

SC ASSET CORPORATION

SC TB

THAILAND / PROPERTY DEVELOPMENT

BUY

การเติบโตที่ดีใน 4Q22

- ในปี 2022 SC รายงานยอดขายโครงการรวม 24.5 พัน ลบ. (+12% y-y) ซึ่งสูงกว่าเป้าหมายของบริษัทฯ อยู่ 11% ส่วนมากมาจากยอดขายโครงการแนวราบ
- เราคาดว่ากำไรปกติใน 4Q22 จะแตะจุดสูงสุดของปี (+20% q-q, +44% y-y) ตามการรับรู้จาก 3 โครงการคอนโดใหม่
- เราเริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 5 บาท (8x ของค่า 2023E P/E)

TARGET PRICE	THB5.00
CLOSE	THB4.16
UP/DOWNSIDE	+20.2%
TP vs CONSENSUS	+3.9%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	19,475	21,783	22,053	22,552
Net profit	2,062	2,379	2,516	2,673
EPS (THB)	0.49	0.57	0.60	0.64
vs Consensus (%)	-	(1.7)	(2.8)	(1.5)
EBITDA	2,846	3,354	3,458	3,643
Core net profit	2,025	2,379	2,516	2,673
Core EPS (THB)	0.48	0.57	0.60	0.64
EPS growth (%)	5.0	17.4	5.8	6.2

บริษัทพัฒนาอสังหาริมทรัพย์ชั้นนำของไทย

SC มีฐานะที่ดีในตลาดโดยเฉพาะอย่างยิ่งในกลุ่มที่อยู่อาศัยราคาสูงที่มีราคาต่อหลังสูงกว่า 10 ลบ. ในด้านรายได้ SC มีรายได้ 96% จากการขายอสังหาริมทรัพย์โดยเฉพาะอย่างยิ่งบ้านพร้อมที่ดิน ส่วนที่เหลืออีก 4% มาจากรายได้จากการให้เช่าและบริการ ในอีก 5 ปีข้างหน้า SC ตั้งเป้ารายได้รวมที่ 25 พัน ลบ. และวางแผนเพิ่มสัดส่วนรายได้ประจำปีเป็น 20% โดยการลงทุนในกิจการใหม่ ๆ ให้มากขึ้น

แนวโน้มเชิงบวกจากที่อยู่อาศัยระดับบน

เราเชื่อว่า SC จะมีแนวโน้มการเติบโตที่ดีเมื่อพิจารณาจากข้อเท็จจริงที่ว่ายอดขายโครงการต่อเนื่องใน 4Q22 และ 7.3 พัน ลบ. (+41% q-q, +28% y-y) โดยมียอดขายโครงการแนวราบถึง 5.5 พัน ลบ. (+32% q-q, +34% y-y) ตัวเลขที่เพิ่มสูงดังกล่าวได้แรงหนุนจาก 10 โครงการใหม่ที่ได้รับการตอบรับที่ดีพร้อมยอดขายโครงการเฉลี่ยอยู่ที่ 25%-30% โดยเฉพาะอย่างยิ่งในกลุ่มที่อยู่อาศัยระดับบนที่มีราคาต่อหลังเกินกว่า 10 ลบ. ในขณะที่ยอดขายคอนโดอยู่ที่ 1.7 พัน ลบ. (+79% q-q, +12% y-y) หลังการเปิดตัว SCOPE Thong Lor ที่มีมูลค่า 2.8 พัน ลบ. พร้อมราคาเริ่มต้นที่ 140 ลบ. ในปี 2022 SC รายงานยอดขายโครงการ 24.5 พัน ลบ. (+12% y-y) ซึ่งสูงกว่าเป้าหมายของบริษัทฯ 11% ส่วนมากมาจากยอดขายโครงการแนวราบซึ่งทำสถิติสูงสุดเป็นประวัติการณ์ ในระหว่างปีบริษัทฯ เปิดตัว 27 โครงการใหม่ซึ่งมีมูลค่ารวม 44.2 พัน ลบ.

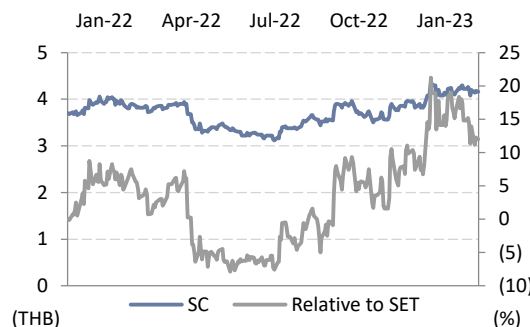
กำไร 4Q22 น่าจะดีที่สุดในปี

เราคาดว่ากำไรปกติของ SC ใน 4Q22 จะสูงสุดในปีนี้ที่ 785 ลบ. (+20% q-q, +44% y-y) เนื่องจาก SCOPE Langsuan, SCOPE Promsri และ The Crest Park Residence (JV) ครบกำหนดโอน นอกจากนี้บริษัทฯ น่าจะรับรู้จากโครงการแนวราบที่เปิดตัวใหม่มากยิ่งขึ้นในช่วง 2H22 ซึ่งทำให้เราคาดว่ากำไรในปี 2022 จะกระโดดเพิ่ม 15% y-y เป็น 2.4 พัน ลบ.

แนะนำซื้อที่ราคาเป้าหมาย 5 บาท

ในปี 2023 ผู้บริหารเชื่อว่ากลุ่มที่อยู่อาศัยระดับบนจะโตต่อเนื่องจากความต้องการที่อยู่ในระดับสูง การฟื้นตัวทางเศรษฐกิจ และลูกค้าต่างประเทศที่เพิ่มขึ้น โดยเราคาดว่ากำไรในปี 2023 จะออกมาดีที่ 2.5 พัน ลบ. (+6% y-y) เราเริ่ม SC ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 5 บาทซึ่งคิดเป็น 8x ของค่า 2023E P/E ในระยะสั้นกำไรที่ดีใน 4Q22 อาจทำให้บริษัทฯ จ่ายเงินปันผลต่อหุ้นสำหรับผลประกอบการในรอบ 2H22 ที่ 0.15 บาทซึ่งคิดเป็นผลตอบแทนในรูปเงินปันผลอยู่ที่ 3.5%

Core P/E (x)	8.6	7.3	6.9	6.5
Dividend yield (%)	4.8	5.5	5.8	6.1
EV/EBITDA (x)	12.5	10.0	9.3	8.4
Price/book (x)	0.9	0.8	0.8	0.7
Net debt/Equity (%)	90.4	74.0	63.4	52.9
ROE (%)	10.5	11.4	11.3	11.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.0	16.9	15.6
Relative to country (%)	(1.8)	8.2	15.1
Mkt cap (USD m)			525
3m avg. daily turnover (USD m)			2.0
Free float (%)			39
Major shareholder		Shinawatra Family (64%)	
12m high/low (THB)			4.50/3.10
Issued shares (m)			4,222.62

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 11 มกราคม 2023

Investment thesis

SC has a strong market position, especially in the high-priced housing segment with unit prices above THB10m. In terms of revenue, SC generates 96% from real estate sales, especially in landed property. The remaining 4% is rental and service income from office buildings, serviced apartments, consulting and management.

SC's total revenue base has ranged between THB18b-THB20b per annum since 2019. For the next five-year plan, SC targets total revenue of TH25b. Moreover, it plans to enlarge its proportion of recurring income to 20% from investing in various types of assets, for example, hotels and warehouses.

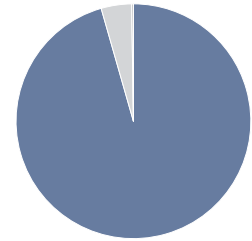
Company profile

SC operates in three segments including property development for sale, rental, and consulting and management services. It generates most of its revenue from real estate sales such as single-detached houses, townhouses, home offices, and condominiums.

www.scasset.com

Principal activities (revenue, 2021)

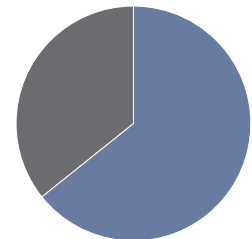
- Project sales - 95.6 %
- Rental and services - 4.2 %
- Consulting and management - 0.2 %



Source: SC Asset Corporation

Major shareholders

- Shinawatra Family - 64.3 %
- Others - 35.7 %



Source: SC Asset Corporation

Catalysts

Key potential growth drivers include 1) the success of new launches, especially in the high-priced residential segment with unit prices above THB10m; 2) the aggressive launches planned for 2023; 3) efficient cost management; 4) the economic recovery and more overseas customers.

Risks to our call

Downside risks to our P/E-based TP include 1) weaker-than-expected purchasing power; 2) cancellation of presales; 3) bank loan rejections; and 4) construction delays

Event calendar

Date	Event
16 February 2023	4Q22 results announcement
23 February 2023	4Q22 analyst meeting

Key assumptions

	2022E	2023E	2024E
Project sales (THB m)	20,903	21,169	21,626
Rental and services income (THB m)	880	884	926
Property GPM (%)	30.1	30.4	31.0
GPM (%)	31.4	31.6	32.3
SG&A to sales (%)	17.0	17.0	17.2

Source: FSSIA estimates

Earnings sensitivity

- For every 5% increase in transfers, we estimate net profit to rise by 4.5%, and vice versa, all else being equal.
- For every 0.5% increase in property GPM, we estimate net profit to rise by 3%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate net profit to fall by 3.5%, and vice versa, all else being equal.

Source: FSSIA estimates

Thailand's leading property developer

SC Asset Corporation Public Company Limited (SC) was established in 1989 and started its office rental business in 1995. Following the change in its shareholders to the Shinawatra family in 2003, it has expanded its business to landed and high-rise property developments to operate a fully integrated property development business.

SC delivers products that have high-quality standards and brand trust. Also, its products have applied the human-centric concept in design, development, and innovation for both vertical and horizontal homes that match the demands of all generations. In 9M22, SC had the third-highest market share in the single detached house and high-priced single detached house categories, at around 10% and 11%, respectively.

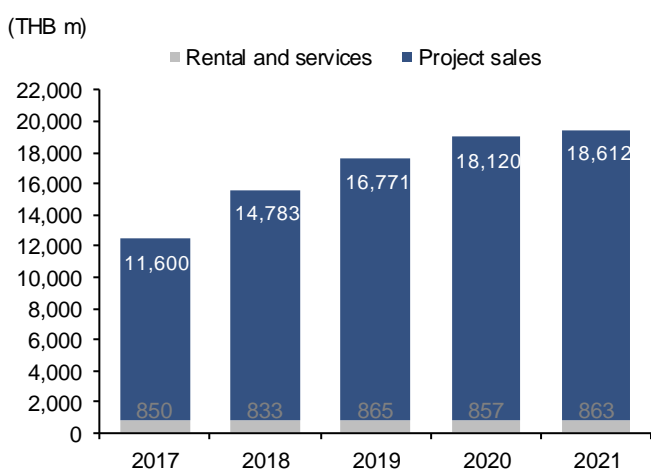
Residential property development is its largest source of revenue, constituting about 96% of total revenue. SC develops a wide variety of property development products, including single detached houses, townhouses, home offices, and condominiums in the Bangkok Metropolitan Region (BMR). It focuses on the mid-to-high priced segment, with single detached houses accounting for 85% of its total revenue.

Exhibit 1: Product brand segmentation

Price	SDH	TH/Home office	Condo	Price
>50 M	GRANADA		CHIDLOM SCOPE LANGSUAN	
20-50 M	GRAND THE GENTRY	HEADQUARTERS	SALADAENG ONE BEARNIQ	>250 K
8-20 M	boulevard boulevard		SCOPE PROMSRI THE CREST	200-250 K
5-8 M	VENUE VENUE VENUE Elev i-B V COMPOUND life boulevard	WORK PLACE	CENTRIC	120 - 250K
3-5 M	PAVE	VISTA	CHAMBERS	75-120K
<3 M		Verve		<75K

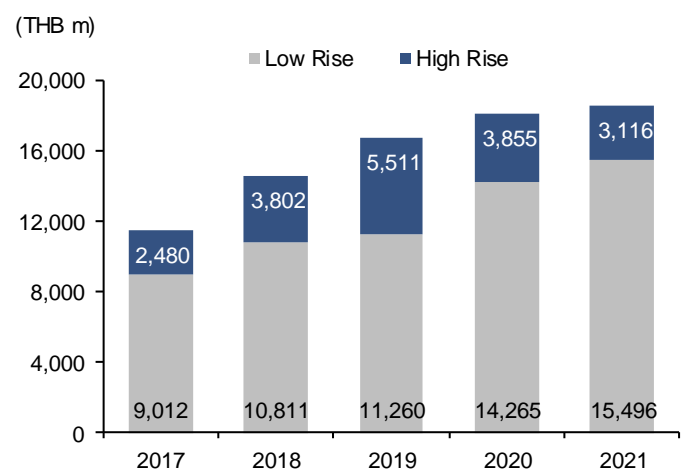
Source: SC

Exhibit 2: Total revenue breakdown



Source: FSSIA's compilation

Exhibit 3: Project sales breakdown



Source: FSSIA's compilation

Diversifying into other businesses

To sustain earnings growth, SC’s strategic plan for balanced portfolios is to expand towards recurring income to diversify risks from its property business, as well as other businesses to increase the amount of future income. This could include office buildings, investments in the US, and hotels and warehouses. Furthermore, it may seek to generate additional revenue from asset sales to a REIT in the future. Overall, SC targets sustainable growth combined with reliable profitability and cash flows.

- **Office buildings**

SC owns six office rental buildings, including Shinawatra Towers 1, 2, and 3, SC Tower, the Computer Building (CC Tower), and the Technical Training Center & Car Park Building (TTC Tower) with a total rentable space of 119,568 sq m. Overall occupancy as of 3Q22 was 92%.

- **Investments in US**

SC established SC Alpha Inc for investments in the US. Currently, it operates three serviced apartments in Boston. Of the three, two are on Hanover Street and Parmenter Street with a total of 28 units (occupancy rate of 82%) and one is on Salem Street with 13 units (occupancy rate of 100%). Another new building on Temple Street with 18 units will be transferred in 1Q23. Also, it has invested in PRM Fund V, a closed-loop fund managed by Panther Residential Management LLC (PRM), and a group of companies also managed by PRM Fund V.

- **Hotels**

SC set up SC Expedition to invest in hotels. The first hotel is Yanh Ratchawat, a midscale hotel with 78 keys scheduled to open in Mar-23. SC also acquired a 100% stake in FJ BKK Co., Ltd. in Sep-22 to invest in a hotel development at Sukhumvit 29, an upscale hotel with 323 keys scheduled to open in Jan-25.

- **Warehouses**

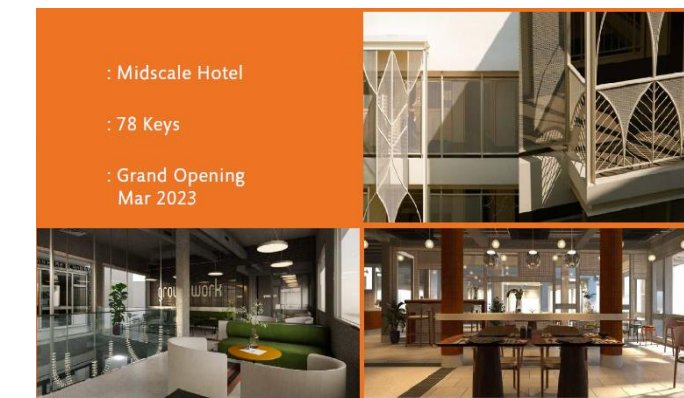
Other new investment ventures under SC Expedition include the logistics business, with plans to develop 1m sq m of warehouse space by 2030. Meanwhile, it has partnered with Flash Group to co-develop 300,000 sq m of warehouse space around the country. The new venture will start off with a 16,000 sq m building suitable as a regional hub in Nakhon Sawan province that will begin operations in Jan-24.

Exhibit 4: Office buildings



Source: SC

Exhibit 5: YANH Ratchawat (1st hotel)



Source: SC

Exhibit 6: Hotel acquisition on Sukhumvit 29



Source: SC

4Q22 should be the most profitable quarter of the year

We believe SC's 4Q22 normalised profit should come in strong. Specifically, our forecast calls for earnings to soar to THB785m (+20% q-q, +44% y-y), which is a peak for the year. It should also see support from the combined transfers of SC and its JV. We expect SC's transfers to total THB7.0b (+40% q-q, +21% y-y) owing to solid low-rise buyer interest, in line with high presales. Also, it has started to transfer new condos including SCOPE Langsuan (THB8.6b, 41% sold) and SCOPE Promsri (THB1.1b, 43% sold). Moreover, the JV has also started to transfer The Crest Park Residence (THB3.1b, 34% sold).

Exhibit 7: 4Q22 results preview

	4Q21	1Q22	2Q22	3Q22	4Q22E	----- Change -----		2021	2022E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Total Revenue	6,029	3,827	5,204	5,244	7,225	37.8	19.8	19,475	21,783	11.9
Cost of Sales	4,221	2,573	3,510	3,469	4,912	41.6	16.4	13,482	14,951	10.9
Gross profit	1,808	1,254	1,693	1,775	2,313	30.3	27.9	5,993	6,832	14.0
SG&A	1,093	760	951	935	1,283	37.1	17.3	3,336	3,703	11.0
Operating profit	715	494	743	839	1,030	22.7	44.1	2,656	3,129	17.8
Interest Expense	23	22	18	29	30	3.8	28.5	104	113	8.8
Tax Expense	165	110	155	175	236	34.4	42.8	552	644	16.6
Reported net profit	581	388	581	652	785	20.4	35.3	2,062	2,379	15.3
Core profit	544	388	581	653	785	20.3	44.4	2,025	2,379	17.4
Key Ratio (%)						(ppt)	(ppt)			
Gross margin	30.0	32.8	32.5	33.8	32.0	(1.8)	2.0	30.8	31.4	0.6
SG&A / Sales	18.1	19.9	18.3	17.8	17.8	(0.1)	(0.4)	17.1	17.0	(0.1)
Operating margin	11.9	12.9	14.3	16.0	14.3	(1.7)	2.4	13.6	14.4	0.7
Net margin	9.6	10.1	11.2	12.4	10.9	(1.6)	1.2	10.6	10.9	0.3
Norm margin	9.0	10.1	11.2	12.5	10.9	(1.6)	1.9	10.4	10.9	0.5
Revenue breakdown										
Residential	5,797	3,609	4,975	5,009	6,990	39.5	20.6	18,612	20,903	12.3
Rental & Service	232	218	229	235	235	0.0	1.3	863	880	2.0
Gross margin by business										
Residential	29.0	31.0	31.3	32.6	31.1	(1.5)	2.1	29.4	30.1	0.75
Rental & Services	55.6	61.8	60.5	59.3	59.2	(0.1)	3.6	61.1	61.2	0.05

Sources: SC; FSSIA estimates

Exhibit 8: Value of expected transfers by condo project

Transfer	Project	Value	% Sold
		(THB m)	(%)
4Q22	The Crest Park Residences (JV)	3,100	34
	Scope Promsri	1,100	43
	Scope Langsuan	8,600	41

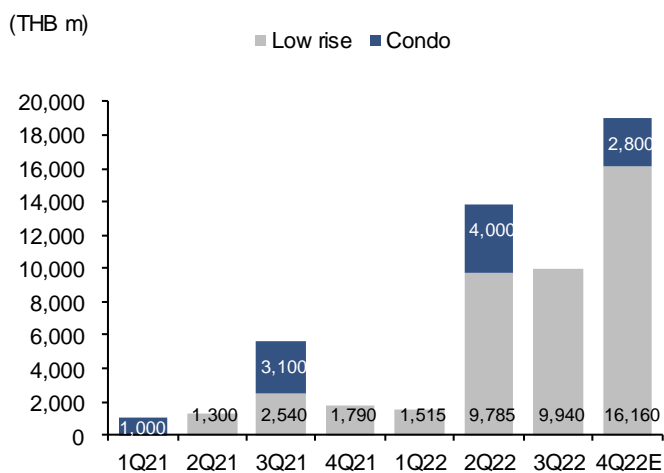
Source: SC

Exhibit 9: 2022 New projects launched

Period	No.	Product	Project	Total value	
				(THB m)	
1Q22	1	SDH	PAVE Petchkasem - Sai 4	1,100	
	2	SDH/TH	V Compound Bangna - Srinakarin	415	
2Q22	3	SDH	Bangkok Boulevard Bangna - Srinakarin	2,000	
	4	SDH	Bangkok Boulevard Ramkumhaeng - Wongwaen	750	
	5	SDH	Bangkok Boulevard Tiwanon - Rangsit	900	
	6	SDH	Bangkok Boulevard Signature Prachachuen	780	
	7	SDH	VENUE ID Pinklao - Salaya	1,300	
	8	SDH	Bangkok Boulevard Ramintra - Watcharapol	2,595	
	9	SDH	Bangkok Boulevard Signature Chiangwattana	1,460	
	10	CONDO	REFERENCE Sathorn - Wong Wian Yai	4,000	
	3Q22	11	SDH	VENUE ID Phaholyothin - Rangsit	1,960
		12	SDH	The Gentry Kaset - Navamin	1,540
13		SDH	VENUE ID Motorway - Rama 9	1,900	
14		SDH	Bangkok Boulevard Chiangwattana - Ratchaphruek	1,080	
15		SDH	Grand Bangkok Boulevard Ratchaphruek - Pinklao	2,160	
16		SDH	Bangkok Boulevard Ramintra 109	1,300	
4Q22		17	SDH	Grand Bangkok Boulevard Sukhumvit - Srinakarin	900
		18	SDH	PAVE Rangsit - Vibhavadi	1,430
	19	SDH	VENUE ID Vibhavadi - Phaholyothin	1,480	
	20	SDH	Bangkok Boulevard Vibhavadi - Phaholyothin	2,200	
	21	SDH	Bangkok Boulevard Bangna Km.5	2,100	
	22	SDH	Bangkok Boulevard Signature - Rama 5	540	
	23	SDH/TH	V Compound Rangsit - Vibhavadi	940	
	24	SDH	The Gentry Phattanakan 2	2,300	
	25	SDH	Grand Bangkok Boulevard Ramintra - Kasetnavamin	2,980	
	26	SDH	VENUE ID Petchkasem 81	1,290	
	27	CONDO	SCOPE Thong Lor	2,800	
			Total	44,200	

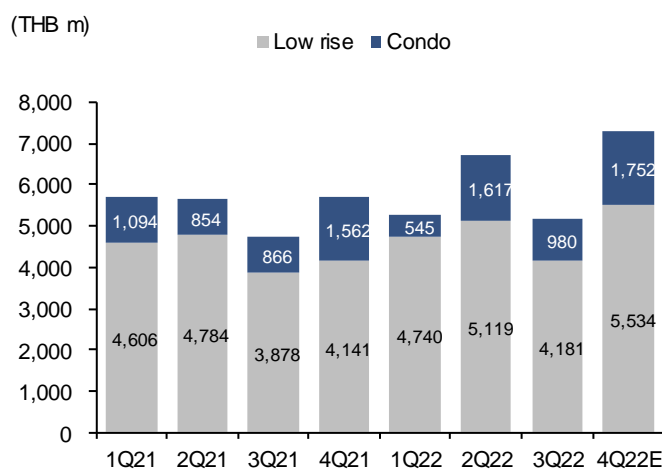
Source: SC; FSSIA's compilation

Exhibit 10: New launches by quarter (THB m)



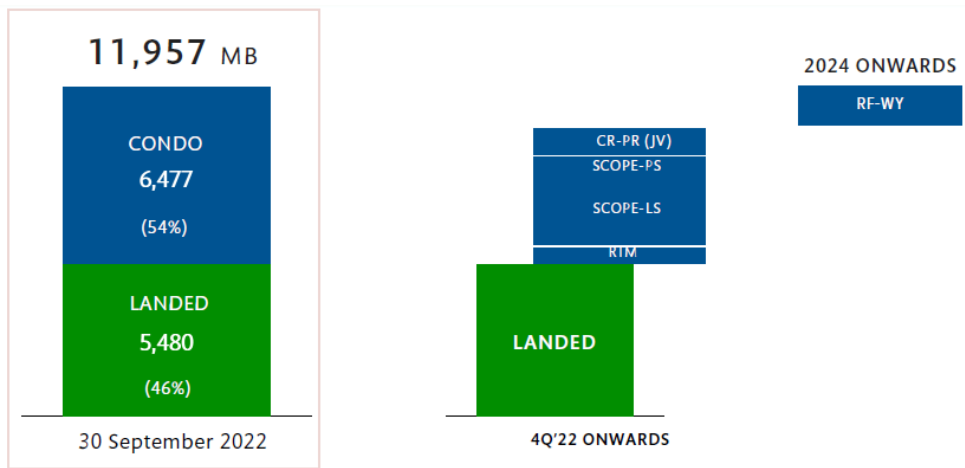
Sources: SC, FSSIA estimates

Exhibit 11: Presales by quarter (THB m)



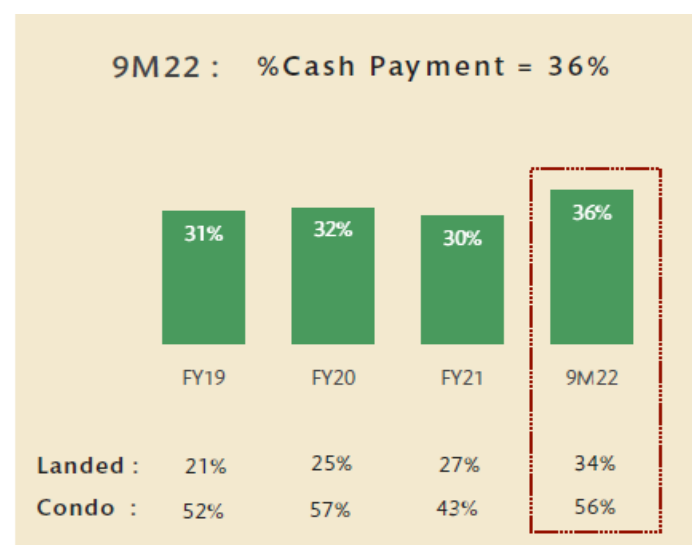
Sources: SC, FSSIA estimates

Exhibit 12: Backlog as of 30 Sep-22



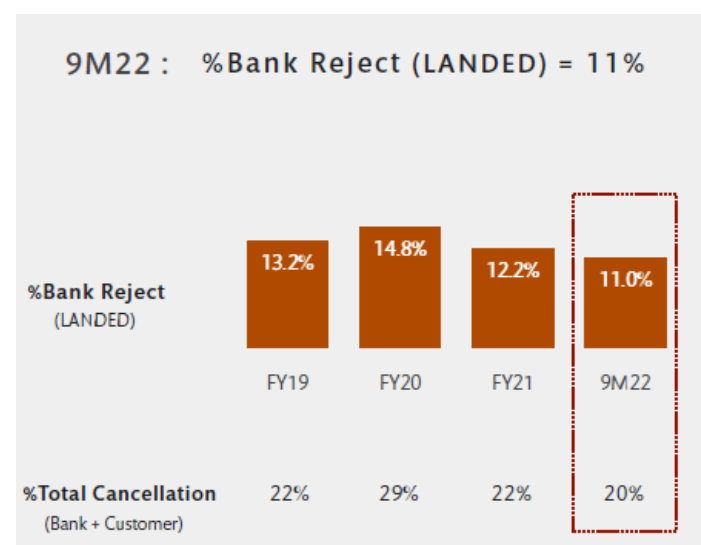
Source: SC

Exhibit 13: Cash payments



Source: SC

Exhibit 14: Bank rejections



Source: SC

Valuation and recommendation

SC's total revenue base has ranged between THB18b-THB20b per annum since 2019. In its next five-year plan, SC targets total revenue of TH25b. Moreover, it plans to enlarge its proportion of recurring income to 20% from investing in various types of assets.

In 2023, SC's earnings should reach a three-year record high of THB2.5b (+6% y-y). Presales and transfers should continue to increase given the high level of new projects to be launched in 2H22-2023. Moreover, management believes that the high-end housing segment should continue to grow thanks to strong demand, the economic recovery, and more overseas customers. We believe that SC is strong in terms of its successful low-rise projects, especially in the high-end segment with unit prices above THB10m.

Our 2023 TP at THB5.0 assumes a P/E ratio of 8.0x, within its six-year historical average of +0.25SD. We initiate our coverage on SC with a BUY rating. Currently, the company trades at 6.9x 2023 P/E, lower than its historical average and the property development sector's average of 7.4x and 8.2x, respectively. Finally, we forecast dividends for 2023 at THB0.24, implying an annual dividend yield of 5.8%.

In the short run, SC might be encouraged by its strong 4Q22 profit. Therefore, we expect a 2H22 DPS of THB0.15, implying a dividend yield of 3.5%. According to the statistics from the last six years, SC's share price has risen by an average of 4% in the three months before its XD date, typically in late April.

Exhibit 15: Change in SC's stock performance before XD date

XD	XD -1D	-3M	-2M	-1M	-2W	-1W
		(%)	(%)	(%)	(%)	(%)
29-Apr-22	28-Apr-22	2.1	0.0	3.2	1.0	(0.5)
30-Apr-21	29-Apr-21	22.8	17.6	5.0	3.1	2.5
30-Apr-20	29-Apr-20	0.0	(1.8)	(1.8)	3.1	4.7
03-May-19	02-May-19	4.1	0.7	1.3	1.3	(0.6)
02-May-18	30-Apr-18	(7.3)	1.6	3.8	2.7	1.1
28-Apr-17	27-Apr-17	0.5	0.0	0.5	(1.1)	1.1
Average		3.7	3.0	2.0	1.7	1.4

Sources: Bloomberg; FSSIA's compilation

Corporate Governance – SC

Board structure

Independent Directors (ID)	6 of 10 board members, 1 female
Percentage of IDs on the board	60%
ID attendance at board meetings	100%
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	No maximum term*, but the term and years in office of IDs will be annually reviewed by the nomination and remuneration committee.

Additional information: * The company considers that each ID has essential knowledge, competency, and professional experience contributable to the benefit of all stakeholders and the company's business growth. For transparency, each ID will have individual performance assessments throughout the term of directorship and will be assured of not being disqualified from independent directorship as specified by the Securities and Exchange Commission (SEC).

Each independent director has proved that his independence is maintained without any conflict of interest and/or material interest with the company. Over the past years, there were no objections or allegations made by the stakeholders or governing authorities concerning the qualifications of the IDs.

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2021, THB7.01m vs net profit of THB2,062m
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

Additional information:

ESG and sustainability management

SC Asset began the construction of Shinawatra Tower III in 1995 under the super smart building concept, which adopted information and energy-saving technologies that earned many energy-saving awards domestically. The company expanded its business into residential developments integrating technology and the environment to accommodate every lifestyle need. Later, customised units were added to meet customers' personal preferences.

SC, which was highly rated by the local authority assessing corporate governance, received an "excellence" score of 90+ from the [Thai Institute of Directors \(IOD\)](#) and was certified as a member of the [Thai Private Sector Collective Action Against Corruption \(CAC\)](#). SC has been [listed](#) on the [Thailand Sustainability Investment 2021](#) category of the SET for seven consecutive years and earned a [Sustainability Disclosure Recognition for 2021](#) from the Thaipat Institute.

Materiality issues	Activities and practice
Fierce competition	SC positions itself in the high-priced housing segment. SC has ranked in the top three for SDHs priced at >THB20m since 2020. SC earned several awards such as the Best Luxury Residential Property Development, Best Luxury Condo Development (Bangkok), Luxury Condo Architectural Design, and Luxury Condo Interior Design, and a Rising Star for outstanding real estate performance for its Terra Hint Brand Series 2021. Despite the challenges of the Covid-19 lockdown, SC managed to grow its revenue and presales beyond the level earned during 2017-2019.
Labour shortage	Quality contractors and liquidity support are the keys for SC's attempts to lessen potential impacts. For the development of landed projects, SC selects quality contractors to ensure that it has a sufficient number of subcontractors to handle the increased amount of construction work and plans its construction schedule in advance. For high-rise projects, SC works with large-scale contractors with whom they have been working for a long time. Additionally, it is the company's policy to treat its contractors equally and fairly and allow each of them to participate in working with the company to enable them to progress in their work skills and to learn new technologies. The company has developed its supply chain system to facilitate payments to contractors and increase their liquidity position. During the Covid-19 outbreak, in 2020, SC launched 12 projects worth THB14.3b and ended with a backlog of THB5.6b; in 2021 it launched eight projects worth THB9.7b and ended with a backlog of THB8.5b. In 9M22, it launched 16 projects worth THB25.2b and ended with a backlog of THB12b, showing a steady increase compared to 2019 with nine new projects and a THB7.4b backlog.
Construction material price fluctuations	Bearing in mind the high level of inflation globally, for 2022, as stated in its 2021 annual report, the company planned and signed construction material purchase contracts in advance for project development on a quarterly basis, reducing the risk from construction material price fluctuations. The high volume of materials purchased leads to negotiating power with suppliers and producers directly, resulting in greater control of construction material costs.
Business operation risk	SC annually prepares and reviews risk maps categorised as short-term (within one year) and emerging, with a potential occurrence within the next 3-5 years, to come up with possible measures to counter risks. During the Covid-19 outbreak, SC gained confidence from customers by maintaining operational liquidity and product quality, and by ensuring its employees' ability and readiness to perform their work both in terms of health and skills. It also provided basic infrastructure to support work continuity such as improvement of the IT infrastructure to suit various work conditions. While regularly monitoring the situation to come up with mitigation measures, the company also set up a business continuity team to address urgent issues with immediate attention. In 2020/2021/9M22, SC locked in presales worth THB16.6b/21.8b/17.2b, respectively, compared to 2019's total of THB14.4b. During the same period, SC reported net profits of THB1.9b/2.1b/1.6b, respectively, compared to 2019's total of THB2.0b, and held GPM above 30% throughout the pandemic period.
Influence on business management policy by major shareholders	At the end of 2021, the Shinawatra Family was the majority shareholder with a 60.24% vote on business operations.

Additional information: [2021 annual report](#)

Audit Practices

Auditor	PricewaterhouseCoopers ABAS Ltd.
Length of service	More than five years
Reporting incidents	None
Fee track record	THB5.67m in 2021, and THB5.53m in 2021
Policy on change of audit firm	To be reviewed every five years

Additional information: None

Shareholders' rights

Practice	Activity
Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriate 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

SC Asset Corporation

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	18,977	19,475	21,783	22,053	22,552
Cost of goods sold	(12,977)	(13,333)	(14,775)	(14,897)	(15,079)
Gross profit	6,000	6,142	7,007	7,157	7,472
Other operating income	65	41	50	50	50
Operating costs	(3,314)	(3,336)	(3,703)	(3,749)	(3,879)
Operating EBITDA	2,751	2,846	3,354	3,458	3,643
Depreciation	(150)	(149)	(175)	(184)	(193)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,601	2,697	3,179	3,273	3,450
Net financing costs	(155)	(104)	(113)	(124)	(133)
Associates	(24)	(27)	16	67	72
Recurring non-operating income	(24)	(27)	16	67	72
Non-recurring items	(31)	37	0	0	0
Profit before tax	2,391	2,603	3,082	3,217	3,389
Tax	(504)	(552)	(644)	(649)	(697)
Profit after tax	1,888	2,051	2,438	2,568	2,692
Minority interests	10	11	(60)	(52)	(19)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	1,898	2,062	2,379	2,516	2,673
Non-recurring items & goodwill (net)	31	(37)	0	0	0
Recurring net profit	1,929	2,025	2,379	2,516	2,673
Per share (THB)					
Recurring EPS *	0.46	0.48	0.57	0.60	0.64
Reported EPS	0.45	0.49	0.57	0.60	0.64
DPS	0.18	0.20	0.23	0.24	0.26
Diluted shares (used to calculate per share data)	4,180	4,180	4,180	4,180	4,180
Growth					
Revenue (%)	7.6	2.6	11.9	1.2	2.3
Operating EBITDA (%)	0.3	3.5	17.9	3.1	5.4
Operating EBIT (%)	(0.3)	3.7	17.9	3.0	5.4
Recurring EPS (%)	(0.9)	5.0	17.4	5.8	6.2
Reported EPS (%)	(6.3)	8.7	15.3	5.8	6.2
Operating performance					
Gross margin inc. depreciation (%)	30.8	30.8	31.4	31.6	32.3
Gross margin of key business (%)	30.8	30.8	31.4	31.6	32.3
Operating EBITDA margin (%)	14.5	14.6	15.4	15.7	16.2
Operating EBIT margin (%)	13.7	13.8	14.6	14.8	15.3
Net margin (%)	10.2	10.4	10.9	11.4	11.9
Effective tax rate (%)	21.1	21.2	20.9	20.2	20.6
Dividend payout on recurring profit (%)	39.0	41.3	39.9	39.9	39.9
Interest cover (X)	16.6	25.8	28.3	27.0	26.4
Inventory days	901.1	865.9	822.3	823.6	817.9
Debtor days	3.3	3.1	3.0	3.5	3.5
Creditor days	24.5	17.0	22.4	26.9	27.0
Operating ROIC (%)	6.7	7.2	8.2	8.4	8.8
ROIC (%)	5.3	5.6	6.5	6.7	7.0
ROE (%)	10.7	10.5	11.4	11.3	11.2
ROA (%)	4.6	4.5	5.1	5.4	5.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Project sales	18,120	18,612	20,903	21,169	21,626
Rental and services	795	816	820	824	866
Consulting and management	63	47	60	60	60

Sources: SC Asset Corporation; FSSIA estimates

Financial Statements

SC Asset Corporation

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	1,929	2,025	2,379	2,516	2,673
Depreciation	150	149	175	184	193
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Change in working capital	3,683	(1,879)	1,492	(182)	61
Cash flow from operations	5,762	296	4,046	2,518	2,927
Capex - maintenance	-	-	-	-	-
Capex - new investment	(154)	(1,030)	(946)	(278)	(295)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(154)	(1,030)	(946)	(278)	(295)
Dividends paid	(825)	(696)	(951)	(1,006)	(1,069)
Equity finance	(8)	82	41	53	19
Debt finance	(1,187)	3,186	(4,324)	(699)	2
Other financing cash flows	-	-	-	-	-
Cash flow from financing	(2,021)	2,571	(5,234)	(1,652)	(1,048)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	3,587	1,837	(2,134)	587	1,585
Free cash flow to firm (FCFF)	5,762.28	(631.19)	3,212.81	2,363.32	2,765.79
Free cash flow to equity (FCFE)	4,420.45	2,450.98	(1,223.55)	1,540.72	2,634.54

Per share (THB)

FCFF per share	1.36	(0.15)	0.76	0.56	0.65
FCFE per share	1.05	0.58	(0.29)	0.36	0.62
Recurring cash flow per share	0.50	0.52	0.61	0.65	0.69

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	1,812	1,993	2,192	2,302	2,417
Less: Accumulated depreciation	(678)	(848)	(438)	(460)	(483)
Tangible fixed assets (net)	1,134	1,145	1,754	1,841	1,933
Intangible fixed assets (net)	76	87	68	69	69
Long-term financial assets	370	370	414	419	428
Invest. in associates & subsidiaries	6,164	7,024	7,160	7,160	7,160
Cash & equivalents	4,477	6,313	4,179	4,767	6,352
A/C receivable	182	146	209	212	216
Inventories	30,167	33,092	33,483	33,746	33,832
Other current assets	509	450	653	662	677
Current assets	35,335	40,002	38,525	39,386	41,076
Other assets	1,241	1,128	1,010	1,010	1,010
Total assets	44,319	49,754	48,931	49,885	51,677
Common equity	18,662	20,084	21,493	23,003	24,607
Minorities etc.	(19)	(30)	29	81	101
Total shareholders' equity	18,643	20,054	21,522	23,084	24,708
Long term debt	8,928	11,048	9,071	9,072	9,073
Other long-term liabilities	1,382	1,349	2,178	2,205	2,255
Long-term liabilities	10,310	12,398	11,249	11,277	11,328
A/C payable	519	722	1,089	1,103	1,128
Short term debt	12,322	13,387	11,041	10,341	10,342
Other current liabilities	2,526	3,194	4,030	4,080	4,172
Current liabilities	15,366	17,303	16,160	15,523	15,642
Total liabilities and shareholders' equity	44,319	49,754	48,931	49,885	51,677
Net working capital	27,813	29,772	29,227	29,436	29,425
Invested capital	36,797	39,525	39,632	39,936	40,026

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	4.46	4.79	5.13	5.49	5.87
Tangible book value per share	4.45	4.77	5.11	5.47	5.86

Financial strength

Net debt/equity (%)	90.0	90.4	74.0	63.4	52.9
Net debt/total assets (%)	37.8	36.4	32.6	29.4	25.3
Current ratio (x)	2.3	2.3	2.4	2.5	2.6
CF interest cover (x)	30.6	34.6	(1.5)	15.7	23.0

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	9.0	8.6	7.3	6.9	6.5
Recurring P/E @ target price (x) *	10.8	10.3	8.8	8.3	7.8
Reported P/E (x)	9.2	8.4	7.3	6.9	6.5
Dividend yield (%)	4.3	4.8	5.5	5.8	6.1
Price/book (x)	0.9	0.9	0.8	0.8	0.7
Price/tangible book (x)	0.9	0.9	0.8	0.8	0.7
EV/EBITDA (x) **	12.4	12.5	10.0	9.3	8.4
EV/EBITDA @ target price (x) **	13.7	13.7	11.0	10.3	9.4
EV/invested capital (x)	0.9	0.9	0.8	0.8	0.8

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: SC Asset Corporation; FSSIA estimates

Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	DRS	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	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	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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

Disclaimer:

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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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Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
SC Asset Corporation	SC TB	THB 4.16	BUY	Downside risks to our P/E-based TP include 1) weaker-than-expected purchasing power; 2) cancellation of presales; 3) bank loan rejections; and 4) construction delays

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 11-Jan-2023 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.