

# Thailand Hire Purchase - Trucks

## No eminent recovery signs in 2024

- The outlook of the HP truck sector we received from three listed operators (ASK, MICRO and THANI) exhibits concerns over the slowdown of sales, aligning with the muted macro-recovery.
- There is prolonged pressure from finance costs while asset quality issues and truck prices have slumped, provoking proactive management of NPLs and NPAs.
- We have a negative view on the hire-purchase truck sector despite a significant c30-50% YTD decline in the share prices. We prefer auto-title sector players, with TIDLOR as a top pick.

### The truck situation is still gloomy

We attended the analyst meetings of truck hire-purchase lenders, ASK, MICRO, and THANI. We learned that the industry information is going in the same direction: very sluggish and waiting for a recovery, with no clarity as to when it might occur. Domestic truck sales started to slow down since 2022, totaling 31,230 units, almost stable from 2021, while in the 9M23 period, there were total sales of 20,023 units, shrinking by 13.9% y-y. In this regard, the leading factors in the past could reflect the conditions of various related industries, consisting of 1) exports and imports; 2) agriculture; 3) energy consumption growing only slightly; 4) the consumption sector, especially the tourism sector, did not grow as expected; and 5) border trade, especially with Laos, Burma, and Cambodia, has decreased significantly.

### Lenders rush to adjust strategies to reduce losses from repossessed trucks

The company-specific problems that all three companies face are 1) higher financial costs (short-term and long-term fundraising). The momentum of the acceleration of financial costs is still evident. Meanwhile, loan operators cannot adjust their yields in the same proportion, resulting in a shrinking spread; and 2) auctions of repossessed cars have continued to be harmful since the end of 2022 due to the rush to repossess the cars of lenders (double the average amount) instead of filing lawsuits and following legal procedures, causing the supply of repossessed vehicles to increase. The situation has also affected the price of repossessed trucks at auction, with losses rising to 30-50% (initially 15%). This has caused lenders to adjust their selling strategies and rely less on auction channels.

### Tightened credit policy to maintain cash flow

All three companies had a total net profit of THB2.14b in 9M23, shrinking 17.0% y-y, primarily due to the impact of a shrinking spread, rising ECL expenses, and losses from sales of repossessed trucks. We expect the 4Q23 operating performance to remain stable at a low level or decrease q-q, pressured by 1) tightening credit policy to control the asset quality of each company, causing loans to slow down; 2) interest expenses to increase following the issuance of new bonds during the year or the cost of borrowing from financial institutions that is more expensive, affecting the interest spread in a downward direction; and 3) credit costs and losses from selling repossessed cars that continue to accelerate. For the 2024 outlook, we expect net profit to remain stable at a low level or grow slightly y-y from lower credit costs and losses on repossessed vehicles (in case the supply of used trucks decreases).

### Underweight on truck hire purchase lenders; prefer auto-title segment, TIDLOR as a top pick

We have a negative view on the hire-purchase truck sector despite significant c30-50% YTD declines in the share prices. Though THANI and ASK have attractive dividend yields of c6-7% p.a., we believe it is not worth the risk of the negative downside following the earnings trend that should continue to see pressure until 1H24. We prefer auto-title sector players, with TIDLOR (TP THB28) as a top pick.



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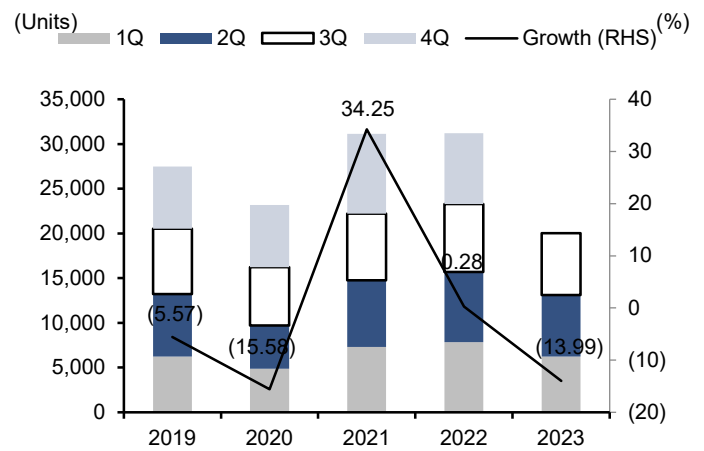
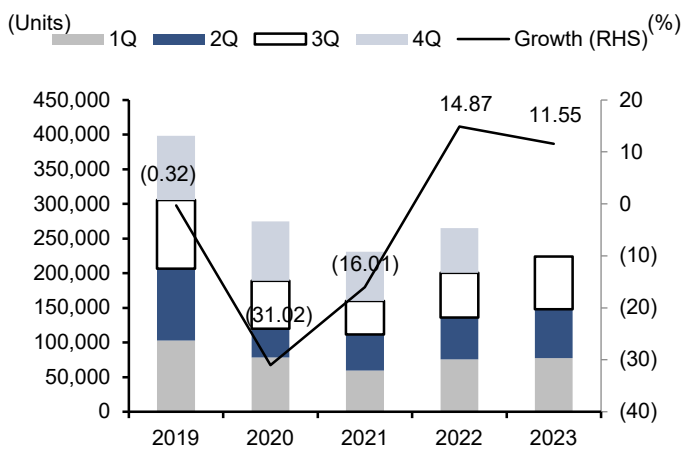
### The truck situation is still gloomy; no clear sign of recovery in 2024

We attended the analyst meetings of truck hire-purchase lenders, ASK, MICRO, and THANI. We learned that the industry information is going in the same direction: very sluggish and waiting for a recovery, with no clarity as to when it might occur. Domestic truck sales started to slow down since 2022, totaling 31,230 units, almost stable from 2021, while in the 9M23 period, there were total sales of 20,023 units, shrinking by 13.9% y-y. In this regard, the leading factors in the past could reflect the conditions of various related industries, consisting of 1) exports and imports; 2) agriculture; 3) energy consumption growing only slightly; 4) the consumption sector, especially the tourism sector, did not grow as expected; and 5) border trade, especially with Laos, Burma, and Cambodia, has decreased significantly from the past which saw growth of more than two digits continuously.

In addition, the trend of enforcing Euro 5 trucks in 2024, which are much more expensive at nearly THB4m-5m/vehicle (mandatory purchase including maintenance), has not helped to stimulate the demand for buying used trucks as expected.

**Exhibit 1: Passenger car sales unit record, 2019-9M23**

**Exhibit 2: Truck sales unit record, 2019-9M23**



Sources: THANI, FSSIA's compilation

Sources: THANI, FSSIA's compilation

### Lenders rush to adjust strategies to reduce losses from repossessed trucks

The company-specific problems that all three companies face are 1) higher financial costs (short-term and long-term fundraising). Even though market interest rates have stopped increasing, the momentum of the acceleration of financial costs is still evident. Meanwhile, loan operators cannot adjust their loan yields in the same proportion, resulting in a shrinking spread effect; and 2) auctions of repossessed cars have continued to be harmful since the end of 2022 due to the rush to repossess the cars of lenders (double the average amount) instead of filing lawsuits and following legal procedures (reserved 100% immediately), causing the supply of repossessed vehicles to increase.

The situation has also affected the price of repossessed trucks at auction, with losses rising to 30-50% (initially 15%). This has caused lenders to adjust their selling strategies by selling directly to customers with an actual demand or incentivizing marketing employees to negotiate with debtors to redeem the trucks.

## Tightened credit policy to maintain cash flow

All three companies had a total net profit of THB2.14b in 9M23, shrinking 17.0% y-y, primarily due to the impact of a shrinking spread, rising expected credit loss (ECL) expenses, and losses from sales of repossessed trucks. We expect the 4Q23 operating performance to remain stable at a low level or decrease q-q, pressured by 1) tightening credit policy to control the asset quality of each company, causing loans to slow down; 2) interest expenses to increase following the issuance of new bonds during the year or the cost of borrowing from financial institutions that is more expensive, affecting the interest spread in a downward direction; and 3) credit costs and losses from selling repossessed cars that continue to accelerate.

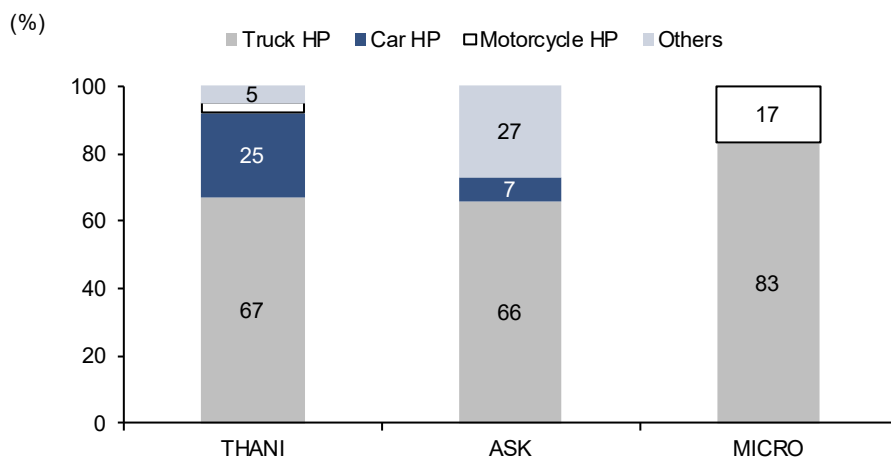
### Exhibit 3: 9M23 net profit

	9M23 (THB m)	9M22 (THB m)	Change % y-y
ASK	1,058	1,101	(4.00)
MICRO	(43)	78	n/a
THANI	1,126	1,400	(19.57)
<b>Total</b>	<b>2,140</b>	<b>2,579</b>	<b>(17.02)</b>

Sources: Company data; FSSIA's compilation

For the 2024 outlook, we expect net profit to remain stable at a low level or grow slightly y-y from lower credit costs and losses on repossessed vehicles (in case the supply of used trucks decreases).

### Exhibit 4: Loan breakdown of industry peers, as of 3Q23



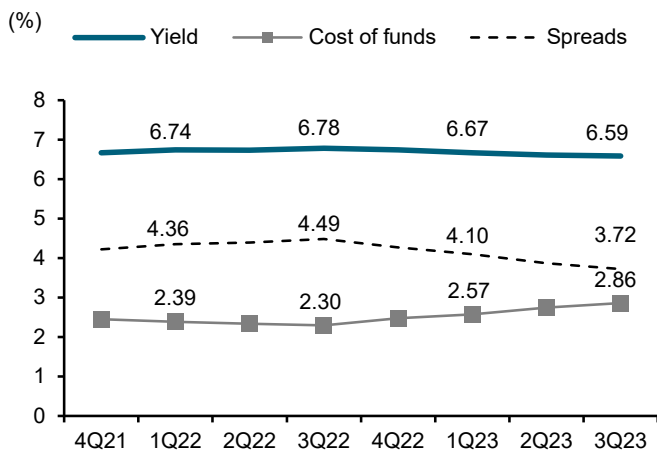
Sources: Company data; FSSIA's compilation

## Exhibit 5: Key operations summary of industry peers

	THANI				ASK				MICRO			
	2020 (THB m)	2021 (THB m)	2022 (THB m)	3Q23 (THB m)	2020 (THB m)	2021 (THB m)	2022 (THB m)	3Q23 (THB m)	2020 (THB m)	2021 (THB m)	2022 (THB m)	3Q23 (THB m)
<b>Loan</b>	<b>47,976</b>	<b>49,396</b>	<b>53,659</b>	<b>55,162</b>	<b>44,490</b>	<b>55,729</b>	<b>67,605</b>	<b>74,640</b>	<b>2,542</b>	<b>3,796</b>	<b>4,957</b>	<b>4,714</b>
Loan growth y-y (%)	(7.62)	2.96	8.21	3.94	7.72	25.26	21.31	14.40	24.82	49.33	30.60	(1.50)
<b>Net profit</b>	<b>1,860</b>	<b>1,709</b>	<b>1,744</b>	<b>250</b>	<b>883</b>	<b>1,203</b>	<b>1,512</b>	<b>318</b>	<b>135</b>	<b>187</b>	<b>79</b>	<b>(34)</b>
Yields (%)	6.94	6.95	6.75	6.69	7.42	7.60	8.00	7.89	15.53	15.90	16.14	16.10
Cost of funds (%)	2.70	2.49	2.40	2.86	2.55	2.51	2.64	3.19	5.30	4.59	5.77	6.09
<b>Interest spreads (%)</b>	<b>4.24</b>	<b>4.46</b>	<b>4.35</b>	<b>3.72</b>	<b>4.87</b>	<b>5.09</b>	<b>5.35</b>	<b>4.70</b>	<b>10.24</b>	<b>11.31</b>	<b>10.37</b>	<b>10.01</b>
<b>Operating expense</b>	<b>538</b>	<b>585</b>	<b>774</b>	<b>208</b>	<b>988</b>	<b>1,049</b>	<b>1,127</b>	<b>318</b>	<b>153</b>	<b>186</b>	<b>292</b>	<b>85</b>
Cost-to-income (%)	16.80	17.64	22.04	24.27	37.06	31.09	26.27	27.81	37.60	32.70	41.25	47.92
<b>ECL</b>	<b>338</b>	<b>586</b>	<b>555</b>	<b>340</b>	<b>557</b>	<b>817</b>	<b>1,265</b>	<b>426</b>	<b>77</b>	<b>156</b>	<b>334</b>	<b>142</b>
Credit cost (%)	0.68	1.20	1.08	2.46	1.30	1.63	2.08	2.28	3.37	4.91	7.62	11.80
<b>Net profit</b>	<b>1,860</b>	<b>1,709</b>	<b>1,744</b>	<b>250</b>	<b>883</b>	<b>1,203</b>	<b>1,512</b>	<b>318</b>	<b>135</b>	<b>187</b>	<b>79</b>	<b>(34)</b>
ROE (%)	20.12	15.27	14.58	8.08	15.92	16.12	15.50	12.16	9.31	9.92	4.03	n/a
<b>D/E ratio (x)</b>	<b>3.48</b>	<b>3.26</b>	<b>3.36</b>	<b>3.44</b>	<b>6.93</b>	<b>5.12</b>	<b>5.74</b>	<b>6.31</b>	<b>0.51</b>	<b>1.06</b>	<b>1.57</b>	<b>1.70</b>
IBD/E (x)	3.39	3.16	3.28	3.36	6.66	4.86	5.47	6.08	0.45	0.99	1.48	1.62

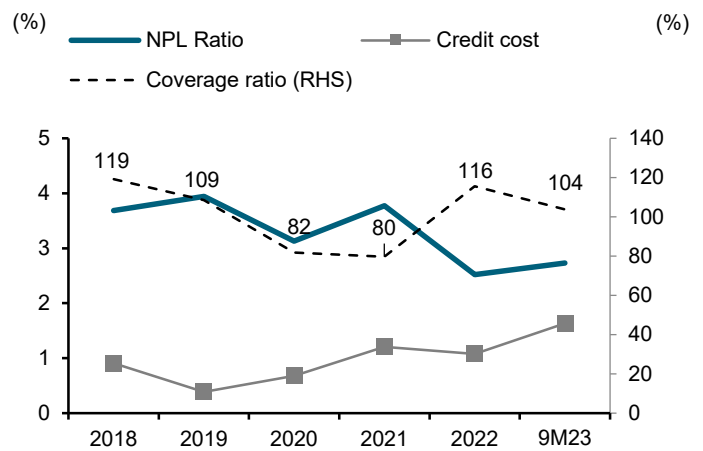
Sources: Company data; FSSIA's compilation

## Exhibit 6: THANI – yields, cost of funds, and spreads, 4Q21-3Q23



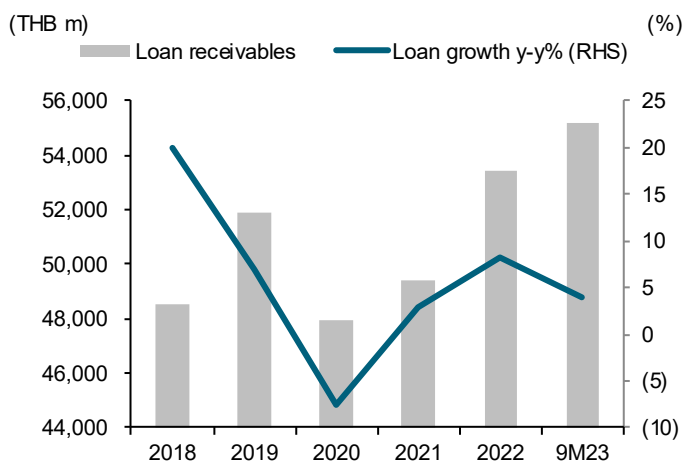
Sources: THANI; FSSIA's compilation

## Exhibit 7: THANI – NPL ratio, credit cost, and coverage ratio, 2018-9M23



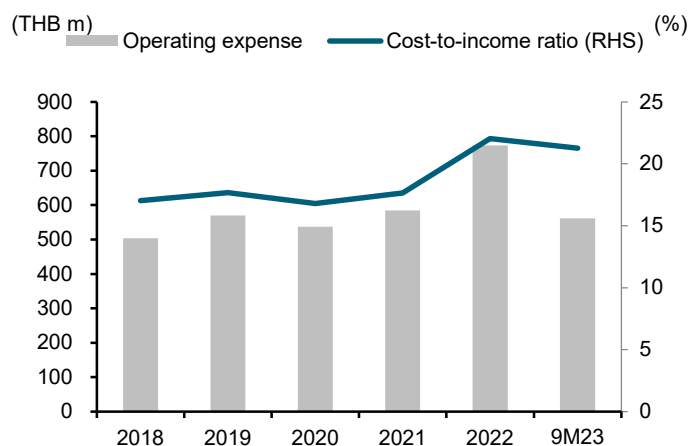
Sources: THANI; FSSIA's compilation

**Exhibit 8: THANI – loans and loan growth, 2018-9M23**



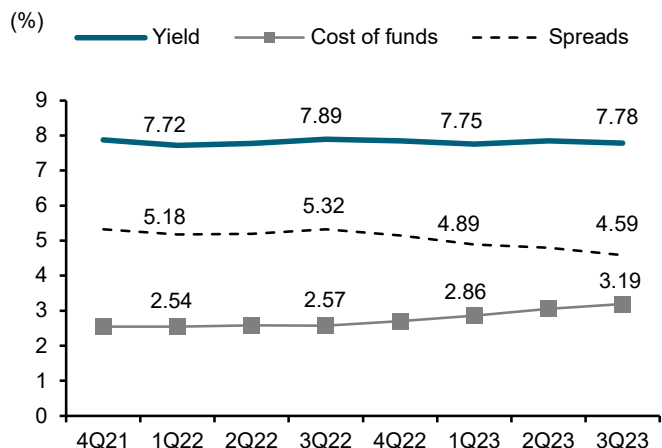
Sources: THANI; FSSIA's compilation

**Exhibit 9: THANI – operating expenses and CIR, 2018-9M23**



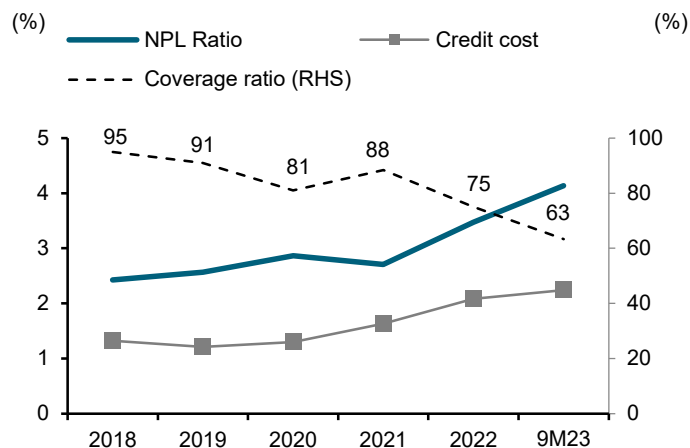
Sources: THANI; FSSIA's compilation

**Exhibit 10: ASK – yields, cost of funds, and spreads, 4Q21-3Q23**



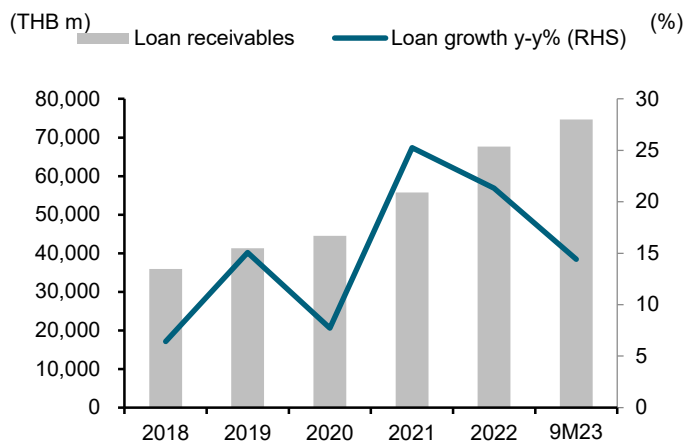
Sources: ASK; FSSIA's compilation

**Exhibit 11: ASK – NPL ratio, credit cost, and coverage ratio, 2018-9M23**



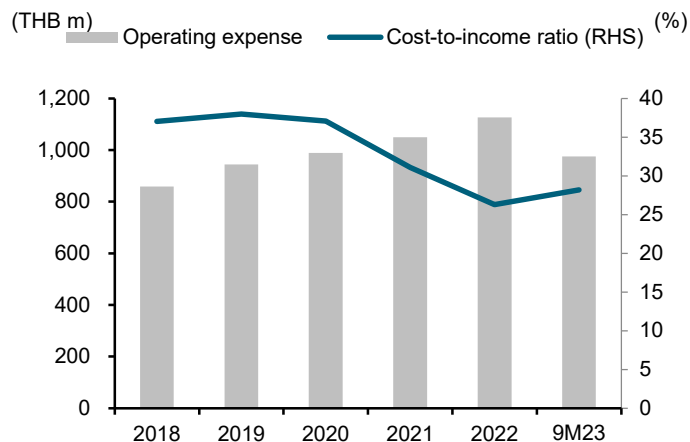
Sources: ASK; FSSIA's compilation

**Exhibit 12: ASK – loans and loan growth, 2018-9M23**



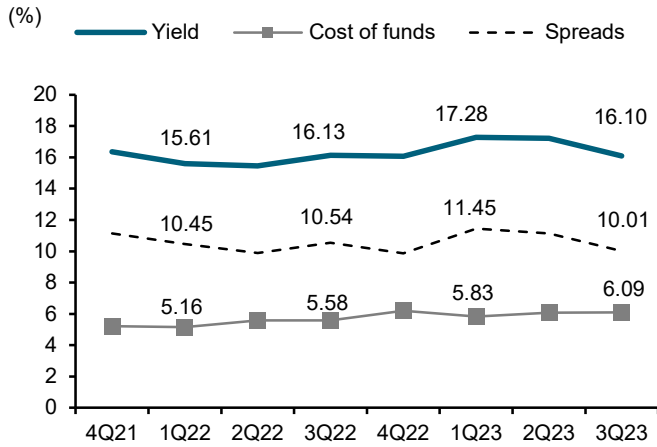
Sources: ASK; FSSIA's compilation

**Exhibit 13: ASK – operating expenses and CIR, 2018-9M23**



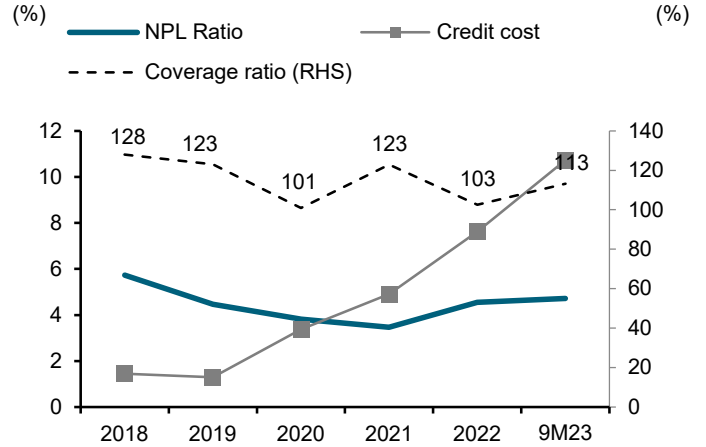
Sources: ASK; FSSIA's compilation

**Exhibit 14: MICRO – yields, cost of funds, and spreads, 4Q21-3Q23**



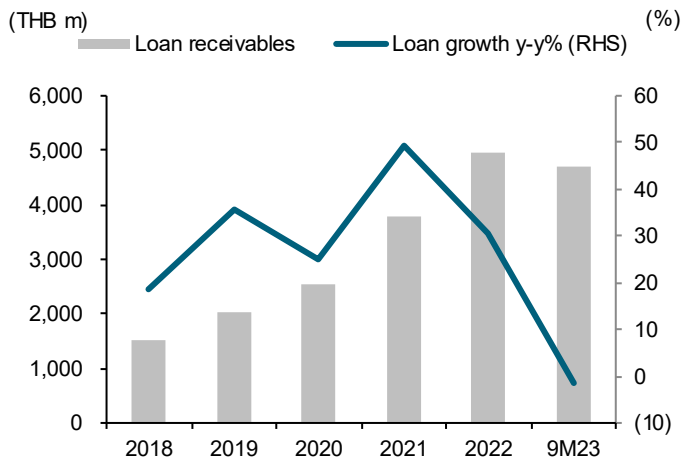
Sources: MICRO; FSSIA's compilation

**Exhibit 15: MICRO – NPL ratio, credit cost, and coverage ratio, 2018-9M23**



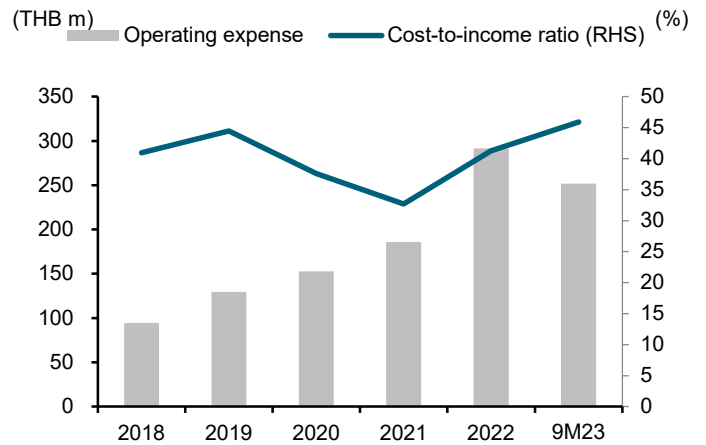
Sources: MICRO; FSSIA's compilation

**Exhibit 16: MICRO – loans and loan growth, 2018-9M23**



Sources: MICRO; FSSIA's compilation

**Exhibit 17: MICRO – operating expenses and CIR, 2018-9M23**

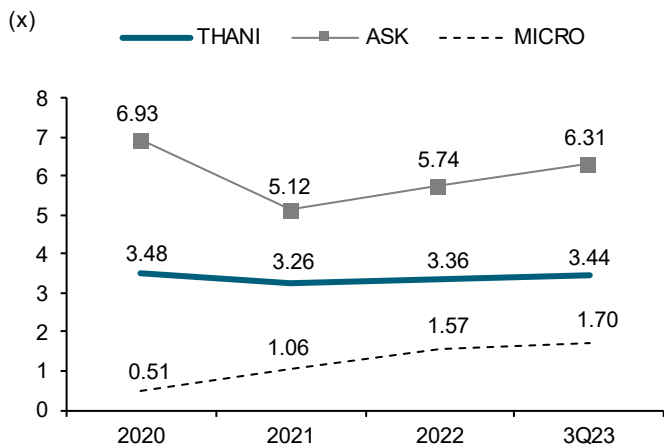


Sources: MICRO; FSSIA's compilation

## Financial position is manageable; MICRO is the most concerning, in our view

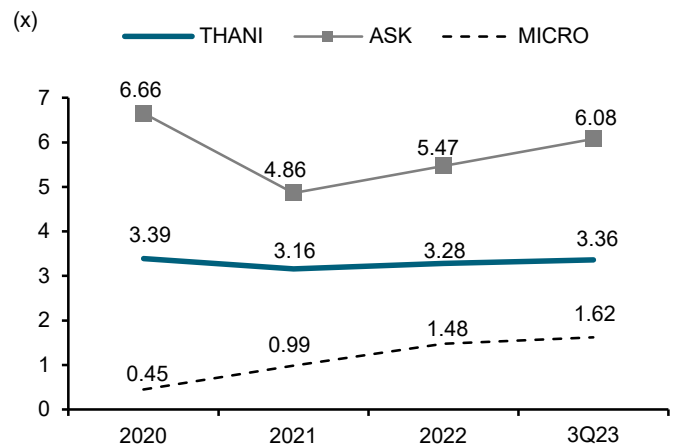
Each company's financial position was approaching debt covenants or internal gearing ratio levels. We are most concerned with MICRO, which is struggling to manage cash flow to reserve for the redemption of bonds due totaling THB1.08b in 2024, followed by ASK (D/E ratio 6.3x at the end of 3Q23 under covenants 7-8x, with the company expecting D/E in 2024 approaching 7x) and THANI (D/E ratio 3.4x at the end of 3Q23, while the internal target is lower than 4x). However, ASK and THANI are not yet at the point where they must increase capital since they can rely on cash flow from their debt collection.

Exhibit 18: Companies' D/E ratios, 2020-3Q23



Sources: Company data; FSSIA's compilation

Exhibit 19: Companies' IBD/E ratios, 2020-3Q23



Sources: Company data; FSSIA's compilation

Exhibit 20: THANI – Outstanding amount and repayment of company's debt and loans

Debt	Outstanding debentures				Repayment during period			
	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)
2023	30,612	30,912	31,563	36,077	2,200	-	486	3,439
2024	32,638	31,638	27,638	26,044	1,000	4,000	1,594	3,500
2025	22,544	19,544	17,951	16,451	3,000	1,593	1,500	3,000
2026	13,451	11,451	8,251	4,951	2,000	3,200	3,300	1,100
2027	3,851	2,200	900	900	1,651	1,300	-	900

Loans	Outstanding borrowings				Repayment during period			
	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)
2023	2,684	2,418	2,151	1,884	267	267	267	267
2024	1,618	1,351	1,084	818	267	267	267	267
2025	551	284	18	1	267	267	267	17
2026	0	0	0	0	1	-	-	-
2027	0	0	0	0	-	-	-	-

Total	Total outstanding debentures + borrowings				Repayment during period			
	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)
2023	33,296	33,330	33,714	37,961	2,467	267	753	3,706
2024	34,256	32,989	28,722	26,862	1,267	4,267	1,861	3,767
2025	23,095	19,828	17,969	16,452	3,267	1,860	1,767	3,017
2026	13,451	11,451	8,251	4,951	2,001	3,200	3,300	1,100
2027	3,851	2,200	900	900	1,651	1,300	-	900

Sources: ThaiBMA; THANI; FSSIA's compilation

**Exhibit 21: ASK – Outstanding amount and repayment of company's debt and loans**

	Outstanding debentures				Repayment during period			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Debt	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2023	21,365	25,465	27,848	29,268	700	317	1,000	2,153
2024	27,115	27,115	24,415	22,620	-	2,700	595	5,200
2025	17,420	14,170	10,270	9,344	3,250	3,900	926	2,970
2026	6,374	5,974	5,724	5,617	400	250	107	-
2027	5,617	3,117	2,467	800	2,500	650	1,667	800

	Outstanding borrowings				Repayment during period			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Loans	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2023	36,658	36,658	35,041	33,043	1,617	1,617	1,617	1,998
2024	31,046	29,048	27,050	25,052	1,998	1,998	1,998	1,998
2025	23,054	21,056	19,058	17,060	1,998	1,998	1,998	1,998
2026	15,062	13,064	11,066	9,068	1,998	1,998	1,998	1,998
2027	7,071	5,073	3,075	1,077	1,998	1,998	1,998	1,998

	Total outstanding debentures + borrowings				Repayment during period			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2023	58,023	62,123	62,889	62,311	2,317	1,934	2,617	4,151
2024	58,161	56,163	51,465	47,672	1,998	4,698	2,593	7,198
2025	40,474	35,226	29,328	26,404	5,248	5,898	2,924	4,968
2026	21,436	19,038	16,790	14,685	2,398	2,248	2,105	1,998
2027	12,688	8,190	5,542	1,877	4,498	2,648	3,665	2,798

Sources: ThaiBMA; ASK; FSSIA's compilation

**Exhibit 22: MICRO – Outstanding amount and repayment of company's debt and loans**

	Outstanding debentures				Repayment during period			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Debt	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2023	2,681	3,233	2,733	2,733	-	500	-	349
2024	2,384	2,384	2,063	2,063	-	321	-	762
2025	1,301	1,301	822	519	-	479	303	269
2026	250	250	250	-	-	-	250	-
2027	-	-	-	-	-	-	-	-

	Outstanding borrowings				Repayment during period			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Loans	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2023	556	492	428	364	64	64	64	64
2024	300	237	201	166	64	64	35	35
2025	131	96	80	80	35	35	16	-
2026	80	80	80	80	-	-	-	-
2027	80	80	80	-	-	-	-	80

	Total outstanding debentures + borrowings				Repayment during period			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2023	3,236	3,725	3,161	3,098	64	564	64	413
2024	2,684	2,621	2,264	2,229	64	385	35	797
2025	1,432	1,397	902	599	35	514	319	269
2026	330	330	330	80	-	-	250	-
2027	80	80	80	-	-	-	-	80

Sources: ThaiBMA; MICRO; FSSIA's compilation



## Underweight on truck hire-purchase; prefer auto title segment, TIDLOR top pick

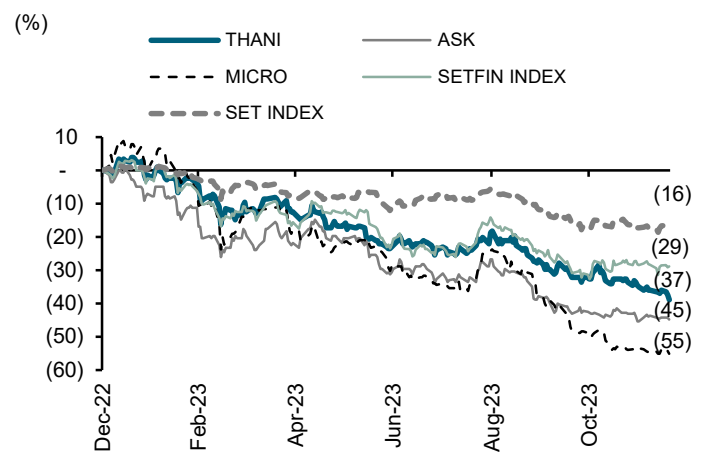
We have a negative view on the hire-purchase truck sector despite significant c30-50% YTD declines in the share prices. Though THANI and ASK have attractive dividend yields of c6-7% p.a., we believe it is not worth the risk of the negative downside following the earnings trend that should continue to see pressure until 1H24. We prefer auto-title sector players, with TIDLOR (TP THB28) as a top pick.

### Exhibit 23: Bloomberg consensus dividend yield, 2023-25E

	Div. yield		
	2023E (%)	2024E (%)	2025E (%)
ASK	6.48	5.94	6.58
THANI	6.54	6.73	6.42
MICRO	n/a	1.02	1.03

Source: Bloomberg

### Exhibit 24: YTD movement of the share prices



Sources: Bloomberg; FSSIA's compilation

## Key takeaways from 3Q23 analyst meetings for ASK, MICRO and THANI

### (-) Asia Sermkij Leasing (ASK TB; not rated):

ASK's 3Q23 analyst meeting on the 14th of November mainly focused on 1) asset quality overview and outlook; 2) guidance for NPL and NPA management in 4Q23-2024; and 3) 2024 operations as summarized below:

**Asset quality:** The 3Q23 NPL ratio finished at 4.14%, which rose from 2Q23 and was higher than the 2023 guidance of 4%, mainly from the SME and retail segments, which were affected by both the Middle East complications and domestic economic factors that occurred during the period. Credit cost was at 2.23%, higher than its 2% target ceiling, driving the coverage ratio down to 63.3% from 75% in 2022 and against its 70% target, down mainly from the rapidly rising level of NPLs despite rising ECL. The company has implemented strict lending measures for all segments by requiring higher down payments (25-30% from initially 15-20%).

ASK disclosed a downward trend of used truck prices in 3Q23 in auctions due to the prolonged supply glut issue, causing the company to focus more on 1) sales to large corporate buyers; and 2) the repurchase of NPAs from dealers. Both schemes could reduce 15% of its repossessed truck stock each month (currently in possession of around 1,000 foreclosed trucks). Therefore, ASK could maintain the average selling price of trucks near levels seen in 1H23 despite the decreasing market price. For 4Q23, the company estimates the NPL ratio to come down to a 4% target from its active management of NPLs while reducing the loss on sales of NPA per unit from more efficient marketing schemes. Meanwhile, there should be pressure for higher ECL for the company to reach its coverage ratio target.

**Loan outlook:** 9M23 loan growth increased 14.4% y-y and 10.4% YTD, aligning with its two-digit growth target, but slowed down from growth in 2021 and 2022. In addition, the new HP truck segment in 3Q23 still saw a slowdown in demand from 1H23 along with the economic conditions, while the used truck segment experienced a comfortable level of growth due to lower market competition. For 4Q23-2024, the company will maintain a high guard on new underwritings, aligning with its expectation of the slowing domestic economy for all segments.

**Funding and cost of funding trend:** In 3Q23, the long-term financing of ASK dominated 89% of the pool for the intention of the company to reduce re-financing pressure for shareholders, partially causing higher coupon rates on new issues. Interest spreads decreased significantly to 4.59% from 5.4% in 2022; while the yield was relatively stable, the cost of funds increased meaningfully and reached 3.19% in 3Q23 from 2.63% in 2022.

ASK expects higher figures where rates on new debentures should be relatively stable from 3Q-4Q23, but the pressure is to come from the maturity of older issues. The 3Q23 D/E ratio was 6.31x, rising from 5.74x in 2022. ASK expects the figure to rise to a high 6x by 2024, which is yet to be where it would typically increase share capital at 8x.

**4Q23-2024 outlook; no catalysts:** ASK intends to maintain its prudent measures given the expectation of slowing economic momentum in 4Q23. The company expects a declining NPL ratio due to 1) continued proactive NPL management; 2) higher efficiencies from NPA marketing; and 3) better responses from NPL debtors in TDR, citing the atmosphere seen during Oct-Nov. Meanwhile, less reliance on NPA auction sales should generate a lower loss on sales of repossessed vehicles.

#### Exhibit 25: ASK – 3Q23 operations summary

	3Q22	4Q22	1Q23	2Q23	3Q23	----- Change -----		9M22	9M23	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Interest income	1,262	1,304	1,333	1,403	1,436	2.35	13.84	3,559	4,172	17.2
Interest expense	343	375	408	459	504	9.77	46.93	961	1,371	42.7
Net interest income	919	929	925	944	932	(1.26)	1.48	2,598	2,801	7.8
Fee and other income	197	189	213	233	210	(10.15)	6.44	572	656	14.7
Total income	1,116	1,118	1,138	1,177	1,142	(3.02)	2.36	3,170	3,457	9.1
Operating expenses	292	269	320	337	318	(5.80)	8.57	858	975	13.6
Pre-provision operating profit	823	850	818	840	824	(1.91)	0.15	2,312	2,482	7.4
Expected credit losses	332	333	313	418	426	1.69	28.01	932	1,157	24.2
Profit after ECL	491	517	505	422	399	(5.48)	(18.73)	1,380	1,325	(4.0)
<b>Net profit</b>	<b>391</b>	<b>411</b>	<b>403</b>	<b>337</b>	<b>318</b>	<b>(5.74)</b>	<b>(18.75)</b>	<b>1,101</b>	<b>1,058</b>	<b>(3.9)</b>
EPS (THB)	0.74	0.78	0.76	0.64	0.60	(5.74)	(18.75)	2.09	2.00	(3.9)
Loans	65,243	67,605	69,987	73,001	74,640	2.24	14.40	65,243	74,640	14.4
Interest bearing debt	54,800	56,123	57,982	62,173	64,078	3.06	16.93	51,816	64,078	23.7
<b>Key ratios</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>			<b>9M22</b>	<b>9M23</b>	
	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Yield on loan	7.89	7.85	7.75	7.85	7.78			8.07	7.95	
Cost of funds	2.57	2.70	2.86	3.06	3.19			2.64	3.08	
Spread	5.32	5.15	4.89	4.79	4.59			5.43	4.88	
Cost to Income ratio	26.22	24.02	28.13	28.63	27.81			27.07	28.19	
Credit cost	2.04	1.97	1.79	2.29	2.28			2.11	2.21	
NPL / Loan	2.86	3.47	3.73	4.00	4.14			2.86	4.14	
LLR / Loan	2.56	2.60	2.50	2.57	2.62			2.56	2.62	
Coverage ratio	89.45	75.03	67.17	64.43	63.34			89.45	63.34	
D/E (x)	5.83	5.74	5.73	6.34	6.31			5.83	6.31	
IDBE (x)	5.56	5.47	5.45	6.08	6.08			5.56	6.08	
Loan growth q-q	4.21	3.62	3.52	4.31	2.24					
Loan growth y-y	24.45	21.31	17.83	16.60	14.40			24.45	14.40	
Loan growth YTD	17.07	21.31	3.52	7.98	10.41			17.07	10.41	

Sources: ASK; FSSIA's compilation

**(-) Micro Leasing (MICRO TB; not rated):**

MICRO's 3Q23 analyst meeting was on 24 November. For the truck and motorcycle hire-purchase lender, the attention was mainly on the 9M23 operations, asset quality, plans for financing, and the outlook in 4Q23-2024.

**9M23 operations:** 9M23 revenue for MICRO was THB548m, rising 4.6% y-y with a moderate decline in loan growth. In contrast, the deteriorating debt servicing quality in the HP truck portfolio has led to aggressive asset repossession activity throughout the year, causing a trend of rising collection and repossession expenses coupled with increasing losses from the sales of repossessed assets, resulting in 9M23 operating expenses of THB252m (up 15.9% y-y). The 9M23 cost-to-income ratio spiked to 45.91% from 41.43%. The firm made a net loss of THB43m for 9M23 (vs net profit of 78m in 9M22).

**Asset quality:** The firm disclosed the overview for its asset quality, where the HP motorcycle segment (16.4% of MICRO's total loans) has recently shown a stable sign of new NPL formation. Meanwhile, MICRO reported a slowing momentum in the number of repossessed trucks (50-80 units/month in 3Q22-2Q23 vs. less than 50 units/month in 3Q23). However, the company remains concerned about the market price of used trucks, which should continue to pressure the loss figure on the sales of repossessed trucks from now on.

**Profitability:** Loan yield in 3Q23 finished at 16.1% and continued rising from the low of 15.5% in 2020, which experienced the effect of debt moratorium and the firm's period of high portfolio expansion. On the other hand, its cost of funds has risen from 5.8% in 2022 to 6.1% in 3Q23, affected by the increase in the RP rate and narrowing spreads.

**Financing:** With the current level of its cash on hand, the company expects to be able to service the maturity of a debenture worth THB321m in April 2024. However, if neither new debt issues nor acquiring new bank loans are viable options, in the future, the firm needs to maintain conservative growth in new lending and ramp up its sales for repossessing assets to acquire cash for the maturity of two debt issues worth around THB762.1m in total on October 2024. As of 3Q23, the firm's D/E ratio was at 1.93x, increasing from 1.71x in 2022, mainly due to 1) repayment of debt during the quarter; and 2) net loss for the period. MICRO has a debenture covenant at 3x with a bank loan covenant at 2x.

**4Q23-2024 outlook:** MICRO sees loan growth in 2024 at a one-digit level, with the HP motorcycle segment contributing the most to its expectation of stable asset quality. Meanwhile, it will remain cautious in terms of growth for the truck segment due to concerns over the disappointing economic growth. In contrast, MICRO plans to reduce costs by downgrading some 25 of its full branches to sub-branches, lowering hires and expenses. For 4Q23, MICRO does not expect to meet its 4% NPL ratio target and estimates it will finish at a 4-5% level.

## Exhibit 26: MICRO – 3Q23 operations summary

	3Q22	4Q22	1Q23	2Q23	3Q23	----- Change -----		9M22	9M23	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Interest income	188	196	202	200	194	(3.29)	3.07	510	596	16.9
Interest expense	39	47	48	52	53	2.28	37.85	100	153	53.2
Net interest income	149	149	155	148	141	(5.25)	(5.92)	411	444	8.0
Fee and other income	35	34	36	32	37	16.20	4.91	114	105	(7.7)
Total income	185	183	190	180	178	(1.46)	(3.85)	524	548	4.6
Operating expenses	81	74	83	84	85	1.65	4.58	217	252	15.9
Pre-provision operating profit	103	108	108	97	93	(4.15)	(10.49)	307	297	(3.4)
Expected credit losses	98	119	117	123	142	15.50	44.76	215	382	77.8
Profit after ECL	5	(11)	(9)	(27)	(50)	86.95	n/a	92	(86)	n/a
<b>Net profit</b>	<b>8</b>	<b>1</b>	<b>3</b>	<b>(12)</b>	<b>(34)</b>	<b>190.07</b>	<b>n/a</b>	<b>78</b>	<b>(43)</b>	<b>n/a</b>
EPS (THB)	0.01	0.00	0.00	(0.01)	(0.04)	190.07	n/a	0.08	(0.05)	n/a
Loans	4,786	4,957	4,397	4,920	4,714	(4.18)	(1.50)	4,786	4,714	(1.5)
Interest bearing debt	2,926	3,170	3,349	3,514	3,480	(0.96)	18.95	2,609	3,480	33.4
Key ratios	3Q22	4Q22	1Q23	2Q23	3Q23			9M22	9M23	
	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Yield on loan	16.13	16.08	17.28	17.21	16.10			16.66	16.74	
Cost of funds	5.58	6.20	5.83	6.07	6.09			5.92	6.36	
Spread	10.54	9.88	11.45	11.15	10.01			10.74	10.38	
Cost to Income ratio	44.05	40.74	43.52	46.46	47.92			41.43	45.91	
Credit cost	8.42	9.75	10.00	10.57	11.80			7.01	10.73	
NPL / Loan	4.61	4.56	5.51	4.55	4.73			4.61	4.73	
LLR / Loan	4.54	4.67	4.68	5.50	5.35			4.54	5.35	
Coverage ratio	98.63	102.55	84.92	120.85	113.27			98.63	113.27	
D/E (x)	1.44	1.57	1.66	1.69	1.70			1.44	1.70	
IDBE (x)	1.36	1.48	1.57	1.61	1.62			1.36	1.62	
Loan growth q-q	5.28	3.59	(11.30)	11.89	(4.18)					
Loan growth y-y	41.39	30.60	6.44	8.23	(1.50)			41.39	(1.50)	
Loan growth YTD	26.07	30.60	(11.30)	(0.75)	(4.91)			26.07	(4.91)	

Sources: MICRO; FSSIA's compilation

**(-) Ratchthani Leasing (THANI TB; not rated)**

THANI's analyst meeting on 18 December 2023 focused on 1) the market situation for each type of vehicle; 2) the 9M23 operations; 3) asset quality; and 4) its financial position, as summarized below:

**Market situation for each type of car:** The proportion of hire purchase loans at the end of 9M23 focused on trucks 71% (new 69%, old 31%), luxury cars 22%, motorcycles 2%, taxis 1%, and others 4%. Demand for the truck market was still quite good for both new and used cars in 3Q23 but started to shrink at the end 3Q23, even though the season had begun. Typically, customers will make a contract three months in advance to receive the car in 4Q23. It turns out that customers booked fewer cars than expected.

Moreover, lenders have become more stringent in granting credit since the beginning of 4Q23, which has led to a decrease in competition and an increase in the yield of truck loans. For the luxury car group, demand for new supercars has largely disappeared. Most customers are focused on the used car market. For the taxi segment, most taxis will expire in 2024 (after having been renewed in the past). In addition, the government sector supports a greater use of EV cars, which should positively affect the loan growth trend in this group, from the continuous contraction during the past. The motorcycle group is relatively stable, and THANI is focusing on big bike groups, mainly European brands, and both new and used cars.

**9M23 operations and 2023 guidance:** THANI posted a 3Q23 net profit of merely THB250m, down 41.1% q-q and 44.7% y-y, the lowest quarterly profit in a year, dragged by an increase in operating expenses. (including losses from sales of repossessed trucks) and higher ECL, while overall income, particularly net interest income, decreased by 2.0% q-q and 6.8% y-y. The impact was from net loans that fell by 0.3% q-q (but still increased by 4% y-y), and the interest spread continued to decrease at 3.72% following interest expenses that accelerated to 2.86%, in contrast to the loan yield that shrank.

Overall, 9M23 net profit was THB1.13b, shrinking by 19.6% y-y, from the impact of the acceleration of ECL expenses and losses from sales of repossessed trucks, while credit costs rose to 1.63% from 0.83% in 9M22, exceeding the 2023 guidance of no more than 1.50%. Net interest income contracted slightly, from the increase in interest expenses to 2.74% from 2.31% in 9M22, which is still in line with the 2023 guidance of <2.9%, contrary to the yield that continues to shrink. In addition, the new loan amount released during 9M23 increased to THB19.8b – still lower than the 2023 guidance of THB30b – with THANI believing it should end at cTHB25b-26b. The outstanding hire-purchase loans at the end of 3Q23 at THB53.6b were still in line with the 2023 guidance of cTHB54b.

**Asset quality:** The 3Q23 NPL ratio continued to climb to 2.73% in 3Q23, still lower than the 2023 guidance of <3%, affected by unfavorable industry conditions, causing an increase in the litigation of debtors and rising credit costs. In addition, THANI revealed that the confiscated truck trend has remained the same, since these trucks are in poor condition. Most debtors have received debt restructuring since the Covid period (2-3 years past), extending and suspending debt, causing the trucks' conditions to deteriorate.

THANI has adjusted its strategy by hastening to repossess cars first (initially waiting for 7-8 installments, now reduced to 4) to negotiate debt collection and sell at auction. The company must accept the losses incurred if negotiations fail, and THANI will file a lawsuit for legal action. The impact of the acceleration of ECL and credit costs was mainly due to the increase in legal procedures. THANI foresees that this situation will continue until 1Q24, with the company expecting credit costs in 2024 to reach c1.5-1.6%, depending on management, for which the current approach is quite suitable.

**Financial position:** The 9M23 D/E ratio was 3.44x, relatively stable compared to 2020 at 3.48x, and is also in line with 2023 guidance of <4x. The company revealed that it has ample cash flow remaining from the current situation, in which loans are relatively stable. As a result, the plan to issue debentures worth THB5b in 2024 may not need to be reached. At the end of 9M23, THANI had interest-bearing debts totaling THB42.1b, divided into short-term debt of THB19.0b (45%) and the rest being long-term debt. All obligations are at a fixed interest rate. The company expects its 2024 cost of funds to reach c3.20-3.30% from 2.90% in 2023.

## Exhibit 27: THANI – 3Q23 operations summary

	3Q22	4Q22	1Q23	2Q23	3Q23	----- Change -----		9M22	9M23	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Interest income	896	904	910	920	924	0.42	3.21	2,606	2,755	5.7
Interest expense	230	252	262	287	304	5.85	32.02	674	853	26.7
Net interest income	665	653	649	633	620	(2.04)	(6.76)	1,933	1,902	(1.6)
Fee and other income	234	227	281	222	236	6.06	0.58	706	739	4.7
Total income	900	879	929	855	856	0.06	(4.85)	2,639	2,641	0.1
Operating expenses	211	200	177	176	208	17.73	(1.39)	573	561	(2.1)
Pre-provision operating profit	689	679	752	679	648	(4.53)	(5.91)	2,065	2,079	0.7
Expected credit losses	122	236	182	140	340	142.22	178.23	319	662	107.4
Profit after ECL	567	443	570	539	308	(42.74)	(45.58)	1,746	1,418	(18.8)
Income tax	114	90	120	114	58	(48.91)	(49.18)	346	292	(15.7)
<b>Net profit</b>	<b>453</b>	<b>353</b>	<b>450</b>	<b>425</b>	<b>250</b>	<b>(41.09)</b>	<b>(44.66)</b>	<b>1,400</b>	<b>1,126</b>	<b>(19.6)</b>
EPS (THB)	0.08	0.06	0.08	0.08	0.04	(41.09)	(44.66)	0.25	0.20	(19.6)
Loans	53,073	53,659	54,717	55,320	55,162	(0.29)	3.94	53,073	55,162	3.9
Interest bearing debt	40,815	40,583	40,874	42,830	42,126	(1.64)	3.21	39,409	42,126	6.9
Key ratios	3Q22	4Q22	1Q23	2Q23	3Q23			9M22	9M23	
	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Yield on loan	6.78	6.75	6.67	6.62	6.59			6.80	6.79	
Cost of funds	2.30	2.48	2.57	2.75	2.86			2.31	2.74	
Spread	4.49	4.27	4.10	3.87	3.72			4.50	4.05	
Cost to Income ratio	23.42	22.80	19.05	20.63	24.27			21.72	21.25	
Credit cost	0.93	1.77	1.34	1.02	2.46			0.83	1.63	
NPL / Loan	2.33	2.51	2.65	2.66	2.73			2.33	2.73	
LLR / Loan	2.72	2.90	2.84	2.72	2.84			2.72	2.84	
Coverage ratio	116.61	115.70	107.25	102.50	103.87			116.61	103.87	
D/E (x)	3.48	3.36	3.29	3.58	3.44			3.48	3.44	
IDBE (x)	3.40	3.28	3.19	3.49	3.36			3.40	3.36	
Loan growth q-q	1.57	1.10	1.97	1.10	(0.29)					
Loan growth y-y	8.09	8.63	8.06	5.88	3.94			8.09	3.94	
Loan growth YTD	7.44	8.63	1.97	3.10	2.80			7.44	2.80	

Sources: THANI; 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.																											
CG Score 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 (50-59), 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%).																											
AGM level 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%). (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&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)	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.																											
Thai CAC 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. (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.)	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.																											
Morningstar Sustainalytics	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. 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 & peer reviews.	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+																									
ESG Book	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.																											
MSCI	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="0" style="margin-left: 20px;"> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>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> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>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> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></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> </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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Moody's ESG solutions	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.																												
Refinitiv ESG rating	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. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)																												
S&P Global	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.																												
Bloomberg	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

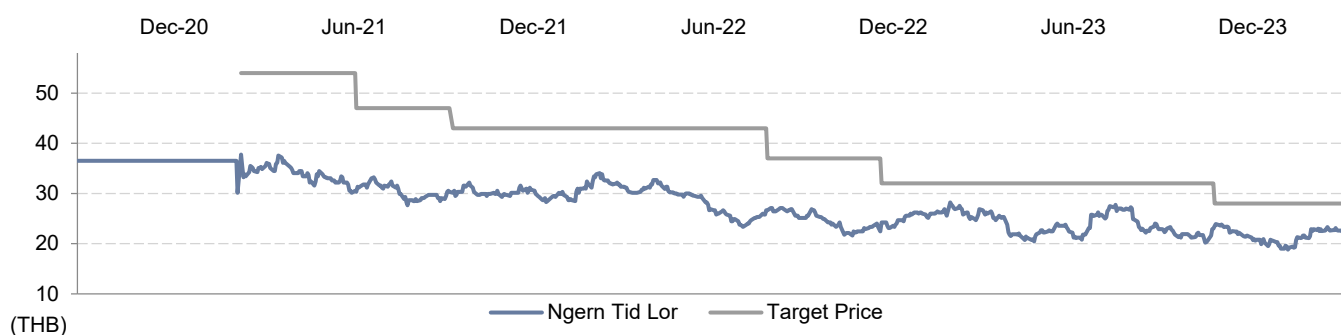
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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	23-Aug-2023	BUY	28.00

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 22.60	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.

All share prices are as at market close on 19-Dec-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.