

NGERN TID LOR TIDLOR TB

THAILAND / FINANCE & SECURITIES

BUY

Iron flower in a whirlwind

- We are optimistic that TIDLOR's leadership and professionalism in the title loan business should distinguish the company from its peers.
- TIDLOR's insurance brokerage business is another source of income that supports growth and diversifies against risks to long-term profits.
- We initiate TIDLOR with a BUY call and GGM-based TP of THB28.

TARGET PRICE	THB28.00
CLOSE	THB22.90
UP/DOWNSIDE	+22.3%
TP vs CONSENSUS	-2.3%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	4,533	4,771	5,768	7,246
Net profit	3,640	3,817	4,614	5,797
EPS (THB)	1.46	1.36	1.64	2.06
vs Consensus (%)	-	(5.2)	(3.5)	0.7
Recurring net profit	3,640	3,817	4,614	5,797
Core EPS (THB)	1.46	1.36	1.64	2.06
EPS growth (%)	6.7	(6.8)	20.9	25.6
Core P/E (x)	15.7	16.9	13.9	11.1
Dividend yield (%)	3.3	1.2	1.4	1.8
Price/book (x)	2.2	2.3	2.0	1.7
ROE (%)	15.2	14.2	15.2	16.6
ROA (%)	4.8	4.2	4.4	4.8

Push-pull loan strategy amid a vulnerable context

TIDLOR's mixed lending policy in 1H23 amid an uneven economic recovery saw the company hit the brakes on used truck hire-purchase (12% of total loans) to avoid deteriorating asset quality, while at the same time accelerating auto title loans (88% of total). This strategy, along with the relaxation of certain loan conditions, showed returns that were worth the risk. We are optimistic that TIDLOR's business acumen in the vehicle title loan business should distinguish the company from its competitors (MTC, SAWAD). Furthermore, the positive results of its technology-intensive investments coupled with branch expansion can be seen in the superior performance of its branches over competitors (both loans and net profit per branch).

A diversified and fast-growing insurance brokerage business

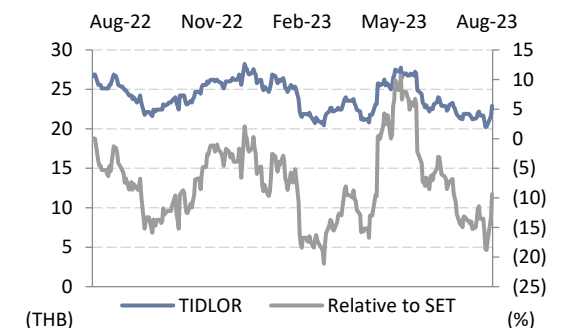
Insurance fees (life and non-life insurance) are another critical source of revenue for TIDLOR (18% of 2022 total revenue) that reduces the company's dependence on interest income. In 2022, TIDLOR's non-life insurance premiums hit a record high of THB7b with an average commission of 21-23% (close to market leader TQM). We expect this to continue in 2023-25 with fee income growth rising by 24-25% p.a.

Solid 2H23 PPOP as asset quality bottoms out in 3Q23

We expect 1H23 net profit to be sustained in 2H23. Supported by seasonality, pre-provision operating profit growth (PPOP) should continue and offset the rising credit cost and operating expenses from IT investments and branch expansion. We forecast 2023 net profit to rise slightly by 4.9% y-y, with the main drag – rising credit cost – expected to peak in 3Q23 and fall in 4Q23, as PPOP delivers impressive growth from the auto title lending and insurance brokerage businesses. This trend should continue in 2024-25, delivering net profit growth of 20.9% y-y and 25.6% y-y, respectively, with auto title loans the main driver. We also forecast a lower credit cost (same level as 4Q22 but higher than pre-Covid) due to better asset quality from its stringent lending policy.

Initiate with a BUY call; strength lies in diversified finance

We initiate coverage of TIDLOR with a BUY call at the current price, based on its outstanding record as a well-diversified finance company compared to its peers. Our 2023 GGM-based TP of THB28 implies a P/BV of 2.76x.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.0	(8.4)	(13.4)
Relative to country (%)	3.9	(9.4)	(9.5)
Mkt cap (USD m)	1,839		
3m avg. daily turnover (USD m)	16.3		
Free float (%)	21		
Major shareholder	Bank of Ayudhya (30%)		
12m high/low (THB)	28.44/19.80		
Issued shares (m)	2,809		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We initiate coverage of TIDLOR with a BUY call at the current price due to:

- 1) TIDLOR's leadership and professionalism in the vehicle title loan business that distinguishes the company from its competitors (Muangthai Capital (MTC TB, NR), Srisawad Corporation (SAWAD TB, NR). Technology-intensive investments coupled with branch expansion has shown positive results in branch performance over competitors (both in loans and net profit per branch).
- 2) The insurance brokerage business is another source of income that supports growth (high margins) and diversifies risks to long-term profits.
- 3) Asset quality may be a short-term pressure, but we think TIDLOR should be able to proactively manage NPLs efficiently as it has the highest coverage ratio relative to peers.
- 4) A potential return of 23.7% p.a. (22.3% potential upside plus an expected dividend yield of 1.4% p.a.)

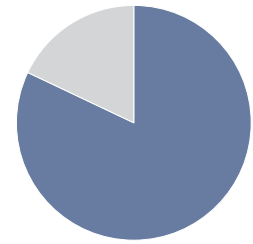
Company profile

TIDLOR, founded in October 2006, is a non-bank financial services provider and an operator of technology-enabled, inclusive financial services. The company offers a full suite of vehicle title loans (motorcycles, cars, pickup trucks and tractors), hire-purchase financing for used trucks, and insurance brokerages services under the brand "Ngern Tid Lor".

www.ngerntidlor.com

Principal activities (revenue, 2022)

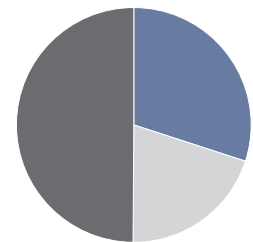
- Net interest income - 82.0 %
- Non-interest income - 18.0 %



Source: Ngern Tid Lor

Major shareholders

- Bank of Ayudhya - 30.0 %
- Siam Asia Credit Access PTE Ltd - 20.1 %
- Others - 49.9 %



Note: Siam Asia Credit Access divested TIDLOR to 16.40% on 30 Jun 2023

Source: Ngern Tid Lor, as of 20 Apr 2023

Catalysts

- 1) A faster-than-expected economic recovery in Thailand;
- 2) A faster-than-expected new government formation;
- 3) Upcoming economic stimulus from the new government;
- 4) Higher-than-expected growth in non-life insurance premiums.

Risks to our call

Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB X); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.

Event calendar

Date	Event
2 nd week of Nov 2023	3Q23 results announcement

Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
Net profit (THB m)	3,817	4,614	5,797
Net profit growth (%)	4.85	20.89	25.64
Spread (%)	15.24	15.25	15.31
Loan growth (%)	15.38	17.08	18.23
Net interest income growth (%)	22.66	16.71	18.25
Fee growth (%)	24.53	24.82	25.10
Credit cost (%)	3.39	3.32	3.08
Cost to income (%)	55.50	55.50	55.50

Source: FSSIA estimates

Earnings sensitivity

			2023E	
Loan growth	±2ppt	13.4%	15.4%	17.4%
<i>% change in net profit</i>		(1)		+1
Spread (%)	±10bp	15.14%	15.24%	15.34%
<i>% change in net profit</i>		(1)		+1
Credit cost (%)	±10bp	3.29	3.39	3.49
<i>% change in net profit</i>		+2		(2)

Source: FSSIA estimates

Combination push-pull strategy amid a vulnerable context

We saw TIDLOR's mixed lending policy in 1H23 shift amid an uneven economic recovery, as it hit the brakes on used truck hire-purchase (12% of total loans) to avoid deteriorating asset quality, while speeding up auto title loan growth (88% of total). We believe this strategy, along with the relaxation of certain loan conditions, has shown that the potential returns are worth the risk.

During 2019-22, TIDLOR recorded aggressive loan growth at a 19% CAGR, with end-2022 outstanding loans hitting THB79.9b on a total active borrower base of 882,000. Title loan growth (87% of total loans) was the key driver with a 26% CAGR (still below the industry average of 32%), while hire-purchase receivables (13% of total loans) contracted 3% over the same period.

Exhibit 1: Personal consumption and spending in Thailand

	2018	2019	2020	2021	2022	1Q23
Household debt to GDP (%)	82.7	84.1	94.2	94.7	91.4	90.6
Household monthly spending (THB)	21,346	20,742	21,329	21,616	22,372	n/a
Thailand personal consumption (THB b)	10,268	10,849	11,276	11,656	12,087	12,141

*Data from the National Statistical Office's survey; Based on data from Ministry of Commerce, household spending in Jul-23 was THB18,130 of which 41.47% was for food and non-alcoholic drinks and 58.53% for non-food; compared to THB18,136 in Dec-22 and THB17,127 in Dec-21.

Sources: Bank of Thailand; [National Statistical Office](#); FSSIA's compilation

Exhibit 2: Thailand's vehicle registrations

	Motorcycle (m)	Car (m)	Others (m)	Bus & truck (m)	Total (m)	Change (y-y)
2018	21.1	16.5	0.7	1.3	39.6	3.2%
2019	21.4	17.3	0.7	1.3	40.7	2.9%
2020	21.6	17.9	0.7	1.3	41.5	1.9%
2021	21.8	18.4	0.8	1.3	42.3	2.0%
2022	22.3	19.0	0.8	1.4	43.4	2.6%
1H23	22.5	19.4	0.7	1.4	44.0	1.3%+

+ % change year-to-date

Sources: Department of Land Transport; FSSIA's compilation

Exhibit 4: Product range vs regulated interest rate

Loans type	Credit line (THB)	Max tenor (month)	Regulated interest rate	Regulator*
Vehicle title	≤ 500,000	80	24%	BoT
Land title	≤ 400,000	80	15%	CCC
Personal loan	≤ 20,000	36	25%	BoT
Nano finance	≤ 40,000	50	33%	BoT
Motorcycle HP	≤ 100,000	72	23%	CCC
Muangthai Pay Later	≤ 50,000	60	25%	BoT

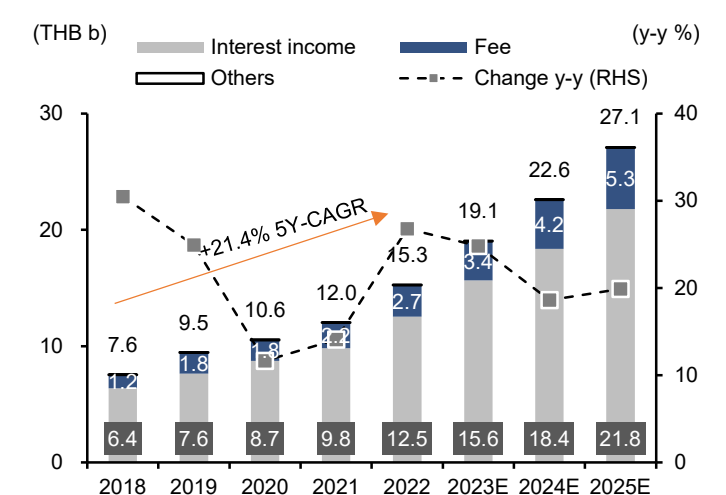
*BoT stands for Bank of Thailand, CCC stands for Civil and Commercial Code
Source: FSSIA's compilation

Exhibit 3: Thailand's vehicle title loans, 2019-1Q23

	Vehicle title loans (THB b)	NPL (THB b)	% of NPL
2019	90.557	0.863	1.0%
2020	118.196	2.046	1.7%
2021	149.189	2.173	1.5%
2022	209.704	4.137	2.0%
3yr CAGR	32.3%	68.6%	
1Q23	226.772	4.368	1.9%

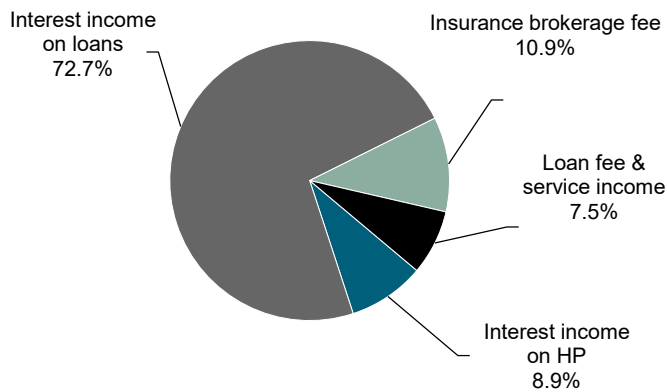
Source: Bank of Thailand

Exhibit 5: Revenue breakdown and growth, 2018-2025E



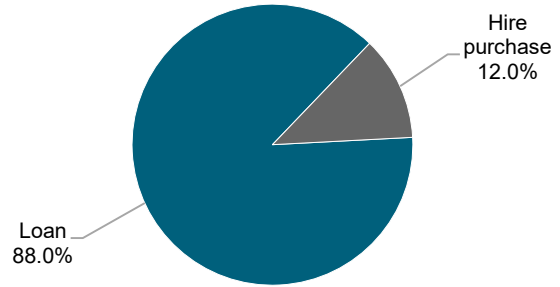
Sources: TIDLOR; FSSIA's compilation

Exhibit 6: Revenue breakdown, 1H23



Sources: TIDLOR; FSSIA's compilation

Exhibit 7: Loan portfolio breakdown, 2Q23



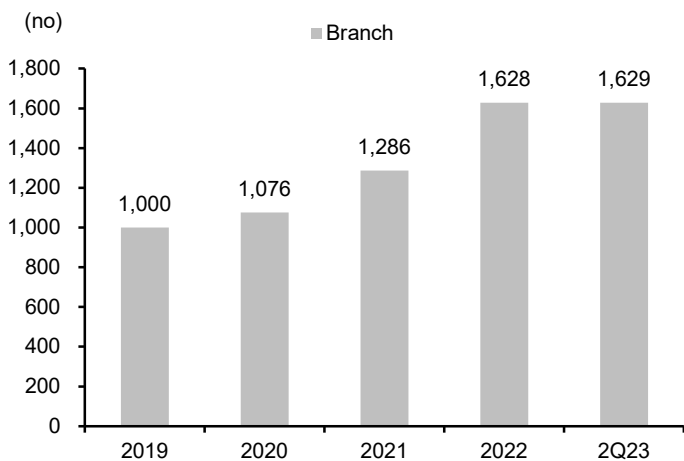
Source: TIDLOR

TIDLOR's aggressive growth has been driven by title loans for cars, motorcycles, and trucks, along with pilot product non-title loans offered under test conditions. In addition, its IPO on 10 May 2021 provided cTHB7.76b that was used to repay loans and expand its capital base for issuing new loans, as well as IT investments to support its digital transformation. There was also a boost from its omni-channel and innovation-led approach which enhanced customer accessibility and competitiveness with sustainably high-level productivity.

The company has continued to expand in all service channels. In 2022, the company opened 342 new outlets, bringing its number of full-service outlets to 1,628 and achieving an average loan amount per branch of THB49m (higher than MTC and SAWAD).

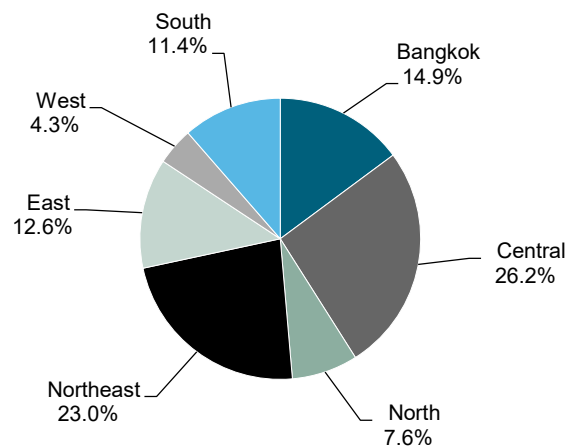
However, the aggressive branch expansion, which nearly doubled in 2019-22, led to a decline in employee productivity. The policy was temporarily slowed down, with TIDLOR opening only one new store in 1H23. However, the company plans to open around 50 more outlets in 2H23.

Exhibit 8: Branches nationwide



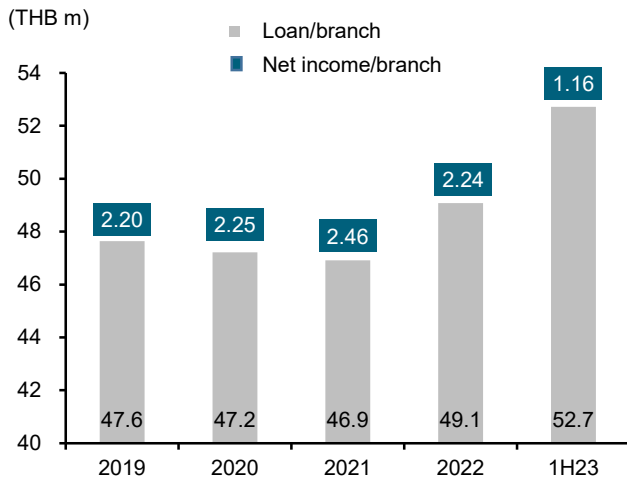
Sources: TIDLOR; FSSIA's compilation

Exhibit 9: Branches by region, 2Q23



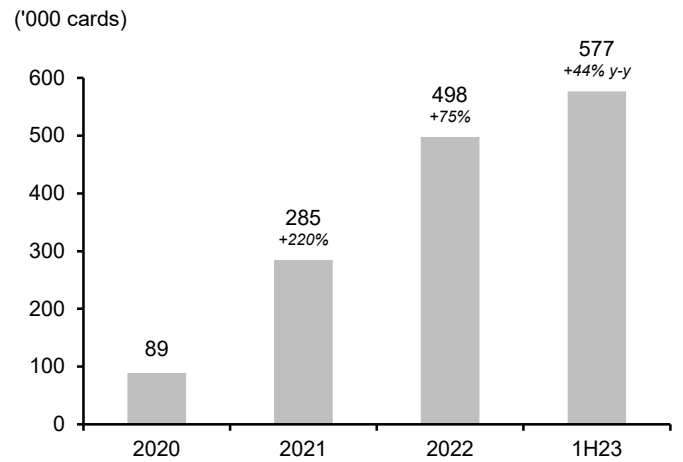
Source: TIDLOR

Exhibit 10: Loans and net income per branch



Sources: TIDLOR; FSSIA's compilation

Exhibit 11: TIDLOR Card growth



Source: TIDLOR

Tidlor Card is another main support channel for extending revolving credit lines to customers, in addition to auto title loans and pick-up title loans. TIDLOR Card offers customers the convenience of micro-transactions (minimum THB500 per transaction) by accessing the credit line 24 hours a day. In cases where customers want to increase their credit line after paying several installments or nearly closing the account, the company will automatically top up their credit without requiring that customers visit the branch to close the old account and open a new one. This significantly reduces operating costs at the outlet.

Since the company launched the card in 2021, ticket numbers have nearly doubled from 285,000 in 2021 to 498,000 in 2022 and 577,000 at the end of 1H23 (+44% y-y).

TIDLOR strictly controls the quality of TIDLOR Card loans. The company deducts the principal and interest from the customers' installments for each period, which does not fall within the Bank of Thailand's revolving personal loans and persistent debt. If the customer defaults on a payment for more than one installment, TIDLOR suspends the card immediately. In addition, the company reviews the card's credit limit each year if the customer has a record of late payment.

In contrast, TIDLOR's hire-purchase receivables in the used truck group began to see a slowdown in 1Q23 as loan quality deteriorated due to the impacts on its mainly SME customers from the increase in oil prices and the lagging economic recovery. As a result, the company adjusted its credit policy to be more stringent. TIDLOR disclosed that it would accelerate lending to this group after a broad-based economic recovery is underway and the new government's formation is clear.

A diversified and fast-growing insurance brokerage business

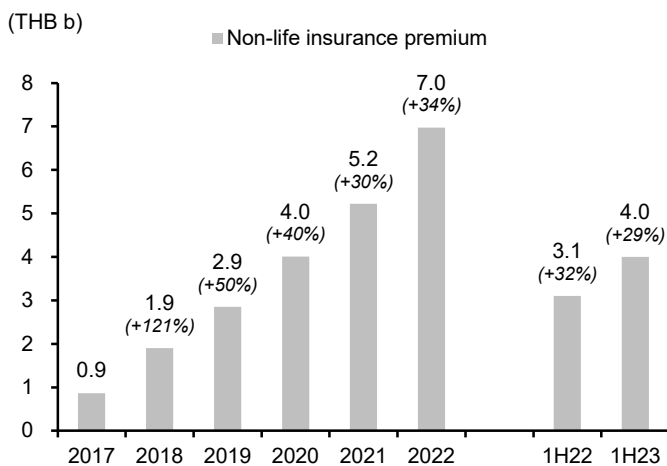
Insurance (life and non-life insurance), another critical source of revenue for TIDLOR (18% of total revenue in 2022), is a risk-free business that helps diversify the company from its dependence solely on interest income. Insurance brokerage fees can be broken down into two types: 1) life insurance brokerage fees, which vary with life insurance premiums, and credit life insurance, which grows in line with the company's credit expansion, and 2) non-life insurance fees, mostly motor insurance premiums, which vary based on non-life insurance premiums.

Non-life insurance brokerage fees showed aggressive growth at a 31% CAGR during 2020-22, in line with non-life insurance premiums (second-largest market share in the insurance brokerage industry), which grew 35% in the same period, outpacing the industry's paltry 4% CAGR growth in non-life insurance premiums over the same period. In 2022, TIDLOR's non-life insurance premiums achieved a record high of THB7b with an average commission rate of 21-23% (close to TQM, which has the largest market share).

TIDLOR revealed that 85-90% of non-life insurance brokerage customers are new, non-finance customers. Tidlor Insurance has sold more than a million policies, a figure that is higher than the number of customers in the company's credit business. We believe this reflects solid branding, more accessibility via multichannel sales (agents, brokers, bancassurance, telesales, and the company's website), extensive product innovation, and technological capabilities.

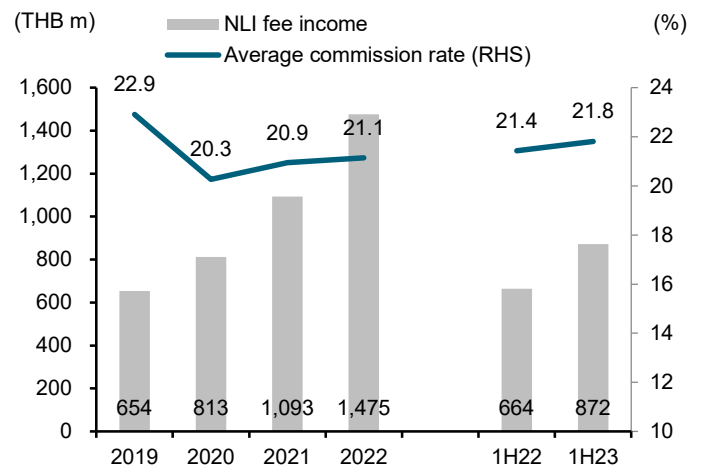
In addition, more than 50% of total written premiums are for first-class motor insurance, driven by aggressive marketing and a zero-interest installment plan that does not require a credit card.

Exhibit 12: Non-life insurance premiums



Data in brackets are growth y-y
Sources: TIDLOR; FSSIA's compilation

Exhibit 13: Non-life insurance fees and average commission



Sources: TIDLOR; FSSIA's compilation

Duration matching discipline helps manage market risks

We like TIDLOR's asset and liabilities management policy due to its duration matching, which allows the firm to lock in interest rate spreads over the term. It also helps reduce market risk, primarily interest rate risk.

During 2019-22, TIDLOR's average loan yield was sustained at approximately 17.49-17.87%, while its cost of funds continued to decline from 2.95% in 2019 to 2.51% in 2022, in line with the market rate direction. Lower market interest rates improved spreads from 14.54% in 2019 to 15.37% in 2022.

Exhibit 14: TIDLOR's loan products

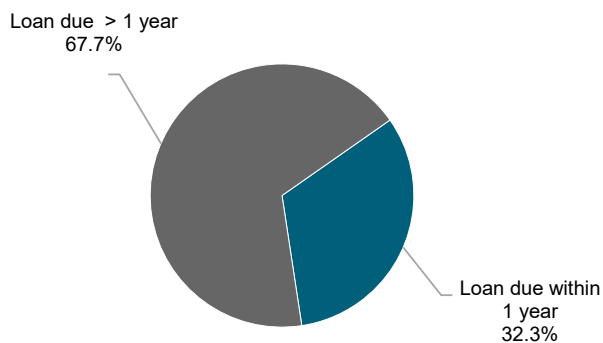
Type of loans	Average duration	Average annual interest rate
Motorcycle title loans	2 years	22-23%
Four-wheel car title loans	3-4 years	18-21%
Hire-purchase - trucks	3-5 years	15-16%

Sources: TIDLOR; FSSIA's compilation

In 1H23, loan yield increased to 18.83% from 18.61% in 1H22, reflecting increased title loan yields and truck hire-purchase loan yields. As funding costs rose to 2.98% in line with the market interest rate that has continued to grow since 3Q22, TIDLOR's spread fell to 15.85% from 16.13% in 1H22.

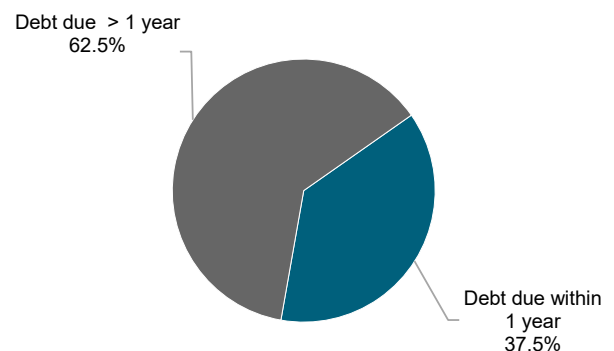
Given the continued uptrend in interest rates in 2H23, we expect the full-year spread in 2023 to soften to 15.24% from 15.37% in 2022, while the 2024-25 spread should increase slightly to 15.26% and 15.32%, respectively.

Exhibit 15: Loans by maturity, 2Q23



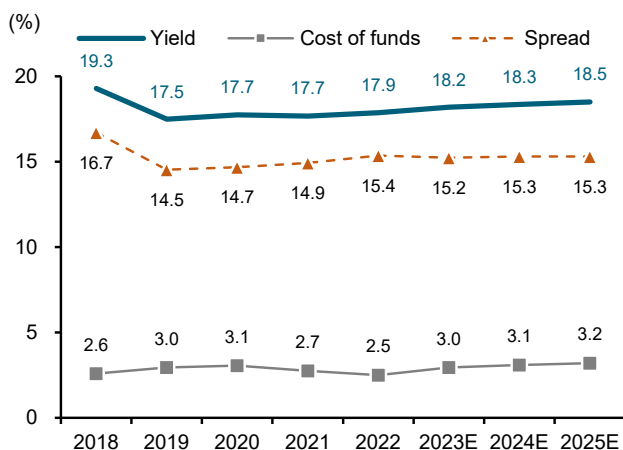
Sources: TIDLOR; FSSIA's compilation

Exhibit 16: Debt by payment due date, 2Q23



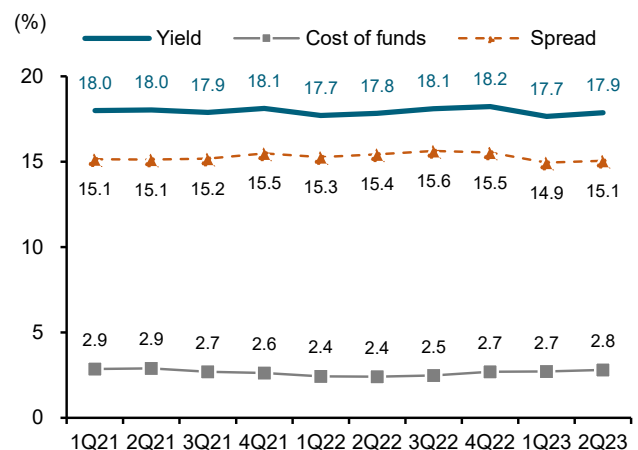
Sources: TIDLOR; FSSIA's compilation

Exhibit 17: Yields, cost of funds, and spreads, 2018-2025E



Sources: TIDLOR; FSSIA estimates

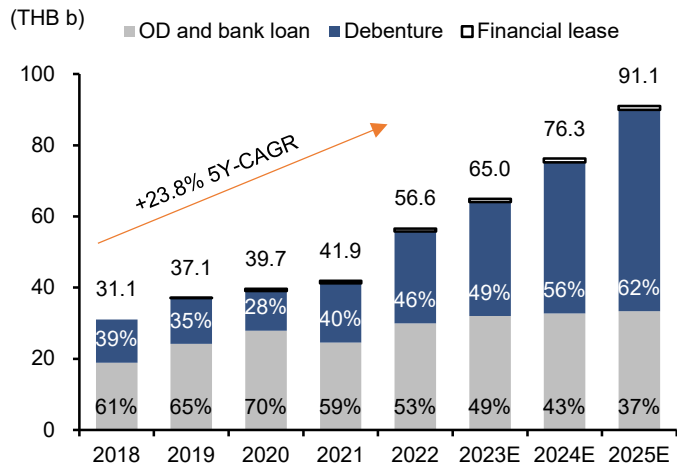
Exhibit 18: Yields, cost of funds, and spreads, quarterly



Sources: TIDLOR; FSSIA's compilation

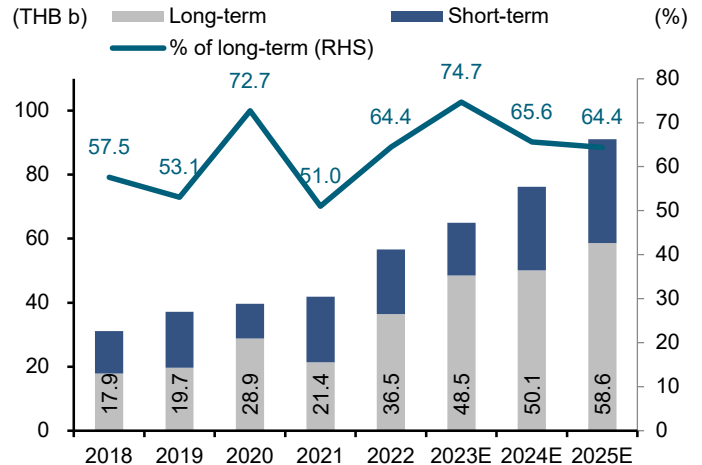
Considering TIDLOR's total borrowings, the proportion of 1H23 debentures was 46% (up from 35% of total in 2019), and the remaining 54% was bank loans from domestic and foreign financial institutions (down from 65% in 2019). TIDLOR has a total credit line worth THB26b from financial institutions (THB20b from Bank of Ayudhya (BAY TB, NR)). All borrowings have a fixed interest rate and are hedged by a cross-currency interest rate swap contract to reduce foreign and interest rate risks. The company has received an "A" rating from Tris, which is the industry's highest rating.

Exhibit 19: Breakdown of funding sources, 2018-2025E



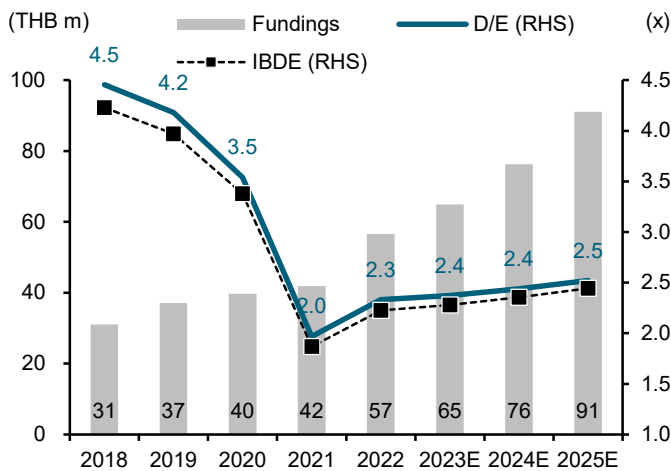
Sources: TIDLOR; FSSIA estimates

Exhibit 20: Short-term vs long-term funding, 2018-2025E



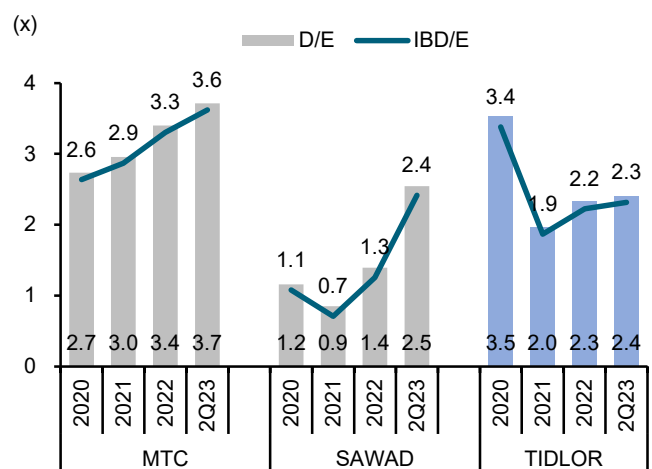
Sources: TIDLOR; FSSIA estimates

Exhibit 21: Funding vs IBDE and D/E, 2018-2025E



Sources: TIDLOR; FSSIA estimates

Exhibit 22: Comparison of D/E and IBDE ratios of MTC, SAWAD, and TIDLOR, as of 2Q23



Source: Company data; FSSIA's compilation

Exhibit 23: Long-term debenture funding vs weighted average cost

		1Q	2Q	3Q	4Q	Total	% of	Coupon*
		(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	Total	(%)
MTC	2023				6,656	6,656	9.4	3.14
	2024	6,386	5,060	7,074	6,449	24,970	35.4	3.12
	2025	7,479	7,075	5,352	1,598	21,504	30.5	3.67
	2026	3,386	5,946	996	1,000	11,329	16.1	3.92
	2027	1,928	2,452	500		4,880	6.9	4.17
	2028	1,121				1,121	1.6	4.50
MTC total		20,300	20,534	13,923	15,703	70,459	100.0	3.51
SAWAD	2023			2,000	550	2,550	7.0	2.95
	2024	3,247		2,818	3,779	9,844	27.1	3.40
	2025	657	4,113	2,883	1,253	8,906	24.5	3.80
	2026	2,000	6,353	500		8,852	24.4	4.22
	2027	2,003	1,315			3,317	9.1	4.38
	2028		2,844			2,844	7.8	4.65
SAWAD Total		7,906	14,624	8,201	5,582	36,313	100.0	3.85
TIDLOR	2023			4,000		4,000	14.0	1.17
	2024		5,350	3,000		8,350	29.1	1.54
	2025	1,000		6,500	5,800	13,300	46.4	1.53
	2026	2,000	1,000			3,000	10.5	2.98
TIDLOR total		3,000	6,350	13,500	5,800	28,650	100.0	1.64
Grand total		31,205	41,508	35,624	27,085	135,422		3.21

*Weighted average, as of 16 Aug 2023;

Sources: Thai Bond Dealer Club; FSSIA's compilation

TIDLOR's 1H23 debt-equity ratio (D/E) was 2.40x, up from 2.33x at end-2022, while the 1H23 interest-bearing debt ratio (IBDE) was 2.32x, up from 2.23x at end-2022. TIDLOR's D/E ratio is still within the defined debt covenant level of below 6x. However, as TIDLOR is a foreign juristic person registered in Thailand under the Foreign Business Act, B.E. 2542 (1999), the company must maintain an interest bearing debt (IBD) to paid-up capital ratio not exceeding 7x. As of 1H23, IBD/paid-up capital equaled 5.92x, still under the requirement.

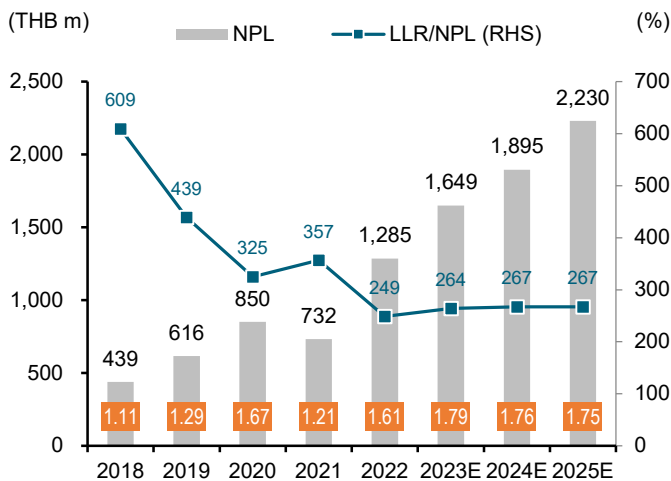
TIDLOR tries to manage capital by paying stock dividends. In 2022, the company paid stock dividends with a ratio of eight existing shares to one new share, together with a cash dividend equal to THB0.292, representing a dividend payout ratio of c52%. (In 2021, it also paid stock dividends at a proportion of 13 existing shares to one new share and paid a cash dividend of THB0.274, representing a dividend payout ratio of c41%). We expect TIDLOR to continue its policy of paying stock dividends in 2023-25 to manage its capital (not included in our forecast). While this policy has enhanced its capital base, it caused a dilution effect on EPS in 2021-22 of 12% and 8%, respectively.

Asset quality expected to bottom in 3Q23

TIDLOR's asset quality is still a cause for concern, as we expect both its non-performing loan (NPL) ratio and credit cost to accelerate and peak in 3Q23 before declining in 4Q23 due to the company's ongoing aggressive debt restructuring measures (debt restructuring and writing off bad debts).

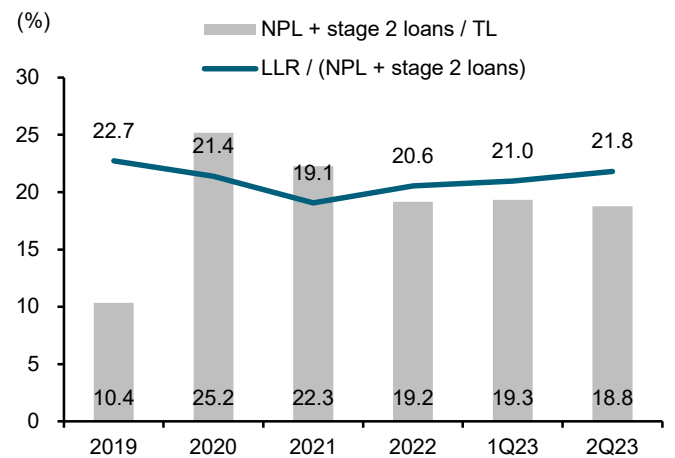
The NPL ratio has increased continuously from 1.28% in 1Q22 to 1.56% at the end of 2Q23, mainly due to accelerated growth in NPLs in the used truck hire purchase group. Used truck hire purchase loans accounted for 12% of total loans, but 22% of total NPLs at the end of 2Q23, despite continuous loan contraction from strict lending requirements in this group. In comparison, NPLs in the title loan group (88% of total loans, but only 78% of total NPLs) were minimal at 1.8% of TIDLOR's 2023 target.

Exhibit 24: NPLs and coverage ratio



Note: Figure at the bottom of each bar shows % NPL ratio
Sources: TIDLOR; FSSIA estimates

Exhibit 25: Coverage for NPLs + stage 2 loans

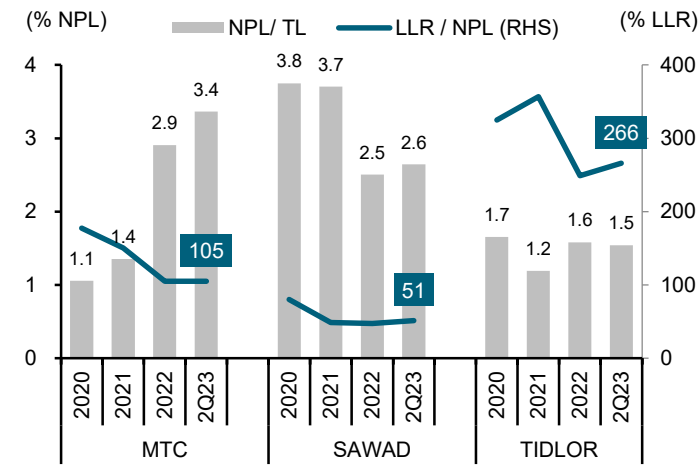


Sources: TIDLOR; FSSIA estimates

In addition, the proportion of stage 2 loans compared to total loans was 17.2% at the end of 2Q23. In our view, this is not a worrying trend due to the company's aggressive debt restructuring measures. The company also disclosed a high level of stage 2 loans compared to peers (MTC 9.6%, SAWAD 6.6%), which we think was due to TIDLOR's conservative policy of classifying customer profiles as risky despite no loan delinquency.

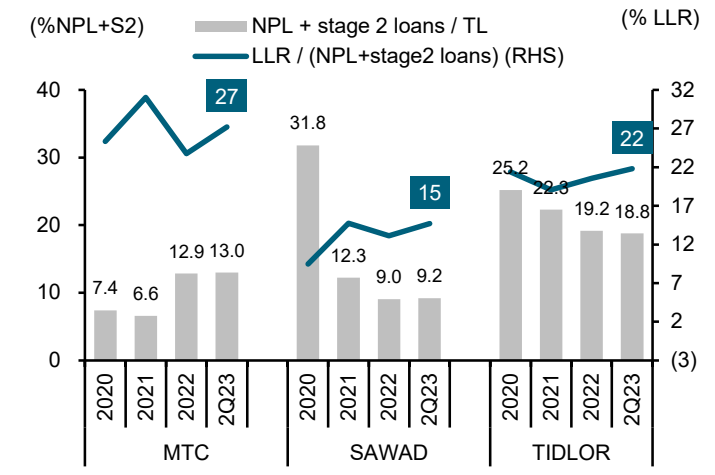
However, when we compared TIDLOR's stage 2 and stage 3 loans against MTC and SAWAD, we found that TIDLOR's coverage ratio (LLR/stage 3 loans) – 266% at end-2Q23 – was in the same range compared to its peers when all available loan loss reserves compared to stage 2 and 3 loans were combined as shown in Exhibit 27. This advantage was mitigated, with MTC showing the highest percentage at 27%, followed by TIDLOR at 22% and SAWAD 15%.

Exhibit 26: Comparison of NPLs/loans and LLR/NPL



Sources: Company data; FSSIA's compilation

Exhibit 27: NPLs + stage 2/loans and LLR/NPLs + stage 2



Sources: Company data; FSSIA's compilation

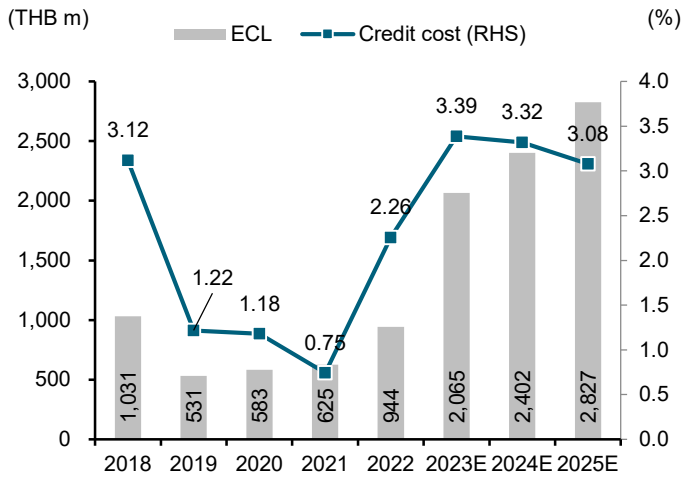
Exhibit 28: TIDLOR – asset quality

	1Q22 (THB m)	2Q22 (THB m)	3Q22 (THB m)	4Q22 (THB m)	2Q23 (THB m)
Total NPL	823	984	1,151	1,285	1,247
- Auto Title Loan	659	805	931	1,021	965
- HP	164	179	220	264	283
NPL/TL	1.3%	1.4%	1.5%	1.6%	1.56%
- Auto Title Loan	1.2%	1.4%	1.4%	1.5%	1.36%
- HP	1.7%	1.8%	2.2%	2.5%	2.68%
Stage 2	10,602	12,693	13,812	14,280	14,793
- Auto Title Loans	8,270	10,050	10,677	10,733	11,254
- HP	2,332	2,642	3,135	3,547	3,539
Stage 2 / Loan	16.4%	18.3%	18.5%	17.9%	18.1%
- Auto Title Loans	15.0%	16.9%	16.6%	15.5%	15.8%
- HP	24.6%	26.8%	30.7%	33.5%	33.6%
Total LLR	2,612	2,655	2,918	3,199	3,364
- Auto Title Loans	2,292	2,354	2,567	2,793	2,935
- HP	320	302	351	406	429
LLR/TL	4.0%	3.8%	3.9%	4.0%	4.1%
- Auto Title Loans	4.2%	4.0%	4.0%	4.0%	4.1%
- HP	3.4%	3.1%	3.4%	3.8%	4.1%
Coverage Ratio (LLR/NPL)	317%	270%	254%	249%	266%
- Auto Title Loans	348%	292%	276%	274%	304%
- HP	195%	168%	159%	154%	152%

Sources: TIDLOR; FSSIA's compilation

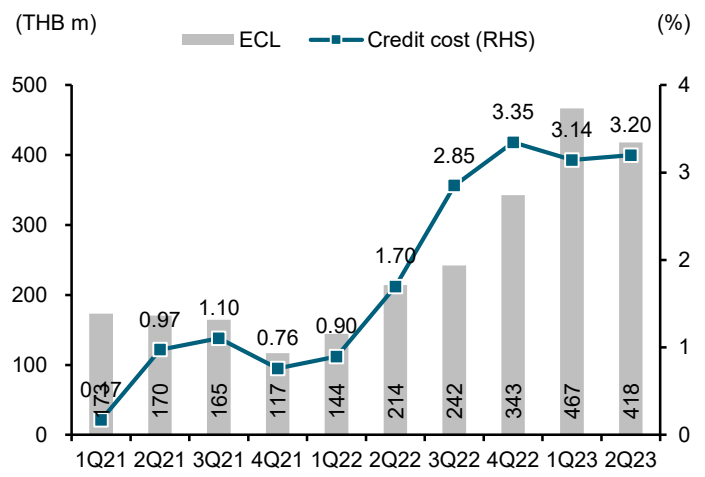
TIDLOR's credit cost (including losses on sales of repossessed cars) continued rising to 3.36% in 1H23 from 1.31% in 1H22, mainly to support aggressive debt management and NPL write-offs to clean up its balance sheet. In 2H23, we think its credit cost should continue to accelerate from 1H23. We expect 2023 credit cost to be 3.39% under an expected NPL ratio of 1.79% and coverage ratio (LLR/NPL) of 264%, slightly weaker than in 1H23.

Exhibit 29: Annual ECL and credit cost



Sources: TIDLOR; FSSIA estimates

Exhibit 30: Quarterly ECL and credit cost



Source: TIDLOR

Exhibit 31: TIDLOR's staged loans with allowances for ECL and coverage ratio (%) 2020-2Q23

	2020 (THB m)	2021 (THB m)	2022 (THB m)	2Q23 (THB m)	2020 (%)	2021 (%)	2022 (%)	2Q23 (%)
Loans and accrued interest					Staged loans % of total loans			
Stage 1	38,410	47,769	65,700	70,865	74.8	77.7	80.8	81.2
Stage 2	12,072	12,957	14,280	15,037	23.5	21.1	17.6	17.2
Stage 3	850	732	1,285	1,344	1.7	1.2	1.6	1.5
Total	51,331	61,458	81,265	87,246	100.0	100.0	100.0	100.0
Expected credit loss (ECL)					ECL % of staged loans			
Stage 1	997	934	1,075	1,217	36.1	35.8	33.6	34.0
Stage 2	1,034	1,086	1,311	1,491	37.4	41.6	41.0	41.7
Stage 3	732	591	813	866	26.5	22.6	25.4	24.2
Total	2,763	2,611	3,199	3,573	100.0	100.0	100.0	100.0
LLR / Loans								
Stage 1	2.6	2.0	1.6	1.7				
Stage 2	8.6	8.4	9.2	9.9				
Stage 3	86.1	80.7	63.2	64.4				
Total	5.4	4.2	3.9	4.1				
	(%)	(%)	(%)	(%)				
NPL/TL	1.66	1.19	1.58	1.56				
NPL vs stage 2 loans/total loans	25.17	22.27	19.15	18.77				
LLR/NPL	325.07	356.57	248.90	265.95				
LLR/(NPLs vs stage 2 loans)	21.38	19.07	20.55	21.81				

Sources: TIDLOR; FSSIA's compilation

Exhibit 32: MTC's staged loans with allowances for ECL and coverage ratio (%) 2020-2Q23

	2020 (THB m)	2021 (THB m)	2022 (THB m)	2Q23 (THB m)	2020 (%)	2021 (%)	2022 (%)	2Q23 (%)
Loans and accrued interest					Staged loans % of total loans			
Stage 1	65,372	81,837	105,097	115,581	92.6	93.4	87.1	87.0
Stage 2	4,489	4,578	12,009	12,800	6.4	5.2	10.0	9.6
Stage 3	747	1,187	3,507	4,470	1.1	1.4	2.9	3.4
Total	70,607	87,602	120,613	132,851	100.0	100.0	100.0	100.0
Expected credit loss (ECL)					ECL % of staged loans			
Stage 1	538	709	767	989	40.6	39.7	20.8	21.1
Stage 2	307	349	682	940	23.1	19.5	18.5	20.0
Stage 3	481	729	2,237	2,770	36.3	40.8	60.7	58.9
Total	1,326	1,788	3,686	4,699	100.0	100.0	100.0	100.0
LLR / Loans								
Stage 1	0.8	0.9	0.7	0.9				
Stage 2	6.8	7.6	5.7	7.3				
Stage 3	64.4	61.4	63.8	62.0				
Total	1.9	2.0	3.1	3.5				
NPL/TL								
	1.1	1.4	2.9	3.4				
NPLs vs stage 2 loans/total loans								
	7.4	6.6	12.9	13.0				
LLR/NPL								
	177.5	150.6	105.1	105.1				
LLR/(NPLs vs stage 2 loans)								
	25.3	31.0	23.8	27.2				

Sources: MTC; FSSIA's compilation

Exhibit 33: SAWAD's staged loans with allowances for ECL and coverage ratio (%) 2020-2Q23

	2020 (THB m)	2021 (THB m)	2022 (THB m)	2Q23 (THB m)	2020 (%)	2021 (%)	2022 (%)	2Q23 (%)
Loans and accrued interest					Staged loans % of total loans			
Stage 1	26,914	29,562	50,271	79,089	68.2	87.7	91.0	90.8
Stage 2	11,064	2,879	3,614	5,722	28.0	8.5	6.5	6.6
Stage 3	1,480	1,249	1,385	2,303	3.8	3.7	2.5	2.6
Total	39,459	33,689	55,270	87,115	100.0	100.0	100.0	100.0
Expected credit loss (ECL)					ECL % of staged loans			
Stage 1	249	73	171	349	20.9	12.1	26.1	29.5
Stage 2	785	369	238	386	66.1	60.7	36.3	32.7
Stage 3	154	166	247	446	13.0	27.2	37.7	37.8
Total	1,188	609	656	1,181	100.0	100.0	100.0	100.0
LLR / Loans								
Stage 1	0.9	0.2	0.3	0.4				
Stage 2	7.1	12.8	6.6	6.7				
Stage 3	10.4	13.3	17.9	19.4				
Total	3.0	1.8	1.2	1.4				
NPL/TL								
	3.75	3.71	2.51	2.64				
NPL vs stage 2 loans/total loans								
	31.79	12.25	9.05	9.21				
LLR/NPL								
	80.25	48.76	47.37	51.28				
LLR/(NPLs vs stage 2 loans)								
	9.47	14.75	13.12	14.72				

Sources: SAWAD; FSSIA's compilation

Despite flat 2H23E earnings, PPOP momentum should still be good

TIDLOR's 1H23 net profit of THB1.88b (-2% y-y) accounted for 49% of our 2023 forecast. The 1H23 PPOP at THB3.66b was up significantly by 30% y-y, mainly from 25% y-y higher net interest income. 1H23 fee income was another area delivering strong growth, up 27% y-y, exceeding its 2023 target of 20-25% y-y growth. The gains were driven by insurance brokerage fees, mainly non-life insurance premiums.

1H23 loan growth showed an impressive 24% y-y increase, exceeding TIDLOR's 10-15% y-y target, pushed by the auto title loan segment where TIDLOR slightly loosened its lending policy for clients with acceptable risk-reward profiles. In contrast, hire-purchase receivables showed a slight increase of 5% y-y, reflecting TIDLOR's strict lending policy to control asset quality in this segment. Meanwhile, the number of new branches remained flat (+1 branch in 1H23), bringing the loans per branch ratio up to THB53.6m (3x that of its peers).

TIDLOR's 1H23 interest spread was unimpressive, down 28bp y-y to 15.85%, pressured by a higher cost of funds (+50bp y-y), while loan yield remained stable. 1H23 operating expenses increased 22% y-y on continued IT and branch investment, sending its cost-to-income ratio lower to 54.5% from 56.1% in 1H22.

Regarding asset quality, 1H23 expected credit losses rose by 147% y-y on growing loans and NPL management, especially from used truck hire purchase receivables (12% of total loans). In 1H23, credit cost (including losses from sales of repossessed vehicles) significantly jumped to 3.36% from 1.37% in 1Q23. Over the same period, the NPL ratio increased to 1.56% from 1.52% in 1H22 (still lower than SAWAD and MTC), while the coverage ratio was 266% in 1H23 (the highest).

2H23 and 2024-25 outlook

We expect net profit in 2H23 to continue the trend set in 1H23. PPOP growth driven by seasonality should offset the rising credit cost and operating expenses from IT investment and branch expansion. We forecast 2023 net profit to slightly increase by 4.9% y-y despite the rising credit cost, which should peak in 3Q23 and fall in 4Q23, with PPOP benefiting from impressive growth in auto title lending and insurance brokerage fees. This trend should continue in 2024-25 with net profit growth estimated at 20.9% y-y and 25.6% y-y, respectively, driven mainly by auto title loans. We also forecast a lower credit cost (same level as 4Q23E but higher than pre-Covid) due to better asset quality from its stringent lending policy.

Exhibit 34: Key financial assumptions (2023-25)

	2023E	2024E	2025E
	(%)	(%)	(%)
Loan growth (y-y)	15.4	17.1	18.2
Fee income growth (y-y)	24.5	24.8	25.1
Credit cost (including losses on sales of repossessed cars)	3.39	3.32	3.08
NPL ratio	1.79	1.76	1.75
Cost-to-income ratio	55.5	55.5	55.5

Source: FSSIA estimates

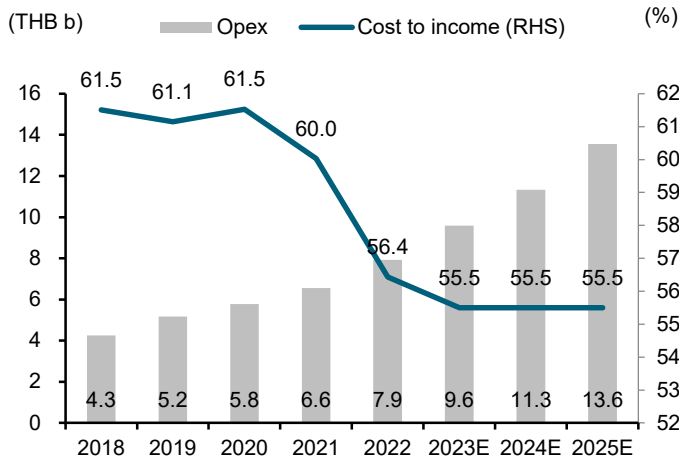
Exhibit 35: 2Q23 operations summary

	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	2,987	3,260	3,520	3,567	3,744	4.9	25.3	7,311	27.1	47	15,650	24.9
Interest expense	(286)	(313)	(367)	(395)	(426)	7.9	48.9	(821)	48.0	46	(1,793)	45.2
Net interest income	2,701	2,947	3,154	3,172	3,317	4.6	22.8	6,490	24.9	47	13,857	22.7
Fee income	623	660	836	760	777	2.2	24.7	1,537	26.6	46	3,375	24.5
Other income	6	10	11	18	9	(49.2)	43.7	27	152.7	67	40	26.4
Total income	3,330	3,617	4,001	3,950	4,103	3.9	23.2	8,054	25.4	47	17,272	23.0
Operating expenses	(1,823)	(1,983)	(2,339)	(2,120)	(2,270)	7.1	24.5	(4,389)	21.9	46	(9,586)	21.0
Pre-provision operating profit	1,507	1,634	1,662	1,831	1,833	0.2	21.7	3,664	29.9	48	7,686	25.7
Expected credit loss	(214)	(242)	(343)	(467)	(418)	(10.4)	95.2	(885)	146.8	43	(2,065)	118.8
Profit after ECL	1,293	1,392	1,319	1,364	1,415	3.8	9.5	2,779	12.9	49	5,621	8.7
Other expenses	(70)	(271)	(303)	(168)	(252)	n/a	n/a	(420)	n/a	n/a	(850)	33.0
Operating profit	1,223	1,121	1,016	1,196	1,164	(2.7)	(4.9)	2,360	(1.5)	49	4,771	5.2
Income tax	(242)	(220)	(199)	(241)	(236)	(1.8)	(2.2)	(477)	0.6	50	(954)	6.8
Net profit	981	901	817	955	927	(2.9)	(5.5)	1,882	(2.1)	49	3,817	4.9
EPS (THB)	0.39	0.36	0.33	0.34	0.33	(2.9)	(16.0)	0.67	(12.9)	49	1.36	(6.8)
NPL	984	1,151	1,285	1,247	1,344	7.7	36.5	1,344	36.5		1,649	28.3
Loans	69,424	74,564	79,898	81,693	85,882	5.1	23.7	85,882	23.7		92,190	15.4
Interest bearing debt	48,746	52,333	56,613	59,872	61,527	2.8	26.2	61,527	26.2		64,950	14.7
Key ratios	2Q22	3Q22	4Q22	1Q23	2Q23	(q-q)	(y-y)	1H23	(y-y)		2023E	Change
	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)		(THB m)	(ppt)
Yield on loans	17.84	18.11	18.23	17.66	17.87	0.21	0.03	18.83	0.22		18.19	0.32
Cost of funds	2.40	2.48	2.69	2.71	2.81	0.10	0.40	2.98	0.50		2.95	0.44
Spread	15.43	15.63	15.54	14.95	15.06	0.11	(0.37)	15.85	(0.28)		15.24	(0.13)
Cost to income	54.74	54.81	58.46	53.66	55.32	1.66	0.57	54.50	(1.59)		55.50	(0.94)
Credit cost	1.28	1.35	1.78	2.31	2.00	(0.32)	0.72	2.28	1.12		2.40	1.05
Credit cost incl. gain (loss) from car repossessions	1.70	2.85	3.35	3.14	3.20	0.05	1.50	3.36	1.99		3.39	1.13
NPL / Loan	1.42	1.54	1.61	1.53	1.56	0.04	0.15	1.56	0.15		1.79	0.18
LLR / Loan	3.82	3.91	4.00	4.12	4.16	0.04	0.34	4.16	0.34		4.72	0.72
Coverage ratio	269.85	253.52	248.90	269.72	265.95			265.95			264.01	
D/E (x)	2.14	2.22	2.33	2.37	2.40			2.40			2.37	
IBD/E (x)	2.06	2.13	2.23	2.27	2.32			2.32			2.28	
IBD/Total debt (%)	96.10	96.00	95.46	95.83	96.41			96.41			96.12	
S/T debt/IBD (%)	47.63	37.57	35.57	33.98	37.50			37.50			25.33	
Loan growth q-q	7.57	7.40	7.15	2.25	5.13							
Loan growth y-y	28.06	34.09	32.42	26.58	23.71			23.71			15.38	
Loan growth YTD	15.06	23.58	32.42	2.25	7.49			7.49				
	(no.)	(no.)	(no.)	(no.)	(no.)	(%)	(%)	(no.)	(%)		(no.)	(%)
Branch (no)	1,484	1,574	1,628	1,629	1,629	0.0	9.8	1,629	9.8		1,679	3.1
Increase from prior period (no)	96	90	54	1	0			145			51	
Loans per branch (THB m)	46.78	47.37	49.08	50.15	52.72	5.1	12.7	52.72	12.7		55	11.9
Net profit per branch (THB m)	0.66	0.57	0.50	0.59	0.57	(2.9)	(13.9)	2.31	(10.8)		2.27	1.7
Non-life insurance premium	1,486	1,600	2,300	2,100	1,900	(9.5)	27.9	4,000	29.0		n/a	
Average commission rate (%)	22.2	21.6	20.3	22.0	21.6	(0.4)	(0.6)	29.0	(2.7)			

*Credit cost incl. gain (loss) from car repossessions

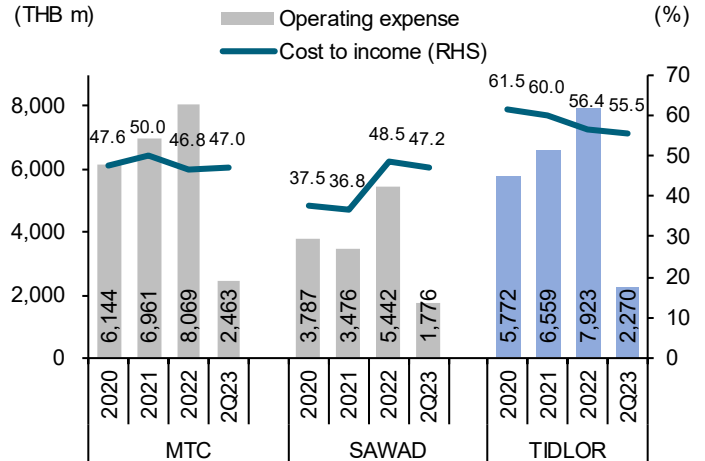
Sources: TIDLOR; FSSIA estimates

Exhibit 36: Operating expenses vs CIR, 2018-2025E



Sources: TIDLOR; FSSIA estimates

Exhibit 37: Comparison of OPEX and CIR



Sources: Company data; FSSIA's compilation

Exhibit 38: Comparison of operating performance

	MTC				SAWAD				TIDLOR			
	2020 (THB m)	2021 (THB m)	2022 (THB m)	2Q23 (THB m)	2020 (THB m)	2021 (THB m)	2022 (THB m)	2Q23 (THB m)	2020 (THB m)	2021 (THB m)	2022 (THB m)	2Q23 (THB m)
Loan	70,098	90,701	119,084	131,257	39,450	33,668	55,147	86,983	50,807	60,339	79,898	85,882
Net profit	5,168	4,945	5,093	1,200	4,510	4,688	4,448	1,146	2,416	3,169	3,640	927
Branch (no.)	4,884	5,799	6,668	7,260	4,750	4,908	5,316	5,385	1,076	1,286	1,628	1,629
<i>Increase (no.)</i>	777	915	869	592	670	158	408	69	76	210	342	1
Loans per branch	14.35	15.64	17.86	18.85	5.67	4.84	7.92	12.49	7.30	8.67	11.48	12.34
Net profit per branch	1.06	0.85	0.76	0.17	0.95	0.96	0.84	0.21	2.25	2.46	2.24	0.57
Vehicle title loans	49,069	63,491	78,595	89,255	20,483	12,694	16,812	36,553	42,317	51,426	69,323	75,585
<i>Market share (%)</i>	41.5	42.6	37.5	36.3	17.3	8.5	8.0	14.9	35.8	34.5	33.1	30.8
Loan growth y-y (%)	17.8	29.4	31.3	23.6	11.2	(14.7)	63.8	113.5	6.7	18.8	32.4	23.7
Yields (%)	21.5	18.9	18.3	18.0	21.8	18.8	19.8	18.2	17.7	17.7	17.9	17.9
Cost of funds (%)	3.7	3.4	3.4	3.5	3.6	3.5	3.1	3.4	3.1	2.7	2.5	2.8
Interest spread (%)	17.8	15.5	14.9	14.5	18.2	15.2	16.7	14.8	14.7	14.9	15.4	15.1
Operating expense	6,144	6,961	8,462	2,463	3,787	3,476	5,442	1,776	5,772	6,559	7,923	2,270
<i>Cost to income (%)</i>	47.6	50.0	46.8	48.0	37.5	36.8	48.5	45.5	61.5	60.0	56.4	55.3
ECL	291	748	2,433	4,699	1,312	736	748	1,380	2,763	2,611	3,199	3,573
<i>Credit cost (%)</i>	0.45	0.93	2.70	3.18	0.86	(1.24)	0.18	3.04	1.18	1.12	1.35	2.00
Net profit	5,168	4,945	5,093	1,200	4,510	4,688	4,264	1,146	2,416	3,169	3,640	927
<i>ROE (%)</i>	28.2	21.7	18.9	16.1	20.4	18.4	15.9	15.6	22.9	18.6	15.2	14.0
D/E ratio (x)	2.73	2.96	3.40	3.71	1.16	0.85	1.40	2.55	3.54	1.97	2.33	2.40
IBD/E ratio (x)	2.64	2.87	3.30	3.62	1.08	0.71	1.26	2.42	3.38	1.87	2.23	2.32

Sources: Company data; FSSIA's compilation

Initiate with a BUY call; strength lies in diversified finance

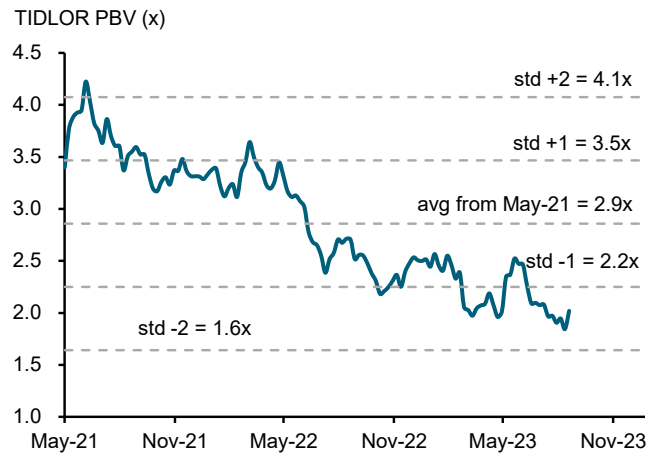
We initiate coverage of TIDLOR with a BUY call at the current price based on its status as a well-diversified finance company compared to its peers (MTC, SAWAD). Our 2023 GGM-based TP of THB28 implies a P/BV of 2.76x. TIDLOR offers a potential return in 2023E of 23.7% p.a., with a 22.3% potential upside plus an expected dividend yield of 1.4% p.a.

Exhibit 39: GGM-derived TP, 2023E

Target price	THB 28.00
Sustainable ROE	15.5%
g	6.4%
ROE-g	9.1%
Beta	1.20
Risk free rate	2.5%
Risk premium	6.0%
COE	9.7%
COE-g	3.3%
ROE-g/COE-g (P/BV)	2.76x

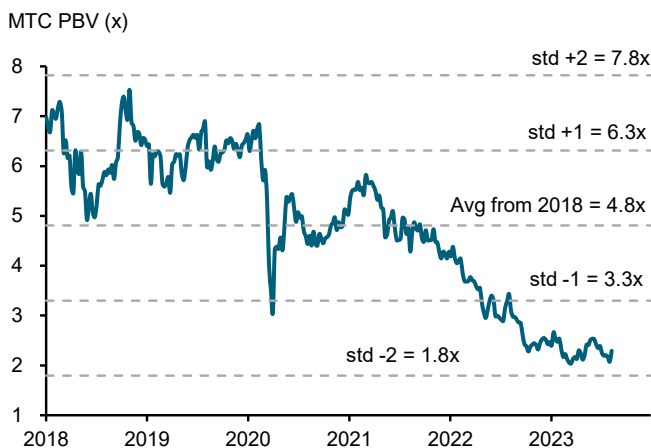
Source: FSSIA estimates

Exhibit 40: TIDLOR – one-year prospective P/BV band



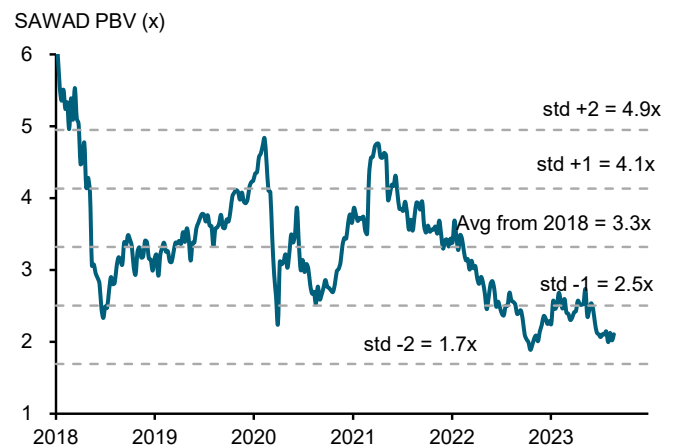
Sources: Bloomberg; FSSIA estimates

Exhibit 41: MTC – one-year prospective P/BV band



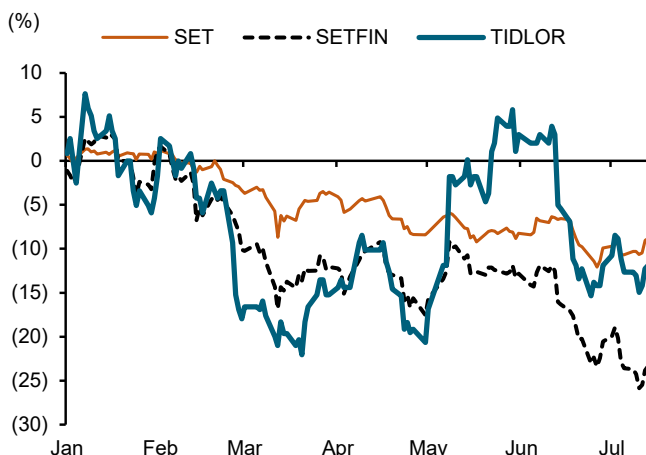
Sources: Bloomberg; FSSIA estimates

Exhibit 42: SAWAD – one-year prospective P/BV band



Sources: Bloomberg consensus

Exhibit 43: Price performance year-to-18 Aug 2023



Sources: Bloomberg; FSSIA's compilation

Exhibit 44: Price performance year-to-18 Aug 2023

BBG	Price (THB)	Price Performance				
		1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
MTC TB	39.25	2.0	(1.9)	11.8	(16.0)	0.0
SAWAD TB	47.00	(3.7)	(12.4)	(13.6)	(12.4)	(5.6)
TIDLOR TB	21.60	(9.6)	(20.0)	(16.5)	(24.0)	(21.4)
SET Index	1,525.85	(1.1)	(0.5)	(8.0)	(7.1)	(9.0)
SETFIN Index	405.29	(0.2)	5.3	7.0	5.8	3.8

Sources: Bloomberg; FSSIA's compilation

Corporate Governance and ESG – TIDLOR

Board structure, 2022

Independent Directors (ID)	4/12 of board members, one female
Percentage of IDs on the board	33.3%
ID attendance at board meetings	100%

Additional information: Chairman and the other three directors are nominated by Bank of Ayudhya. Three directors are nominated by Siam Asia Credit Access Pte. Ltd.

Audit Practices

Auditor	Deloitte Touche Tohmatsu Jaiyos Audit Co Ltd.
Fee track record	THB2.6m in 2022

Additional information: None

ESG and sustainability management

Vision, Mission, and Goals - "At Ngern Tid Lor, in everything we do, we strive to empower people and enrich lives. We believe that access to fair, transparent, and responsible financial services is everyone's right. We deliver financial betterment by offering relevant products and services that are simple to understand, convenient, and fast, through our committed employees."

Material Sustainability Aspects in 2022



In 2022, the Company set its sustainable development goals in line with the UN's Sustainable Development Goals (SDGs), namely, to be the leader in the vehicle title loan and insurance brokerage business by adhering to the principles of good corporate governance and placing importance on all stakeholders.

The Company's sustainability strategy is to develop new technologies and services, such as the Ngern Tid Lor Application and Revolving Cash Card (TIDLOR Card), to support a wide range of client access to quicker, easier, and hassle-free financial and insurance services. Additionally, the Company regularly sets and reviews sustainability goals and issues.

E/S/G	Materiality matrix	Achievement
Economic & Governance	Goal is to be an organisation that helps reduce inequality by enabling Thai people to access fair and transparent financial services and appropriate and inclusive insurance products.	
	Financing	TIDLOR adopted "Duration Matching" for liquidity management, whereby the amount of fixed-rate assets and liabilities corresponds to each life stage to ensure it can meet payment obligations effectively, as well as maintain profitability for consistent profits.
	Enterprise risk management	TIDLOR is prudent in sustaining a strong and transparent balance sheet by: 1) strictly and automatically writing off loans that are over 180 days past due; 2) 60-day overdue accounts will be ineligible for a "top-up" loan; 3) setting the threshold for delinquency at zero THB; 4) for delinquent accounts that enter the Debt Relief Program, despite being reset to new loans, ECL still applies; 5) loan approvals are limited by branch performance and consistently monitored, with compensation tied to port quality; 6) a subjective, additional "ECL buffer" will always be applied to loans in the test programs. In addition, TIDLOR has expanded its business from dependence solely on loan interest income to non-life and life insurance brokerage businesses through various channels such as branches, telesales, and online channels as well as the Areegator platform. This is now a critical source of revenue for TIDLOR (18% of 2022 total revenue and with an average commission of 21.1% (close to TQM, the largest player).
	Business strategy, investment and innovation	TIDLOR's investments in technology are not only for operating leverage but also act as a hedge against disruption and a source of leadership. In 2022 and 2021, the Company's CAPEX at c4.2% of net profit was spent on leasehold improvement to support branch expansions and another 6.8% of net profit was spent on hardware and software for the information technology investment. From 2022-2025, the Company plans to invest cTHB300m on existing branches and expansion and another cTHB270m on information technology and digital systems to strengthen and extend its businesses such as: <ul style="list-style-type: none"> Expand digital and referral network distribution channels, both offline and online, and further leverage its data advantage to enhance risk management capabilities; Pursue strategic acquisitions and other opportunities for business diversification, augment distribution channels, and upgrade technology capabilities; Expand selectively into other ASEAN markets, as a strategic investor in similar consumer finance operators to transfer our experience and capabilities in risk management, operations, and technology; Strengthen the insurance brokerage platform by expanding product offerings, onboarding insurance partners, improve servicing capability and marketing as well as provide a full range of transaction services through online channels and mobile applications; Strengthen analytical capabilities through various analytics and machine-learning projects.

Competition	Two potential entries are (1) large financial institutions (i.e., commercial banks, credit card providers), and (2) small, local shophouse lenders. However, the industry is not known for ease of entry, given the specific, dynamic regulatory and compliance know-how needed to fulfill operating requirements, competitive funding costs and access to capital, specific day-to-day operational knowledge such as the assessment of walk-in customers with no credit bureau information, and appraisal of vehicles, etc.
Corporate governance policy, structure and system	TIDLOR 1) has communicated the need to prevent conflicts of interest to its directors, executives, and employees, and the Compliance Department regularly reviews such matters. When a violation is detected, a non-compliance report will be submitted to the relevant executives within an appropriate timeframe. In 2022, the Compliance Department found no material violations of the Conflict of Interest Policy; and 2) supervises the Use of Insider Information. In 2022, there were insignificant violations of material non-public information and insider trading prevention policies reported by the compliance department to the management. Improvement progress was monitored and the importance of compliance to prevent recurrent incidents was communicated.
Anti-Bribery and Corruption	In 2022, the Compliance Department improved the monitoring process for transactions at risk of bribery and corruption. No violations of the Anti-Bribery and Corruption Policy were detected by the Compliance Department. More on the website
Social	Goal is to eradicate poverty by providing money management education to Thai people, especially low-income or self-employed people
Providing financial opportunities	TIDLOR is among the top-three largest vehicle title lenders in Thailand. The company's customers increased to 607,703, a 29% 2Y CAGR from 524,185 in 2021 and 364,844 in 2020. At the end of 2Q23, the company had >60,000 touchpoints nationwide; 1,628 branches with licensed staff, an online NTL application, >560 Krungsri branches, >11k agents, >50k ATMs, >500 used truck dealers, and >700 telesales staff. Of the 577,000 revolving cash card clients, 61% were active accounts with >585k non-business hour withdrawal transactions.
Clients/consumers responsibility	In 2022, the Company launched the "Easy Loan, No Guarantor Required" campaign to encourage borrowers with poor credit scores to rebuild their credit history via timely debt repayment. This helped 607,703 customers rebuild their credit history and increase their opportunity to access funding in the system. The company also implemented two measures from the debt moratorium program to mitigate the impact of the Covid-19 pandemic; 1) Client care , including the suspension of principal installments and interest for a period of three months and lowering installments by at least 30%; 2) Fair procurement , to ensure that the company's suppliers and service providers do not violate human rights or business ethics, and comply with laws and regulations on safety, occupational health, and the environment.
Fair labor treatment	During the past three years, the Company has not had any significant labour disputes at its operations. The company does not have a labor union. In 2021, the company paid 5,844 non-executive employees THB3,085.8m in salaries, wages, bonuses and other performance-based incentives, contributions to the provident fund and the Social Security Fund. Employee feedback from an employee satisfaction survey in 2022 showed that 98% were happy at work, 98% agreed that the company took good care of them, and 99% were proud to be TIDLOR employees.
Community/Society Responsibility	TIDLOR provides Personal Accident Insurance without charge to clients with motorcycle title loans. It also initiated the "Financial Knowledge to Communities for Life Rolls Forward" project to provide knowledge on basic finance, income and expenditure management, and saving for investment, as well as the use of technology for making financial transactions to facilitate and reduce costs for low-income earners and self-employed people living in various communities, including merchants, company employees and industrial workers across the country.
Environment	Goal is to reduce resource consumption and provide knowledge and information on efficient use of energy, water, and waste reduction
Waste management	The Company has systematically managed waste generated by its business processes in accordance with the 3R (Reduce, Reuse and Recycle) principle. The Company has used an efficient waste sorting system coupled with creating awareness and stakeholder involvement to reduce waste disposal by landfill. In 2021, its head office had 21,123 kilograms of landfill waste. The air, smell, noise, and light quality standards were in normal ranges as required by laws, and no chemicals were used in business operations.
Energy management	The Company has efficiently managed energy used in its lighting and air conditioning systems by implementing an electricity saving campaign, along with installing and maintaining electrical control systems, resulting in a reduction of electricity consumption at the head office and branches of 41,430.54kwh. In 2021, the Company's total amount of electricity used was 9,998,928kwh.
Water management	The Company uses both raw water and tap water, accounting for 100% of the total amount of water used. Therefore, the Company has continually maintained and inspected the condition of the water distribution system to meet standards. For the head office building, water flow rates to sanitary wares are adjusted, along with effective wastewater management, as 100% of effluent volume passes through the building's treatment system. In 2021, the company's total water consumption was 14,059 cubic metres.
Greenhouse gas management	In 2021, the Company had direct and indirect of greenhouse gas emissions of 2,324 and 6,188 tons of carbon dioxide equivalent, respectively, which totalled 8,511 tons of carbon dioxide equivalents. In 2021, a total of 880,407 litres of alternative fuels were used. Use of recycled paper at the head office was 16,967 kilograms.
Awards and recognitions	Development of ESG performance to international level
Ecovadis Sustainability Rating ^{a)}	In 2022, the Company underwent an assessment by internationally recognised EcoVadis to measure the quality of its holistic social and environmental responsibility management. The assessment methodology used Global Reporting Initiative (GRI) standards to measure management quality on four themes: environment, labor and human rights, ethics, and sustainable procurement. Based on the results of the assessment, the Company was awarded the EcoVadis Bronze Medal.
CAC	Recertified its membership in the Thai Private Sector Collective Action Against Corruption (CAC) for the third time.
TRIS rating	A / Stable
Selective awards in 2022	<ul style="list-style-type: none"> ▪ Excellence in Innovation-Insurance Broker Thailand 2022 from Global Banking and Finance Review 2022 ▪ Finance Company of the Year-Thailand 2022 from Asian Banking & Finance ▪ Insurance Product Innovation of the Year-Thailand 2022 from Asian Banking & Finance ▪ Thailand Technology Excellence Award for API-Financial Services 2022 from Asian Technology Excellence ▪ Excellence in Innovation-Insurance Broker Thailand 2022 from Global Banking and Finance Review ▪ Best Customer-Centric Business Model - B2B2C 2022 from Global Retail Banking Innovation by The Digital Banker ▪ HR Asia Best Companies To Work For In Asia Award 2022 from HR Asia ▪ Best Employer Brand Award 2022 from World HRD Congress ▪ Thailand's Most Admired Brand 2022 from BrandAge ▪ Best Brand Performance on Social Media (Financial Services) 2022 from THAILAND ZOCIAL AWARDS ▪ Product Innovation Awards 2022 from Business Plus
Thai Institute of Directors (IOD)	Rated "Very good" (4 stars) for CG assessment of SET's listed companies

^{a)} The [EcoVadis](#) sustainability assessment methodology is an evaluation of how well a company has integrated the principles of Sustainability/CSR into their business and management system. Additional information: [TIDLOR's one report, 2022](#); [2Q23 presentation](#); Source: FSSIA compilation

Financial Statements

Ngern Tid Lor

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	9,825	12,532	15,650	18,361	21,800
Interest expense	(1,121)	(1,235)	(1,793)	(2,189)	(2,677)
Net interest income	8,704	11,297	13,857	16,172	19,123
Net fees & commission	2,197	2,710	3,375	4,213	5,271
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	25	32	40	40	40
Non interest income	2,222	2,742	3,415	4,253	5,311
Total income	10,926	14,039	17,272	20,425	24,434
Staff costs	(6,559)	(7,923)	(9,586)	(11,336)	(13,561)
Other operating costs	-	-	-	-	-
Operating costs	(6,559)	(7,923)	(9,586)	(11,336)	(13,561)
Pre provision operating profit	4,367	6,116	7,686	9,089	10,873
Expected credit loss	(625)	(944)	(2,065)	(2,402)	(2,827)
Other provisions	211	(639)	(850)	(920)	(800)
Operating profit	3,953	4,533	4,771	5,768	7,246
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	3,953	4,533	4,771	5,768	7,246
Tax	(784)	(893)	(954)	(1,154)	(1,449)
Profit after tax	3,169	3,640	3,817	4,614	5,797
Non-controlling interest	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,169	3,640	3,817	4,614	5,797
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	3,169	3,640	3,817	4,614	5,797
Per share (THB)					
Recurring EPS *	1.37	1.46	1.36	1.64	2.06
Reported EPS	1.37	1.46	1.36	1.64	2.06
DPS	0.56	0.75	0.27	0.33	0.41
Growth					
Net interest income (%)	15.2	29.8	22.7	16.7	18.2
Non interest income (%)	21.9	23.4	24.6	24.5	24.9
Pre provision operating profit (%)	21.0	40.0	25.7	18.3	19.6
Operating profit (%)	30.6	14.7	5.2	20.9	25.6
Reported net profit (%)	31.2	14.9	4.9	20.9	25.6
Recurring EPS (%)	19.2	6.7	(6.8)	20.9	25.6
Reported EPS (%)	19.2	6.7	(6.8)	20.9	25.6
Income Breakdown					
Net interest income (%)	79.7	80.5	80.2	79.2	78.3
Net fees & commission (%)	20.1	19.3	19.5	20.6	21.6
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.2	0.2	0.2	0.2	0.2
Operating performance					
Gross interest yield (%)	17.68	17.87	18.19	18.35	18.51
Cost of funds (%)	2.75	2.51	2.95	3.10	3.20
Net interest spread (%)	14.93	15.36	15.24	15.25	15.31
Net interest margin (%)	15.7	16.1	16.1	16.2	16.2
Cost/income(%)	60.0	56.4	55.5	55.5	55.5
Credit cost (%)	0.75	2.26	3.39	3.32	3.08
Effective tax rate (%)	19.8	19.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	40.9	51.8	20.0	20.0	20.0
ROE (%)	18.6	15.2	14.2	15.2	16.6
ROE - COE (%)	7.8	4.4	3.4	4.4	5.8
ROA (%)	5.3	4.8	4.2	4.4	4.8
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ngern Tid Lor; FSSIA estimates

Financial Statements

Ngern Tid Lor

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	60,339	79,898	92,190	107,940	127,620
Allowance for expected credit loss	(2,611)	(3,199)	(4,355)	(5,064)	(5,955)
interest in suspense	1,120	1,367	1,614	1,920	2,304
Net customer loans	58,847	78,067	89,449	104,796	123,970
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	3,995	2,191	2,186	1,708	1,907
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,394	1,686	1,770	1,858	1,951
Associates	-	-	-	-	-
Goodwill	294	294	294	300	350
Other intangible assets	332	257	260	262	265
Other assets	1,663	2,232	2,106	2,417	2,780
Total assets	66,525	84,727	96,065	111,342	131,223
Customer deposits	3,300	3,600	5,500	5,500	5,500
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	38,594	53,013	59,450	70,750	85,550
Non interest bearing liabilities	2,226	2,692	2,620	2,727	2,894
Hybrid Capital	-	-	-	-	-
Total liabilities	44,120	59,305	67,570	78,977	93,944
Share capital	8,580	9,240	10,395	10,395	10,395
Reserves	13,825	16,182	18,100	21,970	26,884
Total equity	22,405	25,422	28,495	32,366	37,279
Non-controlling interest	0	0	0	0	0
Total liabilities & equity	66,525	84,727	96,065	111,342	131,223
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	55,573	70,118	86,044	100,065	117,780
Average interest bearing liabilities	40,795	49,254	60,781	70,600	83,650
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)	732	1,285	1,649	1,895	2,230
Per share (THB)					
Book value per share	9.66	10.18	10.14	11.52	13.27
Tangible book value per share	9.39	9.96	9.95	11.32	13.05
Growth					
Gross customer loans	18.8	32.4	15.4	17.1	18.2
Average interest earning assets	12.9	26.2	22.7	16.3	17.7
Total asset (%)	24.7	27.4	13.4	15.9	17.9
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	26.9	9.1	52.8	-	-
Leverage & capital measures					
Customer loan/deposits (%)	1,783.3	2,168.5	1,626.3	1,905.4	2,254.0
Debt/equity (x)	1.97	2.33	2.37	2.44	2.52
Interest bearing debt/equity (x)	1.87	2.23	2.28	2.36	2.44
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	(13.9)	75.5	28.3	14.9	17.7
NPL/gross loans (%)	1.2	1.6	1.8	1.8	1.7
Allowance for ECL/gross loans (%)	4.3	4.0	4.7	4.7	4.7
Allowance for ECL/NPL (%)	356.6	248.9	264.0	267.2	267.0
Valuation					
Recurring P/E (x) *	16.8	15.7	16.9	13.9	11.1
Recurring P/E @ target price (x) *	20.5	19.2	20.6	17.0	13.6
Reported P/E (x)	16.8	15.7	16.9	13.9	11.1
Dividend yield (%)	2.4	3.3	1.2	1.4	1.8
Price/book (x)	2.4	2.2	2.3	2.0	1.7
Price/tangible book (x)	2.4	2.3	2.3	2.0	1.8
Price/tangible book @ target price (x)	3.0	2.8	2.8	2.5	2.1

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ngern Tid Lor; 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)¹

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)²

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)³

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)⁴ 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 Indices⁵ (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:

¹ 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.

² 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.

³ 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.

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

⁵ 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

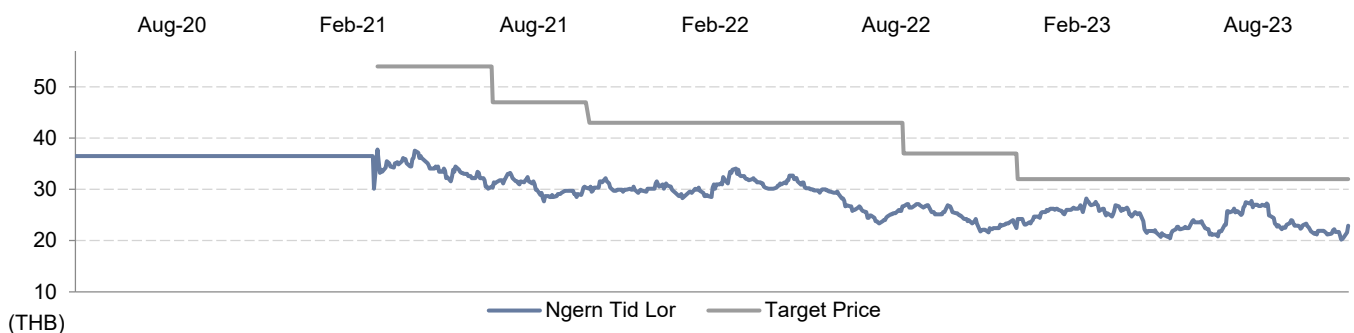
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

Ngern Tid Lor (TIDLOR TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
07-May-2021	BUY	54.00	05-Nov-2021	BUY	43.00	10-Nov-2022	BUY	32.00
16-Aug-2021	BUY	47.00	04-Aug-2022	BUY	37.00			

Usanee Liurut, CISA started covering this stock from 23-Aug-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Ngern Tid Lor	TIDLOR TB	THB 22.90	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB X); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.

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 22-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.