

CHAYO GROUP CHAYO TB
THAILAND / FINANCIALS - MAI

HOLD

ระดับการประเมินมูลค่าเหมาะสมแต่ความชัดเจนของกำไรต่ำ

- เราคาดว่าธุรกิจบริษัทบริหารสินทรัพย์ (AMC) จะมีต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit cost) สูงต่อเนื่องแต่จะได้แรงหนุนจากการเติบโตของสินเชื่อในปี 2024-25
- เราคาดว่ากำไรสุทธิ 4Q23 จะโตทั้ง q-q และ y-y จากการเก็บเงินสด การเติบโตของหนี้ต่อคุณภาพและพอร์ตสินเชื่อที่เพิ่มขึ้นเล็กน้อย
- เราเริ่มบทวิเคราะห์ CHAYO ด้วยคำแนะนำถือที่ราคาเป้าหมาย 5.70 บาท

TARGET PRICE	THB5.70
CLOSE	THB5.25
UP/DOWNSIDE	+8.6%
TP vs CONSENSUS	-21.6%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	350	545	568	668
Net profit	252	368	382	439
EPS (THB)	0.24	0.33	0.34	0.39
vs Consensus (%)	-	8.9	(8.1)	21.9
Recurring net profit	252	368	382	439
Core EPS (THB)	0.24	0.33	0.34	0.39
EPS growth (%)	5.0	45.8	3.9	15.0
Core P/E (x)	22.2	15.9	15.3	13.3
Dividend yield (%)	0.8	0.7	1.0	1.1
Price/book (x)	1.9	1.7	1.6	1.4
ROE (%)	9.1	11.6	10.7	10.9
ROA (%)	4.5	5.2	4.6	4.9

Credit cost ที่อยู่ในระดับสูงจะฉุดธุรกิจ AMC

ตลอดปี 2023 ประมาณ 90% ของบัญชีลูกหนี้ที่ CHAYO ซื้อมาเป็นหนี้ที่ไม่มีหลักทรัพย์ค้ำประกันที่เกินกำหนดชำระระหว่าง 150-180 วัน (นับว่าเป็นหนี้ต่อคุณภาพที่ค่อนข้างใหม่) เนื่องจากมีปัญหาดังกล่าวหนี้ต่อคุณภาพหนี้ต่อคุณภาพประเภทมีหลักทรัพย์ค้ำประกัน ในปี 2023 CHAYO เร่งการลงทุนในหนี้อย่างมากโดยเฉพาะในช่วง 2 ไตรมาสสุดท้าย เราคาดว่าหนี้ต่อคุณภาพที่ซื้อใหม่จะเพิ่มกระแสการเก็บเงินสดกับบริษัท ในช่วง 1-2 ไตรมาสหลังการซื้อจากการดำเนินการทางกฎหมายบางประการพร้อมความสามารถในการเก็บเงินสดที่อยู่ในระดับสูงจากปัจจัยในด้านอายุหนี้

สินเชื่อเป็นธุรกิจที่สร้างกำไรมากเป็นอันดับ 2

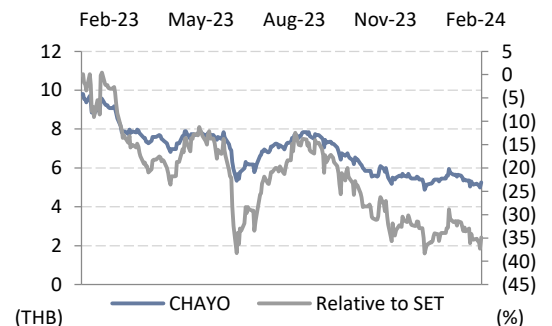
CHAYO กำลังทำตามแผนแยกธุรกิจโดยจะทำ IPO ของ Chayo Capital (CCAP) ในช่วง 2Q และ 3Q ของปี 2024 และคาดว่าจะใช้เงินทุนที่ได้มาเพื่อเพิ่มการเติบโตของบัญชีลูกหนี้เงินกู้ต่อโดย CHAYO วางแผนคงระดับการถือหุ้นไว้ที่ 53% หลัง IPO ณ สิ้นรอบ 9M23 พอร์ตของบริษัท พุ่งขึ้นแตะ 874 ลบ. (+47.22% y-y) เราคาดว่าธุรกิจสินเชื่อจะเป็นปัจจัยหนุนการเติบโตอันดับสองของ CHAYO ใน 4Q23 โดยคาดว่ามูลค่าสินเชื่อของ CCAP จะเพิ่ม 4.82% q-q และ 41.12% y-y และส่วนแบ่งกำไรสุทธิน่าจะเพิ่มจาก 10.8% ในปี 2022 เป็นประมาณ 10.8-14.1% ในปี 2023-25 ประมาณการของเราจะมี Upside จากความสำเร็จในการออก IPO

การขายสินทรัพย์รอการขายขนาดใหญ่จะช่วยเพิ่มผลประกอบการ 4Q23 และปี 2023

เราคาดว่ากำไรสุทธิ 4Q23 จะจบที่ 95 ลบ. (+25.9% q-q, +12% y-y) โดยจะได้ปัจจัยหนุนส่วนมากจาก 1) กำไรจากการขายสินทรัพย์รอการขายขนาดใหญ่อันมีมูลค่าประมาณ 30 ลบ.; 2) การเก็บเงินสดจากหนี้ต่อคุณภาพซึ่งน่าจะฟื้นตัวเล็กน้อยเป็น 108 ลบ. (+3.8% q-q, +15% y-y) จากอิทธิพลของปัจจัยด้านฤดูกาลและ 3) การเติบโตของสินเชื่อของ CCAP ที่คาดว่าจะอยู่ที่ 4.82% q-q และ 41.12% y-y อย่างไรก็ตามเราคาดว่าธุรกิจ AMC จะยังได้รับแรงกดดันจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) สอดคล้องกับมุมมองของเราที่คาดว่าแนวโน้มอุตสาหกรรมจะไม่สดใส เราคาดว่ากำไรสุทธิปี 2023 ที่ 368 ลบ. (+45.8% y-y)

เริ่มบทวิเคราะห์ด้วยคำแนะนำถือที่ราคาเป้าหมายปี 2024 ที่ 5.70 บาท

เราเริ่มบทวิเคราะห์ CHAYO ด้วยคำแนะนำถือ เราคาดว่าอุตสาหกรรม AMC โดยรวมจะได้รับแรงกดดันอย่างต่อเนื่องจากผลประกอบการในด้านการเก็บเงินสดที่อ่อนแอและความชัดเจนของกำไรที่อยู่ในระดับต่ำ ราคาเป้าหมายปี 2024 ของเรา (GGM) อยู่ที่ 5.70 บาทคิดเป็นค่า P/BV ได้ที่ 1.63x



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.2)	(11.8)	(46.5)
Relative to country (%)	(2.9)	(10.5)	(34.9)
Mkt cap (USD m)	169		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	21		
Major shareholder	Yasasin Family (33%)		
12m high/low (THB)	10.00/4.78		
Issued shares (m)	979		

Sources: Bloomberg consensus; FSSIA estimates



Usanee Liurut, CISA

Fundamental Investment Analyst on Capital Market; License no. 017928
usanee.l@fssia.com, +66 2646 9967

Maeta Cherdasatirakul

Research Assistant
maeta.c@fssia.com, +66 2646 9971

Investment thesis

We have a HOLD call for CHAYO over factors including:

- 1) CHAYO's AMC and corporate lending businesses should be two major growth engines in 2023-25. Meanwhile, credit cost in the AMC segment should put pressure well into 2024.
- 2) We expect the lending business to achieve a high rate of expansion due to its small-sized advantage, with most underwritings as secured loans issued at low LTVs.
- 3) Therefore, we expect CHAYO to have 3.9% growth in net profit in 2024 from the high base in 2023 and 15% in 2025 (lower than management's estimate of 25-30%).

We initiate our coverage on CHAYO with a HOLD rating, in line with our industry view where low earnings visibility serves as source of pressure along with the slowing economy. Our GGM-based valuation model yields a 2024 TP of THB5.70, implying a P/BV ratio of 1.63x.

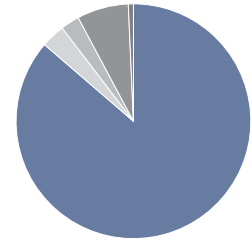
Company profile

CHAYO provides services relating to debt collection, managing non-performing assets from purchases, transferring secured and non-secured non-performing assets from financial institutions and credit facility companies, providing call centre services, loans, and selling goods and/or providing services.

www.chayo555.com

Principal activities (revenue, 9M23)

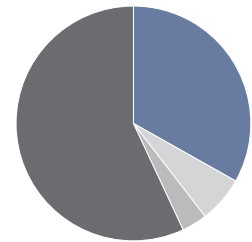
- NPLs management - 86.4 %
- NPAs management - 3.3 %
- Debt collection - 2.6 %
- Loan business - 7.1 %
- Recruitment service - 0.7 %



Source: Chayo Group

Major shareholders

- Yasasin Family - 33.2 %
- Sereewattana Family - 6.4 %
- Boonmeechot Family - 3.5 %
- Others - 57.0 %



Source: Chayo Group

Catalysts

- Higher-than-expected cash collection from invested NPLs;
- Higher-than-expected growth in loan underwritings;
- Lower-than-expected operating expenses;
- Lower-than-expected cost of funds.

Risks to our call

Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses. Upside risks include 1) better-than-expected cash collection performance and lower pressure from ECL, 2) stronger-than-expected loan growth, and 3) better cost control than expected.

Event calendar

Date	Event
23 Feb 2024	2023 results announcement
29 Feb 2024	Company's opportunity day

Key assumptions

	2023E	2024E	2025E
Net profit (THB m)	368	382	439
Net profit growth (%)	45.81	3.88	14.96
Cash collection	411	459	520
Cash collection growth (%)	20.59	11.75	13.29
Credit cost (bp)	582	554	548
Receivable investment	1,500	1,000	1,050
Cost to income	34.58	35.25	34.95

Source: FSSIA estimates

Earnings sensitivity

		----- 2024E -----		
Cash collection ratio	±10bp	5.67	5.77	5.87
<i>% change in net profit</i>		(1)		1
Cost to income	±1ppt	34.25	35.25	36.25
<i>% change in net profit</i>		3		(3)

Source: FSSIA estimates

Company overview

CHAYO is Thailand’s third largest asset management company (AMC) as of 3Q23. The company had more than 20 years of operating experience in debt collection before fully expanding into asset management in 2014.

The overall atmosphere of the AMC industry in 2023 was relatively dim as the slow economic improvement impaired the purchasing power of households and the collectability of NPL debtors. Meanwhile, operators with foreclosed assets also suffered from both the weak demand in real estate assets and the stricter lending policy in the housing segment of commercial banks, pressuring companies’ NPA sales.

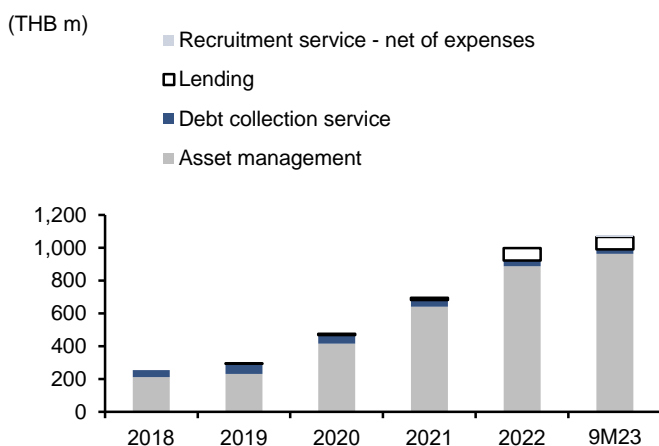
As of 3Q23, CHAYO operates in four business lines. The segments contributing the most revenue to the group are, in order: 1) NPL and NPA management; 2) secured and unsecured lending; 3) debt collection service; and 4) a recruitment service business, which the company just started at the beginning of 2023. CHAYO is currently targeting 100% growth in its operating results every three years (around 25-30% growth p.a.), driven by two major contributors: its AMC and loan segments.

Exhibit 1: Chayo Group – holding structure, as of 3Q23

Chayo Group Pcl.			
	Paid-up capital (THB m)		557.45
	Paid-up capital (m shares)		1,115.9
	Market cap (THB m)		12,000 - 15,000
No.	Company	Percentage holding (%)	Paid-up capital (THB m)
1	Chayo Property and Service	100	20
2	Chayo Asset Management	100	200
3	Chayo Capital	71	250
4	555 Service	95	7
5	Chayo JV	55	1,800

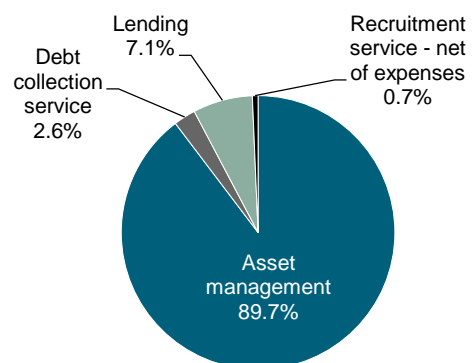
Source: CHAYO

Exhibit 2: Revenue by segment, 2018-9M23



Sources: CHAYO; FSSIA’s compilation

Exhibit 3: Percentage of revenue contribution by business, as of 9M23



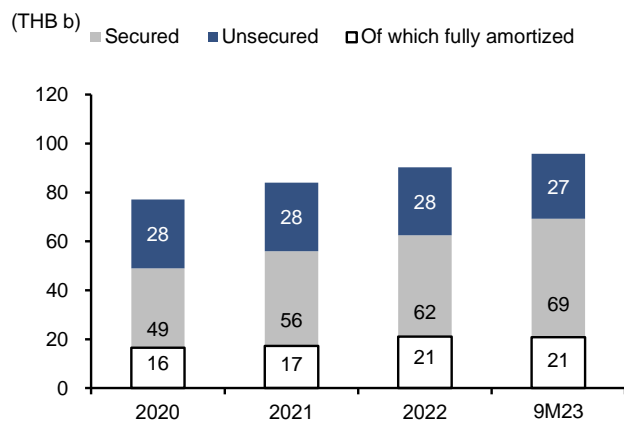
Sources: CHAYO; FSSIA’s compilation

Asset management business – the group’s major driver

The AMC business of the group operates under two subsidiaries: 1) CHAYO Asset Management (CHAYO holds 99.99%), mainly targeting unsecured NPL management; and 2) CHAYO JV Asset Management (CHAYO holds 55%, the other 45% is held by eight other JV investors), targeting secured NPL management.

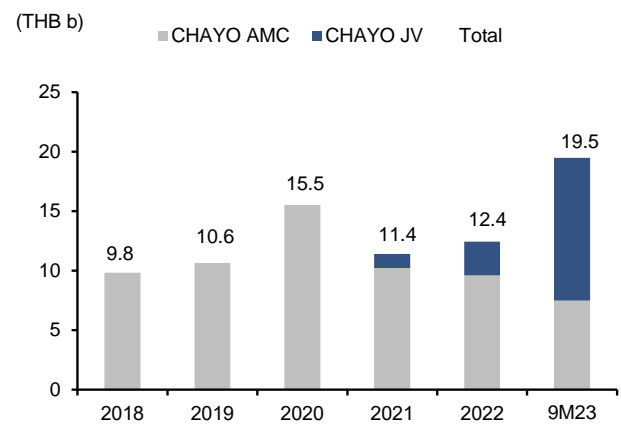
As of 3Q23, the outstanding amount of NPLs under management finished at THB96b, rising at a rate of 8% CAGR from 2020. Meanwhile, secured loans have contributed the most to the firm’s total acquired NPLs. In 2023, despite a significant increase in the supply of NPLs for sale by financial institutions (FI), the negotiations on the pricing of secured NPLs with sellers were moderately intensive, leading to a high number of cancelled sales, according to BAM’s disclosure of market data. Therefore, around 90% of acquired receivables for CHAYO throughout 2023 were unsecured loans aged around 150-180 days overdue (relatively new NPLs). The debt investment dynamic for CHAYO in 2023 was heavily weighted toward the last two quarters of the year. We expect newly acquired NPLs to provide the firm with cash collection streams in about 1-2 quarters after acquisition due to certain legal practices relating to the process of creditor rights transfers from FIs and notifying debtors regarding the change, which should provide tailwinds for 1H24 collection performance due to the aging of new investments.

Exhibit 4: Breakdown of outstanding loan receivables, 2020-9M23



Sources: CHAYO; FSSIA’s compilation

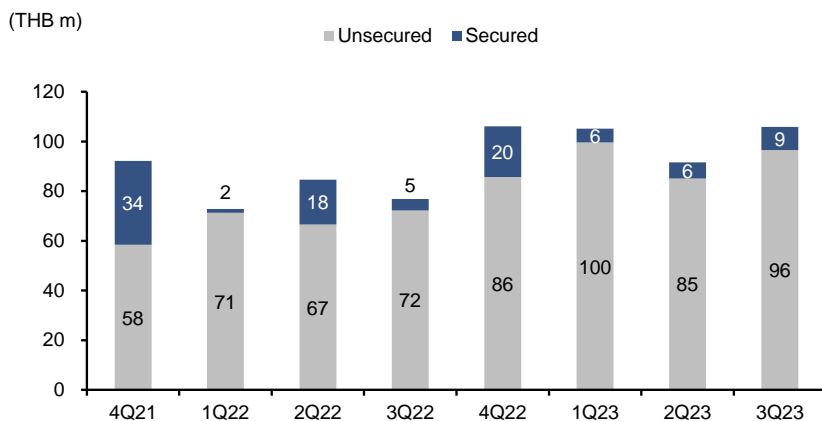
Exhibit 5: Yearly new acquisitions by OS amount, 2018-9M23



Sources: CHAYO; FSSIA’s compilation

The cash collection from loan receivables for CHAYO between 2019 and 2022 grew at a rate of 8.29% CAGR. Meanwhile, the total accumulated amount of cash collected relative to CHAYO’s total investment in NPLs has been dropping from 67% in 2020 to 40% as of 3Q23. This is from the faster pace of investment and underperformance in secured loan cash collection, which has been dominated by the higher contribution from collection on unsecured loans due to easier legal and management processes and new unsecured loan investments during the period.

Exhibit 6: Breakdown of cash collection, 1Q21-3Q23



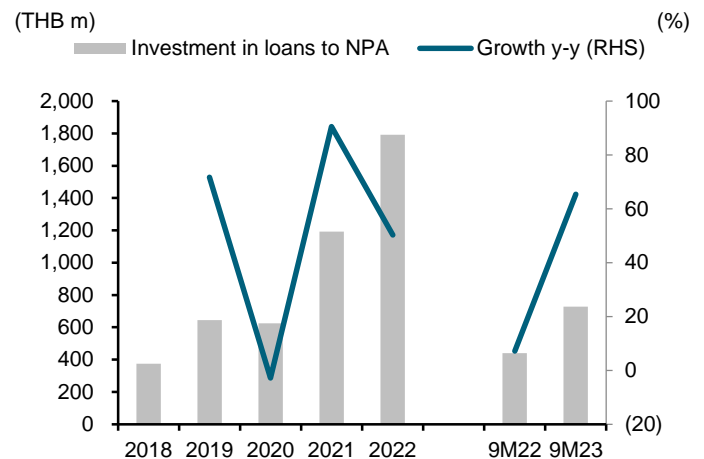
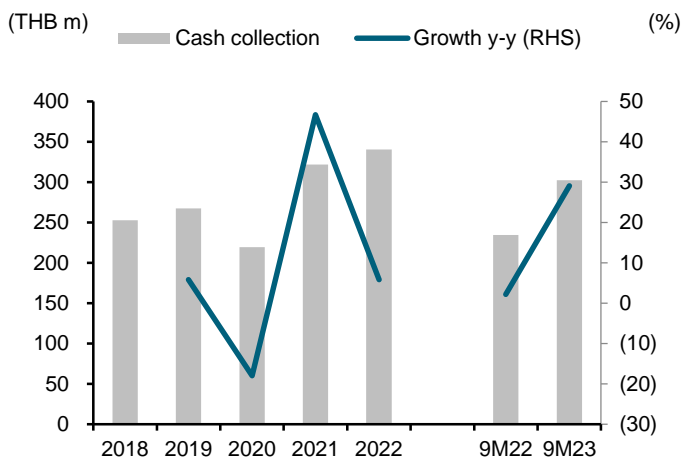
Sources: CHAYO; FSSIA’s compilation

For 9M23, the company reported the total cash collected at THB302m, increasing 29.06% y-y. However, the expected credit loss (ECL) expenditure was THB274m, rising at a rate of 86.2% y-y, implying an increase in credit cost to 685 bps from 634 bps in 9M22, pressured by industry trends and the macroeconomic slowdown – CHAYO realizes ECL by the negative difference between ex-ante and actual cash collection from each unsecured NPL account on a monthly basis.

In 4Q23, we expect cash collection to moderately pick up to THB108m (+3.8% q-q and +15% y-y) due to seasonality and portfolio expansion, while ECL should remain high at THB107m (flat q-q but up 48.8% y-y), resulting in 2023 credit cost of 597 bps. For 2024-25, we forecast the company’s cash collection to increase by 11.8% y-y and 13.3% y-y, respectively, for the expansion in both secured and unsecured NPL portfolios with projected credit cost of 569 bps and 564 bps, only moderately declining to align with the economic conditions.

Exhibit 7: Vintage of CHAYO’s cash collection and growth, 2018-9M23

Exhibit 8: Investment in receivables, 2018-9M23



Sources: CHAYO; FSSIA’s compilation

Sources: CHAYO; FSSIA’s compilation

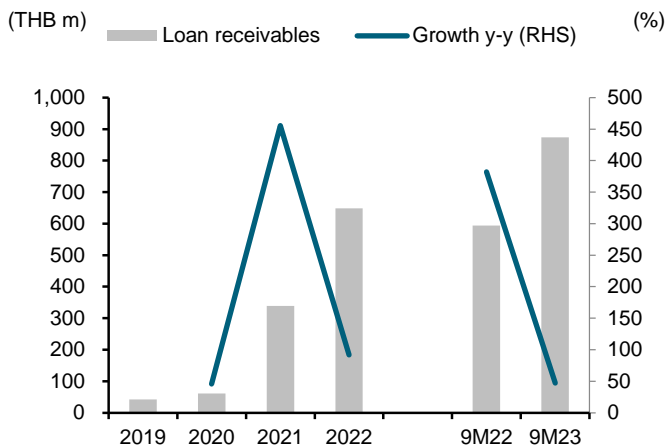
In Dec 2023, the Bank of Thailand (BoT) announced a measure that requires FIs to invite debtors to enter into a troubled debt restructuring (TDR) process before processing NPL sales and write-offs as a sub-measure under the responsible lending policy. The measure could potentially affect the supply of NPLs in the market in 2024 as FIs are forced to hoard the bad debts on their books. We do not believe the market supply of bad loans will be reduced in 2024 from the measure, given that TDR is already a favorable option for lenders in coping with overdue debtors. However, the process should lead to the further aging of NPLs before being put out for sale by around a month, which should have only a marginal downside to the collectability and profitability of AMCs.

CCAP – CHAYO’s second growth engine

CHAYO’s lending business operates under one of its subsidiaries, CHAYO Capital (CCAP), which, as of 9M23, the firm holds 71.25% of the shares. The group is implementing the “spin-off” plan for the IPO filing of CCAP between 2Q and 3Q of 2024 and expects to utilize the raised funds for further growth enhancement in its loan receivables. The firm expects the portfolio size to reach THB1.5b-1.6b by the end of 2024, with a reduction in its reliance on funding from CHAYO. Meanwhile, the IPO should not lead to any changes in CHAYO’s consolidated financial statement, as the company plans to maintain at least 53% of the shares post-IPO.

CCAP’s loan portfolio grew from a mere THB42m in 2019 to THB649m at the end of 2022 – an astonishing rate of growth for its small size. As of 9M23, the portfolio further expanded and reached THB874m, implying an increase of 34.62% YTD and 47.22% y-y. Around 96% of the amount was lent out to corporates and SMEs as working capital with collateral backed at a low LTV of 40-50%, which mostly includes land, real estate, and office buildings.

Exhibit 9: Loan receivables and growth, 2019-9M23



Sources: CHAYO; FSSIA's compilation

Exhibit 10: Breakdown of loan receivables, as of 9M23

	No. of accounts (no.)	OS balance (THB m)	% of total (%)
Secured loans	29	814	96.91
Personal loans and Nano finance	553	7	0.84
Welfare	666	18	2.19
Advance payroll	102	1	0.06
Total	1350	840	100.00

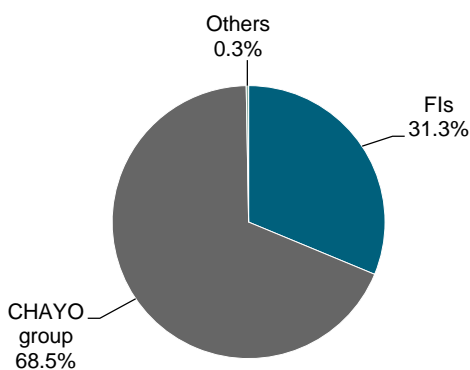
	Interest rates (%)	OS balance (THB m)	% of total (%)
Secured	12-15%	814	96.91
Unsecured	15-33%	26	3.09
Total	n/a	840	100.00

Sources: CHAYO; FSSIA's compilation

CCAP's NPL ratio rapidly increased from 1.1% in 2021 to 14.9% in 2022 due to the high concentration of the portfolio and impaired credit quality along with the slowing economy. We expect the formation of NPLs to remain high, pushing the NPL ratio up to 20.4% and 27.2% at the end of 2023-24, respectively. Because of its low exposure to loss, the company does not put down provisions for loan losses (ECL) on secured loans. However, for the conservative approach to our forecasts, we take into account the credit cost of CCAP during 2023-25E at 120 bps as a cushion, as we expect that the legal process for asset foreclosure could take around two years, which could induce some impairment loss on assets.

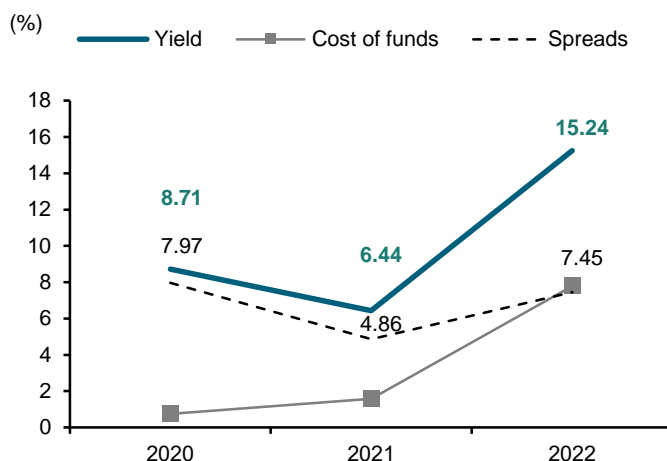
As of 3Q23, CCAP mainly operated via CHAYO's funding (68.5% of company's total IBD), while the portion of borrowings from FIs was 31.3%. Meanwhile, the change in loan yields between 2020 and 2022 was volatile due to the rapid growth in loan receivables. We foresee a more stable movement in its loan yield near 15% for the larger loan base going forward, while the cost of funds could be gradually reduced as CCAP should be able to unlock alternative sources of funds, i.e., debenture issues and fundraising via IPO. Since it has a more solid operating record, this leads us to expect a moderate improvement in loan spreads in 2024-25.

Exhibit 11: CCAP's funding sources, as of 3Q23



Sources: CCAP; FSSIA's compilation

Exhibit 12: CCAP – yield, cost of funds, and spreads, 2020-22



Sources: CCAP; FSSIA's compilation

We expect growth in the lending business to be the second growth engine for CHAYO. For 4Q23, we forecast CCAP's loan value to increase by 4.82% q-q and 41.12% y-y and expand by 21.2% p.a. during 2024-25. The revenue contribution of the business should increase from 6.6% in 2022 to 6.4-7.7% in 2023-25, while contributing around 10.8-14.1% in profit over the same period (from 10.8% in 2022) (Exhibit 13).

Since we expect atmosphere of the capital market to be the most crucial factor influencing the IPO launch, we have not plugged a successful fundraising scenario into our forecasts, while any positive feedback on the plan should provide an upside to our estimates. However, a successful IPO for CCAP should unlock the business value of the firm, enhance growth, and provide a stronger-than-expected bottom-line contribution to the group. Our scenario analysis indicates a 3.88% upside in 2024E net profit in case the lending portfolio reaches management's target (Exhibit 14), all else being equal.

Exhibit 13: Revenue and net profit contribution from CCAP

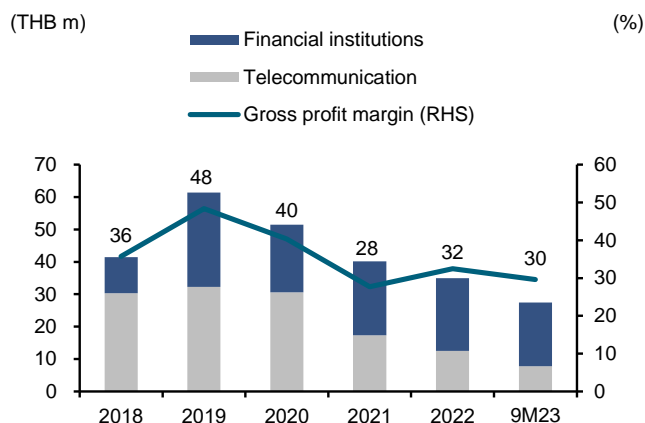
	2022	2023E	2024E	2025E
Operating revenue	(THB m)	(THB m)	(THB m)	(THB m)
CHAYO	897	1,415	1,575	1,822
CCAP	59	91	118	141
Revenue contribution (%)				
CHAYO	93.4	93.6	92.5	92.3
CCAP	6.6	6.4	7.5	7.7
Net profit				
CHAYO	251	368	382	439
CCAP	27	40	52	62
Net profit contribution (%)				
CHAYO	89.2	89.2	86.5	85.9
CCAP	10.8	10.8	13.5	14.1

Source: FSSIA estimates

The revenue contributions, as of 9M23, for debt collection and recruitment services were 3% and 1%, respectively. In 2018-22, the average commission rate for providing billing services was between 3.6% and 8.9%, depending on the age and profile of assigned accounts, while the gross margin for rendering services ranged from 27.7% to 48.4%.

In addition, CHAYO's recruitment business currently has connected approximately 1,500 workers to industrial estates, providing the company with a mere fraction of the group's income. Due to the highly competitive environment of the industry, the gross margin of the segment was at a mere 5% during 1Q-3Q23. Given the superior growth and profitability of the two aforementioned business segments, CHAYO only has moderate growth targets for its other two segments at 5-10% p.a. in terms of gross profit. Therefore, from 2023-26, we forecast growth in both segments' gross income to be at 5.49% and 4.92% p.a. CAGR, remaining minor portions of the group's performance.

Exhibit 15: Income and GPM from debt collection service, 2018-9M23



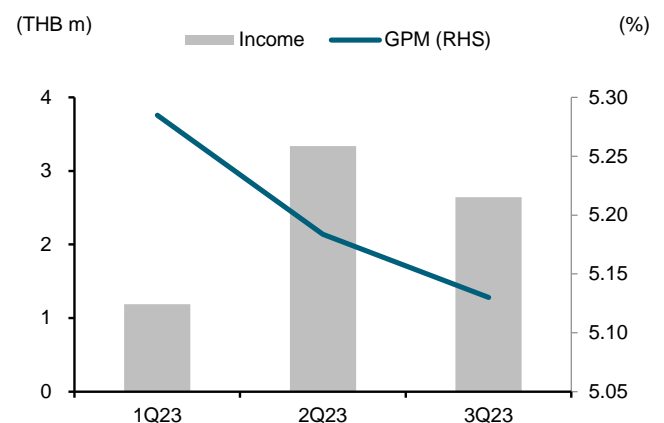
Sources: CHAYO; FSSIA's compilation

Exhibit 14: Scenario analysis on CCAP's loan growth

	Current estimates	What if	Change
	2024E	2024E	
	(THB m)	(THB m)	(%)
Loan receivables	1,110	1,500	35.15
Average yield on loan (%)	15.00	15.00	-
Interest income from loans	145	173	19.26
ECL	12	14	19.26
Credit cost (bp)	120	120	-
Net profit	382	397	3.88

Source: FSSIA estimates

Exhibit 16: Income and GPM from recruitment service, 1Q23-3Q23



Sources: CHAYO; FSSIA's compilation

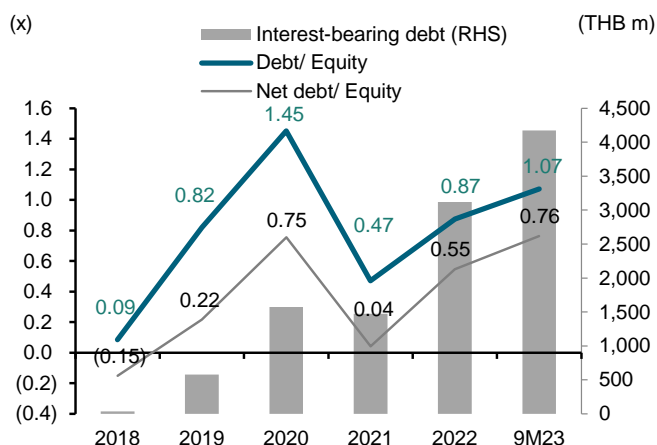
Manageable financial position into 2024

CHAYO’s covenant on its bank borrowings are set at 2x the D/E ratio, while the covenant on debentures is at 2x the net debt to equity ratio. As of 3Q23, the company’s D/E ratio was 1.07x while the net debt to equity was 0.76x. We view the firm’s financial position as being at a manageable level.

In 2024, CHAYO will encounter the maturity of two debenture tranches amounting to THB34m in May and THB1,130m in November – an amount for which the firm has already put around THB545m down as an advance repayment, thus about THB585m is left outstanding. We do not expect CHAYO to encounter a repayment issue on its debts as 1) the firm is planning the issuance of a debenture in March worth approximately THB500m for roll-over purposes; 2) we expect the firm to receive a cash inflow at an average of THB50m per month including all of its business segments; and 3) the company currently possesses THB300m in untapped bank loans.

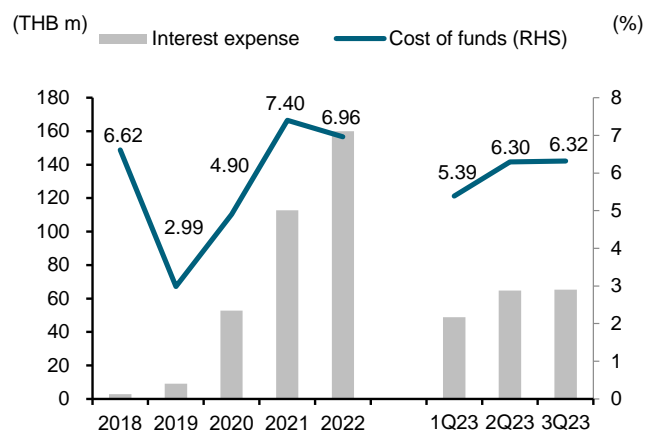
CHAYO’s cost of funds was 7.4% in 2021 which then declined to 6.96% in 2022 due to a decreased reliance on costly bank loans against the increasing portion of debentures in the pool of interest-bearing debt (IBD). As of 9M23, L-T debentures accounted for 94% of the company’s IBD. We expect CHAYO’s funding cost to be stable from 6.5% at the end of 2023 to 6.5-6.6% in 2024-25 under the assumption that the cost of new debt issued is stable with 4Q23’s at 6.25% p.a.

Exhibit 17: Leverage ratios and interest-bearing debt, 2018-9M23



Sources: CHAYO; FSSIA's compilation

Exhibit 18: Cost of funds and interest expense, 2018-3Q23



Sources: CHAYO; FSSIA's compilation

Exhibit 19: CHAYO – Outstanding L-T debentures and maturity by quarter

	Outstanding debenture				Maturity during quarter				Total (THB m)
	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)	
2024	4,482	4,448	4,448	3,318	-	34	-	1,130	1,164
2025	3,318	3,318	3,318	1,518	-	-	-	1,800	1,800
2026	518	518	518	-	1,000	-	-	518	1,518

Sources: ThaiBMA; FSSIA's compilation

CHAYO regularly provides stock dividends as its measure for capital management, which led to EPS dilution in 2021-22 of 8.9% and 7.5%, respectively. Meanwhile, in December 2023, the firm also issued warrants (CHAYO-W3) totaling 113.7m units with an exercise price of THB9 per share and one-to-one conversion rights, which can potentially lead to another 10% dilution in EPS until the expiration date in May 2025. However, the current share price still implies a deep out-of-the money status for the warrants. We expect both stock dividends and the issuance of warrants to be recurring matters for the company. However, due to their unpredictability, we have not input those aspects into our estimates, resulting in potential downsides to our EPS forecasts.

A large NPA sale to boost 4Q23 and 2023 results

We expect CHAYO's 4Q23 net profit to finish at THB95m, implying 25.9% q-q and 12% y-y growth, driven largely by 1) a gain booked on the disposal of a large-ticket NPA worth around THB30m; 2) the cash collection on NPLs which should moderately pick up to THB108m (up 3.8% q-q and 15% y-y) from seasonal influence; and 3) CCAP's loan growth estimated at 4.82% q-q and 41.12% y-y. However, we still expect pressure from ECL in the AMC business, in line with our view on the dull industry trends. We forecast 4Q23 operating expenses to experience upward pressure, mainly from staff expenses to align with the expanding size of its NPL portfolio, resulting in a cost-to-income ratio at 34%, increasing from 32.8% in 3Q23. Our estimates suggest a 2023 net profit of THB368m, sharply rising by 45.8% y-y.

Exhibit 20: CHAYO – 4Q23 earnings preview

	4Q22	1Q23	2Q23	3Q23	4Q23E	----- 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												
Interest income from debt management	264	317	311	335	378	12.7	43.3	964	54.1	72	1,341	50.9
Interest income from loans	24	21	26	28	36	29.5	49.0	76	51.0	68	112	50.3
Total interest income	288	338	338	363	414	14.0	43.8	1,039	53.9	72	1,453	50.9
Interest expense	48	49	65	65	76	16.2	57.6	179	60.1	70	255	59.4
Net interest income	240	289	273	298	338	13.5	41.0	860	52.6	72	1,198	49.2
Non- interest income	40	41	90	28	57	101.3	41.7	159	203.0	74	216	131.1
Gain on disposal of foreclosed assets	28	9	11	12	31	159.3	10.4	33	50.4	51	63	27.9
Service income from debt collection services	8	9	10	9	11	16.9	26.9	28	5.2	72	39	10.5
Revenue from recruitment service	-	22	64	5	13	188.2	n/a	92	n/a	87	105	n/a
Other income	4	1	4	3	2	(18.2)	(45.1)	7	66.2	77	9	3.5
Total operating income	280	331	363	326	395	21.1	41.1	1,020	65.5	72	1,415	57.7
Operating expenses	89	100	148	107	134	25.5	51.1	355	48.6	73	489	49.3
Pre-provision operating profit	191	231	214	219	261	19.0	36.4	665	76.1	72	926	62.6
Expected credit loss	72	83	84	107	107	(0.0)	48.8	274	86.2	72	381	73.9
Operating profit	119	148	130	112	154	37.1	29.0	391	69.7	72	545	55.5
Income tax expenses	26	30	28	25	31	25.0	16.8	82	68.6	73	113	50.4
Profit before minority interest	93	118	103	88	123	40.5	32.5	309	70.0	71	432	56.9
Minority interest	8	14	11	11	27	138.5	243.0	37	141.9	57	64	176.6
Net profit	85	104	92	76	95	25.9	12.0	271	63.0	74	368	45.8
EPS (THB)	0.08	0.10	0.08	0.07	0.09	25.9	5.6	0.25	55.5	75	0.33	40.0
Key financial highlights												
Acquisition of loans to NPA	1,351	77	60	592	772	6.3	(44.9)	728	65.4	49	1,500	(16.3)
Cash collection	106	105	92	106	108	(7.0)	3.1	302	29.1	74	411	20.6
Accumulated cash collection to investment (%)	39.90	41.39	42.70	40.11	36.97			40.11			36.97	
Key financial ratio												
Liabilities / Equity (x)	0.87	1.11	1.07	1.07	1.04			1.07			1.04	
Interest-bearing liabilities / Equity (x)	0.81	1.04	1.00	1.00	0.98			1.00			0.98	
Net liabilities / Equity	0.55	0.55	0.58	0.76	0.67			0.76			0.67	
ROAA (%)	4.77	5.34	4.37	3.57	4.18			4.62			4.36	
ROAE (%)	8.92	10.62	9.11	7.38	8.59			9.36			8.87	
Cost of funds (%)	6.24	5.39	6.30	6.32	6.86			6.60			6.54	
Cost to income (%)	31.75	30.14	40.85	32.81	34.00			34.80			34.58	
Credit cost (bp)	616	598	577	673	606			685			597	

Sources: CHAYO; FSSIA estimates

For 2024, we expect CHAYO's net profit to grow only slightly by 3.9% y-y, mainly due to the high base effect after a large NPA sale in 2023 (12% y-y if excluding the item). In 2025, we expect net profit to rise to 15% y-y along with an expansion in the AMC portfolio and a higher bottom-line contribution from CCAP, coupled with a gradually declining credit cost in the AMC business on the improvement of the economy from 597 bps in 2023 to 564 by the end of 2025.

Upside from a large-ticket NPA sale in 1H24

In addition, our 2024 estimates have a potential upside from the sale of a large ticket foreclosed asset worth around THB900.8m which has been under a halt order by the court since 1Q22, leading to a pause on the auction sale of the asset. We expect the legal process to yield an update by February 2024, which, if the outcome is positive, could potentially lead CHAYO to realize around THB200m from a gain on the sale of the asset within 2Q24 from the original bidder. In the case where the original bidder waives the right to purchase the asset, CHAYO would be entitled to realize a pledge worth THB45m as income (5% of auctioned price), and preparation for the second-round auction would take approximately another six months.

Initiate coverage with a HOLD call with a 2024 TP of THB5.7

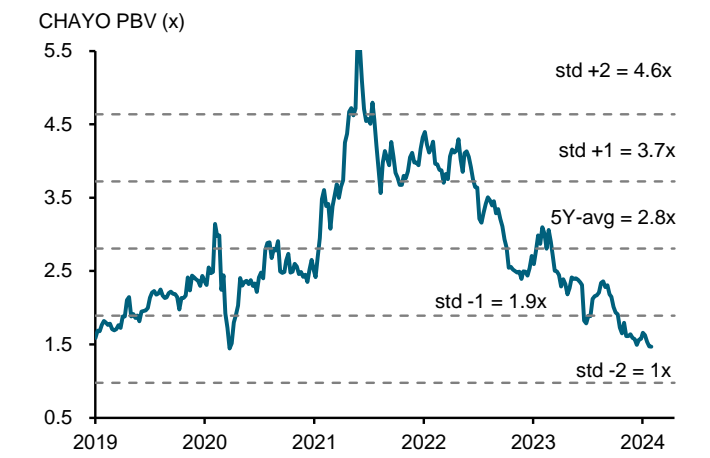
We initiate our coverage on CHAYO with a HOLD rating and expect the company to deliver q-q growth in its 4Q23 results, largely from the large NPA sale, while we expect the overall AMC industry to continue to encounter prolonged pressure from the impaired purchasing power of households, leading to soft cash collection. Our concerns over the low earnings visibility of the group align with our view on industry peers (JMT and BAM). Our GGM-based model yields a 2024 TP of THB5.70, which implies a P/BV ratio of 1.63x (-1 SD below its 5Y average) with a limited upside of 8.6%, assuming L-T ROE of 10%, COE of 9.23%, and equity beta of 1.25.

Exhibit 21: GGM-based 2024 TP

Gordon growth model	
ROE - sustainable	10.00
Terminal growth rate	8.00
COE	9.23
Risk-free	3.00
Expected market return	8.00
Market risk premium	5.00
Beta	1.25
ROE-g/ COE-g	1.63
Fair price	5.70

Source: FSSIA estimates

Exhibit 23: CHAYO – one-year prospective P/BV band



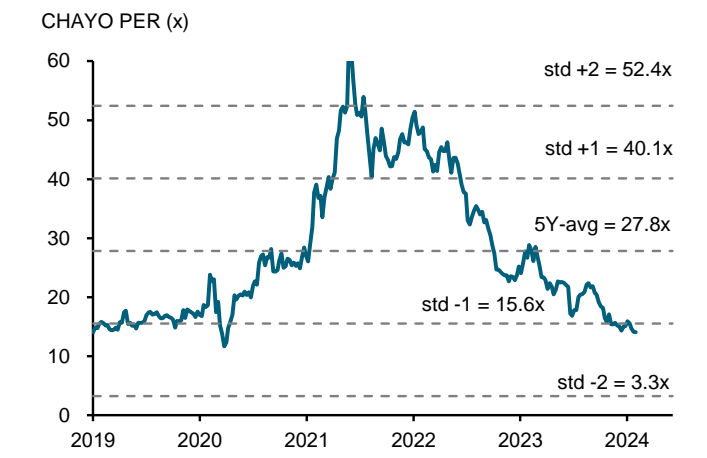
Sources: Bloomberg; FSSIA estimates

Exhibit 22: Share price performance of non-banks under coverage, as of 2 February 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	(5.11)	4.69	5.19	(17.07)	(0.89)
MTC TB	1.14	11.95	28.99	12.66	(1.11)
SAWAD TB	(5.39)	(14.59)	(12.71)	(31.60)	(2.47)
AEONTS TB	(5.52)	(0.96)	1.32	(24.51)	(3.75)
KTC TB	(1.12)	(5.88)	(3.83)	(25.74)	1.15
JMT TB	(23.89)	(37.23)	(41.50)	(60.73)	(15.69)
BAM TB	(6.32)	(9.44)	(23.83)	(49.69)	0.00
CHAYO TB	(9.57)	(14.75)	(27.34)	(45.90)	(4.59)
SETFIN	(5.49)	(5.36)	(7.55)	(32.23)	(2.37)
SET	(2.95)	(2.39)	(9.45)	(17.92)	(2.12)

Source: Bloomberg

Exhibit 24: CHAYO – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 25: Peer comparisons as of 2 February 2024

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE		PBV		ROE		Div yld	
						23E (x)	24E (x)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	153.00	169.00	10	12.3	11.4	1.6	1.5	13.1	13.2	3.6	4.1
Krungthai Card	KTC TB	HOLD	44.25	49.00	11	15.6	14.4	3.2	2.8	21.8	20.7	2.3	2.6
Muangthai Capital	MTC TB	HOLD	44.75	43.00	(4)	19.9	15.9	3.0	2.5	15.6	17.2	0.8	0.9
Srisawad Corp	SAWAD TB	BUY	39.50	54.00	37	10.2	8.6	1.9	1.7	19.7	20.7	4.6	5.1
Ngern Tid Lor	TIDLOR TB	BUY	22.30	28.00	26	16.4	13.5	2.2	1.9	14.2	15.2	1.2	1.5
JMT Network services	JMT TB	HOLD	21.20	30.50	44	15.1	13.1	1.2	1.2	8.3	8.9	5.3	6.1
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	8.15	8.75	7	17.7	14.8	0.6	0.6	3.5	4.1	4.0	4.6
Chayo Group	CHAYO TB	HOLD	5.25	5.70	9	15.9	15.3	1.7	1.6	11.6	10.7	0.7	1.0
Average						15.4	13.4	1.9	1.7	13.5	13.8	2.8	3.2

Sources: Bloomberg; FSSIA estimates

Financial Statements

Chayo Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	655	963	1,453	1,681	1,912
Interest expense	(113)	(160)	(255)	(332)	(359)
Net interest income	543	804	1,198	1,349	1,552
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	150	94	216	227	270
Non interest income	150	94	216	227	270
Total income	693	897	1,415	1,575	1,822
Staff costs	-	-	-	-	-
Other operating costs	(226)	(328)	(489)	(555)	(637)
Operating costs	(226)	(328)	(489)	(555)	(637)
Pre provision operating profit	467	569	926	1,020	1,185
Expected credit loss	(178)	(219)	(381)	(452)	(518)
Other provisions	-	-	-	-	-
Operating profit	289	350	545	568	668
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	289	350	545	568	668
Tax	(46)	(75)	(113)	(114)	(134)
Profit after tax	243	275	432	454	534
Non-controlling interest	(3)	(23)	(64)	(72)	(95)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	240	252	368	382	439
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	240	252	368	382	439
Per share (THB)					
Recurring EPS *	0.25	0.24	0.33	0.34	0.39
Reported EPS	0.25	0.24	0.33	0.34	0.39
DPS	0.05	0.04	0.04	0.05	0.06
Growth					
Net interest income (%)	45.9	48.1	49.2	12.5	15.1
Non interest income (%)	57.0	(37.7)	131.1	4.8	19.1
Pre provision operating profit (%)	64.2	22.0	62.6	10.2	16.2
Operating profit (%)	46.5	21.3	55.5	4.2	17.7
Reported net profit (%)	52.7	5.0	45.8	3.9	15.0
Recurring EPS (%)	12.0	(5.3)	39.5	3.9	15.0
Reported EPS (%)	12.0	(5.3)	39.5	3.9	15.0
Income Breakdown					
Net interest income (%)	78.3	89.6	84.7	85.6	85.2
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	21.7	10.4	15.3	14.4	14.8
Operating performance					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	7.43	7.00	10.18	12.47	9.87
Net interest spread (%)	(7.43)	(7.00)	(10.18)	(12.47)	(9.87)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	32.6	36.5	34.6	35.2	34.9
Cost/assets(%)	5.7	5.3	5.9	5.6	5.9
Effective tax rate (%)	15.8	21.4	20.7	20.0	20.0
Dividend payout on recurring profit (%)	21.7	16.7	11.4	15.0	15.0
ROE (%)	12.9	9.1	11.6	10.7	10.9
ROE - COE (%)	3.7	(0.1)	2.4	1.4	1.7
ROA (%)	6.2	4.5	5.2	4.6	4.9
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Chayo Group; FSSIA estimates

Financial Statements

Chayo Group

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	2,570	4,264	5,635	6,452	7,293
Allowance for expected credit loss	(268)	(485)	(857)	(1,297)	(1,800)
interest in suspense	554	1,149	1,716	2,094	2,512
Net customer loans	2,856	4,928	6,495	7,249	8,005
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,332	1,021	1,117	1,038	405
Other interesting assets	21	24	36	38	40
Tangible fixed assets	59	78	82	87	91
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	820	1,152	1,553	2,078	2,687
Total assets	5,090	7,203	9,283	10,490	11,227
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	1,474	3,121	4,677	5,414	5,575
Non interest bearing liabilities	158	241	247	259	272
Hybrid Capital	-	-	-	-	-
Total liabilities	1,632	3,362	4,924	5,673	5,846
Share capital	481	533	569	569	569
Reserves	2,106	2,416	2,822	3,208	3,676
Total equity	2,587	2,949	3,390	3,776	4,245
Non-controlling interest	871	893	969	1,041	1,136
Total liabilities & equity	5,090	7,203	9,283	10,490	11,227
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	1,519	2,285	2,503	2,664	3,641
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)	n/a	n/a	n/a	n/a	n/a
Per share (THB)					
Book value per share	2.69	2.77	3.04	3.39	3.81
Tangible book value per share	2.69	2.77	3.04	3.39	3.81
Growth					
Gross customer loans	63.4	65.9	32.2	14.5	13.0
Average interest earning assets	-	-	-	-	-
Total asset (%)	81.1	41.5	28.9	13.0	7.0
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	50.8	40.9	36.5	36.0	37.8
Tangible equity/assets (%)	50.8	40.9	36.5	36.0	37.8
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Allowance for ECL/gross loans (%)	10.4	11.4	15.2	20.1	24.7
Allowance for ECL/NPL (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	21.0	22.2	15.9	15.3	13.3
Recurring P/E @ target price (x) *	22.8	24.1	17.3	16.6	14.5
Reported P/E (x)	21.0	22.2	15.9	15.3	13.3
Dividend yield (%)	1.0	0.8	0.7	1.0	1.1
Price/book (x)	2.0	1.9	1.7	1.6	1.4
Price/tangible book (x)	2.0	1.9	1.7	1.6	1.4
Price/tangible book @ target price (x)	2.1	2.1	1.9	1.7	1.5

Sources: Chayo Group; FSSIA estimates

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 THSI inclusion , 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. SETTHSI Index 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 (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%).										
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%). <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&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.										
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. <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.										
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. <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 & 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+
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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 style="vertical-align: top;"> AAA 8.571-10.000 AA 7.143-8.570 A 5.714-7.142 BBB 4.286-5.713 BB 2.857-4.285 B 1.429-2.856 CCC 0.000-1.428 </td> <td style="vertical-align: top; padding-left: 10px;"> Leader: leading its industry in managing the most significant ESG risks and opportunities Average: a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers Laggard: lagging its industry based on its high exposure and failure to manage significant ESG risks </td> </tr> </table>	AAA 8.571-10.000 AA 7.143-8.570 A 5.714-7.142 BBB 4.286-5.713 BB 2.857-4.285 B 1.429-2.856 CCC 0.000-1.428	Leader: leading its industry in managing the most significant ESG risks and opportunities Average: a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers Laggard: 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. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>											
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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Chayo Group	CHAYO TB	THB 5.25	HOLD	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses. Upside risks include 1) better-than-expected cash collection performance and lower pressure from ECL; 2) stronger-than-expected loan growth; and 3) better cost control than expected.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 153.00	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Krungthai Card	KTC TB	THB 44.25	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Muangthai Capital	MTC TB	THB 44.75	HOLD	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks are 1) a positive development of asset quality which could bring down its credit costs and 2) a decreasing market interest rate which could alleviate its cost of funds burden.
Srisawad Corp	SAWAD TB	THB 39.50	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.
Ngern Tid Lor	TIDLOR TB	THB 22.30	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.
JMT Network Services	JMT TB	THB 21.20	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks includes 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense
Bangkok Commercial Asset Mngt.	BAM TB	THB 8.15	HOLD	Downside risks to our NAV-based TP include 1) lower cash collection than estimated; 2) lower-than-expected bad debt acquisition; and 3) a slowdown in the property market. Upsides include 1) better-than-expected economic conditions and debt repayment momentum; and 2) an acceleration in the demand for NPAs.

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 02-Feb-2024 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.