

AEON THANA SINSAP (THAILAND)

THAILAND / FINANCE & SECURITIES

AEONTS TB

HOLD

UNCHANGED

| | |
|-----------------|-----------|
| TARGET PRICE | THB170.00 |
| CLOSE | THB156.00 |
| UP/DOWNSIDE | +9.0% |
| PRIOR TP | THB164.00 |
| CHANGE IN TP | +3.7% |
| TP vs CONSENSUS | -0.4% |

Challenging card business in years ahead

- AEONTS posted impressive 4QFY23 profit growth, thanks to declining ECLs from its policy relaxation.
- Asset quality also had a positive improvement due to its aggressive loan write-offs.
- Reiterate our HOLD call with a new FY24 TP of THB170.

4QFY23 earnings beat our estimate and consensus

AEONTS delivered an impressive 4QFY23 net profit of THB1.09b, increasing by 54.9% q-q and 57.8% y-y. This was 43% and 48% better than our estimate and the Bloomberg consensus, respectively, due mainly to lower-than-anticipated ECLs and credit costs. However, PPOP aligned with expectations, decreasing 3.2% q-q and 6.4% y-y from rising OPEX amid the weaker net interest income and interest spread.

Asset quality was in better shape

The NPL ratio plunged to 4.97% in 4QFY23 from 6.23% in 3QFY23, and credit costs declined to 5.61% from 8.10% in 3QFY23. AEONTS disclosed that it had presently reduced its stage 1 new loans granting 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. It also decided to expand the days past due for stage 1 loans to 30 from 28 days since customers typically pay off debts in the last two days, which led to a debt collection improvement in 4QFY23. Moreover, the coverage ratio jumped to 182.8% from the impact of its loan write-offs.

Time to grow loans; personal and credit card focus

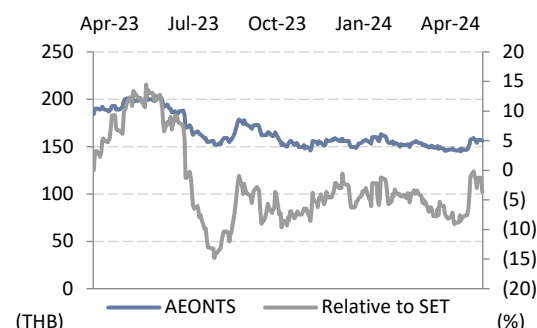
We have made minor upward revisions to our FY24-26E earnings averaging 2-3% p.a. Hence, we expect the FY24 net profit to contract by 0.4% y-y, with increases of 6.0% in FY25 and 8.2% in FY26. Regarding the FY24 guidance, the driver should come from recovering loan growth, particularly in the personal and credit card cashing segment. For 1Q24, we expect weaker q-q net profit growth despite the resumption of its loan expansion, which could cause the ECLs and credit costs to grow quarterly, combined with the rising NPLs from the credit card segment. We expect a relatively stable spread on an accelerated cost of funds.

Reiterate our HOLD call due to its limited potential upside

We raise our 2024 GGM-TP to THB170 (from THB164) to reflect the LT-ROE uplift to 12.7% (from 12.3%), thanks to a higher FY23 dividend payout ratio of 42.2% (from c36% in FY21-22). We reiterate HOLD due to its limited potential upside at the current price and the anticipated headwinds continuing in FY24-25 regarding limited business growth to protect its asset quality and stricter credit card business regulations.

KEY STOCK DATA

| YE Feb (THB m) | 2023 | 2024E | 2025E | 2026E |
|----------------------|--------|-------|-------|-------|
| Operating profit | 4,152 | 4,150 | 4,398 | 4,753 |
| Net profit | 3,259 | 3,245 | 3,440 | 3,721 |
| EPS (THB) | 13.04 | 12.98 | 13.76 | 14.88 |
| vs Consensus (%) | - | (4.1) | (5.8) | 9.9 |
| Recurring net profit | 3,249 | 3,245 | 3,440 | 3,721 |
| Core EPS (THB) | 13.00 | 12.98 | 13.76 | 14.88 |
| Chg. In EPS est. (%) | - | 3.2 | 2.1 | - |
| EPS growth (%) | (14.8) | (0.4) | 6.0 | 8.2 |
| Core P/E (x) | 12.0 | 12.0 | 11.3 | 10.5 |
| Dividend yield (%) | 3.5 | 3.5 | 3.7 | 4.0 |
| Price/book (x) | 1.6 | 1.5 | 1.4 | 1.3 |
| ROE (%) | 13.7 | 12.8 | 12.6 | 12.7 |
| ROA (%) | 3.5 | 3.4 | 3.4 | 3.4 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|-------------------------------------|---------|----------|
| Absolute (%) | 6.1 | (3.1) | (13.8) |
| Relative to country (%) | 5.0 | (1.9) | (3.0) |
| Mkt cap (USD m) | 1,073 | | |
| 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

Despite having a less negative view on AEONTS' business, we 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 FY24-26 net profit to grow by just c4.5% p.a. CAGR.

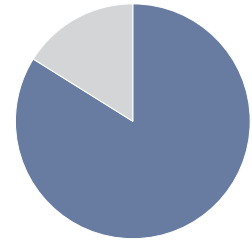
Company profile

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 had 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 had 3.33m ready-to-use credit cards and 6.61m membership cards for personal loans.

www.aeon.co.th

Principal activities (revenue, 2023)

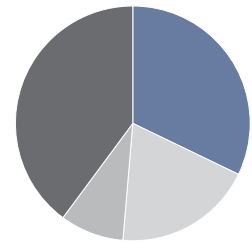
- Net interest income - 83.9 %
- Non-interest income - 16.1 %



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 |
|----------|-----------------------------|
| May 2024 | 1QFY24 results announcement |

Key assumptions

| | 2024E | 2025E | 2026E |
|-----------------------|--------|--------|--------|
| Loan growth | 7.01% | 8.82% | 8.90% |
| Interest spread | 16.66 | 16.76 | 16.74 |
| Net fee income growth | 3.00% | 3.00% | 3.00% |
| Cost to income | 38.25% | 38.24% | 38.21% |
| Credit cost (bp) | 776 | 782 | 772 |
| NPL ratio | 5.20% | 5.50% | 5.50% |
| ROE | 12.78% | 12.59% | 12.66% |
| ROA | 3.43% | 3.42% | 3.43% |

Source: FSSIA estimates

Earnings sensitivity

| | | ----- FY2024 ----- | | |
|------------------------|-------|--------------------|-------|-------|
| Loan growth | ±2ppt | 5.01 | 7.01 | 9.01 |
| % change in net profit | | (1.1) | | 1.1 |
| Spread (%) | ±10bp | 16.56 | 16.66 | 16.76 |
| % change in net profit | | (0.7) | | 0.7 |
| Credit cost (bp) | ±10bp | 766 | 776 | 786 |
| % change in net profit | | 2.4 | | (2.4) |

Source: FSSIA estimates

4QFY23 earnings beat our estimate and consensus

AEONTS delivered an impressive 4QFY23 net profit of THB1.09b, increasing by 54.9% q-q and 57.8% y-y. This was 43% and 48% better than our estimate and the Bloomberg consensus, respectively, due mainly to lower-than-anticipated expected credit losses (ECLs) and credit costs. However, PPOP aligned with expectations, decreasing 3.2% q-q and 6.4% y-y from rising OPEX amid the weaker net interest income (NII). Asset quality was better due to its aggressive debt write-offs and policy relaxation. The much better-than-expected 4QFY23 results, positive asset quality development, and higher-than-expected DPS of THB5.50 (42.2% payout ratio) could be short-term catalysts for its share price.

However, we reiterate our HOLD call due to its limited potential upside at the current price and the anticipated headwinds continuing throughout FY24 regarding limited business growth to protect its asset quality and stricter credit card business regulations.

Highlights

(-) Net interest income and the interest spread were in line with expectations, with NII decreasing by 1.6% q-q and 4.5% y-y, due mainly to 1) loans showed a 2.8% q-q and 2.8% y-y decline, primarily due to significant bad debt write-offs in the personal and credit card segments. However, motorcycle hire purchase (7% of total) was the only segment that continued to deliver impressive growth. Personal loans (48%) and credit card receivables (45%) declined by 1.3% q-q and 5.4% q-q, respectively; and 2) the interest spread dropped by 13bp to 16.57% due to a rising cost of funds and lower loan yields.

(+) Non-interest income was in line with expectations, increasing by 5.1% q-q and 3.6% y-y. Following the aggressive debt write-offs during the past couple of years, the rising bad debt recovery was the main contributor to this item.

(-) The cost-to-income ratio rose to 40.2% in the quarter, slightly higher than our estimate of 39.3% from the rising OPEX. Accordingly, the FY23 cost-to-income ratio accelerated to 38.2% from 36.4% in FY22.

(+) Asset quality was much better than expected. The NPL ratio decreased sharply to 4.97% in 4QFY23 from 6.23% in 3QFY23, and credit costs declined to 5.61% from 8.10% in 3QFY23. AEONTS disclosed that it had presently reduced its stage 1 new loans granting 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. Furthermore, it decided to expand the days past due for stage 1 loans to 30 from 28 days since customers typically pay off debts in the last two days, which led to a debt collection improvement in 4QFY23.

Stage 2 loans posted a q-q decrease, much below our expectations. Moreover, the coverage ratio jumped to 182.8% from 162.1% in 3QFY23 following the impact of its aggressive write-offs. We view its effort to reduce NPLs and credit costs with a less stringent policy as neutral, since it could lead to higher ECLs and NPL migration afterward amid the sluggish economic outlook.

(0) 1QFY24 outlook: We expect weaker q-q net profit growth despite the resumption of its loan expansion, which could cause the ECLs and credit costs to grow quarterly, combined with the rising NPLs from the credit card segment. Meanwhile, we expect a relatively stable spread owing to the accelerated cost of funds.

Overall, FY23 net profit rose to THB3.26b, a sharp decrease of 14.6% y-y, pressured by declining PPOP despite relatively stable ECLs. We have made minor upward revisions to our FY24-26E earnings averaging 2-3% p.a. mainly to reflect the expectation of lower credit costs, which could offset the spread reduction. We raise our 2024 GGM-based TP to THB170 (from THB164) to reflect the LT-ROE uplift to 12.7% (from 12.3%), thanks to a higher FY23 dividend payout ratio of 42.2% (from c36% during FY21-22).

Exhibit 1: AEONTS – 4QFY23 operating results

| AEONTS | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | --- Change --- | | FY23 | Change | FY24E | Change |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) | (THB m) | (y-y%) | (THB m) | (y-y%) |
| Interest income | 4,786 | 4,726 | 4,770 | 4,650 | 4,622 | (0.6) | (3.4) | 18,767 | (1.5) | 18,802 | 0.2 |
| Interest expense | 523 | 527 | 574 | 511 | 550 | 7.5 | 5.1 | 2,162 | 13.6 | 2,084 | (3.6) |
| Net interest income | 4,263 | 4,199 | 4,196 | 4,139 | 4,072 | (1.6) | (4.5) | 16,605 | (3.2) | 16,717 | 0.7 |
| Non-interest income | 766 | 734 | 907 | 755 | 793 | 5.1 | 3.6 | 3,189 | (2.7) | 3,174 | (0.5) |
| Operating income | 5,029 | 4,932 | 5,102 | 4,894 | 4,866 | (0.6) | (3.2) | 19,794 | (3.1) | 19,891 | 0.5 |
| Operating expenses | 2,155 | 2,033 | 2,071 | 2,114 | 2,175 | 2.9 | 0.9 | 8,394 | 3.4 | 8,407 | 0.2 |
| PPOP | 2,874 | 2,899 | 3,031 | 2,780 | 2,691 | (3.2) | (6.4) | 11,400 | (7.4) | 11,484 | 0.7 |
| Expected credit loss | 1,964 | 2,094 | 1,949 | 1,899 | 1,298 | (31.6) | (33.9) | 7,240 | (0.3) | 7,327 | 1.2 |
| Profit before tax | 909 | 805 | 1,082 | 881 | 1,394 | 58.2 | 53.2 | 4,161 | (15.9) | 4,150 | (0.3) |
| Income tax expense | 181 | 161 | 218 | 171 | 273 | 60.2 | 51.5 | 824 | (17.3) | 821 | (0.3) |
| Net profit | 693 | 617 | 842 | 706 | 1,093 | 54.9 | 57.8 | 3,259 | (14.6) | 3,245 | (0.4) |
| EPS (THB) | 2.77 | 2.47 | 3.37 | 2.82 | 4.37 | 54.9 | 57.8 | 13.04 | (14.6) | 12.98 | (0.4) |
| Key balance sheet highlights | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) | (THB m) | (y-y%) | (THB m) | (y-y%) |
| Loan - gross | 93,864 | 93,721 | 93,886 | 93,814 | 91,231 | (2.8) | (2.8) | 91,231 | (2.8) | 97,630 | 7.0 |
| Interest bearing debt | 67,057 | 64,701 | 65,621 | 65,624 | 63,204 | (3.7) | (5.7) | 63,204 | (5.7) | 65,063 | 2.9 |
| Leverage ratio | (x) | (x) | (x) | (x) | (x) | | | (x) | | (x) | |
| IBD/E (x) | 2.94 | 2.77 | 2.78 | 2.77 | 2.58 | | | 2.58 | | 2.47 | |
| D/E (x) | 3.15 | 3.02 | 2.99 | 2.95 | 2.76 | | | 2.76 | | 2.65 | |
| Asset quality ratio | (%) | (%) | (%) | (%) | (%) | | | (%) | | (%) | |
| Gross NPLs (THB m) | 5,340 | 5,541 | 5,810 | 5,854 | 4,534 | (22.6) | (15.1) | 4,534 | (15.1) | 5,080 | 12.0 |
| NPL ratio | 5.69 | 5.91 | 6.18 | 6.23 | 4.97 | | | 4.97 | | 5.20 | (0.72) |
| Coverage ratio - LLR/ NPLs | 190 | 184 | 174 | 162 | 183 | | | 183 | | 163 | (6.79) |
| Credit cost | 8.32 | 8.93 | 8.31 | 8.10 | 5.61 | | | 7.82 | | 7.76 | (0.04) |
| LLR/TL | 10.78 | 10.87 | 10.74 | 10.11 | 9.08 | | | 9.08 | | 8.46 | |
| Profitability ratios | (%) | (%) | (%) | (%) | (%) | | | (%) | | (%) | |
| Cost-to-income ratio | 37.10 | 37.16 | 36.46 | 39.11 | 40.21 | | | 38.21 | | 38.25 | 1.87 |
| Yield on loans | 20.27 | 20.15 | 20.34 | 19.82 | 19.98 | | | 20.28 | | 19.91 | (0.35) |
| Cost of funds | 3.09 | 3.20 | 3.52 | 3.12 | 3.41 | | | 3.32 | | 3.25 | 0.46 |
| Spreads | 17.18 | 16.95 | 16.82 | 16.70 | 16.57 | | | 16.96 | | 16.66 | (0.81) |
| Net interest margin (NIM) | 18.05 | 17.91 | 17.89 | 17.64 | 17.61 | | | 17.94 | | 17.70 | (0.62) |
| ROE | 12.44 | 10.70 | 14.34 | 11.93 | 18.16 | | | 13.78 | | 12.78 | |
| ROA | 2.90 | 2.61 | 3.56 | 2.98 | 4.68 | | | 3.47 | | 3.43 | |
| Loan growth | (%) | (%) | (%) | (%) | (%) | | | (%) | | (%) | |
| Loan growth q-q | (1.2) | (0.2) | 0.2 | (0.1) | (2.8) | | | | | | |
| y-y | 3.2 | 1.2 | (0.0) | (1.3) | (2.8) | | | (2.8) | | 7.01 | |
| YTD | 3.2 | (0.2) | 0.0 | (0.1) | (2.8) | | | | | | |

Sources: AEONTS; FSSIA's compilation

Exhibit 2: AEONTS – staged loans and ECL

| | FY2020 | FY2021 | FY2022 | FY2023 | FY2020 | FY2021 | FY2022 | FY2023 |
|------------------------------------|---------|---------|---------|---------|-----------------------|--------|--------|--------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (%) | (%) | (%) | (%) |
| Loans and accrued interest | | | | | % Staged loans | | | |
| Stage 1 | 79,447 | 82,899 | 85,032 | 83,792 | 90.9 | 91.1 | 90.5 | 91.8 |
| Stage 2 | 2,944 | 3,702 | 3,565 | 2,979 | 3.4 | 4.1 | 3.8 | 3.3 |
| Stage 3 | 5,042 | 4,427 | 5,340 | 4,534 | 5.8 | 4.9 | 5.7 | 5.0 |
| Total | 87,433 | 91,028 | 93,937 | 91,305 | 100.0 | 100.0 | 100.0 | 100.0 |
| Expected credit loss (ECL) | | | | | % ECL to staged loans | | | |
| Stage 1 | 5,969 | 5,564 | 4,398 | 3,748 | 7.5 | 6.7 | 5.2 | 4.5 |
| Stage 2 | 1,579 | 1,917 | 1,658 | 1,301 | 53.6 | 51.8 | 46.5 | 43.7 |
| Stage 3 | 4,045 | 3,470 | 4,069 | 3,239 | 80.2 | 78.4 | 76.2 | 71.4 |
| Total | 11,593 | 10,951 | 10,125 | 8,288 | 13.3 | 12.0 | 10.8 | 9.1 |
| LLR / Loans | | | | | | | | |
| Stage 1 | 7.51 | 6.71 | 5.17 | 4.47 | | | | |
| Stage 2 | 53.63 | 51.80 | 46.51 | 43.67 | | | | |
| Stage 3 | 80.23 | 78.38 | 76.20 | 71.43 | | | | |
| Total | 13.26 | 12.03 | 10.78 | 9.08 | | | | |
| NPL / TL | 5.77 | 4.86 | 5.69 | 4.97 | | | | |
| LLR / NPL | 230 | 247 | 190 | 183 | | | | |
| NPLs + stage 2 loans / total loans | 9.13 | 8.93 | 9.48 | 8.23 | | | | |
| LLR/(NPLs + stage 2 loans) | 145 | 135 | 114 | 110 | | | | |

Sources: AEONTS; FSSIA's compilation

Exhibit 3: 2024-26E earnings revisions

| | Current | | | Previous | | | Change | | |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2024E (%) | 2025E (%) | 2026E (%) | 2024E (%) | 2025E (%) | 2026E (%) | 2024E (%) | 2025E (%) | 2026E (%) |
| Net profit (THB m) | 3,245 | 3,440 | 3,721 | 3,145 | 3,369 | 3,661 | 3.2 | 2.1 | 1.7 |
| EPS (THB) | 12.98 | 13.76 | 14.88 | 12.58 | 13.48 | 14.64 | 3.2 | 2.1 | 1.7 |
| Target price (THB) | 170 | | | 164 | | | 3.7 | | |
| 2024 P/BV (x) | 1.61 | | | 2 | | | | | |
| Net profit growth (%) | (0.4) | 6.0 | 8.2 | 7.5 | 7.1 | 8.7 | | | |
| Spread (%) | 16.66 | 16.76 | 16.74 | 17.00 | 17.12 | 17.27 | | | |
| Loan growth (%) | 7.0 | 8.8 | 8.9 | 6.9 | 8.8 | 8.9 | | | |
| NII growth (%) | 0.7 | 8.8 | 8.8 | 2.1 | 9.1 | 9.5 | | | |
| Insurance brokerage income (%) | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | | | |
| Non-NII growth (%) | (0.5) | 1.1 | 1.1 | (0.2) | 1.1 | 1.1 | | | |
| Credit cost (bp) | 776 | 782 | 772 | 790 | 790 | 790 | | | |
| Cost to income (%) | 38.3 | 38.2 | 38.2 | 38.0 | 38.0 | 38.0 | | | |
| NPL ratio | 5.20 | 5.50 | 5.50 | 5.50 | 5.60 | 5.60 | | | |

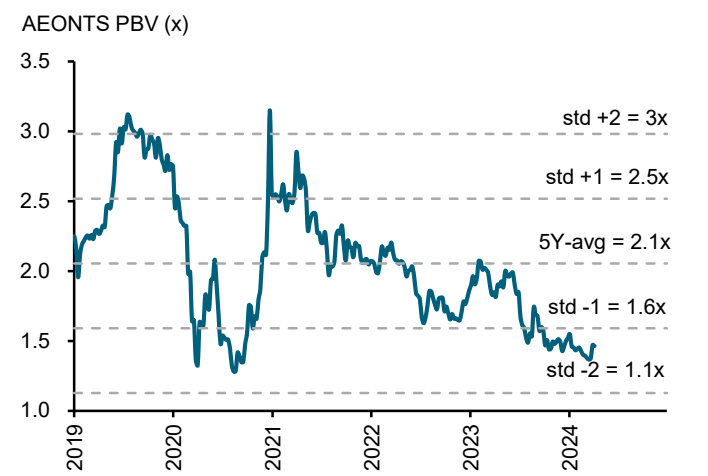
Sources: AEONTS; FSSIA estimates

Exhibit 4: GGM-based FY2024 TP

| Gordon Growth Model | New | Previous |
|---------------------|-------|----------|
| Sustainable ROE | 12.7% | 12.3% |
| g | 3.0% | 3.0% |
| ROE-g | 9.67% | 9.30% |
| Beta | 1.00 | 1.00 |
| Risk-free rate | 3.0% | 3.0% |
| Risk premium | 6.0% | 6.0% |
| COE | 9.00% | 9.00% |
| COE-g | 6.00% | 6.00% |
| ROE-g/COE-g | 1.61 | 1.55 |

Source: FSSIA estimates

Exhibit 6: AEONTS – one-year prospective P/BV band



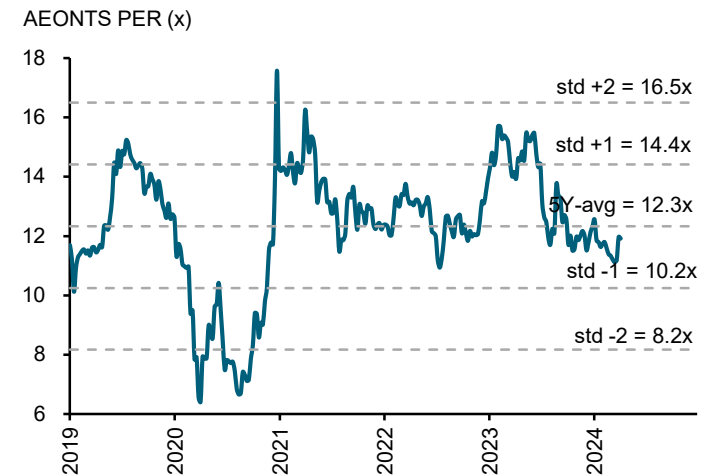
Sources: Bloomberg; FSSIA estimates

Exhibit 5: Share price performance of non-banks under coverage, as of 9 April 2024

| | Price performance | | | | |
|------------------|-------------------|------------|------------|---------------|------------|
| | 1M (%) | 3M (%) | 6M (%) | 1Y (%) | YTD (%) |
| TIDLOR TB | (0.4) | (5.9) | 11.6 | (6.6) | (1.3) |
| MTC TB | (1.6) | (1.1) | 29.6 | 30.5 | 2.2 |
| SAWAD TB | 10.3 | 2.4 | (1.1) | (22.5) | 6.2 |
| AEONTS TB | 12.6 | 3.8 | 8.5 | (10.1) | 3.4 |
| KTC TB | 5.1 | 4.5 | 1.6 | (15.8) | 6.9 |
| JMT TB | 3.1 | (14.1) | (42.9) | (47.1) | (8.2) |
| BAM TB | 12.4 | 17.6 | 4.7 | (26.5) | 22.7 |
| CHAYO TB | (3.8) | (10.6) | (18.5) | (31.8) | (7.3) |
| SETFIN | 3.2 | (2.3) | (2.5) | (19.8) | 0.9 |
| SET | 1.7 | (0.2) | (1.7) | (11.5) | (0.4) |

Source: Bloomberg

Exhibit 7: AEONTS – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: Peer comparisons, as of 9 April 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 | 156.00 | 164.00 | 5 | 12.4 | 11.6 | 1.5 | 1.4 | 12.4 | 12.2 | 2.9 | 3.1 |
| Muangthai Capital | MTC TB | HOLD | 46.00 | 43.00 | (7) | 16.8 | 13.1 | 2.6 | 2.2 | 16.8 | 18.3 | 0.5 | 0.7 |
| Krungthai Card | KTC TB | HOLD | 46.25 | 46.00 | (1) | 15.6 | 14.1 | 3.0 | 2.7 | 20.2 | 20.1 | 2.9 | 3.2 |
| Srisawad Corp | SAWAD TB | HOLD | 43.25 | 40.00 | (8) | 12.0 | 10.6 | 2.1 | 1.8 | 18.4 | 18.2 | 4.1 | 0.9 |
| JMT Network services | JMT TB | HOLD | 22.70 | 25.70 | 13 | 13.8 | 11.7 | 1.2 | 1.2 | 9.0 | 10.5 | 5.8 | 6.8 |
| Ngern Tid Lor | TIDLOR TB | BUY | 22.20 | 27.00 | 22 | 13.8 | 11.7 | 2.0 | 1.8 | 15.4 | 16.2 | 2.2 | 2.6 |
| Bangkok Commercial Asset Mgmt. | BAM TB | HOLD | 10.00 | 8.75 | (13) | 18.2 | 17.0 | 0.7 | 0.7 | 4.1 | 4.3 | 3.7 | 3.8 |
| Chayo Group | CHAYO TB | BUY | 4.84 | 6.00 | 24 | 13.8 | 11.9 | 1.4 | 1.3 | 11.1 | 11.3 | 1.1 | 1.3 |
| Average | | | | | | 14.6 | 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 | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---------|---------|---------|---------|---------|
| Interest Income | 19,055 | 18,767 | 18,802 | 20,382 | 22,160 |
| Interest expense | (1,904) | (2,162) | (2,084) | (2,192) | (2,369) |
| Net interest income | 17,151 | 16,605 | 16,717 | 18,190 | 19,791 |
| Net fees & commission | 3,015 | 2,880 | 2,862 | 2,893 | 2,926 |
| Foreign exchange trading income | - | - | - | - | - |
| Securities trading income | - | - | - | - | - |
| Dividend income | - | - | - | - | - |
| Other income | 261 | 309 | 312 | 315 | 318 |
| Non interest income | 3,277 | 3,189 | 3,174 | 3,208 | 3,244 |
| Total income | 20,428 | 19,794 | 19,891 | 21,398 | 23,035 |
| Staff costs | (7,962) | (8,211) | (8,214) | (8,818) | (9,496) |
| Other operating costs | (253) | (191) | (200) | (210) | (220) |
| Operating costs | (8,215) | (8,402) | (8,415) | (9,028) | (9,716) |
| Pre provision operating profit | 12,213 | 11,392 | 11,476 | 12,370 | 13,319 |
| Expected credit loss | (7,263) | (7,240) | (7,327) | (7,973) | (8,566) |
| Other provisions | - | - | - | - | - |
| Operating profit | 4,950 | 4,152 | 4,150 | 4,398 | 4,753 |
| Recurring non operating income | 0 | 0 | 0 | 0 | 0 |
| Associates | - | - | - | - | - |
| Goodwill amortization | - | - | - | - | - |
| Non recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 4,950 | 4,152 | 4,150 | 4,398 | 4,753 |
| Tax | (996) | (824) | (821) | (870) | (941) |
| Profit after tax | 3,954 | 3,338 | 3,328 | 3,527 | 3,813 |
| Non-controlling interest | (139) | (79) | (83) | (87) | (92) |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 3,815 | 3,259 | 3,245 | 3,440 | 3,721 |
| Non recurring items & goodwill (net) | - | - | 0 | 0 | 0 |
| Recurring net profit | 3,815 | 3,259 | 3,245 | 3,440 | 3,721 |
| Per share (THB) | | | | | |
| Recurring EPS * | 15.26 | 13.04 | 12.98 | 13.76 | 14.88 |
| Reported EPS | 15.26 | 13.04 | 12.98 | 13.76 | 14.88 |
| DPS | 5.50 | 5.50 | 5.48 | 5.81 | 6.28 |
| Growth | | | | | |
| Net interest income (%) | 6.1 | (3.2) | 0.7 | 8.8 | 8.8 |
| Non interest income (%) | 13.4 | (2.7) | (0.5) | 1.1 | 1.1 |
| Pre provision operating profit (%) | 9.0 | (6.7) | 0.7 | 7.8 | 7.7 |
| Operating profit (%) | 8.2 | (16.1) | (0.1) | 6.0 | 8.1 |
| Reported net profit (%) | 7.4 | (14.8) | (0.4) | 6.0 | 8.2 |
| Recurring EPS (%) | 7.4 | (14.8) | (0.4) | 6.0 | 8.2 |
| Reported EPS (%) | 7.4 | (14.8) | (0.4) | 6.0 | 8.2 |
| Income Breakdown | | | | | |
| Net interest income (%) | 84.0 | 83.9 | 84.0 | 85.0 | 85.9 |
| Net fees & commission (%) | 14.8 | 14.6 | 14.4 | 13.5 | 12.7 |
| Foreign exchange trading income (%) | - | - | - | - | - |
| Securities trading income (%) | - | - | - | - | - |
| Dividend income (%) | - | - | - | - | - |
| Other income (%) | 1.3 | 1.6 | 1.6 | 1.5 | 1.4 |
| Operating performance | | | | | |
| Gross interest yield (%) | 22.02 | 21.38 | 20.87 | 21.01 | 21.14 |
| Cost of funds (%) | 2.86 | 3.32 | 3.25 | 3.24 | 3.23 |
| Net interest spread (%) | 19.16 | 18.06 | 17.62 | 17.77 | 17.91 |
| Net interest margin (%) | 19.8 | 18.9 | 18.6 | 18.8 | 18.9 |
| Cost/income(%) | 40.2 | 42.4 | 42.3 | 42.2 | 42.2 |
| Cost/assets(%) | 8.8 | 9.0 | 8.9 | 9.0 | 9.0 |
| Effective tax rate (%) | 20.1 | 19.8 | 19.8 | 19.8 | 19.8 |
| Dividend payout on recurring profit (%) | 36.0 | 42.3 | 42.2 | 42.2 | 42.2 |
| ROE (%) | 17.9 | 13.7 | 12.8 | 12.6 | 12.7 |
| ROE - COE (%) | 8.9 | 4.7 | 3.8 | 3.6 | 3.7 |
| ROA (%) | 4.3 | 3.5 | 3.5 | 3.5 | 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 | 2022 | 2023 | 2024E | 2025E | 2026E |
|--|---------------|---------------|---------------|----------------|----------------|
| Gross customer loans | 94,462 | 92,132 | 98,567 | 107,348 | 117,000 |
| Allowance for expected credit loss | (10,125) | (8,288) | (8,268) | (9,136) | (9,939) |
| interest in suspense | (598) | (901) | (937) | (1,107) | (1,308) |
| Net customer loans | 83,739 | 82,943 | 89,362 | 97,105 | 105,754 |
| Bank loans | 218 | 63 | 46 | 55 | 66 |
| Government securities | 0 | 0 | 0 | 0 | 0 |
| Trading securities | - | - | - | - | - |
| Investment securities | - | - | - | - | - |
| Cash & equivalents | 3,816 | 2,797 | 2,847 | 2,488 | 2,132 |
| Other interesting assets | 73 | 75 | 73 | 73 | 74 |
| Tangible fixed assets | - | - | - | - | - |
| Associates | 0 | 0 | 0 | 0 | 0 |
| Goodwill | - | - | - | - | - |
| Other intangible assets | 1,816 | 1,482 | 1,481 | 1,346 | 1,238 |
| Other assets | 3,054 | 2,820 | 2,997 | 3,199 | 3,429 |
| Total assets | 95,207 | 92,499 | 96,806 | 104,267 | 112,694 |
| Customer deposits | - | - | - | - | - |
| Bank deposits | - | - | - | - | - |
| Other interest bearing liabilities | 67,057 | 63,204 | 65,063 | 70,262 | 76,246 |
| Non interest bearing liabilities | 4,718 | 4,230 | 4,761 | 4,968 | 5,189 |
| Hybrid Capital | - | - | - | - | - |
| Total liabilities | 71,775 | 67,434 | 69,823 | 75,230 | 81,435 |
| Share capital | - | - | - | - | - |
| Reserves | 22,093 | 23,744 | 25,607 | 27,595 | 29,746 |
| Total equity | 22,821 | 24,472 | 26,335 | 28,323 | 30,474 |
| Non-controlling interest | 527 | 589 | 648 | 713 | 785 |
| Total liabilities & equity | 95,207 | 92,499 | 96,806 | 104,267 | 112,694 |
| Supplementary items | | | | | |
| Risk weighted assets (RWA) | - | - | - | - | - |
| Average interest earning assets | 86,535 | 87,758 | 90,075 | 97,001 | 104,841 |
| Average interest bearing liabilities | 66,592 | 65,131 | 64,133 | 67,662 | 73,254 |
| CET 1 capital | - | - | - | - | - |
| Total capital | 0 | 0 | 0 | 0 | 0 |
| Gross non performing loans (NPL) | 5,340 | 4,534 | 5,080 | 5,847 | 6,366 |
| Per share (THB) | | | | | |
| Book value per share | 91.29 | 97.89 | 105.34 | 113.29 | 121.90 |
| Tangible book value per share | - | - | - | - | - |
| Growth | | | | | |
| Gross customer loans | 3.2 | (2.5) | 7.0 | 8.9 | 9.0 |
| Average interest earning assets | 4.7 | 1.4 | 2.6 | 7.7 | 8.1 |
| Total asset (%) | 5.2 | (2.8) | 4.7 | 7.7 | 8.1 |
| Risk weighted assets (%) | - | - | - | - | - |
| Customer deposits (%) | - | - | - | - | - |
| Leverage & capital measures | | | | | |
| Customer loan/deposits (%) | - | - | - | - | - |
| Equity/assets (%) | 24.0 | 26.5 | 27.2 | 27.2 | 27.0 |
| Tangible equity/assets (%) | 22.1 | 24.9 | 25.7 | 25.9 | 25.9 |
| RWA/assets (%) | - | - | - | - | - |
| CET 1 CAR (%) | - | - | - | - | - |
| Total CAR (%) | - | - | - | - | - |
| Asset Quality (FSSIA's calculation) | | | | | |
| Change in NPL (%) | 20.6 | (15.1) | 12.0 | 15.1 | 8.9 |
| NPL/gross loans (%) | 5.7 | 4.9 | 5.2 | 5.4 | 5.4 |
| Allowance for ECL/gross loans (%) | 10.7 | 9.0 | 8.4 | 8.5 | 8.5 |
| Allowance for ECL/NPL (%) | 189.6 | 182.8 | 162.8 | 156.3 | 156.1 |
| Valuation | | | | | |
| Recurring P/E (x) * | 10.2 | 12.0 | 12.0 | 11.3 | 10.5 |
| Recurring P/E @ target price (x) * | 11.1 | 13.1 | 13.1 | 12.4 | 11.4 |
| Reported P/E (x) | 10.2 | 12.0 | 12.0 | 11.3 | 10.5 |
| Dividend yield (%) | 3.5 | 3.5 | 3.5 | 3.7 | 4.0 |
| Price/book (x) | 1.7 | 1.6 | 1.5 | 1.4 | 1.3 |
| 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 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 | 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 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 |
| 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 11: 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 (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. Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews. | A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table> | NEGL | Low | Medium | High | Severe | 0-10 | 10-20 | 20-30 | 30-40 | 40+ | | | | | | | | | | | | | | | | | |
| NEGL | Low | Medium | High | Severe | | | | | | | | | | | | | | | | | | | | | | | | | |
| 0-10 | 10-20 | 20-30 | 30-40 | 40+ | | | | | | | | | | | | | | | | | | | | | | | | | |
| ESG Book | The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis. | The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| MSCI | MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: 20px;"> <tr> <td>AAA</td> <td>8.571-10.000</td> <td>Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>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 |
| 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 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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

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 |
|--------------------------------|-----------|------------|--------|--|
| Aeon Thana Sinsap (Thailand) | AEONTS TB | THB 156.00 | 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. |
| Muangthai Capital | MTC TB | THB 46.00 | 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 46.25 | 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. |
| Srisawad Corp | SAWAD TB | THB 43.25 | 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. |
| JMT Network Services | JMT TB | THB 22.70 | 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 |
| Ngern Tid Lor | TIDLOR TB | THB 22.20 | 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. |
| Bangkok Commercial Asset Mngt. | BAM TB | THB 10.00 | 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 4.84 | 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 09-Apr-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.