

AEON THANA SINSAP (THAILAND)

THAILAND / FINANCE & SECURITIES

AEONTS TB

HOLD

UNCHANGED

TARGET PRICE	THB164.00
CLOSE	THB157.50
UP/DOWNSIDE	+4.1%
PRIOR TP	THB169.00
CHANGE IN TP	-3.0%
TP vs CONSENSUS	-4.6%

Time to accelerate NPL clearance

- We expect 4QFY23 profit to recover amid weak core profit growth.
- We view its effort to reduce NPLs and credit costs with a less stringent policy as neutral since this could lead to higher ECLs and NPL migration afterward.
- Maintain HOLD with FY24 TP cut to THB164.

Recovery in 4QFY23E profit supported by declining ECLs

We estimate a 4QFY23 net profit of THB762m, marking a rise of 7.9% q-q and 9.9% y-y. An expected decline in ECLs and credit costs could offset its core business slump. We also expect a decline in loans of 3.5% q-q and 3.6% y-y due to its significant bad debt write-offs, particularly in the personal and credit card segments. In contrast, loans have grown in the motorcycle hire purchase segment (merely 7% of total). The main contributors, personal loans (47%) and credit card receivables (46%) should have sluggish growth in the quarter. Meanwhile, we expect a softer spread to 16.56% from a rising cost of funds and lower loan yields.

NPLs to nosedive following write-offs and policy relaxation

We expect the NPL ratio to decrease sharply to 5.24% in 4QFY23 from 6.24% in 3QFY23, and credit costs to decline to 7.68% from 8.10%. Besides the aggressive debt write-offs, AEONTS disclosed that 1) it had presently reduced its stage 1 loans' ECL by 50-80bp from c5-6%, starting from 4Q23, due to having studied customer behaviors for more than three years after implementing TFRS 9; and 2) it decided to contract the restructured loans period in stage 3 to three months from six months before migrating them to stage 2. In contrast, the stage 2 loans would increase sharply as well. Hence, we expect the coverage ratio to decrease to 157% from 162% in 3QFY23 following the impact of its aggressive write-offs.

FY23-25E earnings cut to reflect the gloomy outlook

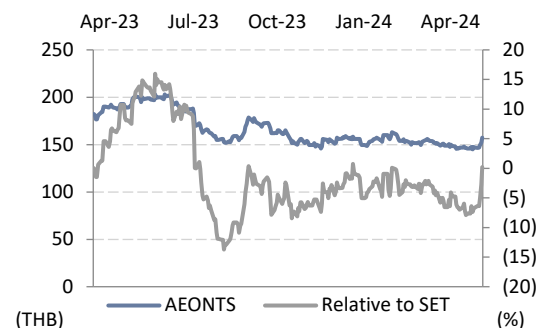
We cut our FY23-25 net profit assumptions by c6% p.a. from previous to reflect the weaker expected NII and non-NII and a higher cost-to-income ratio. Accordingly, we expect the FY23 net profit to dive by 23.3% y-y, followed by increases of 7.5% in FY24 and 7.1% in FY25. Regarding the company's rough FY24 guidance, the driver should come from recovering loan growth, particularly in the personal and credit card cashing segment.

Maintain HOLD with FY24 TP cut to THB164

We reiterate our HOLD call at the current price. We reduce our FY24 GGM-based TP to THB164 from THB169, implying a P/BV of 1.55x from 1.60x, under the expected LT-ROE at 12.3% from 13.5% and COE at 9.0% from 9.6%.

KEY STOCK DATA

YE Feb (THB m)	2022	2023E	2024E	2025E
Operating profit	4,950	3,715	3,990	4,273
Net profit	3,815	2,927	3,145	3,369
EPS (THB)	15.26	11.71	12.58	13.48
vs Consensus (%)	-	(1.0)	6.8	(0.6)
Recurring net profit	3,815	2,927	3,145	3,369
Core EPS (THB)	15.26	11.71	12.58	13.48
Chg. In EPS est. (%)	-	(6.0)	(6.4)	(5.9)
EPS growth (%)	7.4	(23.3)	7.5	7.1
Core P/E (x)	10.3	13.5	12.5	11.7
Dividend yield (%)	3.5	2.7	2.9	3.1
Price/book (x)	1.7	1.6	1.5	1.4
ROE (%)	17.9	12.4	12.4	12.2
ROA (%)	4.3	3.2	3.4	3.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.0	(1.6)	(14.9)
Relative to country (%)	4.4	1.1	(0.5)
Mkt cap (USD m)	1,082		
3m avg. daily turnover (USD m)	0.5		
Free float (%)	41		
Major shareholder	AEON Financial Service Co Ltd (32%)		
12m high/low (THB)	203.00/144.00		
Issued shares (m)	250		

Sources: Bloomberg consensus; FSSIA estimates



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The Chairman of The Board of Directors of Finansia Syrus Securities PCL is also AEONTS's Director.

Investment thesis

We maintain our negative view on AEONTS' business and reiterate our HOLD call at the current price due to:

- 1) The credit card and personal loan segments should continue to experience headwinds in FY24, particularly the credit card segment, which should persist until FY25 on the lifting of the minimum payment to 10% from 8% in FY24.
- 2) Despite its effort to reduce NPLs and credit costs with a less stringent policy, we view this as neutral since it could lead to higher expected credit losses (ECLs) and NPL migration afterward amid the sluggish economic outlook.
- 3) We expect FY24-25 net profit to grow by just c7% p.a. CAGR.

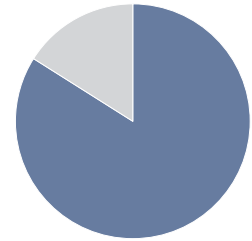
Company profile

AEONTS's main business activity is providing a variety of retail finance services, including credit cards, personal loans, hire purchase, a life-insurance broker business, non-life insurance broker business, debt collection and others. As of 28 Feb 2023, AEONTS has a total of 104 branches, of which 31 branches are in Bangkok and the vicinity while the remaining are distributed nationwide. As of 31 Aug 2023, the company has 3.33m ready-to-use credit cards and 6.61m membership cards for personal loans.

www.aeon.co.th

Principal activities (revenue, 9M23)

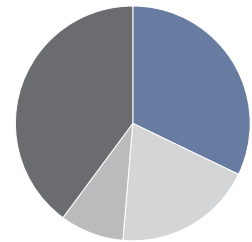
- Net interest income - 84.0 %
- Non-interest income - 16.0 %



Source: Aeon Thana Sinsap (Thailand)

Major shareholders

- AEON Financial Service Co Ltd - 32.2 %
- ACS Capital Corp Co Ltd - 19.2 %
- Aeon Holding Thailand Co Ltd - 8.8 %
- Others - 39.9 %



Source: Aeon Thana Sinsap (Thailand)

Catalysts

- 1) Better-than-expected loan growth.
- 2) Better-than-expected spread.
- 3) Lower-than-expected NPLs and credit cost.
- 4) Lower-than-expected operating expenses.

Risks to our call

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.

Event calendar

Date	Event
9 Apr 2024	4QFY23 results announcement
10 Apr 2024	Analyst meeting

Key assumptions

	FY2023E (%)	FY2024E (%)	FY2025E (%)
Loan growth	-3.56%	6.88%	8.82%
Interest spread	17.02	17.00	17.12
Net fee income growth	-5.61%	3.00%	3.00%
Cost to income	37.99%	38.02%	38.00%
Credit cost (bp)	836	817	824
NPL ratio	5.24%	5.50%	5.60%
ROE	12.38%	12.35%	12.23%
ROA	3.11%	3.33%	3.39%

Source: FSSIA estimates

Earnings sensitivity

		FY2024E		
Loan growth (%)	±2ppt	4.88	6.88	8.88
<i>% change in net profit</i>		(0.9)		0.9
Spread (%)	±10bp	16.90	17.00	17.10
<i>% change in net profit</i>		(1.5)		1.5
Credit cost (bp)	±10bp	807	817	827
<i>% change in net profit</i>		2.5		(2.5)

Source: FSSIA estimates

Recovery in 4QFY23E profit supported by declining ECLs

Despite another quarter in which AEONTS aggressively managed its asset quality to a comfortable level as required by the creditor banks, it should demonstrate its resilience with a recovery in 4QFY23 net profit. We estimate a net profit of THB762m, marking a rise of 7.9% q-q and 9.9% y-y. Its core business slump has been offset, in our view, thanks to an expected decline in ECLs and credit costs. We expect a decline in loans of 3.5% q-q and 3.6% y-y due mainly to its significant bad debt write-offs, particularly in the personal and credit card segments. In contrast, loans have grown in the motorcycle hire purchase segment (merely 7% of total). The main contributors, personal loans (47%) and credit card receivables (46%) should have sluggish growth in the quarter owing to its stringent credit quality policy. The latter should be particularly affected by the Bank of Thailand increasing the minimum payment to 8% from 5%. Meanwhile, we expect a softer spread to 16.56% from a rising cost of funds and lower loan yields. Regarding a slight decrease in operating expenses, we expect its continued cost-control policy to lead the cost-to-income ratio to finish at a relatively stable q-q rate of 39.34%.

For FY23, we expect a net profit of THB2.93b, a significant decrease of 23.3% y-y, pressured by growing ECLs and credit costs aligning with its deteriorating asset quality. Meanwhile, we expect PPOP to decrease by 7.1% y-y from the slumping core business, NII (contracting loan growth and spreads), and non-NII (lower gain on sales of written-off bad debts). In addition, we have yet to see significant contributions from its overseas business and subsidiaries.

Exhibit 1: AEONTS – 4QFY23 earnings preview

AEONTS	4QFY22 (THB m)	1QFY23 (THB m)	2QFY23 (THB m)	3QFY23 (THB m)	4QFY23E (THB m)	----- Change -----		FY22 (THB m)	FY23E (THB m)	Change
						(q-q%)	(y-y%)			(y-y%)
Interest income	4,786	4,726	4,770	4,650	4,557	(2.0)	(4.8)	19,055	18,702	(1.9)
Interest expense	523	527	574	511	520	1.7	(0.6)	1,904	2,132	12.0
Net interest income	4,263	4,199	4,196	4,139	4,037	(2.5)	(5.3)	17,151	16,570	(3.4)
Non-interest income	766	734	907	755	782	3.5	2.1	3,277	3,177	(3.0)
Operating income	5,029	4,932	5,102	4,894	4,819	(1.5)	(4.2)	20,428	19,747	(3.3)
Operating expenses	2,155	2,033	2,071	2,114	2,095	(0.9)	(2.8)	8,117	8,313	2.4
PPOP	2,874	2,899	3,031	2,780	2,724	(2.0)	(5.2)	12,311	11,434	(7.1)
Expected credit loss	1,964	2,094	1,949	1,899	1,770	(6.8)	(9.9)	7,263	7,712	6.2
Profit before tax	909	805	1,082	881	947	7.6	4.2	4,950	3,715	(24.9)
Income tax expense	181	161	218	171	184	7.7	1.8	996	734	(26.3)
Net profit	693	617	842	706	762	7.9	9.9	3,815	2,927	(23.3)
EPS (THB)	2.77	2.47	3.37	2.82	3.05	7.9	9.9	15.26	11.71	(23.3)
Key balance sheet highlights	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Loan - gross	93,864	93,721	93,886	93,814	90,527	(3.5)	(3.6)	93,864	90,527	(3.6)
Interest bearing debt	67,057	64,701	65,621	65,624	63,559	(3.1)	(5.2)	67,057	63,559	(5.2)
Leverage ratio	(x)	(x)	(x)	(x)	(x)			(x)	(x)	
IBD/E (x)	2.94	2.77	2.78	2.77	2.60			2.94	2.60	
D/E (x)	3.15	3.02	2.99	2.95	2.78			3.15	2.78	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Gross NPLs (THB m)	5,340	5,541	5,810	5,854	4,750	(18.9)	(11.1)	5,340	4,750	(11.1)
NPL ratio	5.69	5.91	6.19	6.24	5.24			5.69	5.24	(0.44)
Coverage ratio - LLR/ NPLs	190	184	174	162	157			190	157	(32.36)
Credit cost	8.32	8.93	8.31	8.10	7.68			7.86	8.36	0.50
LLR/TL	10.78	10.87	10.74	10.11	8.24			10.78	8.24	
Profitability ratios	(%)	(%)	(%)	(%)	(%)			(%)	(%)	(ppt)
Cost-to-income ratio	37.10	37.16	36.46	39.11	39.34			36.35	37.99	1.65
Yield on loans	20.27	20.15	20.34	19.82	19.78			20.62	20.29	(0.34)
Cost of funds	3.09	3.20	3.52	3.12	3.22			2.86	3.27	0.41
Spreads	17.18	16.95	16.82	16.70	16.56			17.77	17.02	(0.75)
Net interest margin (NIM)	18.05	17.91	17.89	17.64	17.52			18.56	17.97	(0.59)
ROE	12.44	10.70	14.34	11.93	12.65			17.87	12.38	
ROA	2.90	2.61	3.56	2.98	3.25			4.11	3.11	
Loan growth	(%)	(%)	(%)	(%)	(%)				(%)	
Loan growth q-q	(1.2)	(0.2)	0.2	(0.1)	(3.5)					
y-y	3.2	1.2	(0.0)	(1.3)	(3.6)				(3.6)	
YTD	3.2	(0.2)	0.0	(0.1)	(3.6)					

Sources: AEONTS; FSSIA estimates

NPLs to nosedive following write-offs and less stringent policy

We expect the NPL ratio to decrease sharply to 5.24% in 4QFY23 from 6.24% in 3QFY23, and credit costs to decline to 7.68% from 8.10%. Besides the aggressive debt write-offs, AEONTS disclosed that 1) it had presently reduced its stage 1 loans' ECL by 50-80bp from c5-6%, starting from 4Q23, due to having studied customer behaviors for more than three years after implementing TFRS 9; and 2) it decided to contract the restructured loans period in stage 3 to three months from six months before migrating them to stage 2. In contrast, the stage 2 loans would increase sharply as well. Hence, we expect the coverage ratio to decrease to 157% from 162% in 3QFY23 following the impact of its aggressive write-offs.

Exhibit 2: AEONTS – staged loans and ECL

	FY2020	FY2021	FY2022	3QFY23	FY2020	FY2021	FY2022	3QFY23
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)
Loans and accrued interest					% Staged loans			
Stage 1	79,447	82,899	85,032	84,135	90.9	91.1	90.5	89.6
Stage 2	2,944	3,702	3,565	3,906	3.4	4.1	3.8	4.2
Stage 3	5,042	4,427	5,340	5,854	5.8	4.9	5.7	6.2
Total	87,433	91,028	93,937	93,894	100.0	100.0	100.0	100.0
Expected credit loss (ECL)					% ECL to staged loans			
Stage 1	5,969	5,564	4,398	3,538	7.5	6.7	5.2	4.2
Stage 2	1,579	1,917	1,658	1,614	53.6	51.8	46.5	41.3
Stage 3	4,045	3,470	4,069	4,335	80.2	78.4	76.2	74.1
Total	11,593	10,951	10,125	9,488	13.3	12.0	10.8	10.1
LLR / Loans								
	(%)	(%)	(%)	(%)				
Stage 1	7.51	6.71	5.17	4.21				
Stage 2	53.63	51.80	46.51	41.33				
Stage 3	80.23	78.38	76.20	74.06				
Total	13.26	12.03	10.78	10.10				
	(%)	(%)	(%)	(%)				
NPL / TL	5.77	4.86	5.69	6.23				
LLR / NPL	230	247	190	162				
NPLs + stage 2 loans/ total loans	9.13	8.93	9.48	10.39				
LLR/(NPLs + stage 2 loans)	145	135	114	97				

Sources: AEONTS; FSSIA's compilation

Exhibit 3: AEONTS – outstanding and maturity of interest-bearing debt

	Total outstanding				Maturity during period				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Total
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
FY2023	65,221	61,739	58,258	63,560	3,482	3,482	3,482	3,482	13,927
FY2024	80,019	76,075	71,131	63,847	3,646	3,944	4,944	7,284	19,818
FY2025	91,790	87,186	81,108	68,041	3,944	4,605	6,078	13,067	27,693

Sources: AEONTS; FSSIA estimates

FY23-25E earnings cut to reflect the gloomy outlook

We cut our FY23-25 net profit assumptions by c6% p.a. from previous to reflect the weaker expected NII and non-NII and a higher cost-to-income ratio. Accordingly, we expect the FY23 net profit to dive by 23.3% y-y, followed by increases of 7.5% in FY24 and 7.1% in FY25. Regarding the company's rough FY24 guidance, the driver should come from recovering loan growth, particularly in the personal and credit card cashing segment. AEONTS also guides for a relatively stable cost-to-income ratio due mainly to the surging promotional costs against the backdrop of a recovery in the credit card segment.

Exhibit 4: AEONTS – 2023-25E earnings revisions

	Current			Previous			Change		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Net profit (THB m)	2,927	3,145	3,369	3,113	3,360	3,578	(6.0)	(6.4)	(5.9)
EPS (THB)	11.71	12.58	13.48	12.45	13.44	14.31	(6.0)	(6.4)	(5.9)
Target price (THB)		164			169			(3.0)	
2024 P/BV (x)		1.55			1.60				
Net profit growth (%)	(23.3)	7.5	7.1	(18.4)	7.9	6.5			
Spread (%)	17.02	17.00	17.12	16.73	16.73	16.78			
Loan growth (%)	(3.6)	6.9	8.8	4.5	6.2	6.2			
NII growth (%)	(3.4)	2.1	9.1	(0.5)	5.7	6.5			
Insurance brokerage income (%)	(5.6)	3.0	3.0	1.0	3.0	3.0			
Non-NII growth (%)	(3.0)	(0.2)	1.1	(1.4)	2.6	1.1			
Credit cost (bp)	836	817	824	810	816	816			
Cost to income (%)	38.0	38.0	38.0	36.8	36.8	36.8			
NPL ratio	5.24	5.50	5.60	6.50	5.50	5.00			

Source: FSSIA estimates

Maintain HOLD with FY24 TP cut to THB164

We reiterate our HOLD call at the current price based on the anticipated headwinds continuing throughout FY24, regarding limited business growth to protect its asset quality and stricter credit card business regulations. We reduce our FY24 GGM-based TP to THB164 from THB169, implying a P/BV of 1.55x from 1.60x, under the expected LT-ROE at 12.3% from 13.5% and COE at 9.0% from 9.6%.

Exhibit 5: GGM-based 2024 TP

Gordon Growth Model	New	Previous
Sustainable ROE	12.3%	13.5%
g	3.0%	3.0%
ROE-g	9.30%	10.50%
Beta	1.00	1.09
Risk free rate	3.0%	3.0%
Risk premium	6.0%	6.0%
COE	9.00%	9.55%
COE-g	6.00%	6.55%
ROE-g/COE-g	1.55	1.60

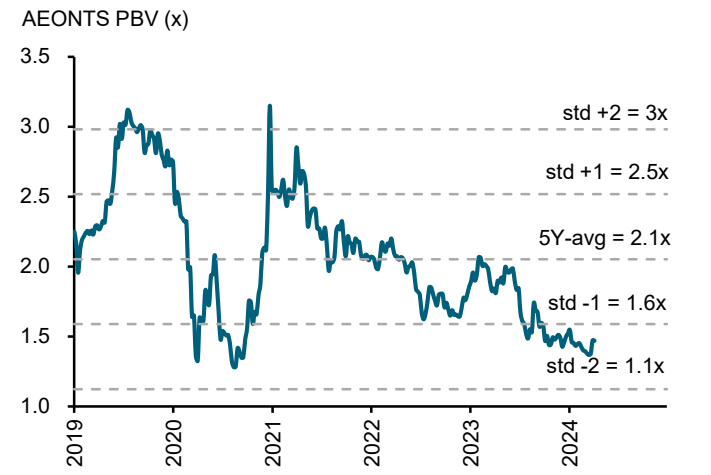
Source: FSSIA estimates

Exhibit 6: Share price performance of non-banks under coverage, as of 29 March 2024

	Price performance				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
TIDLOR TB	0.5	(0.9)	7.2	0.4	(0.9)
MTC TB	4.4	6.1	32.6	38.4	6.1
SAWAD TB	13.3	4.9	(0.6)	(19.4)	4.9
AEONTS TB	6.4	(1.3)	(3.1)	(14.1)	(1.3)
KTC TB	4.6	5.2	4.0	(15.7)	5.2
JMT TB	0.5	(12.5)	(53.3)	(52.0)	(12.5)
BAM TB	22.4	23.9	(3.8)	(25.7)	23.9
CHAYO TB	(9.3)	(10.1)	(27.6)	(36.7)	(10.1)
SETFIN	4.5	0.4	(6.7)	(19.5)	0.4
SET	0.8	(2.7)	(6.3)	(14.4)	(2.7)

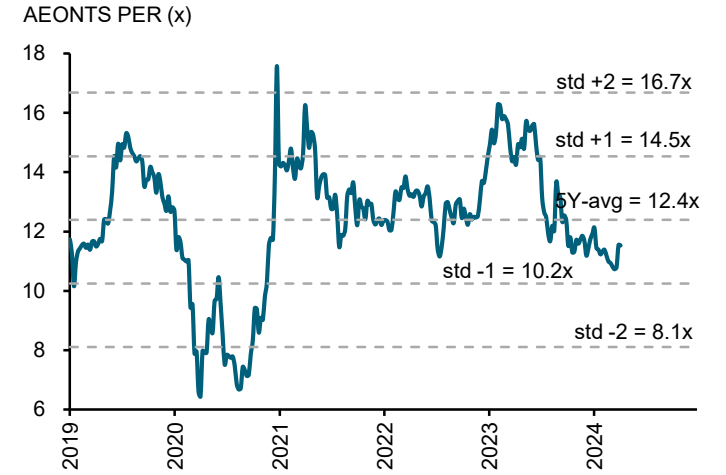
Source: Bloomberg

Exhibit 7: AEONTS – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: AEONTS – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: Peer comparisons, as of 29 March 2024

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	----- PE -----		----- PBV -----		----- ROE -----		----- Div yld -----	
						24E (x)	25E (x)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	157.50	164.00	4	12.5	11.7	1.5	1.4	12.4	12.2	2.9	3.1
Krungthai Card	KTC TB	HOLD	45.75	46.00	1	15.5	13.9	3.0	2.7	20.2	20.1	2.9	3.2
Muangthai Capital	MTC TB	HOLD	47.25	43.00	(9)	17.3	13.5	2.7	2.3	16.8	18.3	0.5	0.7
Srisawad Corp	SAWAD TB	HOLD	42.25	40.00	(5)	11.7	10.3	2.1	1.7	18.4	18.2	4.2	1.0
Ngern Tid Lor	TIDLOR TB	BUY	22.40	27.00	21	14.0	11.8	2.0	1.8	15.4	16.2	2.2	2.6
JMT Network services	JMT TB	HOLD	22.20	25.70	16	13.5	11.5	1.2	1.2	9.0	10.5	5.9	7.0
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	9.75	8.75	(10)	17.7	16.6	0.7	0.7	4.1	4.3	3.8	3.9
Chayo Group	CHAYO TB	BUY	4.98	6.00	20	14.2	12.2	1.5	1.3	11.1	11.3	1.1	1.2
Average						14.5	12.7	1.8	1.6	13.4	13.9	2.9	2.8

Sources: Bloomberg; FSSIA estimates

Financial Statements

Aeon Thana Sinsap (Thailand)

Profit and Loss (THB m) Year Ending Feb	2021	2022	2023E	2024E	2025E
Interest Income	17,903	19,055	18,702	19,059	20,649
Interest expense	(1,745)	(1,904)	(2,132)	(2,137)	(2,191)
Net interest income	16,158	17,151	16,570	16,923	18,457
Net fees & commission	2,635	3,015	2,886	2,876	2,908
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	254	261	292	295	298
Non interest income	2,888	3,277	3,177	3,171	3,206
Total income	19,047	20,428	19,747	20,094	21,663
Staff costs	(7,671)	(7,962)	(8,118)	(8,249)	(8,851)
Other operating costs	(172)	(253)	(202)	(206)	(216)
Operating costs	(7,844)	(8,215)	(8,320)	(8,455)	(9,067)
Pre provision operating profit	11,203	12,213	11,427	11,639	12,596
Expected credit loss	(6,629)	(7,263)	(7,712)	(7,649)	(8,323)
Other provisions	-	-	-	-	-
Operating profit	4,574	4,950	3,715	3,990	4,273
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	4,574	4,950	3,715	3,990	4,273
Tax	(1,000)	(996)	(734)	(788)	(844)
Profit after tax	3,574	3,954	2,981	3,202	3,429
Non-controlling interest	(21)	(139)	(54)	(57)	(60)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,553	3,815	2,927	3,145	3,369
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	3,553	3,815	2,927	3,145	3,369
Per share (THB)					
Recurring EPS *	14.21	15.26	11.71	12.58	13.48
Reported EPS	14.21	15.26	11.71	12.58	13.48
DPS	5.15	5.50	4.22	4.53	4.86
Growth					
Net interest income (%)	(2.0)	6.1	(3.4)	2.1	9.1
Non interest income (%)	6.4	13.4	(3.0)	(0.2)	1.1
Pre provision operating profit (%)	2.9	9.0	(6.4)	1.9	8.2
Operating profit (%)	(2.1)	8.2	(24.9)	7.4	7.1
Reported net profit (%)	(4.4)	7.4	(23.3)	7.5	7.1
Recurring EPS (%)	(4.4)	7.4	(23.3)	7.5	7.1
Reported EPS (%)	(4.4)	7.4	(23.3)	7.5	7.1
Income Breakdown					
Net interest income (%)	84.8	84.0	83.9	84.2	85.2
Net fees & commission (%)	13.8	14.8	14.6	14.3	13.4
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	1.3	1.3	1.5	1.5	1.4
Operating performance					
Gross interest yield (%)	21.66	22.02	21.29	21.26	21.60
Cost of funds (%)	2.69	2.86	3.27	3.35	3.32
Net interest spread (%)	18.97	19.16	18.02	17.91	18.28
Net interest margin (%)	19.5	19.8	18.9	18.9	19.3
Cost/income(%)	41.2	40.2	42.1	42.1	41.9
Cost/assets(%)	8.8	8.8	8.8	8.9	9.1
Effective tax rate (%)	21.9	20.1	19.8	19.8	19.8
Dividend payout on recurring profit (%)	36.2	36.0	36.0	36.0	36.0
ROE (%)	19.2	17.9	12.4	12.4	12.2
ROE - COE (%)	10.2	8.9	3.4	3.4	3.2
ROA (%)	4.0	4.3	3.2	3.4	3.5
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates

Financial Statements

Aeon Thana Sinsap (Thailand)

Balance Sheet (THB m) Year Ending Feb	2021	2022	2023E	2024E	2025E
Gross customer loans	91,555	94,462	91,300	97,674	106,376
Allowance for expected credit loss	(10,951)	(10,125)	(7,468)	(8,252)	(9,128)
interest in suspense	(644)	(598)	(773)	(920)	(1,087)
Net customer loans	79,959	83,739	83,058	88,502	96,161
Bank loans	44	218	80	50	60
Government securities	0	0	0	0	0
Trading securities	-	-	-	-	-
Investment securities	-	-	-	-	-
Cash & equivalents	4,236	3,816	3,153	3,050	1,927
Other interesting assets	117	73	85	83	83
Tangible fixed assets	-	-	-	-	-
Associates	0	0	0	0	0
Goodwill	-	-	-	-	-
Other intangible assets	1,531	1,816	1,562	1,483	1,348
Other assets	4,438	5,400	2,567	2,761	2,983
Total assets	90,469	95,207	93,045	95,929	102,562
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	66,127	67,057	63,559	63,847	68,041
Non interest bearing liabilities	4,078	4,802	4,404	4,942	5,159
Hybrid Capital	-	-	-	-	-
Total liabilities	70,205	71,859	67,964	68,789	73,200
Share capital	-	-	-	-	-
Reserves	19,161	22,093	23,737	25,735	27,889
Total equity	19,889	22,821	24,465	26,463	28,617
Non-controlling interest	375	527	616	677	745
Total liabilities & equity	90,469	95,207	93,045	95,929	102,562
Supplementary items					
Risk weighted assets (RWA)	-	-	-	-	-
Average interest earning assets	82,669	86,535	87,835	89,664	95,603
Average interest bearing liabilities	64,763	66,592	65,308	63,703	65,944
CET 1 capital	-	-	-	-	-
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	4,427	5,340	4,750	5,325	5,900
Per share (THB)					
Book value per share	79.55	91.29	97.86	105.85	114.47
Tangible book value per share	-	-	-	-	-
Growth					
Gross customer loans	3.9	3.2	(3.3)	7.0	8.9
Average interest earning assets	(4.1)	4.7	1.5	2.1	6.6
Total asset (%)	3.5	5.2	(2.3)	3.1	6.9
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	22.0	24.0	26.3	27.6	27.9
Tangible equity/assets (%)	20.3	22.1	24.6	26.0	26.6
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	(12.2)	20.6	(11.1)	12.1	10.8
NPL/gross loans (%)	4.8	5.7	5.2	5.5	5.5
Allowance for ECL/gross loans (%)	12.0	10.7	8.2	8.4	8.6
Allowance for ECL/NPL (%)	247.3	189.6	157.2	155.0	154.7
Valuation					
Recurring P/E (x) *	11.1	10.3	13.5	12.5	11.7
Recurring P/E @ target price (x) *	11.5	10.7	14.0	13.0	12.2
Reported P/E (x)	11.1	10.3	13.5	12.5	11.7
Dividend yield (%)	3.3	3.5	2.7	2.9	3.1
Price/book (x)	2.0	1.7	1.6	1.5	1.4
Price/tangible book (x)	-	-	-	-	-
Price/tangible book @ target price (x)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates

AEON Thana Sinsap (Thailand) (AEONTS TB)

FSSIA ESG rating

★★

33.86 /100

Exhibit 10: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★☆	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★☆☆	>39-59	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.

Source: FSSIA estimates

Exhibit 11: 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
AEONTS	33.86	--	--	--	4.00	3.00	--	Medium	40.10	BBB	--	27.64	17.00	--	--
BAM	55.19	--	Y	Y	5.00	4.00	Certified	Medium	47.11	B	--	49.29	14.00	2.88	51.77
JMT	35.60	--	--	--	4.00	5.00	Declared	Medium	--	BBB	--	12.70	13.00	--	39.90
KTC	71.80	--	Y	Y	5.00	5.00	Certified	Low	57.22	A	--	64.48	59.00	4.96	57.09
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 12: ESG disclosure from the company's one report

FY ending Feb 28	FY 2022	FY ending Feb 28	FY 2022
Environmental		Governance	
Climate change policy	--	Board size / Independent directors (ID) / Female	12 / 4 / 2
Climate change opportunities discussed	--	No. of board meetings for the year / % attendance	12 / 98.61%
GHG scope 2 location-based policy	Yes	Company conducts board evaluations	Yes
Biodiversity policy	--	Number of non-executive directors on board	2
Energy efficiency policy	Yes	Director share ownership guidelines	No
Electricity used	Yes	Board age limit	No
Fuel used - crude oil/diesel	--	Age of the youngest / oldest director	61 / 75
Waste reduction policy	Yes	Number of executives / female	11 / 3
Water policy	Yes	Executive share ownership guidelines	No
Water consumption	1,133.13	Size of audit committee / ID	3 / 3
Social		Audit committee meetings	10
Human rights policy	Yes	Audit committee meeting attendance (%)	100
Policy against child labor	--	Size of compensation committee	--
Quality assurance and recall policy	Yes	Number of compensation committee meetings	--
Consumer data protection policy	Yes	Compensation committee meeting attendance (%)	--
Equal opportunity policy	Yes	Size of nomination committee / ID	--
Gender pay gap breakout	--	Number of nomination committee meetings	--
Pct women in workforce	Yes	Nomination committee meeting attendance (%)	--
Business ethics policy	Yes	Board compensation (THB m)	24.21
Anti-bribery ethics policy	Yes	Auditor fee (THB m)	7.59
Health and safety policy	Yes	<i>(Deloitte Touche Tohmatsu Jaiyos Audit Company Limited)</i>	
Lost time incident rate - employees	--		
Training policy	Yes		
Fair remuneration policy	Yes		
Number of employees - CSR	--		
Total hours spent by firm - employee training	324		
Social supply chain management	--		

Source: FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for 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 (50-59), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <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+																	
NEGL	Low	Medium	High	Severe																									
0-10	10-20	20-30	30-40	40+																									
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">AAA</td> <td style="text-align: left;">8.571-10.000</td> <td style="text-align: right;">Leader:</td> <td style="text-align: left;">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td style="text-align: right;">AA</td> <td style="text-align: left;">7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">A</td> <td style="text-align: left;">5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">BBB</td> <td style="text-align: left;">4.286-5.713</td> <td style="text-align: right;">Average:</td> <td style="text-align: left;">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td style="text-align: right;">BB</td> <td style="text-align: left;">2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">B</td> <td style="text-align: left;">1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">CCC</td> <td style="text-align: left;">0.000-1.428</td> <td style="text-align: right;">Laggard:</td> <td style="text-align: left;">lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	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

ANALYST(S) CERTIFICATION

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

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Company	Ticker	Price	Rating	Valuation & Risks
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 157.50	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.
Muangthai Capital	MTC TB	THB 47.25	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 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.
Krungthai Card	KTC TB	THB 45.75	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 42.25	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 22.20	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 9.75	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 4.98	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.

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 29-Mar-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.