
| APURE | CEN | EFORL | IND | KWC | NCH | QLT | SGF | SUC | TPAC | YUASA |
| AQUA | CGH | ERW | INET | KWM | NETBAY | RBF | SIAM | SWC | TPCS | |
| ASAP | CHARAN | ESSO | INSET | L&E | NEX | RCL | SINGER | SYNEX | TPS | |
| ASEFA | CHAYO | ESTAR | INSURE | LDC | NINE | RICHY | SKE | TAE | TRITN | |
| ASIA | CHG | ETE | IRC | LEO | NRF | RML | SKN | TAKUNI | TRT | |
| ASIAN | CHOTI | FE | IRCP | LHK | NTV | ROJNA | SKR | TBSP | TSE | |
| GOOD LEVEL – Score range 70-79 | | | | | | | | | | |
| A | BGT | CITY | GIFT | JTS | MDX | PK | SGP | SUPER | TQR | YGG |
| AI | BH | CMAN | GLOCON | JUBILE | MJD | PLE | SICT | SVOA | TTI | ZIGA |
| AIE | BIG | CMO | GREEN | KASET | MORE | PPM | SIMAT | TC | TYCN | |
| AJ | BLAND | CMR | GSC | KCM | MUD | PRAKIT | SISB | TCCC | UKEM | |
| ALPHAX | BM | CPT | GTB | KK | NC | PRAPAT | SK | THMUI | UMS | |
| AMC | BROCK | CRANE | HTECH | KKC | NDR | PRECHA | SMART | TNH | UNIQ | |
| APP | BSBM | CSR | HUMAN | KWI | NFC | PTL | SOLAR | TNR | UPA | |
| AQ | BSM | D | IHL | KYE | NNCL | RJH | SPACK | TOPP | UREKA | |
| ARIN | BTNC | EKH | IIG | LEE | NOVA | RP | SPG | TPCH | VIBHA | |
| AS | BYD | EMC | INGRS | LPH | NPK | RPH | SQ | TPIPL | W | |
| AU | CAZ | EP | INOX | MATI | NUSA | RSP | SSP | TIPIPP | WIN | |
| B52 | CCP | F&D | JAK | M-CHAI | PAF | SABUY | STARK | TPLAS | WORK | |
| BEAUTY | CGD | FMT | JR | MCS | PF | SF | STC | TPOLY | WPH | |

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 |
| AMANA | BPP | DTAC | HANA | KTC | NBC | PPPM | SC | SSSC | TMILL | UOBKH |
| AMATA | BROOK | DUSIT | HARN | KWC | NEP | PPS | SCB | SST | TMT | UPF |
| AMATAV | BRR | EA | HEMP | KWI | NINE | PR9 | SCC | STA | TNITY | UV |
| AP | BSBM | EASTW | HENG | L&E | NKI | PREB | SCCC | STOWER | TNL | VGI |
| APCS | BTS | ECL | HMPRO | LANNA | NMG | PRG | SCG | SUSCO | TNP | VIH |
| AQUA | BWG | EGCO | HTC | LH | NNCL | PRINC | SCN | SVI | TNR | WACOAL |
| ARROW | CEN | EP | ICC | LHFG | NOBLE | PRM | SEAOL | SYMC | TOG | WHA |
| AS | CENTEL | EPG | ICHI | LHK | NOK | PROS | SE-ED | SYNTEC | TOP | WHAUP |
| ASIAN | CFRESH | ERW | IFEC | LPN | NSI | PSH | SELIC | TAE | TOPP | WICE |
| ASK | CGH | ESTAR | IFS | LRH | NWR | PSL | SENA | TAKUNI | TPA | WIJK |
| ASP | CHEWA | ETE | ILINK | M | OCC | PSTC | SGP | TASCO | TPP | XO |
| AWC | CHOTI | FE | INET | MAKRO | OGC | PT | SINGER | TBSP | TRU | ZEN |
| AYUD | CHOW | FNS | INSURE | MALEE | ORI | PTG | SIRI | TCAP | TRUE | |
| B | CIG | FPI | INTUCH | MATCH | PAP | PTT | SITHAI | TCMC | TSC | |
| BAFS | CIMBT | FPT | IRC | MBAX | PATO | PTTEP | SKR | TFG | TSTE | |
| BAM | CM | FSMART | IRPC | MBK | PB | PTTGC | SMIT | TFI | TSTH | |
| BANPU | CMC | FSS | ITEL | MC | PCSGH | PYLON | SMK | TFMAMA | TTA | |
| BAY | COM7 | FTE | IVL | MCOT | PDG | Q-CON | SMPC | TGH | TTB | |
| BBL | COTTO | GBX | JKN | META | PDJ | QH | SNC | THANI | TTCL | |
| DECLARED | | | | | | | | | | |
| AJ | CHG | DDD | ETC | JR | MAJOR | NUSA | RS | SSS | TQM | YUASA |
| ALT | CPL | DHOUSE | FLOYD | JTS | NCAP | NYT | SAK | STECH | TSI | ZIGA |
| APCO | CPR | DOHOME | GULF | KEX | NCL | OR | SCGP | STGT | VARO | |
| B52 | CPW | ECF | III | KUMWEL | NOVA | PIMO | SCM | TKN | VCOM | |
| BEC | CRC | EKH | INOX | LDC | NRF | PLE | SIS | TMI | VIBHA | |

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

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

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

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

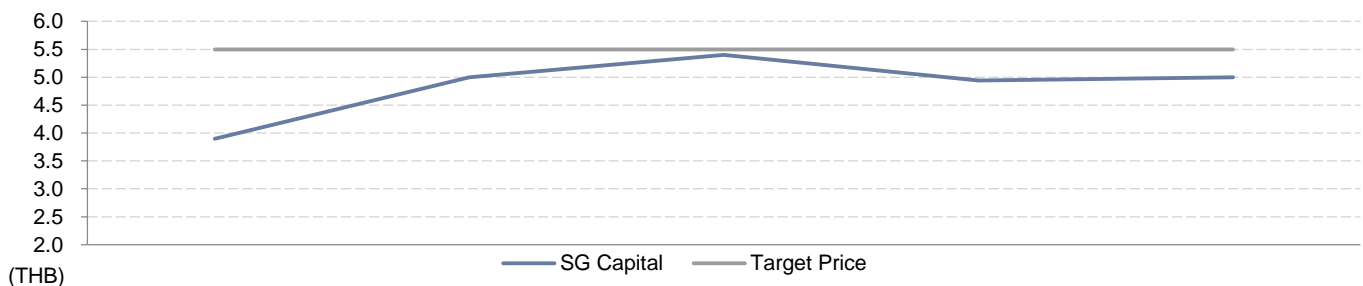
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History of change in investment rating and/or target price

SG Capital (SGC TB)

Dec-22



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|------|--------|--------------|------|--------|--------------|
| 09-Dec-2022 | BUY | 5.50 | - | - | - | - | - | - |

FSSIA Research Team started covering this stock from 09-Dec-2022

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|------------|--------|----------|--------|--|
| Star Money | SM TB | THB 2.04 | 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. |
| SG Capital | SGC TB | THB 5.00 | 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. |

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-Dec-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.