

# MUANGTHAI CAPITAL

  
 THAILAND / FINANCE & SECURITIES

# MTC TB

# HOLD

  
 UNCHANGED

## 2Q23 results at first glance

|                 |          |
|-----------------|----------|
| TARGET PRICE    | THB37.00 |
| CLOSE           | THB34.00 |
| UP/DOWNSIDE     | +8.8%    |
| TP vs CONSENSUS | +0.1%    |

### 2Q23 results in line with weaker asset quality

MTC posted a 2Q23 net profit of THB1.20b, in line with our forecast but beating Bloomberg's consensus estimate by 7%. MTC's 2Q earnings were up 12% q-q but down 13% y-y, while the 2Q23 pre-provisioning operating profit (PPOP) – also in line with our estimate at THB2.67b – rose by 10% q-q and 21% y-y, primarily from net interest income and fee income growth which offset higher-than-expected operating expenses. MTC's 1H23 net profit increased to THB2.27b, down 18% y-y, and accounts for 50% of our 2023 forecast.

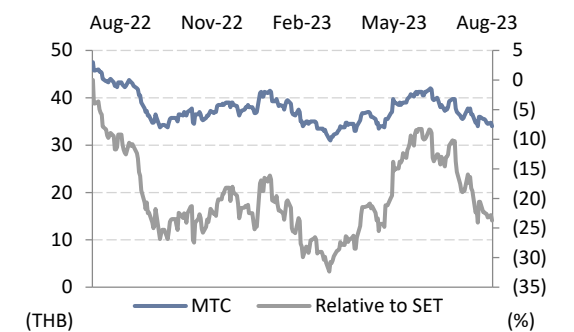
#### Highlights

- (+) 2Q23 loans increased by 6% q-q, 24% y-y, and 10% YTD, slightly better than expected. The growth was pushed by loan receivables, which increased by 6% q-q and 26% y-y, mostly from secured auto title loans and land title loans. Due to their poorer asset quality, motorcycle hire purchase receivables continued shrinking by 4% q-q and 11% y-y.
- (+) 2Q23 interest spread rose better than expected to 14.42% from 14.21% in 1Q23 due primarily to a higher-than-expected loan yield, offsetting the higher-than-expected cost of funds. 1H23 interest spread increased to 14.35%, exceeding our 2023 forecast of 14.22%.
- (-) 2Q23 operating expenses accelerated by 5% q-q and 27% y-y, pushed by costs related to branch openings in the quarter (+298, for a total of 7,260 branches), driving the cost-to-income ratio to 47.99%. 1H23 cost-to-income ratio was 51.5%, exceeding our 2023 forecast at 47% as weaker 2H23E operating expenses are expected.
- (-) Asset quality in 2Q23 was weaker than expected. The NPL ratio rose to 3.48%, while credit cost jumped more than expected to 3.84% to retain the coverage ratio at the 1Q23 level of c105%. 1H23 credit cost increased to 3.32%, still below our 2023 target of 3.40%.
- (-) 2Q23 D/E ratio increased to 3.7x, approaching the debt covenant limit of 4.0x. Hence, the potential for capital increases is our main concern. Alternatively, MTC may choose other capital management methods amid poor stock market conditions, such as reducing the dividend payout ratio (from 40% in 2022, resulting in a lower dividend yield) or paying stock dividends instead of cash dividends (causing EPS dilution).

As for the 2H23 outlook, we have a more favorable view of MTC's PPOP due primarily to the upcoming lending high season, which could offset the weaker NIM. Net profit tends to rise in line with a stronger PPOP, which could offset the rising credit cost. We retain our HOLD call on MTC. Our 2023 GGM-based TP of THB37 implies a P/BV of 2.2x.

#### KEY STOCK DATA

| YE Dec (THB m)       | 2022  | 2023E  | 2024E | 2025E |
|----------------------|-------|--------|-------|-------|
| Operating profit     | 6,360 | 5,731  | 7,246 | 9,146 |
| Net profit           | 5,093 | 4,585  | 5,796 | 7,317 |
| EPS (THB)            | 2.40  | 2.16   | 2.73  | 3.45  |
| vs Consensus (%)     | -     | (6.0)  | (4.2) | (4.4) |
| Recurring net profit | 5,093 | 4,585  | 5,796 | 7,317 |
| Core EPS (THB)       | 2.40  | 2.16   | 2.73  | 3.45  |
| EPS growth (%)       | 3.0   | (10.0) | 26.4  | 26.2  |
| Core P/E (x)         | 14.2  | 15.7   | 12.4  | 9.9   |
| Dividend yield (%)   | 2.8   | 2.5    | 3.2   | 4.0   |
| Price/book (x)       | 2.5   | 2.3    | 2.0   | 1.8   |
| ROE (%)              | 18.9  | 15.1   | 17.2  | 19.1  |
| ROA (%)              | 4.5   | 3.3    | 3.6   | 3.8   |



| Share price performance        | 1 Month                | 3 Month | 12 Month |
|--------------------------------|------------------------|---------|----------|
| Absolute (%)                   | (8.1)                  | (7.5)   | (33.3)   |
| Relative to country (%)        | (9.8)                  | (4.8)   | (29.4)   |
| Mkt cap (USD m)                | 2,060                  |         |          |
| 3m avg. daily turnover (USD m) | 11.8                   |         |          |
| Free float (%)                 | 21                     |         |          |
| Major shareholder              | Petaumpai Family (67%) |         |          |
| 12m high/low (THB)             | 51.00/30.75            |         |          |
| Issued shares (m)              | 2,120                  |         |          |

Sources: Bloomberg consensus; FSSIA estimates



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## Exhibit 1: MTC – 2Q23 operations summary

|                                  | 2Q22         | 3Q22          | 4Q22          | 1Q23          | 2Q23          | Change       |               | 1H23          | Change        | % of      | 2023E         | Change        |
|----------------------------------|--------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|-----------|---------------|---------------|
|                                  | (THB m)      | (THB m)       | (THB m)       | (THB m)       | (THB m)       | (q-q%)       | (y-y%)        | (THB m)       | (y-y%)        | 23E       | (THB m)       | (y-y%)        |
| Interest income                  | 4,617        | 4,959         | 5,338         | 5,397         | 5,754         | 6.6          | 24.6          | 11,151        | 25.3          | 47        | 23,503        | 22.4          |
| Interest expense                 | (663)        | (737)         | (810)         | (848)         | (909)         | 7.2          | 37.1          | (1,756)       | 38.7          | 44        | (3,976)       | 41.3          |
| <b>Net interest income</b>       | <b>3,955</b> | <b>4,222</b>  | <b>4,528</b>  | <b>4,549</b>  | <b>4,845</b>  | <b>6.5</b>   | <b>22.5</b>   | <b>9,394</b>  | <b>23.0</b>   | <b>48</b> | <b>19,527</b> | <b>19.2</b>   |
| Other income                     | 208          | 226           | 273           | 233           | 287           | 23.1         | 38.4          | 521           | 40.6          | 56        | 935           | 7.5           |
| <b>Total income</b>              | <b>4,162</b> | <b>4,448</b>  | <b>4,801</b>  | <b>4,783</b>  | <b>5,132</b>  | <b>7.3</b>   | <b>23.3</b>   | <b>9,915</b>  | <b>23.8</b>   | <b>48</b> | <b>20,462</b> | <b>18.6</b>   |
| Operating expenses               | (1,946)      | (2,008)       | (2,152)       | (2,352)       | (2,463)       | 4.7          | 26.5          | (4,815)       | 23.2          | 50        | (9,617)       | 19.2          |
| <b>PPOP</b>                      | <b>2,216</b> | <b>2,440</b>  | <b>2,649</b>  | <b>2,431</b>  | <b>2,669</b>  | <b>9.8</b>   | <b>20.5</b>   | <b>5,100</b>  | <b>24.5</b>   | <b>47</b> | <b>10,845</b> | <b>18.1</b>   |
| Expected credit loss             | (481)        | (923)         | (1,274)       | (1,066)       | (1,200)       | 12.6         | 149.7         | (2,265)       | 259.9         | 50        | (4,564)       | 87.6          |
| Profit after ECL                 | 1,735        | 1,517         | 1,375         | 1,365         | 1,469         | 7.7          | (15.3)        | 2,834         | (18.3)        | 45        | 6,281         | (7.0)         |
| Gain (loss) from asset disposals | 0            | 0             | 0             | 0             | 0             | n/a          | n/a           | 0             | n/a           | 0         | (550)         | 39.7          |
| <b>Operating profit</b>          | <b>1,735</b> | <b>1,517</b>  | <b>1,375</b>  | <b>1,365</b>  | <b>1,469</b>  | <b>7.7</b>   | <b>(15.3)</b> | <b>2,834</b>  | <b>(18.3)</b> | <b>49</b> | <b>5,731</b>  | <b>n/a</b>    |
| Income tax                       | (355)        | (312)         | (243)         | (295)         | (269)         | (8.7)        | (24.1)        | (564)         | (20.7)        | 49        | (1,146)       | (9.5)         |
| NCI                              | 0            | 0             | 0             | 0             | 0             | n/a          | n/a           | 0             | n/a           | n/a       | 0             | n/a           |
| <b>Net profit</b>                | <b>1,381</b> | <b>1,205</b>  | <b>1,132</b>  | <b>1,070</b>  | <b>1,200</b>  | <b>12.2</b>  | <b>(13.1)</b> | <b>2,270</b>  | <b>(17.6)</b> | <b>50</b> | <b>4,585</b>  | <b>(10.0)</b> |
| EPS (THB)                        | 0.65         | 0.57          | 0.53          | 0.50          | 0.57          | 12.2         | (13.1)        | 1.07          | (17.6)        | 50        | 2.16          | (10.0)        |
| Loans                            | 106,153      | 113,231       | 119,084       | 124,200       | 131,257       | 5.7          | 23.6          | 131,257       | 23.6          |           | 141,713       | 19.0          |
| Interest bearing debt            | 86,946       | 93,232        | 96,143        | 98,536        | 106,327       | 7.9          | 22.3          | 106,327       | 22.3          |           | 113,110       | 17.6          |
| <b>Key ratios</b>                | <b>2Q22</b>  | <b>3Q22</b>   | <b>4Q22</b>   | <b>1Q23</b>   | <b>2Q23</b>   | <b>(q-q)</b> | <b>(y-y)</b>  | <b>1H23</b>   | <b>(y-y)</b>  |           | <b>2023E</b>  | <b>Change</b> |
|                                  | (%)          | (%)           | (%)           | (%)           | (%)           | (ppt)        | (ppt)         | (%)           | (ppt)         |           | (THB m)       | (y-y%)        |
| Yield on loans                   | 18.14        | 18.08         | 18.38         | 17.75         | 18.02         | 0.3          | (0.1)         | 19.08         | 0.9           |           | 18.02         | (0.3)         |
| Cost of funds                    | 3.24         | 3.25          | 3.39          | 3.53          | 3.60          | 0.1          | 0.4           | 3.64          | 0.2           |           | 3.80          | 0.4           |
| <b>Spread</b>                    | <b>14.91</b> | <b>14.84</b>  | <b>14.99</b>  | <b>14.21</b>  | <b>14.42</b>  | <b>0.2</b>   | <b>(0.5)</b>  | <b>14.35</b>  | <b>(0.4)</b>  |           | <b>14.22</b>  | <b>(0.7)</b>  |
| Cost to Income                   | 46.76        | 45.14         | 44.82         | 49.18         | 47.99         | (1.2)        | 1.2           | 51.54         | 3.5           |           | 47.00         | 0.2           |
| <b>Credit cost</b>               | <b>1.90</b>  | <b>3.40</b>   | <b>4.45</b>   | <b>3.57</b>   | <b>3.84</b>   | <b>0.3</b>   | <b>1.9</b>    | <b>3.32</b>   | <b>1.8</b>    |           | <b>3.40</b>   | <b>0.7</b>    |
| NPL / Loan                       | 1.99         | 2.33          | 3.00          | 3.28          | 3.48          | 0.2          | 1.5           | 3.48          | 1.5           |           | 3.41          | 0.5           |
| LLR / Loan                       | 1.92         | 2.38          | 3.15          | 3.44          | 3.66          | 0.2          | 1.7           | 3.66          | 1.7           |           | 3.58          | 0.5           |
| <b>Coverage ratio</b>            | <b>96.26</b> | <b>102.29</b> | <b>105.11</b> | <b>105.00</b> | <b>105.15</b> | <b>0.1</b>   | <b>8.9</b>    | <b>105.15</b> | <b>8.9</b>    |           | <b>105.04</b> | <b>(0.1)</b>  |
| D/E (x)                          | 3.32         | 3.40          | 3.40          | 3.37          | 3.71          |              |               | 3.71          |               |           | 3.67          |               |
| <b>IDBE (x)</b>                  | <b>3.24</b>  | <b>3.33</b>   | <b>3.30</b>   | <b>3.27</b>   | <b>3.62</b>   |              |               | <b>3.62</b>   |               |           | <b>3.56</b>   |               |
| S/T debt/total debt (x)          | 6.74         | 7.61          | 8.26          | 4.94          | 5.29          |              |               | 5.29          |               |           | 4.86          |               |
| Loan growth q-q                  | 8.9          | 6.7           | 5.2           | 4.3           | 5.7           |              |               |               |               |           |               |               |
| Loan growth y-y                  | 35.3         | 35.7          | 32.2          | 27.5          | 23.6          |              |               | 23.6          |               |           |               |               |
| Loan growth YTD                  | 17.9         | 25.7          | 32.2          | 4.3           | 10.2          |              |               | 10.2          |               |           |               |               |
|                                  |              |               |               |               |               | (%)          | (%)           |               | (%)           |           |               | (%)           |
| <b>Branch (no)</b>               | <b>6,475</b> | <b>6,547</b>  | <b>6,668</b>  | <b>6,962</b>  | <b>7,260</b>  | <b>4.3</b>   | <b>12.1</b>   | <b>7,260</b>  | <b>12.1</b>   |           | <b>7,200</b>  | <b>8.0</b>    |
| Increase from prior period (no)  | 314          | 72            | 121           | 294           | 298           |              |               | 785           |               |           | 532           |               |
| Loans per branch (THB m)         | 16.39        | 17.30         | 17.86         | 17.84         | 18.08         | 1.3          | 10.3          | 18.08         | 10.3          |           | 19.68         | 10.2          |
| Net profit per branch (THB m)    | 0.21         | 0.18          | 0.17          | 0.15          | 0.17          | 7.5          | (22.5)        | 0.63          | (26.5)        |           | 0.64          | (16.6)        |

Sources: MTC; FSSIA estimates

## Exhibit 2: MTC's staged loans with allowances for ECL and coverage ratio (%) 2020-1Q23

|                                     | 2020          | 2021          | 2022           | 1Q23           | 2Q23           | 2020                                 | 2021         | 2022         | 1Q23         | 2Q23         |
|-------------------------------------|---------------|---------------|----------------|----------------|----------------|--------------------------------------|--------------|--------------|--------------|--------------|
|                                     | (THB m)       | (THB m)       | (THB m)        | (THB m)        | (THB m)        | (%)                                  | (%)          | (%)          | (%)          | (%)          |
| <b>Loans &amp; accrued interest</b> |               |               |                |                |                | <b>Staged loans % of total loans</b> |              |              |              |              |
| Stage 1                             | 65,372        | 81,837        | 105,097        | 109,369        | 115,581        | 92.6                                 | 93.4         | 87.1         | 87.0         | 87.0         |
| Stage 2                             | 4,489         | 4,578         | 12,009         | 12,383         | 12,800         | 6.4                                  | 5.2          | 10.0         | 9.8          | 9.6          |
| Stage 3                             | 747           | 1,187         | 3,506          | 3,991          | 4,470          | 1.1                                  | 1.4          | 2.9          | 3.2          | 3.4          |
| <b>Total</b>                        | <b>70,607</b> | <b>87,602</b> | <b>120,613</b> | <b>125,743</b> | <b>132,851</b> | <b>100.0</b>                         | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| <b>Expected credit loss (ECL)</b>   |               |               |                |                |                | <b>ECL % of staged loans</b>         |              |              |              |              |
| Stage 1                             | 538           | 709           | 767            | 876            | 989            | 40.6                                 | 39.7         | 20.8         | 20.9         | 23.6         |
| Stage 2                             | 307           | 349           | 682            | 874            | 940            | 23.1                                 | 19.5         | 18.5         | 20.8         | 22.4         |
| Stage 3                             | 481           | 729           | 2,237          | 2,442          | 2,770          | 36.3                                 | 40.8         | 60.7         | 58.3         | 66.1         |
| <b>Total</b>                        | <b>1,326</b>  | <b>1,788</b>  | <b>3,686</b>   | <b>4,191</b>   | <b>4,191</b>   | <b>100.0</b>                         | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| <b>LLR / Loans</b>                  | <b>(%)</b>    | <b>(%)</b>    | <b>(%)</b>     | <b>(%)</b>     | <b>(%)</b>     |                                      |              |              |              |              |
| Stage 1                             | 0.8           | 0.9           | 0.7            | 0.8            | 0.9            |                                      |              |              |              |              |
| Stage 2                             | 6.8           | 7.6           | 5.7            | 7.1            | 7.3            |                                      |              |              |              |              |
| Stage 3                             | 64.4          | 61.4          | 63.8           | 61.2           | 62.0           |                                      |              |              |              |              |
| <b>Total</b>                        | <b>1.9</b>    | <b>2.0</b>    | <b>3.1</b>     | <b>3.3</b>     | <b>3.2</b>     |                                      |              |              |              |              |
| <b>NPL/TL</b>                       | <b>1.06</b>   | <b>1.36</b>   | <b>2.91</b>    | <b>3.17</b>    | <b>3.36</b>    |                                      |              |              |              |              |
| <b>NPLs vs stage 2 loans/TL</b>     | <b>7.42</b>   | <b>6.58</b>   | <b>12.86</b>   | <b>13.02</b>   | <b>13.00</b>   |                                      |              |              |              |              |
| <b>LLR/NPL</b>                      | <b>177.50</b> | <b>150.59</b> | <b>105.12</b>  | <b>105.02</b>  | <b>93.78</b>   |                                      |              |              |              |              |
| <b>LLR/(NPLs vs stage 2 loans)</b>  | <b>25.32</b>  | <b>31.01</b>  | <b>23.76</b>   | <b>25.60</b>   | <b>24.27</b>   |                                      |              |              |              |              |

Sources: MTC; FSSIA's compilation

## Corporate Governance and ESG – MTC

| E/S/G                            | Materiality matrix   | Achievement   |
|----------------------------------|--|---|
| <b>Economic &amp; Governance</b> | To follow good corporate governance standards, conduct business with good governance and comprehensive risk management, encourage innovation, and consistently achieve value for the business. |   |
|                                  | Risk management  | At end-2022, the company had a total of 3,234,042 customers, with an average age of 40-50 years through 6,668 branches. Customer occupations include government officials (average age 44 years); merchants and business owners (average age 45 years; office workers (average age 39 years); temporary workers (average age 46 years); farmers and livestock producers (average age 48 years).<br>MTC assesses risks in two dimensions: likelihood of risk to occur from one week to 6-12 months, and impacts in terms of damage valued from THB50,000 to THB1m. It has established four types of controls: preventive, detective, directive, and corrective.  |
|                                  | Corruption   | The company has put in place strict measures to prevent damage such as continually reviewing the causes and rates of corruption, implementing the SAP operating system, and training to develop morality and ethics.  |
|                                  | Innovation and cyber threats   | Develop technology for online debtors and a work system that is improved at least twice a month; recruiting third parties with specific expertise to ensure that customers can access services with ease. In 2022, there were no cyber-attack incidents.  |
|                                  | Interest rate risk   | In 2022, MTC charged interest at a rate lower than the level set by the Bank of Thailand which allowed flexibility in adjusting its ceiling rate to align with costs. In addition, the company has increased the proportion of debentures in its funding sources in a bid to lessen rate rise risk.   |
|                                  | Competition and new competitors  | As MTC's main target customers are low income, underprivileged, and have low exposure to technology, the company is focused on providing a fair interest rate and the most extensive customer coverage via aggressive branch expansion to serve customers in nearby areas. The company plans to expand to every village in Thailand, except for the three southernmost border provinces.<br>To tackle unconventional competitors such as FINTECH, the company is developing the Muangthai Capital 4.0 application to further expand its retail portfolio of loan products. Before being listed on the Stock Exchange of Thailand (SET), the company only offered motorcycle registration loans. After listing on the SET, the company added vehicle title loans, vehicle title loans for agriculture, land title deed loans, unsecured personal loans, and Nano finance loans. The company recently expanded to offer motorcycle hire purchase loans to existing customers who have a good record of payment. |
| <b>Social</b>                    | Human resource management  | Turnover was 17% of the 20% targeted rate. MTC provides marriage allowances, childbirth financial support, and a shared fund to help employees suffering from the loss of family members, etc.  |
|                                  | Human rights   | In 2022, female employees were 10.9% of total, while female employees at the head office were 39.4%. Females in management positions with a revenue-generating function accounted for 17.6%. MTC has three disabled employees. To provide opportunities for Thai youth, MTC offers a paid-internship program for treasury positions at its branches with monthly compensation.  |
|                                  | Occupational health  | MTC offers accommodation at its branch buildings and a dormitory with a fitness facility at its head office. Employee activities include New Year parties, sporting events, and an annual company trip. There were eight cases of work-related injury in 2022 compared with five in 2021.   |
|                                  | Employee training  | The company encourages employees to develop skills and the knowledge necessary to perform their work with maximum efficiency and effectiveness through training and an internal learning platform called "MTC University", a digital library which all employees can access to enhance their working knowledge.   |
|                                  | Customer satisfaction  | The most recent satisfaction assessment result was 83.59%, with 80% the target.   |
|                                  | Social projects (CSR)  | In 2022, MTC designed, built, and donated its third Chitmetta Chuchat Daonapha Building worth THB30m in a small village in the north to serve as a dental and administrative centre. The building was designed to have high ceilings for adequate ventilation, electricity savings, and hygiene. The company also built 20 modified motorcycles worth more than THB2.4m for villagers in 20 sub-districts to allow convenient commutes to access public health services. MTC also provided THB2m in financial support for courses offering beekeeping technology training, product development, as well as financial and marketing knowledge to over 650 farmers.   |
| <b>Environment</b>               | Air pollution, greenhouse gas emissions  | The company reduced energy consumption to loans issued to 2.07, down from 2.38 in 2021, as part of its efforts to lower energy and water consumption and cut greenhouse gas emissions. The company operates with environmental considerations in mind by choosing partners who use environmentally friendly products and setting policies and guidelines for the most efficient use of resources.   |
| <b>Awards and recognitions</b>   | <b>Development of world-class ESG performance</b>  |   |
|                                  | MSCI ESG Ratings   | Rated "AA" on ESG performance in the Consumer Finance sector  |
|                                  | Sustainable Development Goals  | Applied the Sustainable Development Goals (SDGs) in accordance with United Nations policies and guidelines  |
|                                  | S&P Global   | Participated in the ESG rating by S&P Global  |
|                                  | The Disclosure Insight Action for Sustainable Economy (CDP)  | Received "D Level" rating for environmental disclosure and performance <sup>a)</sup>  |
|                                  | Thai Investors Association   | Rated "very good" with a full 100 score for quality assessment at the 2022 AGM <sup>b)</sup>  |
|                                  | Collective Action Coalition: Action Against Corruption (CAC)   | Certified by Thailand's Private Sector CAC  |
|                                  | Thailand Sustainable Investment (THSI)   | The first microfinance listed in THSI, listed for the fourth consecutive year in 2022   |
|                                  | Thai Institute of Directors (IOD)  | Rated "Excellent" (five stars) for the fifth consecutive year in CG assessment of SET-listed companies in 2022  |

<sup>a)</sup> CDP's D-score or "Disclosure Level" indicates an extensive set of disclosed information and is deemed the starting point for organisations that want to demonstrate that they have begun their environmental journey; <sup>b)</sup> Annual General Meeting of shareholders

Additional information: [MTC's sustainability report, 2022](#)

Source: FSSIA compilation

## Financial Statements

### Muangthai Capital

| Profit and Loss (THB m) Year Ending Dec | 2021    | 2022    | 2023E   | 2024E    | 2025E    |
|---|---------|---------|---------|----------|----------|
| Interest Income                         | 15,195  | 19,199  | 23,503  | 28,241   | 34,055   |
| Interest expense                        | (2,127) | (2,813) | (3,976) | (4,855)  | (5,837)  |
| Net interest income                     | 13,068  | 16,386  | 19,527  | 23,387   | 28,218   |
| Net fees & commission                   | 769     | 792     | 870     | 905      | 941      |
| Foreign exchange trading income         | -       | -       | -       | -        | -        |
| Securities trading income               | -       | -       | -       | -        | -        |
| Dividend income                         | 20      | 0       | 0       | 0        | 0        |
| Other income                            | 55      | 78      | 65      | 70       | 80       |
| Non interest income                     | 843     | 869     | 935     | 975      | 1,021    |
| Total income                            | 13,911  | 17,255  | 20,462  | 24,361   | 29,239   |
| Staff costs                             | (6,961) | (8,069) | (9,617) | (11,450) | (13,742) |
| Other operating costs                   | -       | -       | -       | -        | -        |
| Operating costs                         | (6,961) | (8,069) | (9,617) | (11,450) | (13,742) |
| Pre provision operating profit          | 6,949   | 9,187   | 10,845  | 12,912   | 15,497   |
| Expected credit loss                    | (748)   | (2,433) | (4,564) | (4,966)  | (5,551)  |
| Other provisions/expenses               | -       | (394)   | (550)   | (700)    | (800)    |
| Operating profit                        | 6,201   | 6,360   | 5,731   | 7,246    | 9,146    |
| 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                       | 6,201   | 6,360   | 5,731   | 7,246    | 9,146    |
| Tax                                     | (1,257) | (1,267) | (1,146) | (1,449)  | (1,829)  |
| Profit after tax                        | 4,945   | 5,093   | 4,585   | 5,796    | 7,317    |
| Non-controlling interest                | -       | -       | -       | -        | -        |
| Preferred dividends                     | -       | -       | -       | -        | -        |
| Other items                             | -       | -       | -       | -        | -        |
| Reported net profit                     | 4,945   | 5,093   | 4,585   | 5,796    | 7,317    |
| Non recurring items & goodwill (net)    | -       | -       | 0       | 0        | 0        |
| Recurring net profit                    | 4,945   | 5,093   | 4,585   | 5,796    | 7,317    |
| <b>Per share (THB)</b>                  |         |         |         |          |          |
| Recurring EPS *                         | 2.33    | 2.40    | 2.16    | 2.73     | 3.45     |
| Reported EPS                            | 2.33    | 2.40    | 2.16    | 2.73     | 3.45     |
| DPS                                     | 0.37    | 0.95    | 0.86    | 1.08     | 1.36     |
| <b>Growth</b>                           |         |         |         |          |          |
| Net interest income (%)                 | 8.0     | 25.4    | 19.2    | 19.8     | 20.7     |
| Non interest income (%)                 | 4.4     | 3.1     | 7.5     | 4.3      | 4.7      |
| Pre provision operating profit (%)      | 2.8     | 32.2    | 18.1    | 19.1     | 20.0     |
| Operating profit (%)                    | (4.2)   | 2.6     | (9.9)   | 26.4     | 26.2     |
| Reported net profit (%)                 | (4.3)   | 3.0     | (10.0)  | 26.4     | 26.2     |
| Recurring EPS (%)                       | (4.3)   | 3.0     | (10.0)  | 26.4     | 26.2     |
| Reported EPS (%)                        | (4.3)   | 3.0     | (10.0)  | 26.4     | 26.2     |
| <b>Income Breakdown</b>                 |         |         |         |          |          |
| Net interest income (%)                 | 93.9    | 95.0    | 95.4    | 96.0     | 96.5     |
| Net fees & commission (%)               | 5.5     | 4.6     | 4.3     | 3.7      | 3.2      |
| Foreign exchange trading income (%)     | -       | -       | -       | -        | -        |
| Securities trading income (%)           | -       | -       | -       | -        | -        |
| Dividend income (%)                     | 0.1     | -       | -       | -        | -        |
| Other income (%)                        | 0.4     | 0.5     | 0.3     | 0.3      | 0.3      |
| <b>Operating performance</b>            |         |         |         |          |          |
| Gross interest yield (%)                | 18.90   | 18.30   | 18.02   | 18.20    | 18.40    |
| Cost of funds (%)                       | 3.38    | 3.36    | 3.80    | 3.90     | 3.90     |
| Net interest spread (%)                 | 15.52   | 14.94   | 14.22   | 14.30    | 14.50    |
| Net interest margin (%)                 | 16.3    | 15.6    | 15.0    | 15.1     | 15.3     |
| Cost/income(%)                          | 50.0    | 46.8    | 47.0    | 47.0     | 47.0     |
| Credit cost (%)                         | 7.9     | 7.1     | 7.0     | 7.1      | 3.00     |
| Effective tax rate (%)                  | 20.3    | 19.9    | 20.0    | 20.0     | 20.0     |
| Dividend payout on recurring profit (%) | 15.9    | 39.5    | 39.5    | 39.5     | 39.5     |
| ROE (%)                                 | 21.7    | 18.9    | 15.1    | 17.2     | 19.1     |
| ROE - COE (%)                           | 10.9    | 8.1     | 4.3     | 6.4      | 8.3      |
| ROA (%)                                 | 5.6     | 4.5     | 3.3     | 3.6      | 3.8      |
| RORWA (%)                               | -       | -       | -       | -        | -        |

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

## Financial Statements

### Muangthai Capital

| Balance Sheet (THB m) Year Ending Dec      | 2021          | 2022           | 2023E          | 2024E          | 2025E          |
|--|---------------|----------------|----------------|----------------|----------------|
| Gross customer loans                       | 90,701        | 119,084        | 141,713        | 168,664        | 201,410        |
| Allowance for expected credit loss         | (1,832)       | (3,686)        | (5,071)        | (6,085)        | (7,302)        |
| interest in suspense                       | 1,200         | 1,675          | 1,970          | 2,364          | 2,837          |
| <b>Net customer loans</b>                  | <b>90,069</b> | <b>117,073</b> | <b>138,612</b> | <b>164,943</b> | <b>196,945</b> |
| Bank loans                                 | -             | -              | -              | -              | -              |
| Government securities                      | -             | -              | -              | -              | -              |
| Trading securities                         | -             | -              | -              | -              | -              |
| Investment securities                      | 0             | 0              | 0              | 0              | 0              |
| Cash & equivalents                         | 1,306         | 3,213          | 1,587          | 1,491          | 1,662          |
| Other interesting assets                   | -             | -              | -              | -              | -              |
| Tangible fixed assets                      | 2,054         | 2,037          | 2,241          | 2,465          | 2,712          |
| Associates                                 | -             | -              | -              | -              | -              |
| Goodwill                                   | -             | -              | -              | -              | -              |
| Other intangible assets                    | -             | -              | -              | -              | -              |
| Other assets                               | 4,961         | 5,743          | 6,118          | 7,010          | 8,043          |
| <b>Total assets</b>                        | <b>98,390</b> | <b>128,066</b> | <b>148,558</b> | <b>175,909</b> | <b>209,362</b> |
| Customer deposits                          | -             | -              | -              | -              | -              |
| Bank deposits                              | -             | -              | -              | -              | -              |
| Other interest bearing liabilities         | 71,325        | 96,143         | 113,110        | 135,840        | 163,502        |
| Non interest bearing liabilities           | 2,197         | 2,833          | 3,662          | 4,300          | 5,067          |
| Hybrid Capital                             | -             | -              | -              | -              | -              |
| <b>Total liabilities</b>                   | <b>73,521</b> | <b>98,976</b>  | <b>116,773</b> | <b>140,140</b> | <b>168,569</b> |
| Share capital                              | 2,120         | 2,120          | 2,120          | 2,120          | 2,120          |
| Reserves                                   | 22,749        | 26,971         | 29,665         | 33,648         | 38,673         |
| <b>Total equity</b>                        | <b>24,869</b> | <b>29,091</b>  | <b>31,785</b>  | <b>35,768</b>  | <b>40,793</b>  |
| Non-controlling interest                   | -             | -              | -              | -              | -              |
| <b>Total liabilities &amp; equity</b>      | <b>98,390</b> | <b>128,066</b> | <b>148,558</b> | <b>175,909</b> | <b>209,362</b> |
| <b>Supplementary items</b>                 |               |                |                |                |                |
| Risk weighted assets (RWA)                 | n/a           | n/a            | n/a            | n/a            | n/a            |
| Average interest earning assets            | 80,400        | 104,892        | 130,398        | 155,188        | 185,037        |
| Average interest bearing liabilities       | 62,931        | 83,734         | 104,627        | 124,475        | 149,671        |
| CET 1 capital                              | n/a           | n/a            | n/a            | n/a            | n/a            |
| Total capital                              | 0             | 0              | 0              | 0              | 0              |
| Gross non performing loans (NPL)           | 1,276         | 3,507          | 4,828          | 5,793          | 6,952          |
| <b>Per share (THB)</b>                     |               |                |                |                |                |
| Book value per share                       | 11.73         | 13.72          | 14.99          | 16.87          | 19.24          |
| Tangible book value per share              | 11.73         | 13.72          | 14.99          | 16.87          | 19.24          |
| <b>Growth</b>                              |               |                |                |                |                |
| Gross customer loans                       | 29.4          | 31.3           | 19.0           | 19.0           | 19.4           |
| Average interest earning assets            | 24.1          | 30.5           | 24.3           | 19.0           | 19.2           |
| Total asset (%)                            | 27.4          | 30.2           | 16.0           | 18.4           | 19.0           |
| Risk weighted assets (%)                   | -             | -              | -              | -              | -              |
| Customer deposits (%)                      | -             | -              | -              | -              | -              |
| <b>Leverage &amp; capital measures</b>     |               |                |                |                |                |
| Customer loan/deposits (%)                 | -             | -              | -              | -              | -              |
| Equity/assets (%)                          | 25.3          | 22.7           | 21.4           | 20.3           | 19.5           |
| Tangible equity/assets (%)                 | 25.3          | 22.7           | 21.4           | 20.3           | 19.5           |
| RWA/assets (%)                             | -             | -              | -              | -              | -              |
| CET 1 CAR (%)                              | -             | -              | -              | -              | -              |
| Total CAR (%)                              | -             | -              | -              | -              | -              |
| <b>Asset Quality (FSSIA's calculation)</b> |               |                |                |                |                |
| Change in NPL (%)                          | 70.8          | 174.8          | 37.7           | 20.0           | 20.0           |
| NPL/gross loans (%)                        | 1.4           | 2.9            | 3.4            | 3.4            | 3.5            |
| Allowance for ECL/gross loans (%)          | 2.0           | 3.1            | 3.6            | 3.6            | 3.6            |
| Allowance for ECL/NPL (%)                  | 143.6         | 105.1          | 105.0          | 105.0          | 105.0          |
| <b>Valuation</b>                           |               |                |                |                |                |
| Recurring P/E (x) *                        | 14.6          | 14.2           | 15.7           | 12.4           | 9.9            |
| Recurring P/E @ target price (x) *         | 15.9          | 15.4           | 17.1           | 13.5           | 10.7           |
| Reported P/E (x)                           | 14.6          | 14.2           | 15.7           | 12.4           | 9.9            |
| Dividend yield (%)                         | 1.1           | 2.8            | 2.5            | 3.2            | 4.0            |
| Price/book (x)                             | 2.9           | 2.5            | 2.3            | 2.0            | 1.8            |
| Price/tangible book (x)                    | 2.9           | 2.5            | 2.3            | 2.0            | 1.8            |
| Price/tangible book @ target price (x)     | 3.2           | 2.7            | 2.5            | 2.2            | 1.9            |

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) "**Sustainability Investment List (THSI)**" by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### Corporate Governance Report Disclaimer

The disclosure of the survey result 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 companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). 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 data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

**GENERAL DISCLAIMER**

**ANALYST(S) CERTIFICATION**

Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

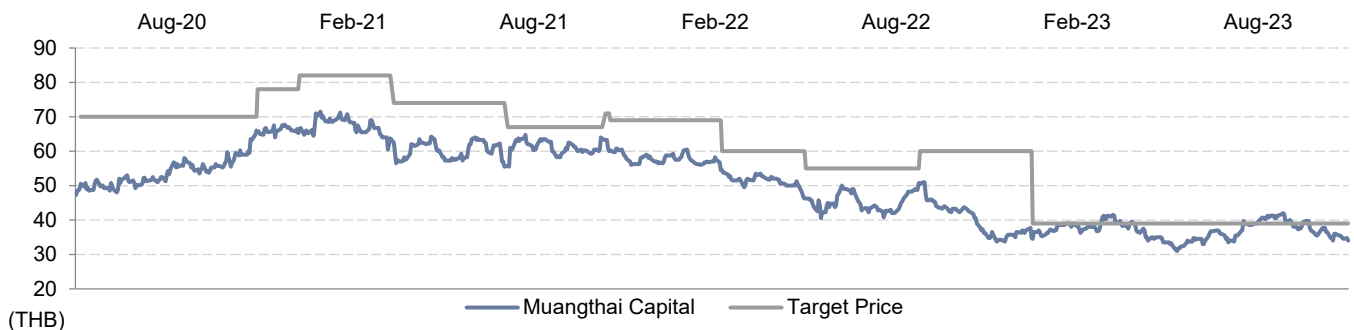
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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**

**Muangthai Capital (MTC TB)**



| Date        | Rating | Target price | Date        | Rating | Target price | Date        | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 13-Aug-2020 | BUY    | 70.00        | 13-Aug-2021 | BUY    | 67.00        | 28-Apr-2022 | BUY    | 55.00        |
| 12-Jan-2021 | BUY    | 78.00        | 05-Nov-2021 | BUY    | 71.00        | 04-Aug-2022 | BUY    | 60.00        |
| 17-Feb-2021 | BUY    | 82.00        | 11-Nov-2021 | BUY    | 69.00        | 09-Nov-2022 | HOLD   | 39.00        |
| 07-May-2021 | BUY    | 74.00        | 15-Feb-2022 | BUY    | 60.00        | 08-Aug-2023 | HOLD   | 37.00        |

Usanee Liurut, CISA started covering this stock from 08-Aug-2023

Price and TP are in local currency

Source: FSSIA estimates

| Company           | Ticker | Price     | Rating | Valuation & Risks   |
|-------------------|--------|-----------|--------|---|
| Muangthai Capital | MTC TB | THB 34.00 | HOLD   | Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks to our TP include 1) a better asset quality control; and 2) an increase interest rate charge to clients. |

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 08-Aug-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.