

# MUANGTHAI CAPITAL

THAILAND / FINANCE & SECURITIES

MTC TB

# HOLD

UNCHANGED

TARGET PRICE	THB43.00
CLOSE	THB43.50
UP/DOWNSIDE	-1.1%
PRIOR TP	THB43.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-4.9%

## Better-than-expected 4Q23 results

- MTC's 4Q23 net profit was above our forecast and the BBG consensus, surprising on lower ECL and higher NII.
- We are less concerned about its asset quality since it is manageable and aligned with the 2023 guidance.
- Maintain our HOLD call and 2024 TP.

### Better-than-expected 4Q23 net profit and PPOP

MTC surprised the market with better-than-expected 4Q23 results; 11% and 8% above our estimate and the BBG consensus, respectively. 4Q23 net profit was THB1.35b, which grew by 5.1% q-q and 19.4% y-y due mainly to lower credit costs amounting to 3.66% from 3.87% in 3Q23. PPOP was THB2.96b, rising by 2.0% q-q and 11.8% y-y, following 1) better-than-expected NII despite a declining interest spread from the rising cost of funds; and 2) higher-than-expected fee income – mainly from growth in lending fees. 2023 net profit amounted to THB4.9b, decreasing 3.7% y-y. Key drags were from 1) increasing ECL and credit costs (still in line with MTC's guidance of lower than 4.0%) on the back of weaker asset quality; 2) the rising cost of funds (still in line with 2023 guidance of 3.60-3.80%); and 3) higher operating expenses in tandem with new branch openings (869 units) during the year.

### Under-control 2023 asset quality within guidance

Overall, 2023 asset quality was under control and showed signs of improvement following MTC's aggressive debt management. The 4Q23 NPL ratio finished at 3.22%, a slight decrease from 3.29% in 3Q23 and still in line with MTC's guidance of not exceeding 3.50%. However, stage 2 loans continued to increase by 3.4% q-q and 16.4% y-y, but at a lower magnitude than in 3Q23. Given the lower NPL ratio despite the lower credit cost, its 2023 coverage ratio was able to finish higher at 115.9% from 110.3% in 3Q23.

### Minor earnings cuts to reflect 2023 results

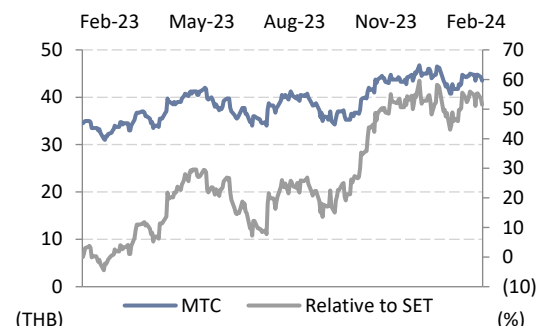
We trim our 2024-26 earnings forecasts by 2.8-4.9% to reflect the 2023 results. In particular, we lower our NII and interest spread assumptions, while other items are relatively in line. We expect the 2024-26 earnings growth to remain solid at 19.3% CAGR, driven by average loan growth of 14.7-19.1% and lower credit costs, continually declining to the expected c3% in 2025.

### Maintain our HOLD call and 2024 TP

We maintain our HOLD rating despite the short-term positive sentiment from the better-than-expected 4Q23 profit. MTC is currently fairly valued since it is approaching our 2024 GGM-based TP of THB43, which implies a P/BV of 2.43x under expected L-T ROE of 17.0% and COE of 10.1%.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	6,126	7,245	9,275	10,816
Net profit	4,906	5,796	7,420	8,653
EPS (THB)	2.31	2.73	3.50	4.08
vs Consensus (%)	-	(1.59)	3.21	(0.49)
Recurring net profit	4,906	5,796	7,420	8,653
Core EPS (THB)	2.31	2.73	3.50	4.08
Chg. In EPS est. (%)	-	(2.8)	(3.7)	-
EPS growth (%)	(3.7)	18.1	28.0	16.6
Core P/E (x)	18.8	15.9	12.4	10.7
Dividend yield (%)	0.5	0.6	0.7	0.9
Price/book (x)	2.9	2.5	2.1	1.8
ROE (%)	16.1	16.8	18.3	18.1
ROA (%)	3.5	3.6	3.9	3.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.8	(1.7)	24.3
Relative to country (%)	1.9	1.0	49.2
Mkt cap (USD m)	2,557		
3m avg. daily turnover (USD m)	9.5		
Free float (%)	21		
Major shareholder	Petaumpai Family (67%)		
12m high/low (THB)	47.00/30.75		
Issued shares (m)	2,120		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

We retain our HOLD call on MTC despite its positive 4Q23 net profit and asset quality due to:

- We believe MTC's share price has already factored in the positive aspects of its asset quality management and the share price is approaching our 2024 GGM-based TP of THB43, implying a P/BV of 2.43x under expected L-T ROE of 17.0% and COE of 10.1%.
- We have cut our 2024-26 earnings forecasts by 2.8-4.9% to reflect the 2023 results. In particular, we have lowered our NII and interest spread assumptions, while other items are relatively in line.
- However, we expect the 2024-26 earnings growth to remain solid at 19.3% CAGR, driven by average loan growth of 14.7-19.1% and lower credit costs, continually declining to the expected c3% in 2025.

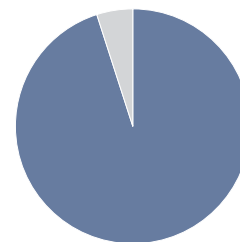
## Company profile

MTC has provided lending services since 1992, focusing on motorcycle title loans, and commands the highest market share in Thailand. The company has also expanded its business to personal and other title loans such as car, agricultural and land title loans.

[www.muangthaicap.com](http://www.muangthaicap.com)

## Principal activities (revenue, 2023)

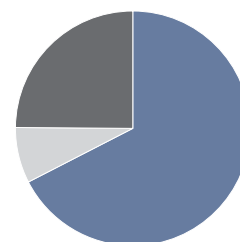
- Net interest income - 95.0 %
- Non-interest income - 5.0 %



Source: Muangthai Capital

## Major shareholders

- Petaumpai Family - 67.5 %
- Thai NVDR Co., Ltd. - 7.7 %
- Others - 24.9 %



Source: Muangthai Capital

## Catalysts

- 1) A faster-than-expected economic recovery in Thailand;
- 2) Upcoming economic stimulus from the government;
- 3) A stronger-than-expected improvement in asset quality;
- 4) Better-than-expected control over operating costs.

## Risks to our call

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) positive developments in asset quality which could bring down its credit costs; and 2) a decreasing market interest rate, which could alleviate its cost of funds burden.

## Event calendar

Date	Event
22 Feb 2024	4Q23 analyst meeting
Apr 2024	1Q24 results announcement

## Key assumptions

Key assumptions	2024E	2025E	2026E
Loan growth	19.5	16.6	14.7
Interest spread	13.8	13.8	13.8
NPL ratio	3.1	3.0	3.0
Credit cost	3.5	3.0	3.0
Cost to income	46.9	46.9	46.9

Source: FSSIA estimates

## Earnings sensitivity

			----- 2024E -----	
Loan growth	±2ppt	17.5	19.5	21.5
% change in net profit		(1.3)		1.3
Interest spread (%)	±5bp	13.79	13.84	13.89
% change in net profit		(0.4)	-	0.4
Credit cost (bp)	±10bp	3.38	3.48	3.58
% change in net profit		2.1	-	(2.1)

Note: Credit cost calculations includes losses from car repossessed  
Source: FSSIA estimates

## Better-than-expected 4Q23 net profit from lower ECL and higher NII

MTC surprised the market with better-than-expected 4Q23 results; 11% and 8% above our estimate and the BBG consensus, respectively. 4Q23 net profit was THB1.35b, which grew by 5.1% q-q and 19.4% y-y due mainly to lower credit costs (including losses from sales of repossessed cars) amounting to 3.66% from 3.87% in 3Q23. Excluding ECL, PPOP was THB2.96b, rising by 2.0% q-q and 11.8% y-y, following 1) better-than-expected NII despite a declining interest spread from the rising cost of funds; and 2) higher-than-expected fee income – mainly from growth in lending fees. Thanks to the higher 4Q23 revenue, its cost-to-income ratio slightly increased to 45.7% from 45.2% in 3Q23, albeit with rising seasonal operating expenses. 2023 net profit amounted to THB4.9b, decreasing 3.7% y-y. Key drags were from 1) increasing ECL and credit costs (still in line with MTC's guidance of lower than 4.0%) on the back of weaker asset quality; 2) the rising cost of funds (still in line with 2023 guidance of 3.60-3.80%); and 3) higher operating expenses in tandem with new branch openings (869 units) during the year.

### Exhibit 1: MTC – 4Q23 operating results

	4Q22	1Q23	2Q23	3Q23	4Q23	----- Change -----		2022	2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Interest income	5,338	5,397	5,754	6,063	6,287	3.7	17.8	19,199	23,500	22.4
Interest expense	(810)	(848)	(909)	(1,004)	(1,096)	9.2	35.3	(2,813)	(3,857)	37.1
Net interest income	4,528	4,549	4,845	5,059	5,191	2.6	14.6	16,386	19,644	19.9
Fee and other income	273	233	287	236	269	13.7	(1.6)	869	1,026	18.0
Total income	4,801	4,783	5,132	5,295	5,459	3.1	13.7	17,255	20,669	19.8
Operating expenses	(2,152)	(2,352)	(2,463)	(2,391)	(2,496)	4.4	16.0	(8,069)	(9,702)	20.2
PPOP before taxes	2,649	2,431	2,669	2,904	2,963	2.0	11.8	9,187	10,967	19.4
Expected credit losses	(781)	(954)	(1,017)	(965)	(998)	3.4	27.8	(2,433)	(3,934)	61.7
Profit after ECL	1,868	1,477	1,653	1,939	1,965	1.3	5.2	6,753	7,033	4.1
Gain (loss) from car repossessed	(493)	(112)	(183)	(334)	(278)	(16.8)	(43.7)	(394)	(907)	130.3
Operating profit	1,375	1,365	1,469	1,605	1,687	5.1	22.7	6,360	6,126	n/a
Income tax	(243)	(295)	(269)	(320)	(336)	5.1	38.0	(1,267)	(1,220)	(3.7)
<b>Net profit</b>	<b>1,132</b>	<b>1,070</b>	<b>1,200</b>	<b>1,285</b>	<b>1,351</b>	<b>5.1</b>	<b>19.4</b>	<b>5,093</b>	<b>4,906</b>	<b>(3.7)</b>
EPS (THB)	0.53	0.50	0.57	0.61	0.64	5.1	19.4	2.40	2.31	(3.7)
Loans	119,084	124,200	131,257	137,081	141,559	3.3	18.9	117,073	138,359	18.2
Interest bearing debt	96,143	98,536	106,327	112,329	114,770	2.2	19.4	96,143	114,770	19.4
<b>Key ratios</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>			<b>2022</b>	<b>2023</b>	
	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Yield on loan	18.38	17.75	18.02	18.08	18.05			18.30	18.03	
Cost of funds	3.42	3.48	3.55	3.67	3.86			3.36	3.66	
Spread	14.96	14.26	14.47	14.40	14.19			14.94	14.38	
Cost to Income ratio	44.82	49.18	47.99	45.15	45.72			46.76	46.94	
Credit cost (included losses from car repossessed)	4.39	3.50	3.76	3.87	3.66			2.70	3.71	
NPL / Loan	3.00	3.28	3.48	3.29	3.22			3.00	3.22	
LLR / Loan	3.15	3.44	3.66	3.63	3.74			3.15	3.74	
Coverage ratio	105.1	105.0	105.1	110.3	115.9			105.1	115.9	
D/E (x)	3.4	3.4	3.7	3.7	3.7			3.4	3.7	
IDBE (x)	3.3	3.3	3.6	3.7	3.6			3.3	3.6	
S/T debt/total debt (x)	8.3	4.9	5.3	7.7	11.1			8.3	11.1	
Loan growth q-q	5.2	4.3	5.7	4.4	3.3					
Loan growth y-y	32.2	27.5	23.6	21.1	18.9			32.2	18.9	
Loan growth YTD	32.2	4.3	10.2	15.1	18.9					

Note: Credit cost calculations includes losses from car repossessed

Sources: MTC; FSSIA's compilation

## Under-control 2023 asset quality within guidance

Overall, 2023 asset quality was under control and showed signs of improvement following MTC's aggressive debt management. The 4Q23 NPL ratio finished at 3.22%, a slight decrease from 3.29% in 3Q23 and still in line with MTC's guidance of not exceeding 3.50%. However, stage 2 loans continued to increase by 3.4% q-q and 16.4% y-y, but at a lower magnitude than in 3Q23. Given the lower NPL ratio despite the lower credit cost, its 2023 coverage ratio was able to finish higher at 115.9% from 110.3% in 3Q23, which was in line with the guidance of not lower than 100%.

### Exhibit 2: MTC – staged loans and ECL

MTC	2020	2021	2022	2023	2020	2021	2022	2023
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
<b>Loans and accrued interest</b>	<b>Staged loans % of total loans</b>							
Stage 1	65,372	81,837	100,769	121,404	92.6%	93.4%	87.6%	87.6%
Stage 2	4,489	4,578	11,110	13,286	6.4%	5.2%	9.7%	9.6%
Stage 3	747	1,187	3,098	3,904	1.1%	1.4%	2.7%	2.8%
Total	70,607	87,602	114,977	138,594	100.0%	100.0%	100.0%	100.0%
<b>Expected credit loss (ECL)</b>	<b>ECL % of stage loans</b>							
Stage 1	538	709	704	1,162	0.8%	0.9%	0.7%	1.0%
Stage 2	307	349	581	995	6.8%	7.6%	5.2%	7.5%
Stage 3	481	729	2,022	2,512	64.4%	61.4%	65.3%	64.3%
Total	1,326	1,788	3,307	4,668	1.9%	2.0%	2.9%	3.4%
LLR / Loans	(%)	(%)	(%)	(%)				
Stage 1	0.8	0.9	0.7	1.0				
Stage 2	6.8	7.6	5.2	7.5				
Stage 3	64.4	61.4	65.3	64.3				
Total	1.9	2.0	2.9	3.4				
	(%)	(%)	(%)	(%)				
NPL/ TL	1.06%	1.36%	2.69%	2.82%				
NPL vs Stage 2 loans/ TL	7.42%	6.58%	12.36%	12.40%				
LLR / NPL	177.50%	150.59%	106.76%	119.58%				
LLR / (NPL vs Stage 2 loans)	25.32%	31.01%	23.28%	27.16%				

Sources: MTC; FSSIA's compilation

## Minor downward revision of 2024-26E earnings to reflect 2023 results

We trim our 2024-26 earnings forecasts by 2.8-4.9% to reflect the 2023 results. In particular, we lower our NII and interest spread assumptions, while other items are relatively in line. We expect the 2024-26 earnings growth to remain solid at 19.3% CAGR, driven by average loan growth of 14.7-19.1% and lower credit costs, continually declining to the expected c3% in 2025.

### Exhibit 3: 2024-26E earnings revisions

Key assumptions	New			Previous			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Net profit (THB m)	5,796	7,420	8,653	5,965	7,708	9,096	-2.8%	-3.7%	-4.9%
EPS (THB)	2.73	3.50	4.08	2.81	3.64	4.29	-2.8%	-3.7%	-4.9%
Target price (THB)	43.00			43.00			0.0%		
PBV (x)	2.43			2.42					
Long-term ROE	17.0%			17.3%					
Cost of equity	10.1%			10.2%					
Net profit growth (%)	18.1	28.0	16.6	24.8	29.2	18.0			
Average yield	18.04%	18.03%	18.03%	18.61%	18.62%	18.62%			
Cost of funds	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%			
Spread (%)	13.84	13.83	13.83	14.41	14.42	14.42			
Loan growth (%)	19.5	16.6	14.7	19.1	19.5	14.7			
Net interest income growth (%)	15.6	17.9	15.7	18.8	19.4	17.1			
Fee growth (%)	4.0	4.0	4.0	4.0	4.0	4.0			
Credit cost (including losses from repossessed cars) (%)	3.48	3.05	2.97	3.48	3.04	2.96			
Cost to income (%)	46.9	46.9	46.9	48.0	48.0	48.0			

Source: FSSIA estimates

## Maintain our HOLD call and 2024 TP

We maintain our HOLD rating despite the short-term positive sentiment from the better-than-expected 4Q23 profit. MTC is currently fairly valued since it is approaching our 2024 GGM-based TP of THB43, which implies a P/BV of 2.43x under expected L-T ROE of 17.0% and COE of 10.1%. Meanwhile, the company announced the 2023 DPS at a mere THB0.21, implying a 9% payout ratio (in tandem with its guidance of not exceeding 15%) and an unattractive 0.5% dividend yield.

### Exhibit 4: GGM-based 2024 TP

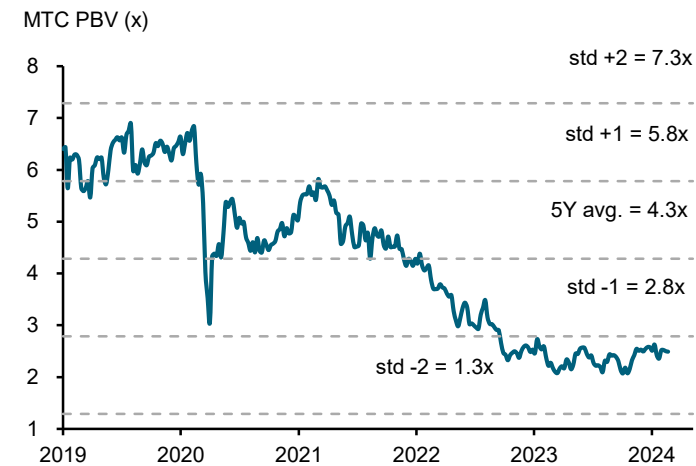
Gordon Growth model	
Sustainable ROE	17.0%
g	5.3%
ROE-g	11.7%
Beta	1.19
Risk free rate	3.0%
Risk premium	6.0%
COE	10.1%
COE-g	4.8%
ROE-g/COE-g (x)	2.43

Sources: Bloomberg; FSSIA estimates

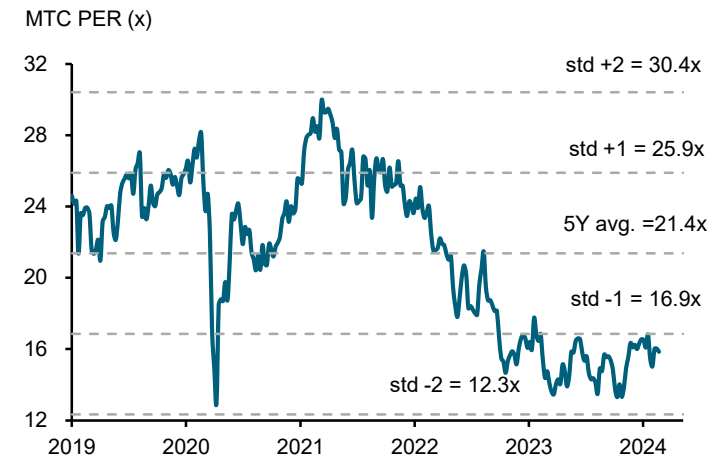
### Exhibit 5: Share price performance of non-banks under coverage, as of 20 February 2024

	Price performance				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
TIDLOR TB	0.90	(2.61)	3.70	(11.58)	(0.44)
<b>MTC TB</b>	<b>1.75</b>	<b>(2.25)</b>	<b>10.83</b>	<b>24.29</b>	<b>(3.33)</b>
SAWAD TB	2.55	(9.04)	(14.36)	(28.13)	(0.62)
AEONTS TB	(2.61)	(5.38)	(8.56)	(26.35)	(6.56)
KTC TB	0.00	(8.02)	(6.52)	(27.12)	(1.15)
JMT TB	(12.55)	(19.64)	(48.14)	(53.05)	(12.55)
BAM TB	(1.85)	(5.36)	(26.39)	(49.68)	(2.45)
CHAYO TB	(1.87)	(6.25)	(30.45)	(42.81)	(3.67)
<b>SETFIN</b>	<b>(1.87)</b>	<b>(6.99)</b>	<b>(13.52)</b>	<b>(29.36)</b>	<b>(3.92)</b>
<b>SET</b>	<b>(0.10)</b>	<b>(2.99)</b>	<b>(9.49)</b>	<b>(17.23)</b>	<b>(2.46)</b>

Source: Bloomberg

**Exhibit 6: MTC – one-year prospective PBV band**


Sources: MTC; FSSIA estimates

**Exhibit 7: MTC – one-year prospective PER band**


Sources: MTC; FSSIA estimates

**Exhibit 8: Peer comparisons as of 20 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	149.50	169.00	13	12.0	11.1	1.5	1.4	13.1	13.2	3.7	4.2
Krungthai Card	KTC TB	HOLD	43.00	49.00	14	15.2	14.0	3.1	2.7	21.8	20.7	2.3	2.6
<b>Muangthai Capital</b>	<b>MTC TB</b>	<b>HOLD</b>	<b>43.50</b>	<b>43.00</b>	<b>(1)</b>	<b>18.8</b>	<b>15.9</b>	<b>2.9</b>	<b>2.5</b>	<b>16.1</b>	<b>16.8</b>	<b>0.5</b>	<b>0.6</b>
Srisawad Corp	SAWAD TB	HOLD	40.25	45.00	12	11.0	10.3	2.0	1.8	18.7	18.0	4.5	4.8
Ngern Tid Lor	TIDLOR TB	BUY	22.40	28.00	25	16.5	13.6	2.2	1.9	14.2	15.2	1.2	1.5
JMT Network services	JMT TB	HOLD	22.30	25.70	15	16.2	13.6	1.2	1.2	8.1	9.0	4.8	5.9
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	7.95	8.75	10	17.5	14.4	0.6	0.6	3.4	4.1	4.0	4.7
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
<b>Average</b>						<b>15.6</b>	<b>13.6</b>	<b>1.9</b>	<b>1.7</b>	<b>13.3</b>	<b>13.5</b>	<b>2.7</b>	<b>3.2</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Muangthai Capital

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	19,199	23,500	27,955	32,881	37,960
Interest expense	(2,813)	(3,857)	(5,240)	(6,102)	(6,990)
Net interest income	16,386	19,644	22,715	26,778	30,971
Net fees & commission	792	921	958	996	1,036
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	78	105	150	180	181
Non interest income	869	1,026	1,108	1,176	1,217
Total income	17,255	20,669	23,823	27,954	32,188
Staff costs	(8,069)	(9,702)	(11,182)	(13,122)	(15,109)
Other operating costs	-	-	-	-	-
Operating costs	(8,069)	(9,702)	(11,182)	(13,122)	(15,109)
Pre provision operating profit	9,187	10,967	12,641	14,833	17,079
Expected credit loss	(2,433)	(3,934)	(4,495)	(4,558)	(5,264)
Other provisions	(394)	(907)	(900)	(1,000)	(999)
Operating profit	6,360	6,126	7,245	9,275	10,816
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	6,360	6,126	7,245	9,275	10,816
Tax	(1,267)	(1,220)	(1,449)	(1,855)	(2,163)
Profit after tax	5,093	4,906	5,796	7,420	8,653
Non-controlling interest	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,093	4,906	5,796	7,420	8,653
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,093	4,906	5,796	7,420	8,653
<b>Per share (THB)</b>					
Recurring EPS *	2.40	2.31	2.73	3.50	4.08
Reported EPS	2.40	2.31	2.73	3.50	4.08
DPS	0.95	0.21	0.25	0.32	0.37
<b>Growth</b>					
Net interest income (%)	25.4	19.9	15.6	17.9	15.7
Non interest income (%)	3.1	18.0	8.0	6.2	3.5
Pre provision operating profit (%)	32.2	19.4	15.3	17.3	15.1
Operating profit (%)	2.6	(3.7)	18.3	28.0	16.6
Reported net profit (%)	3.0	(3.7)	18.1	28.0	16.6
Recurring EPS (%)	3.0	(3.7)	18.1	28.0	16.6
Reported EPS (%)	3.0	(3.7)	18.1	28.0	16.6
<b>Income Breakdown</b>					
Net interest income (%)	95.0	95.0	95.3	95.8	96.2
Net fees & commission (%)	4.6	4.5	4.0	3.6	3.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.5	0.5	0.6	0.6	0.6
<b>Operating performance</b>					
Gross interest yield (%)	18.30	18.03	18.04	18.03	18.03
Cost of funds (%)	3.36	3.66	4.20	4.20	4.20
Net interest spread (%)	14.94	14.37	13.84	13.83	13.83
Net interest margin (%)	15.6	15.1	14.7	14.7	14.7
Cost/income(%)	46.8	46.9	46.9	46.9	46.9
Cost/assets(%)	7.1	7.0	6.9	6.9	6.9
Effective tax rate (%)	19.9	19.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	39.5	9.1	9.1	9.1	9.1
ROE (%)	18.9	16.1	16.8	18.3	18.1
ROE - COE (%)	8.1	5.3	6.0	7.5	7.3
ROA (%)	4.5	3.5	3.6	3.9	3.9
RORWA (%)	-	-	-	-	-

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

Sources: Muangthai Capital; FSSIA estimates

## Financial Statements

### Muangthai Capital

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	119,084	141,559	168,453	196,190	224,908
Allowance for expected credit loss	(3,686)	(5,169)	(4,948)	(5,693)	(6,547)
interest in suspense	1,675	1,969	2,363	2,765	3,180
<b>Net customer loans</b>	<b>117,073</b>	<b>138,359</b>	<b>165,868</b>	<b>193,262</b>	<b>221,541</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	3,213	2,822	851	651	767
Other interesting assets	-	-	-	-	-
Tangible fixed assets	2,037	2,134	2,348	2,582	2,840
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	5,743	6,390	6,962	8,015	9,241
<b>Total assets</b>	<b>128,066</b>	<b>149,705</b>	<b>176,028</b>	<b>204,511</b>	<b>234,389</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	96,143	114,770	134,775	155,806	177,032
Non interest bearing liabilities	2,833	3,469	4,046	4,740	5,581
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>98,976</b>	<b>118,239</b>	<b>138,821</b>	<b>160,547</b>	<b>182,613</b>
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	26,971	29,797	35,077	41,872	49,713
<b>Total equity</b>	<b>29,091</b>	<b>31,917</b>	<b>37,197</b>	<b>43,992</b>	<b>51,833</b>
Non-controlling interest	-	-	-	-	-
<b>Total liabilities &amp; equity</b>	<b>128,066</b>	<b>150,156</b>	<b>176,018</b>	<b>204,539</b>	<b>234,446</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	104,892	130,321	155,006	182,321	210,549
Average interest bearing liabilities	83,734	105,456	124,772	145,291	166,419
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)	3,507	4,461	4,289	4,962	5,785
<b>Per share (THB)</b>					
Book value per share	13.72	15.06	17.55	20.75	24.45
Tangible book value per share	13.72	15.06	17.55	20.75	24.45
<b>Growth</b>					
Gross customer loans	31.3	18.9	19.0	16.5	14.6
Average interest earning assets	30.5	24.2	18.9	17.6	15.5
Total asset (%)	30.2	16.9	17.6	16.2	14.6
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	22.7	21.3	21.1	21.5	22.1
Tangible equity/assets (%)	22.7	21.3	21.1	21.5	22.1
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	174.8	27.2	(3.9)	15.7	16.6
NPL/gross loans (%)	2.9	3.2	2.5	2.5	2.6
Allowance for ECL/gross loans (%)	3.1	3.7	2.9	2.9	2.9
Allowance for ECL/NPL (%)	105.1	115.9	115.4	114.7	113.2
<b>Valuation</b>					
Recurring P/E (x) *	18.1	18.8	15.9	12.4	10.7
Recurring P/E @ target price (x) *	17.9	18.6	15.7	12.3	10.5
Reported P/E (x)	18.1	18.8	15.9	12.4	10.7
Dividend yield (%)	2.2	0.5	0.6	0.7	0.9
Price/book (x)	3.2	2.9	2.5	2.1	1.8
Price/tangible book (x)	3.2	2.9	2.5	2.1	1.8
Price/tangible book @ target price (x)	3.1	2.9	2.5	2.1	1.8

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

Sources: Muangthai Capital; FSSIA estimates

# Muangthai Capital PCL (MTC TB)

## FSSIA ESG rating


**68.21 /100**

### Exhibit 9: FSSIA ESG score implication

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

Sources: FSSIA estimates

### Exhibit 10: ESG – peer comparison

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

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

### Exhibit 11: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>1.36</b>	<b>1.51</b>	<b>2.07</b>	<b>2.16</b>	<b>2.39</b>	<b>4.00</b>	<b>3.27</b>	<b>3.31</b>
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.12	0.02	0.03	—
BESG social pillar score	0.37	0.58	1.37	1.37	1.69	4.57	3.27	—
BESG governance pillar score	4.42	4.41	4.57	4.91	4.95	4.95	4.82	—
<b>ESG disclosure score</b>	<b>26.85</b>	<b>32.18</b>	<b>32.89</b>	<b>35.76</b>	<b>39.62</b>	<b>44.88</b>	<b>50.20</b>	<b>52.08</b>
Environmental disclosure score	0.00	0.00	0.00	0.33	7.28	15.22	32.74	34.40
Social disclosure score	11.67	15.84	17.41	25.70	30.35	31.92	30.35	34.34
Governance disclosure score	68.72	80.52	81.10	81.10	81.10	87.36	87.36	87.36
<b>Environmental</b>								
Emissions reduction initiatives	No	No	No	No	No	No	No	No
Climate change policy	No	No	No	No	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	Yes	Yes	Yes	Yes	Yes
GHG scope 1	—	—	—	—	2	7	6	8
GHG scope 2 location-based	—	—	—	—	—	16	18	21
GHG Scope 3	—	—	—	—	—	1	1	1
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	No	No	No	No	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	—	9	55	36	69
Renewable energy use	—	—	—	—	—	—	0	—
Electricity used	—	—	—	—	—	32	36	42
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

**Exhibit 12: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	No	No	No	No	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	—	—	—
Total waste	—	—	—	—	—	—	—	—
Waste recycled	—	—	—	—	—	—	—	—
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	No	No	No	Yes	Yes
Water policy	No	No	No	No	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	987	—	—
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	No	No	No	No	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	Yes
Pct women in workforce	—	—	—	—	—	11	11	10
Pct disabled in workforce	—	—	0	0	0	0	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	—	—	0
Total recordable incident rate - employees	—	—	—	—	1	1	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	2,617	4,185	5,893	7,660	9,576	10,328	11,460	13,005
Employee turnover pct	—	—	—	—	—	—	—	29
Total hours spent by firm - employee training	—	—	—	70,395	60,328	34,082	34,036	78,030
Social supply chain management	No	No	No	No	No	No	No	Yes
<b>Governance</b>								
Board size	7	7	7	7	8	8	7	7
No. of independent directors (ID)	5	5	5	5	5	5	4	4
No. of women on board	2	2	3	3	3	3	3	3
No. of non-executive directors on board	5	5	5	5	6	6	5	5
Company conducts board evaluations	No	No	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	6	5	7	7	6	9	8	8
Board meeting attendance pct	100	100	96	100	94	96	100	100
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	56	57	58	59	36	39	40	41
Age of the oldest director	67	68	69	70	71	72	73	74
No. of executives / company managers	12	12	12	13	13	12	13	13
No. of female executives	3	3	3	3	3	3	3	3
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	4	4	4	4	4	4	4	7
Audit meeting attendance %	100	100	92	100	92	100	100	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	3	3	3	3	3	3	2	2
No. of compensation committee meetings	—	1	2	2	2	2	3	2
Compensation meeting attendance %	—	100	83	100	83	83	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	—	1	2	2	2	2	1	2
Nomination meeting attendance %	—	100	83	100	83	83	100	100
<b>Sustainability governance</b>								
Verification type	No	No	No	No	No	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) 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 ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainalytics</a>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></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+																		
<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	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><tr><td><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></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
<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities																			
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<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																			
<a href="#">Moody's ESG solutions</a>	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.																					
<a href="#">Refinitiv ESG rating</a>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
<a href="#">S&amp;P Global</a>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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

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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Company	Ticker	Price	Rating	Valuation & Risks
Muangthai Capital	MTC TB	THB 43.50	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) positive developments in asset quality which could bring down its credit costs; and 2) a decreasing market interest rate, which could alleviate its cost of funds burden.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 149.50	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 43.00	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.
Srisawad Corp	SAWAD TB	THB 40.25	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 include 1) a faster-than-expected decline in losses on sales of repossessed cars for SCAP; and 2) an interest rate downtrend could push its interest spread.
Ngern Tid Lor	TIDLOR TB	THB 22.40	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 22.30	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; and 2) lower-than-expected operating and financing expenses.
Bangkok Commercial Asset Mngt.	BAM TB	THB 7.95	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.
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.

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 20-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.