

15 NOVEMBER 2023

EQUITY RESEARCH - RESULTS FLASH

# SRISAWAD CORP

# SAWAD TB

THAILAND / FINANCE &amp; SECURITIES

FSS INTERNATIONAL INVESTMENT ADVISORY

FSSIA ESG rating



## BUY

UNCHANGED

## 3Q23 results at first glance

### 3Q23 net profit was 3% below our forecast and 6% below BBG consensus

SAWAD reported a 3Q23 net profit of THB1.39b, which rose by 21% q-q and 17% y-y, thanks to 1) a significant increase in net interest income after completing the consolidation of Fast Money (FM)'s financial statements in this period (initially recognized as equity income); and 2) a reduction in ECL since no extra items were booked in this quarter. 3Q23 PPOP slightly decreased q-q but significantly increased y-y. Asset quality showed signs of deterioration but was still within the company's guidance. 9M23 net profit was THB3.73b, increasing by 14.4% y-y, which accounts for 70% of our full-year forecast. We retain our 2023-25 forecast and BUY call. Our 2023 GGM-based TP of THB51 (2024 TP @ THB58) implies a P/BV of 2.21x.

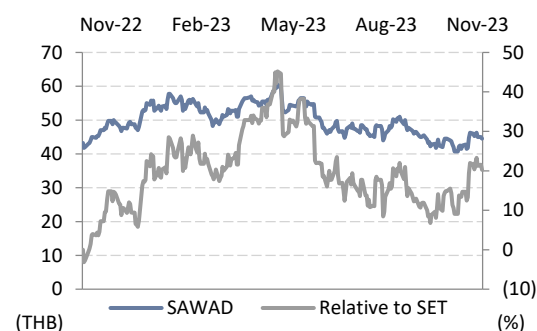
#### Highlights

- (+) Loan growth:** 3Q23 loan growth was slightly better than expected at 6.3% q-q, 93.5% y-y, and 67.6% YTD. The q-q growth normalized since it was comparatively on the same base, including FM. Growth was led by the title loan and personal loan segment (60% of total), up 6% q-q, while hire-purchase loans (40% of total, lending through its subsidiary – SCAP), showed the same increase of 6% q-q. 9M23 loan growth was 67.6% y-y (39.7% excluding FM), still within its 2023 guidance to exceed 30% y-y, excluding FM.
- (+) Interest spread:** The 3Q23 spread showed an impressive q-q improvement of 212bp to 16.82%, much higher than expected. Despite the accelerating cost of funds, aligning with the 9.6% q-q increase in interest-bearing debts, the rising loan yields were able to offset the impacts. Thanks to the interest rate adjustment of FM on newly released motorcycle title loans to 18% p.a. from the original 15% p.a., the company still has a shallow cost of funding from GSB to grant loans in FM, according to specified conditions. The 9M23 interest spread was 17.45%, higher than our 2023 forecast of 15.53%.
- (-) Fee income:** 3Q23 fee income was in line with our forecast, dropping by 36.7% q-q and 39.2% y-y, due mainly to the impacts of FM's consolidation, making FM's management fees become interest income instead. 9M23 fee income was THB2.43b, dipping by 7.5% y-y and accounting for 71% of our full-year forecast.

TARGET PRICE	THB51.00
CLOSE	THB44.50
UP/DOWNSIDE	+14.6%
TP vs CONSENSUS	-7.0%

#### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	5,924	7,137	8,119	9,579
Net profit	4,476	5,340	6,303	7,439
EPS (THB)	3.26	3.89	4.59	5.42
vs Consensus (%)	-	5.9	6.5	10.6
Recurring net profit	4,476	5,340	6,303	7,439
Core EPS (THB)	3.26	3.89	4.59	5.42
EPS growth (%)	(5.2)	19.3	18.0	18.0
Core P/E (x)	13.7	11.4	9.7	8.2
Dividend yield (%)	4.0	4.0	4.5	5.4
Price/book (x)	2.4	2.1	1.9	1.6
ROE (%)	17.8	19.7	20.7	21.4
ROA (%)	8.1	6.1	5.1	5.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(7.8)	1.7
Relative to country (%)	4.7	2.2	19.1
Mkt cap (USD m)	1,694		
3m avg. daily turnover (USD m)	14.9		
Free float (%)	45		
Major shareholder	Kaewbootta Family (28%)		
12m high/low (THB)	61.00/40.50		
Issued shares (m)	1,373		

Sources: Bloomberg consensus; FSSIA estimates



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**(-) Cost-to-income ratio:** The 3Q23 cost-to-income ratio was much higher than expected at 53.62% compared to 45.46% in 2Q23. The key pressure was primarily due to increased SCAP administrative expenses, aligning with the increase in marketing and personnel expenses according to the rapid loan growth of SCAP. Although SCAP has reduced the commission expenses for its dealers since 1Q23, it should take one to two quarters to readily see positive results, according to SAWAD's guidance. The 9M23 cost-to-income ratio was 49.66%, still higher than our 2023 forecast of 47.07%.

**(-) Asset quality:** 3Q23 stage 2 loans (7.7% vs. 6.6% of total in 2Q23) and the NPL ratio (2.78% vs 2.65% in 2Q23) accelerated in line with SAWAD's guidance, resulting from aggressive lending growth. 3Q23 credit cost was down to 1.41%, slightly below our expectation, due to no extra items and management overlay (THB220m in 2Q23) booked this quarter. However, the 3Q23 coverage ratio dropped to 50.22% (vs. 51.28% in 2Q23), resulting from the higher NPL acceleration than the setting up of credit cost.

**(+) 4Q23 outlook:** We are positive about SAWAD's operations in 4Q23, supported by the approaching loan high season and the positive impact expected from the decline of SCAP's cost-to-income ratio.

### Exhibit 1: SAWAD – 3Q23 operations summary

	3Q22	4Q22	1Q23	2Q23	3Q23	----- Change -----		9M23	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	2,307	2,830	3,108	3,444	4,647	34.9	101.4	11,198	88.2	73	15,287	74
Interest expense	(235)	(277)	(344)	(482)	(690)	43.1	193.3	(1,517)	159.6	68	(2,242)	160
Net interest income	2,072	2,552	2,763	2,961	3,956	33.6	91.0	9,681	80.4	74	13,045	65
Other income	995	899	868	956	605	(36.7)	(39.2)	2,429	(7.5)	71	3,400	(4)
<b>Total income</b>	<b>3,067</b>	<b>3,452</b>	<b>3,632</b>	<b>3,917</b>	<b>4,562</b>	<b>16.5</b>	<b>48.7</b>	<b>12,110</b>	<b>51.5</b>	<b>74</b>	<b>16,445</b>	<b>44</b>
Operating expenses	(1,642)	(1,692)	(1,778)	(1,776)	(2,447)	37.7	49.0	(6,001)	60.0	78	(7,741)	42
<b>Pre-provision operating profit</b>	<b>1,425</b>	<b>1,760</b>	<b>1,853</b>	<b>2,140</b>	<b>2,115</b>	<b>(1.2)</b>	<b>48.4</b>	<b>6,109</b>	<b>44.0</b>	<b>70</b>	<b>8,704</b>	<b>45</b>
Expected credit loss	121	(148)	(208)	(575)	(316)	(45.2)	n/a	(1,099)	n/a	70	(1,567)	1,905
<b>Profit after ECL</b>	<b>1,546</b>	<b>1,611</b>	<b>1,646</b>	<b>1,565</b>	<b>1,800</b>	<b>15.0</b>	<b>16.4</b>	<b>5,010</b>	<b>16.2</b>	<b>70</b>	<b>7,137</b>	<b>20</b>
<b>Operating profit</b>	<b>1,546</b>	<b>1,611</b>	<b>1,646</b>	<b>1,565</b>	<b>1,800</b>	<b>15.0</b>	<b>16.4</b>	<b>5,010</b>	<b>16.2</b>	<b>70</b>	<b>7,137</b>	<b>20</b>
Income tax	(295)	(292)	(325)	(342)	(375)	9.6	27.4	(1,042)	29.4	68	(1,534)	40
NCI	(66)	(106)	(120)	(76)	(37)	n/a	n/a	(234)	(4.2)	89	(262)	(25)
<b>Net profit</b>	<b>1,186</b>	<b>1,213</b>	<b>1,200</b>	<b>1,146</b>	<b>1,387</b>	<b>21.0</b>	<b>17.0</b>	<b>3,734</b>	<b>14.4</b>	<b>70</b>	<b>5,340</b>	<b>19</b>
<b>EPS (THB)</b>	<b>0.86</b>	<b>0.88</b>	<b>0.87</b>	<b>0.83</b>	<b>1.01</b>	<b>21.0</b>	<b>17.0</b>	<b>2.72</b>	<b>14.4</b>	<b>70</b>	<b>3.89</b>	<b>19</b>
NPL	1,264	1,385	1,606	2,303	2,527	9.7	99.9	2,527	99.9		2,996	116
Loans	47,763	55,147	64,475	86,983	92,429	6.3	93.5	92,429	93.5		101,572	84
Interest bearing debt	32,269	36,467	44,441	69,155	76,686	10.9	137.6	76,686	137.6		79,350	118
<b>Key ratios</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>			<b>9M23</b>			<b>2023E</b>	
	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
Yield on loans	20.85	22.00	20.78	18.19	20.72			21.30			19.51	
Cost of funds	3.27	3.36	3.53	3.49	3.90			3.85			3.98	
Spread	17.58	18.64	17.25	14.70	16.82			17.45			15.53	
Cost to income	50.89	48.99	49.19	45.46	53.62			49.66			47.07	
Credit cost	(1.09)	1.15	1.39	3.04	1.41			2.09			2.00	
NPL / Loan	2.65	2.51	2.49	2.65	2.78			2.78			2.95	
LLR / Loan	1.16	1.19	1.18	1.36	1.37			1.37			1.62	
Coverage ratio	43.96	47.37	47.38	51.28	50.22			50.22			55.07	
D/E (x)	1.31	1.40	1.62	2.55	2.69			2.69			2.61	
IBD/E (x)	1.16	1.26	1.48	2.42	2.55			2.55			2.48	
S/T debt/IBD (x)	49.51	48.44	51.24	16.68	16.03			16.03			41.98	
ROA	7.83	7.27	6.47	5.08	5.23			5.70			5.78	
ROE	19.50	19.36	18.28	17.49	21.15			19.37			19.70	
Loan growth q-q	17.21	15.46	16.91	34.91	6.26							
Loan growth y-y	41.95	63.80	79.78	113.46	93.52			93.52			84.18	
Loan growth YTD	41.86	63.80	16.91	57.73	67.60			67.60				

Sources: SAWAD; FSSIA estimates

## Exhibit 2: SAWAD – Staged loans and ECL

	2020	2021	2022	2Q23	3Q23	2020	2021	2022	2Q23	3Q23
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)	(%)
<b>Loans and accrued interest</b>						<b>Staged loans % of total loans</b>				
Stage 1	26,914	29,562	50,271	79,089	82,948	68.2%	87.7%	91.0%	90.8%	89.6%
Stage 2	11,064	2,879	3,614	5,722	7,089	28.0%	8.5%	6.5%	6.6%	7.7%
Stage 3	1,480	1,249	1,385	2,303	2,527	3.8%	3.7%	2.5%	2.6%	2.7%
Total	39,459	33,689	55,270	87,115	92,565	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Expected credit loss (ECL)</b>						<b>ECL % of stage loans</b>				
Stage 1	249	73	171	349	282	0.9%	0.2%	0.3%	0.4%	0.3%
Stage 2	785	369	238	386	444	7.1%	12.8%	6.6%	6.7%	6.3%
Stage 3	154	166	247	446	544	10.4%	13.3%	17.9%	19.4%	21.5%
Total	1,188	609	656	1,181	1,269	3.0%	1.8%	1.2%	1.4%	1.4%
<b>LLR / Loans</b>						<b>(%)</b>				
Stage 1	0.9	0.2	0.3	0.4	0.3					
Stage 2	7.1	12.8	6.6	6.7	6.3					
Stage 3	10.4	13.3	17.9	19.4	21.5					
Total	3.0	1.8	1.2	1.4	1.4					
NPL / TL	3.75%	3.71%	2.51%	2.64%	2.73%					
NPL vs. Stage 2 loans / TL	31.79%	12.25%	9.05%	9.21%	10.39%					
LLR / NPL	80.25%	48.76%	47.37%	51.28%	50.22%					
LLR / (NPL vs. Stage 2 loans)	9.47%	14.75%	13.12%	14.72%	13.20%					

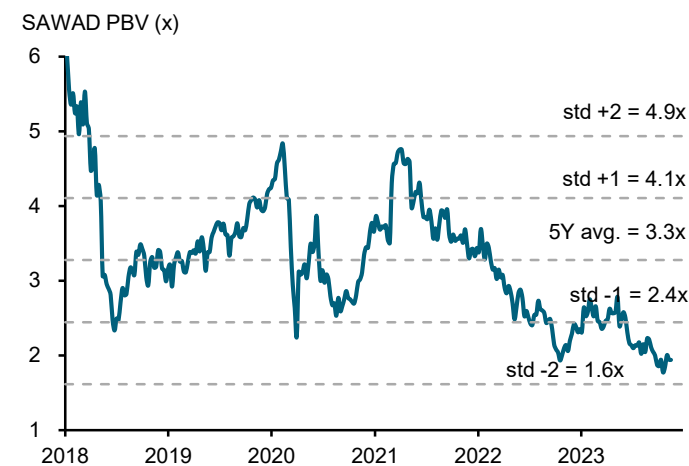
Sources: SAWAD; FSSIA's compilation

## Exhibit 3: GGM-derived TP

<b>Gordon growth model</b>	
Sustainable ROE	20.7%
g	5.0%
ROE-g	15.7%
Beta	1.60
Risk free rate	2.5%
Risk premium	6.0%
COE	12.10%
COE-g	7.10%
<b>ROE-g/COE-g</b>	<b>2.21</b>

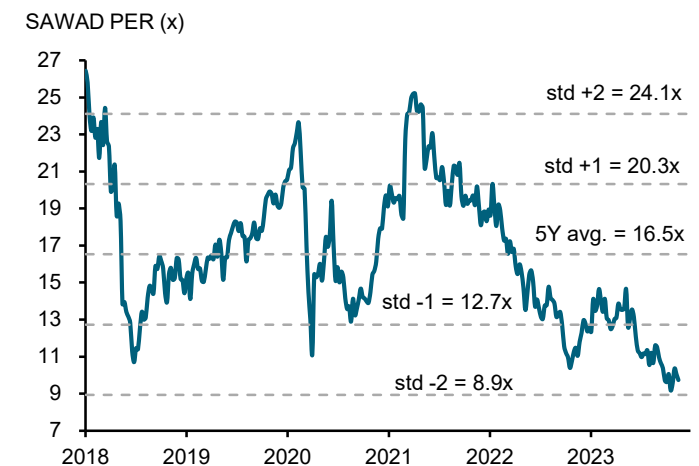
Sources: FSSIA estimates

## Exhibit 4: SAWAD – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

## Exhibit 5: SAWAD – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	6,855	8,780	15,287	21,752	26,523
Interest expense	(791)	(862)	(2,242)	(3,489)	(4,445)
Net interest income	6,065	7,918	13,045	18,263	22,077
Net fees & commission	1,516	1,215	3,000	2,300	2,484
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	1,831	2,312	400	480	576
Non interest income	3,347	3,527	3,400	2,780	3,060
Total income	9,411	11,445	16,445	21,043	25,137
Staff costs	(3,476)	(5,442)	(7,741)	(9,996)	(11,714)
Other operating costs	-	-	-	-	-
Operating costs	(3,476)	(5,442)	(7,741)	(9,996)	(11,714)
Pre provision operating profit	5,936	6,002	8,704	11,048	13,423
Expected credit loss	455	(78)	(1,567)	(2,929)	(3,844)
Other provisions	-	-	-	-	-
Operating profit	6,391	5,924	7,137	8,119	9,579
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	6,391	5,924	7,137	8,119	9,579
Tax	(1,352)	(1,097)	(1,534)	(1,746)	(2,060)
Profit after tax	5,038	4,827	5,602	6,373	7,520
Non-controlling interest	(316)	(351)	(262)	(70)	(80)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,722	4,476	5,340	6,303	7,439
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,722	4,476	5,340	6,303	7,439
<b>Per share (THB)</b>					
Recurring EPS *	3.44	3.26	3.89	4.59	5.42
Reported EPS	3.44	3.26	3.89	4.59	5.42
DPS	1.80	1.80	1.80	2.00	2.40
<b>Growth</b>					
Net interest income (%)	(16.5)	30.6	64.7	40.0	20.9
Non interest income (%)	18.4	5.4	(3.6)	(18.2)	10.1
Pre provision operating profit (%)	(5.8)	1.1	45.0	26.9	21.5
Operating profit (%)	6.8	(7.3)	20.5	13.8	18.0
Reported net profit (%)	4.7	(5.2)	19.3	18.0	18.0
Recurring EPS (%)	4.7	(5.2)	19.3	18.0	18.0
Reported EPS (%)	4.7	(5.2)	19.3	18.0	18.0
<b>Income Breakdown</b>					
Net interest income (%)	64.4	69.2	79.3	86.8	87.8
Net fees & commission (%)	16.1	10.6	18.2	10.9	9.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	19.5	20.2	2.4	2.3	2.3
<b>Operating performance</b>					
Gross interest yield (%)	18.75	19.77	19.51	19.31	19.32
Cost of funds (%)	4.26	3.26	3.98	4.07	4.26
Net interest spread (%)	14.49	16.51	15.53	15.24	15.06
Net interest margin (%)	16.6	17.8	16.6	16.2	16.1
Cost/income(%)	36.9	47.6	47.1	47.5	46.6
Cost/assets(%)	6.8	9.1	8.4	7.9	7.8
Effective tax rate (%)	21.2	18.5	21.5	21.5	21.5
Dividend payout on recurring profit (%)	52.3	55.2	46.3	43.6	44.3
ROE (%)	20.2	17.8	19.7	20.7	21.4
ROE - COE (%)	8.1	5.7	7.6	8.6	9.3
ROA (%)	9.9	8.1	6.1	5.1	5.0
RORWA (%)	-	-	-	-	-

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

Sources: Srisawad Corp; FSSIA estimates

## Financial Statements

### Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	33,668	55,147	101,572	123,747	150,823
Allowance for expected credit loss	(736)	(748)	(2,273)	(3,076)	(4,559)
interest in suspense	386	664	979	1,190	1,450
<b>Net customer loans</b>	<b>33,318</b>	<b>55,063</b>	<b>100,277</b>	<b>121,862</b>	<b>147,714</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	3,296	3,019	3,321	3,653	4,018
Cash & equivalents	2,689	2,823	1,716	1,098	1,440
Other interesting assets	-	-	-	-	-
Tangible fixed assets	611	598	710	781	859
Associates	-	-	-	-	-
Goodwill	1,113	1,372	980	1,000	1,020
Other intangible assets	622	961	1,463	1,463	1,463
Other assets	8,317	5,646	6,901	6,770	7,477
<b>Total assets</b>	<b>49,967</b>	<b>69,482</b>	<b>115,368</b>	<b>136,627</b>	<b>163,991</b>
Customer deposits	170	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	18,973	36,467	79,350	95,601	116,872
Non interest bearing liabilities	3,849	4,011	4,046	4,763	5,599
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>22,992</b>	<b>40,477</b>	<b>83,396</b>	<b>100,364</b>	<b>122,471</b>
Share capital	1,373	1,373	1,373	1,373	1,373
Reserves	23,325	24,289	27,173	31,005	35,698
<b>Total equity</b>	<b>24,698</b>	<b>25,662</b>	<b>28,546</b>	<b>32,378</b>	<b>37,071</b>
Non-controlling interest	2,277	3,342	3,426	3,885	4,449
<b>Total liabilities &amp; equity</b>	<b>49,967</b>	<b>69,482</b>	<b>115,368</b>	<b>136,627</b>	<b>163,991</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	36,559	44,408	78,360	112,659	137,285
Average interest bearing liabilities	18,541	26,421	56,332	85,716	104,352
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)	1,249	1,385	2,996	3,836	4,977
<b>Per share (THB)</b>					
Book value per share	17.99	18.69	20.79	23.58	27.00
Tangible book value per share	16.72	16.99	19.01	21.79	25.19
<b>Growth</b>					
Gross customer loans	(14.7)	63.8	84.2	21.8	21.9
Average interest earning assets	(3.0)	21.5	76.5	43.8	21.9
Total asset (%)	(3.9)	39.1	66.0	18.4	20.0
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(96.8)	nm	nm	nm	nm
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	19,610.5	-	-	-	-
Equity/assets (%)	49.4	36.9	24.7	23.7	22.6
Tangible equity/assets (%)	46.0	33.6	22.6	21.9	21.1
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	(15.6)	10.9	116.3	28.0	29.7
NPL/gross loans (%)	3.7	2.5	3.0	3.1	3.3
Allowance for ECL/gross loans (%)	2.2	1.4	2.2	2.5	3.0
Allowance for ECL/NPL (%)	58.9	54.0	75.9	80.2	91.6
<b>Valuation</b>					
Recurring P/E (x) *	12.9	13.7	11.4	9.7	8.2
Recurring P/E @ target price (x) *	14.8	15.6	13.1	11.1	9.4
Reported P/E (x)	12.9	13.7	11.4	9.7	8.2
Dividend yield (%)	4.0	4.0	4.0	4.5	5.4
Price/book (x)	2.5	2.4	2.1	1.9	1.6
Price/tangible book (x)	2.7	2.6	2.3	2.0	1.8
Price/tangible book @ target price (x)	3.0	3.0	2.7	2.3	2.0

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

Sources: Srisawad Corp; FSSIA estimates

# Srisawad Corp PCL (SAWAD TB)

**FSSIA ESG rating**

**46.52 /100**
**Exhibit 6: FSSIA ESG score implication**

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★☆	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★☆☆	>39-59	<b>Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.</b>
★★☆☆☆	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★☆☆☆☆	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

**Exhibit 7: ESG – peer comparison**

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
MTC	68.21	--	Y	Y	5.00	5.00	Certified	Low	42.19	AA	--	58.09	42.00	3.31	--
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04
TIDLOR	36.71	--	--	--	4.00	4.00	Certified	Medium	37.03	--	--	23.69	19.00	1.66	--
SAK	45.28	--	Y	Y	4.00	4.00	Certified	High	40.10	--	--	43.87	--	2.02	36.23
TK	15.00	--	--	--	5.00	5.00	--	--	--	--	--	--	--	--	--
HENG	20.00	--	--	--	5.00	5.00	Certified	--	--	--	--	--	--	--	--
S11	13.00	--	--	--	4.00	4.00	--	--	--	--	--	--	--	--	--
NCAP	18.00	--	--	--	4.00	4.00	Certified	--	--	--	--	--	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation
**Exhibit 8: ESG score by Bloomberg**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>1.69</b>	<b>1.77</b>	<b>1.67</b>	<b>1.70</b>	<b>1.93</b>	<b>1.77</b>	<b>1.90</b>	<b>1.93</b>
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BESG social pillar score	0.84	0.87	0.74	0.87	1.07	1.07	1.27	1.33
BESG governance pillar score	4.42	4.66	4.62	4.39	4.77	4.09	4.12	4.09
<b>ESG disclosure score</b>	<b>23.59</b>	<b>28.37</b>	<b>28.51</b>	<b>29.45</b>	<b>29.45</b>	<b>29.45</b>	<b>38.34</b>	<b>40.04</b>
Environmental disclosure score	0.00	0.00	0.42	0.42	0.42	0.42	16.79	17.12
Social disclosure score	11.22	11.22	11.22	11.67	11.67	11.67	21.98	21.74
Governance disclosure score	59.42	73.72	73.72	76.10	76.10	76.10	76.10	81.10
<b>Environmental</b>								
Emissions reduction initiatives	No	No	No	No	No	No	Yes	Yes
Climate change policy	No	No	No	No	No	No	No	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	Yes	Yes
GHG scope 1	--	--	--	--	--	--	--	--
GHG scope 2 location-based	--	--	--	--	--	--	--	--
GHG Scope 3	--	--	--	--	--	--	--	--
Carbon per unit of production	--	--	--	--	--	--	--	--
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	--	--	--	--	--	--	--	--
Renewable energy use	--	--	--	--	--	--	--	--
Electricity used	--	--	--	--	--	--	--	--
Fuel used - natural gas	--	--	--	--	--	--	--	--

Sources: Bloomberg; FSSIA's compilation

**Exhibit 9: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	No	No	No	No	No	No	Yes	Yes
Hazardous waste	—	—	—	—	—	—	—	—
Total waste	—	—	—	—	—	—	—	—
Waste recycled	—	—	—	—	—	—	—	—
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	No	No	No	Yes	Yes
Water policy	No	No	No	No	No	No	Yes	Yes
Water consumption	—	—	—	—	—	—	—	—
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No	No	No	No	No
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	—	—	—	—	—	—	—	54
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	—	—	—
Total recordable incident rate - employees	—	—	—	—	—	—	10	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	4,085	5,590	6,137	7,016	8,907	7,580	6,808	9,745
Employee turnover pct	—	—	—	—	—	—	3	3
Total hours spent by firm - employee training	—	—	—	—	—	—	23,574	5,165
Social supply chain management	No	No	No	No	No	No	Yes	Yes
<b>Governance</b>								
<b>Board size</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
No. of women on board	2	2	1	1	1	1	1	1
No. of non-executive directors on board	9	9	9	9	9	9	9	9
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	13	14	13	13	12	13	10	13
Board meeting attendance pct	—	—	—	88	88	88	98	92
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	—	—	—	—	—	—	—	43
Age of the oldest director	—	—	—	—	—	—	—	76
<b>No. of executives / company managers</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
No. of female executives	2	2	1	1	2	2	2	2
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	5	5	5	5	4	4	5	6
Audit meeting attendance %	—	100	100	93	100	100	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	2	3	2	2	2	2	2	2
No. of compensation committee meetings	—	2	4	2	3	3	3	3
Compensation meeting attendance %	—	100	100	100	100	100	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	—	2	4	2	3	3	3	3
Nomination meeting attendance %	—	100	100	100	100	100	100	100
<b>Sustainability governance</b>								
Verification type	No	No	No	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																			
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																			
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > 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.																			
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																			
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																			
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																			
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																			
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																				
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																				
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																				
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																			
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																			

**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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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

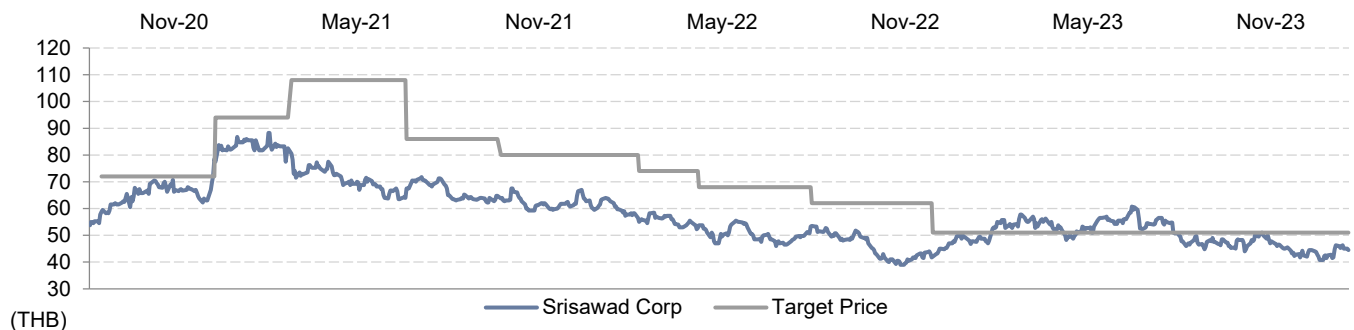
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### History of change in investment rating and/or target price

#### Srisawad Corp (SAWAD TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
25-Nov-2020	BUY	72.00	17-Aug-2021	BUY	86.00	28-Apr-2022	BUY	68.00
04-Mar-2021	BUY	94.00	05-Nov-2021	BUY	80.00	04-Aug-2022	BUY	62.00
07-May-2021	BUY	108.00	07-Mar-2022	BUY	74.00	17-Nov-2022	BUY	51.00

Usanee Liurut, CISA started covering this stock from 11-Oct-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Srisawad Corp	SAWAD TB	THB 44.50	BUY	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.

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

All share prices are as at market close on 14-Nov-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.