

SAKSIAAM LEASING

 THAILAND / FINANCE & SECURITIES

SAK TB

HOLD

Revenue diversification has no effects

- Despite SAK's title loan focusing on the vulnerable agricultural segment, its asset quality is manageable with no cause for concern.
- We expect a 2024-26 profit growth of 13.1% CAGR, mainly driven by continued loan growth and gradual declines in credit cost.
- We initiate SAK with a HOLD call with TIDLOR as a preferential.

TARGET PRICE	THB5.28
CLOSE	THB4.92
UP/DOWNSIDE	+7.3%
TP vs CONSENSUS	-9.0%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	936	1,042	1,190	1,348
Net profit	750	831	949	1,076
EPS (THB)	0.36	0.40	0.45	0.51
vs Consensus (%)	-	1.8	(4.9)	(8.5)
Recurring net profit	750	831	949	1,076
Core EPS (THB)	0.36	0.40	0.45	0.51
Chg. In EPS est. (%)	0.8	-	-	-
EPS growth (%)	5.9	10.8	14.3	13.3
Core P/E (x)	13.8	12.4	10.9	9.6
Dividend yield (%)	3.1	3.4	3.9	4.4
Price/book (x)	1.8	1.6	1.5	1.4
ROE (%)	13.4	13.7	14.4	15.0
ROA (%)	6.0	6.0	6.0	5.9

Another title loan provider in the provincial niche market

SAK is another loan provider focusing on vehicle title loans, accounting for 83% of total loans at the end of 2023. Average loan growth during 2019-23 was 15.9% CAGR. Since most of SAK's customer base is farmers (63%) and daily workers (5%), aligning with its collateral base, of which 72% focuses on pick-up trucks, motorcycles, and cars for agricultural use, it is sensitive to economic conditions and the farm sector. For diversification purposes, SAK has invested a 70% stake in a subsidiary company, Saksiam Maker Drone Co., Ltd., which sells and provides comprehensive drone services. However, its 2023 revenue from sales and services of THB25m, despite aggressive growth and a 26.8% gross margin, made an insignificant contribution of under 1% of total income.

Controllable asset quality following its proactive management

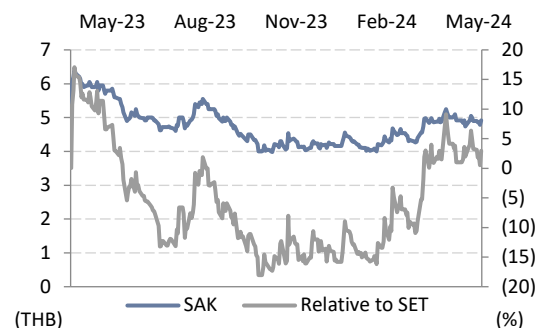
During 2020-23, SAK's NPL ratio (stage 3 loans) rose to 2.50% from 2.18%. However, the number of stage 2 loans (30-90 days overdue) was controllable at 4.15-4.22% during the same period, particularly in the loan receivables segment. By contrast, motorcycle HP receivables posted a more deteriorating trend than loan receivables. SAK did an aggressive debt write-off in 2023, suggesting a reduction in debt write-off in 2024. In addition, SAK guided its NPL ratio to stay below 2.5% and coverage ratio at a minimum of 100%, following a lower ECL, credit cost, and loss from sales of repossessed vehicles in 2024E.

Continued growth path with secured loans being main focus

Regarding our 2024-26 net profit forecast, we expect a 13.1%-CAGR growth. In addition, ROE should climb to 15.0% in 2026 from 13.3% in 2023. PPOP should also increase by 13.2% CAGR during the same period based on 1) continued loan growth, mainly from the secured loan segment, 2) a slight decrease in 2024 interest spread, followed by a recovery in 2025-26, 3) a gradual decline in credit cost during 2025-26, and 4) a relatively stable NPL ratio of c2.57-2.58% and coverage ratio of 100.7-100.9%.

Initiate a HOLD call with TIDLOR as a preferential

We initiate coverage of SAK with a HOLD call at the current price. Our 2024 GGM-based TP of THB5.28 implies a P/BV of 1.76x. We view SAK's current share price as fairly valued and do not expect a re-rating in the near term. We prefer TIDLOR (BUY: TP THB27) to SAK.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(4.5)	16.6	(6.3)
Relative to country (%)	(4.1)	17.8	4.9
Mkt cap (USD m)	280		
3m avg. daily turnover (USD m)	0.3		
Free float (%)	21		
Major shareholder	Boonsalee Family (67%)		
12m high/low (THB)	6.40/3.94		
Issued shares (m)	935		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We initiate coverage of SAK with a HOLD call at the current price due to:

- Despite an expected loan recovery in 2024, its vital focus remains stringent credit quality in the low-yield and low-risk segment, which could pressure the 2024 loan spread amid a sustained level of the high cost of funds.
- We view SAK as having inferior competitive advantages against its peers. Despite having the highest interest spread (from an immense Nano finance contribution) and its effort to increase its non-NII contribution (14% in 2023 from 6% in 2021) through revenue diversifications, they did not have the desired favorable impacts on the ROE.
- Given a 2024E return of 11.1% p.a., with a 7.7% potential upside plus an expected dividend yield of 3.4% p.a., we view SAK's current share price as fair and do not expect a re-rating in the near term.

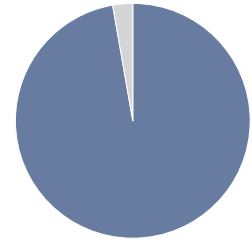
Company profile

Saksiam Leasing is the third largest non-bank personal and auto title loan service provider listed on the SET, with a focus on the north, northeast, central, and western regions of Thailand. The company has four product categories 1) auto title loans under BoT regulations; 2) personal loans under BoT regulations; 3) nano finance; and 4) other financial products, such as hire purchase.

www.saksiam.com

Principal activities (revenue, 2023)

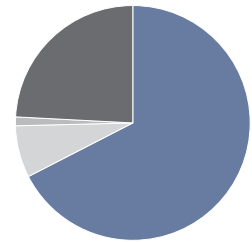
- Net interest income - 97.3 %
- Non-interest income - 2.7 %



Source: Saksiam Leasing

Major shareholders

- Boonsalee Family - 67.5 %
- Bualuang Asset Management - 7.2 %
- Mr. Noppachai Nopsuwanwong - 1.2 %
- Others - 24.2 %



Source: Saksiam Leasing

Catalysts

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

Risks to our call

Upside risks to our GGM-derived TP include 1) loan expansion following a broad-based economic recovery; 2) reduced cost of funds due mainly to the downward interest rate trend; and 3) accelerated decline in credit cost owing to a rise in consumers' purchasing power. Downside risks include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in the cost of funds due to a shift toward more long-term loans.

Event calendar

Date	Event
14 May 2024	1Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	831	949	1,076
Net profit growth (%)	11.62	14.25	13.30
Spread (%)	18.64	18.87	18.87
Loan growth (%)	13.06	14.77	14.81
Net interest income growth (%)	12.45	14.40	14.15
Fee growth (%)	5.00	5.00	5.00
NPL ratio (%)	2.58	2.57	2.57
Credit costs (%)	1.30	1.30	1.30
Cost to income (%)	48.32	48.32	48.32

Source: FSSIA estimates

Earnings sensitivity

		2024E		
Loan growth	±2ppt	11.1	13.06	15.06
% change in net profit		(1.3)		1.3
Interest spread (%)	±10bp	18.54	18.64	18.74
% change in net profit		(0.6)		0.6
Credit cost (bp)	±10bp	1.20	1.30	1.40
% change in net profit		1.2		(1.2)

Source: FSSIA estimates

Positive effects of revenue diversification still look fuzzy

SAK is another loan provider focusing on vehicle title loans, accounting for 83% of total loans at the end of 2023. Average loan growth during 2019-23 was 15.9% CAGR (loans contracted in 2020 by 3.7% y-y due to the COVID-19 epidemic situation, but turned around and grew aggressively by 34.7% y-y in 2021 and 22.0% in 2022). Excluding the 2020 trough, loans posted an average growth exceeding 20% p.a. during 2019-22, aligning with aggressive growth in the industry's vehicle title loans (non-bank group) of 34.1% CAGR during the same period.

Since most of SAK's customer base is farmers (63%) and daily workers (5%), aligning with its collateral base, of which 72% focuses on pick-up trucks, motorcycles, and cars for agricultural use, it is sensitive to economic conditions and the farm sector. The drought problem arising from the effects of El Niño caused the prices of some crops to increase, but the quantity decreased. Therefore, it did not positively affect the company, as it should. In addition, although SAK expected positive results from selling more solar pumps, the share of income from this business was still meager and almost insignificant to total income at present (its recorded sales and service income accounted for less than 1% of total revenue) and total net profit of the company.

Nevertheless, the term loan of the personal loan under supervision with a vehicle registration as collateral with specific conditions for agriculture is short (i.e., approximately four months per planting and harvesting period of agricultural products).

SAK's loan growth was not a coincidence but a testament to its well-executed and proactive strategy. The decision to expand its branch network aggressively played a pivotal role. From 272 branches in 2017, SAK's network grew impressively to 1,029 by the end of 2023, marking a 25% CAGR. Most branches are mainly distributed in the central, northern, and northeastern regions, covering 47 provinces throughout the country.

This strategic move was on track to meet its 2023 target, with 100 new branches concentrating in 1Q23. However, SAK's focus on branch efficiency led to a pause in additional openings for the rest of the year after total lending per branch dropped to THB11.4-11.7m in 2022-23 from THB12.1-15.18m in 2017-21, combined with its policy to focus more on credit quality in 2023.

SAK's success in loan growth was not without challenges, particularly in the non-collateral loan segment. Personal loans (2% of totals) posted a negative 3.4% CAGR during 2017-23, indicating a significant hurdle. For Nano finance receivables (10% of totals), which it started lending on January 1, 2019, despite aggressive growth in 2021, the trend reversed to negative in 2022-23. These challenges directly resulted from the unfavorable economic situation, including a high level of household debts, which undermined purchasing power, and rising interest rates throughout 2023. However, SAK's cautious approach in granting loans to these groups and its focus on maintaining its asset quality are commendable, providing a sense of reassurance about the company's risk management.

Meanwhile, hire-purchase loans (mainly focusing on motorcycles) and others (including land title loans and solar roof panels via its affiliated co., Saksiam TC Energy Co., Ltd.) (5% of totals) also delivered below-average growth at 5.2% y-y in 2023, especially in 2H23 when HP loans reversed to a quarterly contraction, primarily pressured by sluggish growth in motorcycle hire purchases, owing to BoT's interest rate ceiling cap of 23% p.a. since the beginning of 2023. With the same risk but a lower return, SAK remained prudent and cautious in this segment.

By contrast, land title loans (1.7% of totals) delivered solid growth during 2023, with THB210m outstanding at the end of 2023 from a mere THB10m at the beginning. Key drivers were their nature of a big-ticket size and a low LTV ratio of c50% (same as vehicle title loans).

Overall, the continued growth of vehicle title loans could not offset the sluggish growth in the non-collateral segment, resulting in 2023 loan growth finishing at 13.8% y-y, far below its 25% guidance.

For diversification purposes, SAK has invested a 70% interest in a subsidiary company, Saksiam Maker Drone Co., Ltd., which sells and provides comprehensive drone services. However, its 2023 revenue from sales and services of THB25m, despite an aggressive growth from a mere THB9m in 2002 with a 26.8% gross margin, made an insignificant contribution of below 1% of total income.

In 2024, SAK cautiously targets its loans to grow at 15% y-y and would continue to steer its loan portfolio towards secured loans, particularly vehicle title loans for pick-up cars, motorcycles, agricultural vehicles, passenger cars, and trucks, as well as land title loans. This strategic decision responds to the weaker asset quality of motorcycle hire-purchase loans in 2023. SAK could also leverage the large ticket size of land title loans to boost loan growth with low risk, given their typical low LTV. However, such loans offer a lower yield in line with their reduced risk. This strategic focus on specific loan types demonstrates SAK's risk management and yield optimization strategies and provides a clear direction for its plans.

Exhibit 1: Thailand's vehicle registrations

	Motorcycle (m units)	Car (m units)	Others (m units)	Bus & Truck (m units)	Total (m units)	Change (y-y %)
2018	21.1	16.5	0.7	1.3	39.6	3.2
2019	21.4	17.3	0.7	1.3	40.7	2.8
2020	21.6	17.9	0.7	1.3	41.5	2.0
2021	21.8	18.4	0.8	1.3	42.3	1.9
2022	22.1	19.0	0.9	1.4	43.4	2.6
2023	22.6	19.5	0.9	1.4	44.4	2.2
YTD	22.7	19.6	0.9	1.4	44.6	0.5

Note: % change figure for YTD represents a YTD change (Dec 23 to Apr 24)
Sources: The Department of Land Transport (DLT); FSSIA's compilation

Exhibit 2: Thailand's vehicle title loans, 2019-2023

	Vehicle title loans (THB m)	NPL (THB m)	% of NPLs
2019	90,557	863	0.95
2020	118,196	2,046	1.73
2021	149,189	2,173	1.46
2022	209,704	4,137	1.97
2023	292,449	6,172	2.11
4Y CAGR	34.1	63.5	

Sources: Bank of Thailand; FSSIA's compilation

Exhibit 3: Product range vs regulated interest rate

Loans type	Credit line (THB)	Average tenor (month)	Regulated interest rate	Regulator*
Vehicle title	Max 400,000	18-36	24%	BoT
Vehicle for agricultural title	Max 300,000	4	24%	BoT
Personal loan	1.5-5.0x of salary income Max 100,000	18-24	25%	BoT
Nano finance	Max 100,000	12-24	33%	BoT
Land title	Max 200,000	24-48	15%	Others
Hire purchase	Max 500,000	36-48	23%	OCPB

*BoT stands for Bank of Thailand, OCPB stands for Office of the Consumer Protection Board
Sources: SAK, FSSIA's compilation

Exhibit 4: Major shareholders, as of 31 December 2023

Major shareholders	(%)
The Boonsalee family	67.99
Bualuang Venture	7.16
Other	24.85
Total	100.00

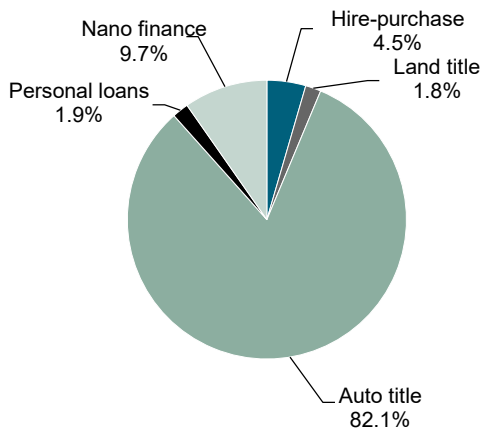
Source: SAK

Exhibit 5: Company structure, as of 2023

Company	Operations
Saksiam Leasing Paid-up capital = THB2,096m	Auto title loans Land title loans Unsecured personal loans Nano finance Hire-purchase loans Insurance brokerage
Subsidiary (70% shareholding)	
Saksiam Maker Drone Paid-up capital = THB50m	Sales and service of agricultural drones

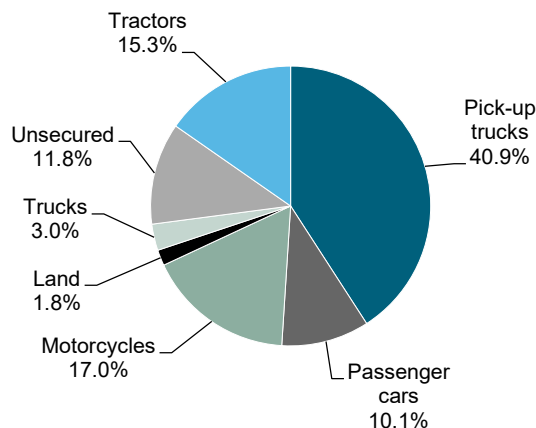
Source: SAK

Exhibit 6: Portfolio breakdown by products, as of 2023



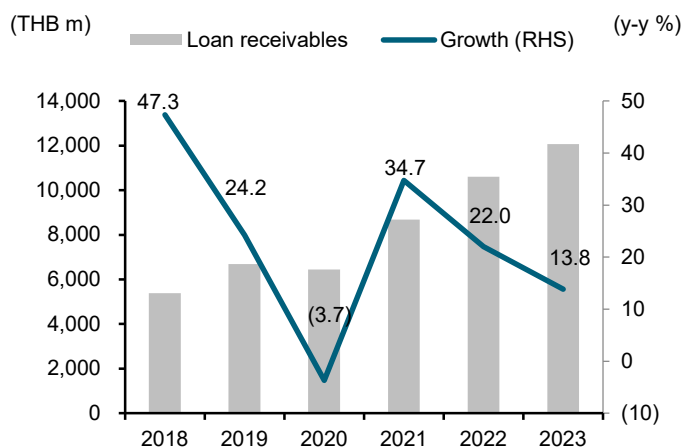
Source: SAK

Exhibit 7: Portfolio breakdown by collaterals, as of 2023



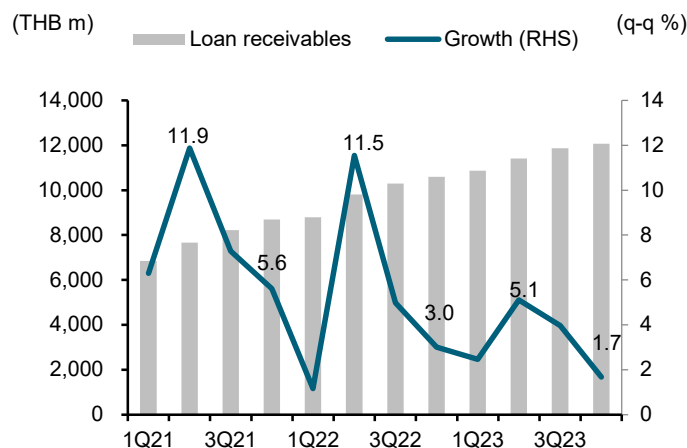
Source: SAK

Exhibit 8: Loan growth, 2018-23



Sources: SAK; FSSIA's compilation

Exhibit 9: Loan growth, 1Q21-4Q23



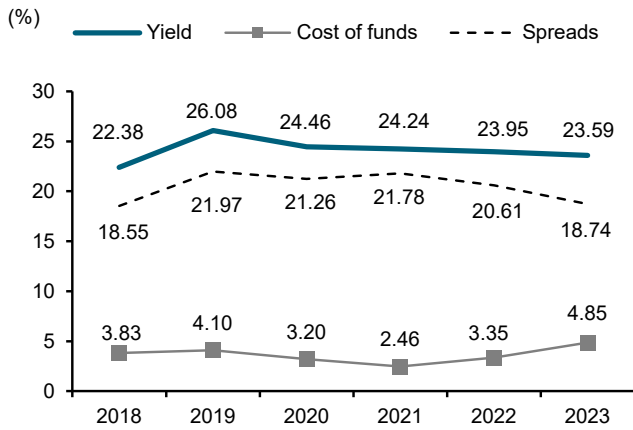
Sources: SAK; FSSIA's compilation

Cost pressure should remain throughout 2024

SAK's borrowings heavily relied on loans from financial institutions (five domestic banks and one non-bank), which accounted for 94% of THB6.69b as of December 31, 2023. Most of these have a floating interest rate. The remaining 6%, or approximately THB360m, are debentures with a fixed interest rate of 5.30% p.a. This significantly affected the borrowing cost in 2023 when interest rates were rising, prompting the average cost of funds to shoot to 4.85% in 2023 from 3.35% in 2022.

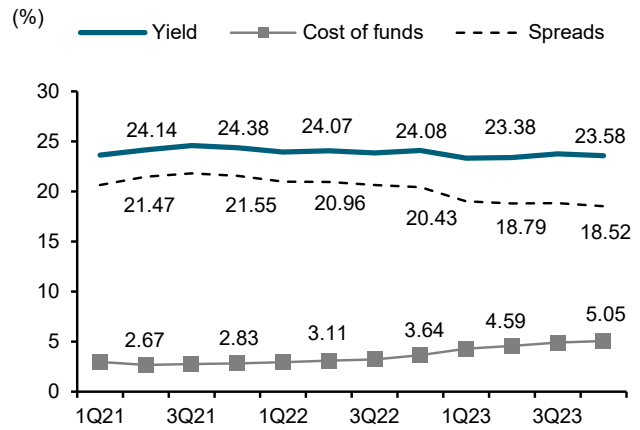
Amid expectations that interest rates will revert to a downward trend in 2H24, SAK has postponed its bond issuance plan to reduce the impact of fixing high-interest rates. Moreover, the default on bonds below an investment grade still overhangs the bond market, causing bond interest rates to be higher than usual.

Exhibit 10: Yield, cost of funds, and spreads, 2018-23



Sources: SAK; FSSIA's compilation

Exhibit 11: Yield, cost of funds, and spreads, 1Q21-4Q23



Sources: SAK; FSSIA's compilation

However, the recent increase in SAK's interest expense would be in a more limited direction. Specifically, we expect it to sustain at 4.85%, the same level as 2023, followed by a slight decline in 2024-25 to an average of 4.78% p.a. under an assumption of a 0.25% interest rate decrease at the end of 2024.

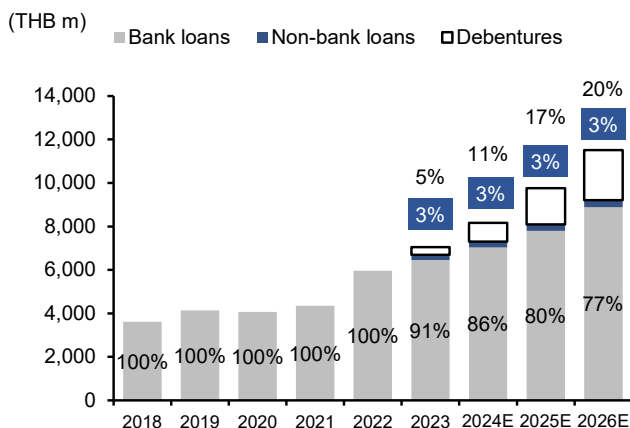
SAK's loan yields during 2020-23 showed a declining trend. Apart from fierce competition in the industry, the BoT's reduction of the interest rate ceiling of auto title, personal, and Nano finance loans since August 1, 2020, following a reduction in motorcycle HP loan rate since the beginning of 2023 was also a main drag.

Manageable leverage ratio during 2024-26E

There is no cause for concern regarding SAK's financial position. At the end of 2023, the debt-to-equity ratio stood at 1.26x, while its interest-bearing debt-to-equity ratio was lower at 1.21x. In addition, we expect the debt-to-equity ratio and interest-bearing debt-to-equity ratio to be relatively stable at 1.26x and 1.22x in 2026, respectively, on the backdrop of average loan growth of 13.1%-14.8% p.a. and 42.2% dividend payout ratio during 2024-26. Since the gearing ratio is far below its debt covenant ceiling of 3.0x (D/E ratio), followed by an NPL ratio not exceeding 3.0%, the potential for capital increases is not our current concern.

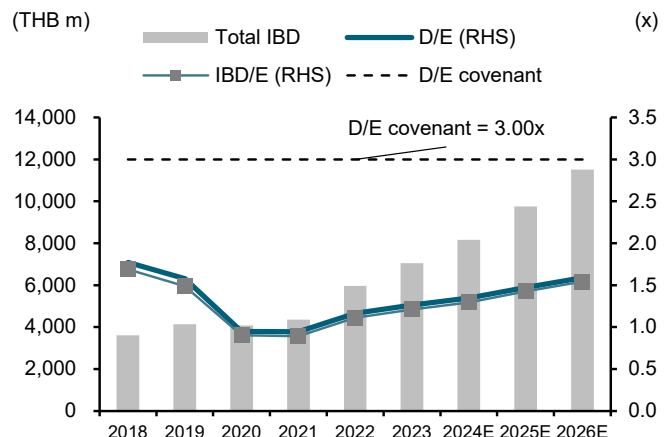
By 2024, SAK will have long-term debts maturing (only loans from financial institutions, while the debenture has no maturity portion) around THB2.2b. However, we are not concerned about SAK's liquidity because 1) the company could collect loan repayment around THB1.92b per month and 2) the company has unused credit lines (including overdraft and credit facilities granted) from financial institutions totaling THB1b, which is sufficient to repay such debts.

Exhibit 12: Breakdown of interest bearing debts, 2018-26E



Sources: SAK; FSSIA estimates

Exhibit 13: Leverage ratios, 2018-26E



Sources: SAK; FSSIA estimates

Controllable asset quality following its proactive management

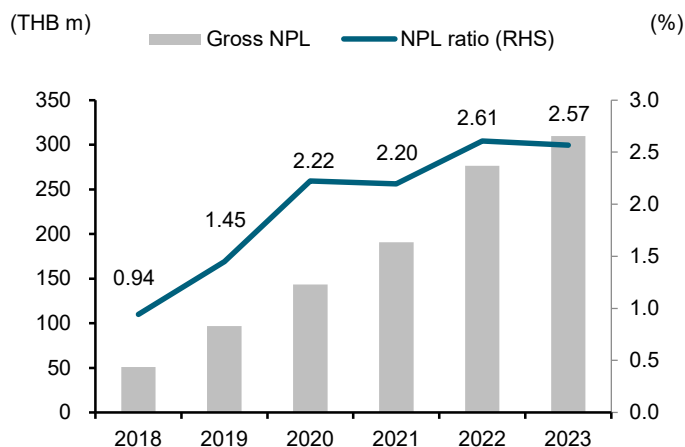
During 2020-23, SAK's NPL ratio (stage 3 loans) rose to 2.50% from 2.18%. The impact of the COVID-19 situation, combined with the slow pace of Thailand's economic recovery, has affected the purchasing power of the household sector and farmer income, which are SAK's target segments. However, the number of stage 2 loans (30-90 days overdue) was controllable at 4.15-4.22% during the same period, particularly in the loan receivables segment. By contrast, HP receivables posted a more deteriorating trend than loan receivables, particularly motorcycle HP. Thanks to its insignificant contribution of a mere 4.5% of totals at the end of 2023, it did not affect overall asset quality.

SAK's foreclosed assets at the end of 2023 amounted to THB20.2m (from THB3.2m at the end of 2021), representing 0.2% of total assets, consisting of 148 motorcycles worth THB3.1m and 182 cars worth THB16.7m. It marked a net loss from sales of cars repossessed of THB13m in 2023 (from THB6m in 2022), representing average losses of 13-14%

SAK did an aggressive debt write-off of THB160m in 2023. However, given a stricter credit review policy, including observing and actively addressing debt quality issues, it guided debt write-off to reduce to THB100m in 2024. In addition, SAK targeted its NPL ratio to stay below 2.5% and coverage ratio at a minimum of 100%, following a lower ECL and credit cost in 2024E. However, we maintain our conservative credit cost forecast for 2024-26 at 1.30% p.a., a slight decrease from 1.35% in 2023.

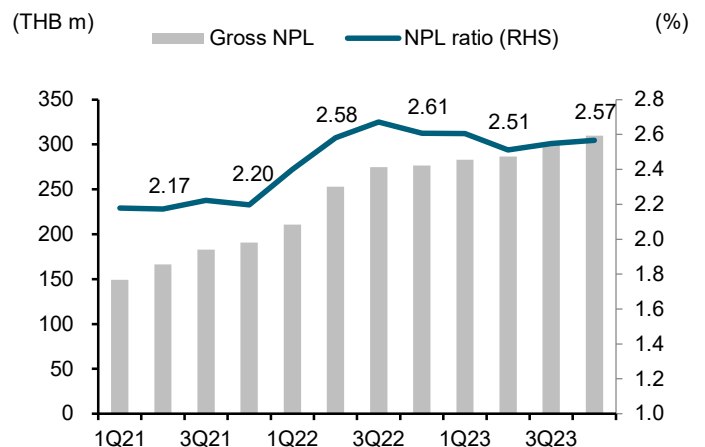
Regarding the loan coverage ratio (LLR/loans), the figure decreased to 2.57% in 2023 from 2.74% in 2022 due to a reduction in management overlay reserves set aside since COVID-19, which are continuously decreasing.

Exhibit 14: NPL and NPL ratio, 2018-23

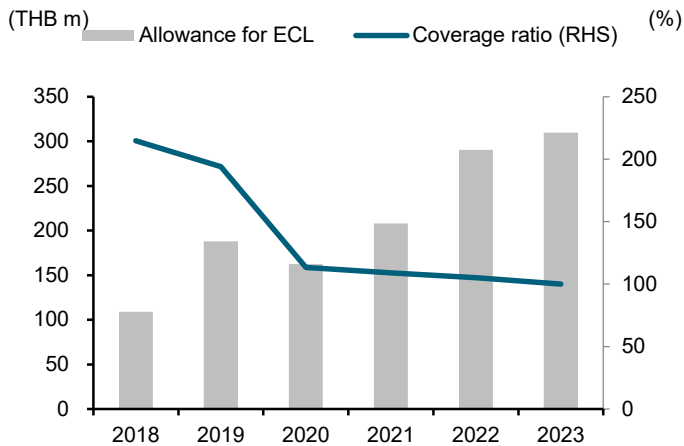


Sources: SAK; FSSIA's compilation

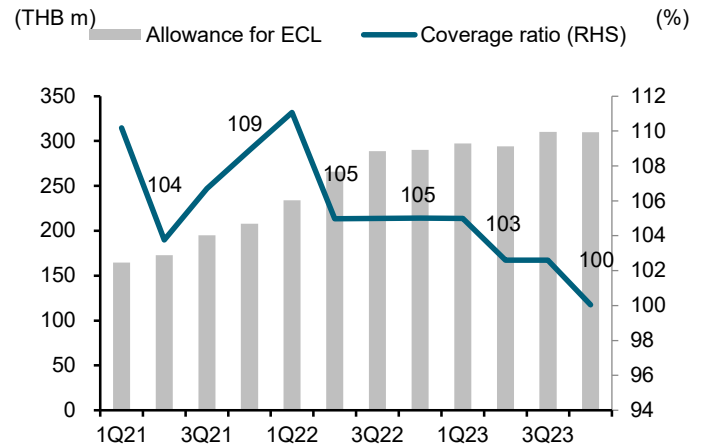
Exhibit 15: NPL and NPL ratio, 1Q21-4Q23



Sources: SAK; FSSIA's compilation

Exhibit 16: Allowance for expected credit loss and coverage ratio, 2018-23

Sources: SAK; FSSIA's compilation

Exhibit 17: Allowance for expected credit loss and coverage ratio, 1Q21-4Q23

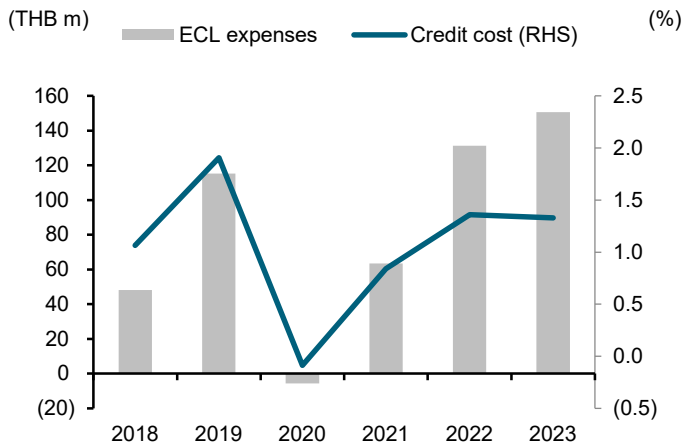
Sources: SAK; FSSIA's compilation

Exhibit 18: Staged loans and ECL, 2021-23

	2021 (THB b)	2022 (THB b)	2023 (THB b)	2021 (%)	2022 (%)	2023 (%)
Staged loans				% Staged loans to total		
Stage 1	8,421	10,213	11,548	94.7	94.0	93.3
Stage 2	282	377	522	3.2	3.5	4.2
Stage 3	191	276	310	2.1	2.5	2.5
Total	8,893	10,867	12,380	100.0	100.0	100.0
Allowance for ECL				% ECL to staged loans		
Stage 1	63	79	81	0.7	0.8	0.7
Stage 2	58	81	87	20.5	21.5	16.7
Stage 3	87	131	142	45.5	47.2	45.8
Total	208	290	310	2.3	2.7	2.5
LLR/ Loans	(%)	(%)	(%)			
Stage 1	0.7	0.8	0.7			
Stage 2	20.5	21.5	16.7			
Stage 3	45.5	47.2	45.8			
Total	2.3	2.7	2.5			
	(%)	(%)	(%)			
NPL / TL	2.1	2.5	2.5			
NPL vs. Stage 2 loans / TL	5.3	6.0	6.7			
LLR / NPL	109	105	100			
LLR / (NPL vs. Stage 2)	44	44	37			

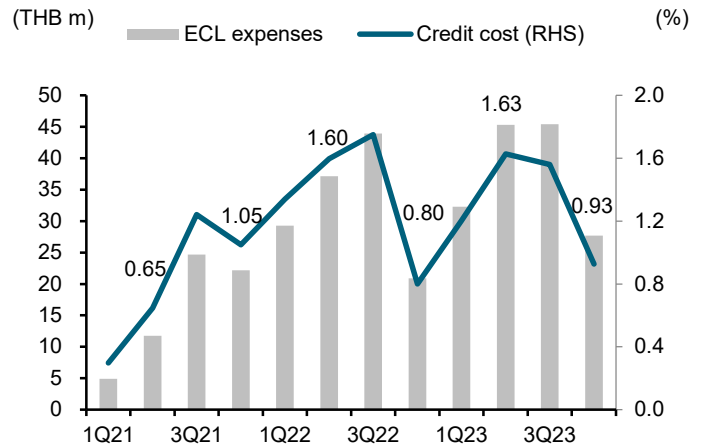
Sources: SAK; FSSIA's compilation

Exhibit 19: Credit costs, 2018-23



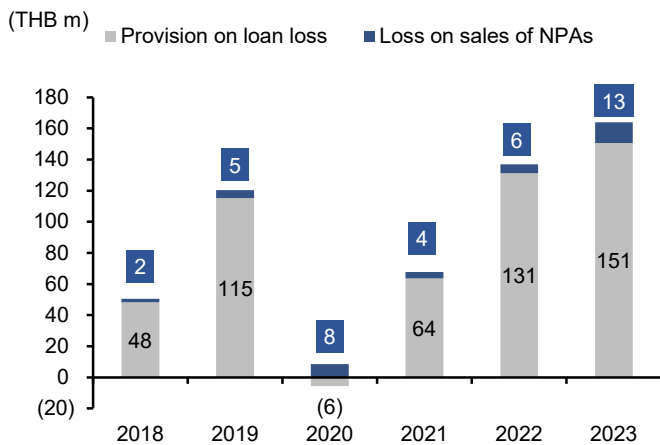
Sources: SAK; FSSIA's compilation

Exhibit 20: Credit costs, 1Q21-4Q23



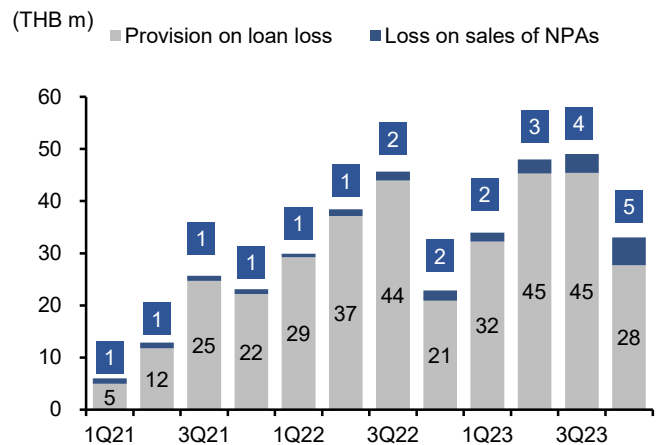
Sources: SAK; FSSIA's compilation

Exhibit 21: ECL loss on sales of NPAs, 2018-23



Sources: SAK; FSSIA's compilation

Exhibit 22: ECL and loss on sales of NPAs, 1Q21-4Q23



Sources: SAK; FSSIA's compilation

Low season to pressure 1Q24 net profit

We expect SAK's 1Q24 net profit to ease slightly by 1.4% q-q but rise by 14.2% y-y to THB200m, aligning with our pre-provisioning operating profit (PPOP) forecast (down 0.5% q-q but up 11.3% y-y). The q-q net profit loss should come mainly from a slight decrease in net interest income (NII) and a modest increase in the ECLs and credit cost after the hiccup in 4Q23. In addition, operating expenses should edge down by 2.1% q-q but rise by 4.3% y-y, resulting in an expected decline in the cost-to-income ratio to 46.5%, following no new branch opening in this quarter.

We expect loans to grow 0.9% q-q and 12.1% y-y, below the 2024 guidance of 15.0% y-y, due to fewer working days and the low season effect. Vehicle and land title segments should remain key contributors in 1Q24. By contrast, we expect the interest spread to decline by 48bp to 18.04% due mainly to a loan yield reduction following loan concentration in the secured segment, particularly land title loans.

The significant y-y growth in net profit should be made possible primarily by a rise in NII (from increased loan growth) and non-NII (from increased revenue from sales and services and fee income), which could offset an increase in operating expenses and decreased interest spread effect.

Concerning SAK's asset quality in 1Q24, we expect a relatively stable NPL ratio q-q at 2.58% and credit cost of 99bp (from 93bp in 4Q23) following the expiration of its debt forbearance and the ECL model review. However, the expected 1Q24 credit cost is far below the 9M23 average of 120-163bp due mainly to the aggressive cleaning up of its balance sheet in 2023, which should alleviate the 2024 ECLs and credit cost burden. Meanwhile, we anticipate a sustained NPL coverage ratio of 100.4%.

Exhibit 23: SAK – 1Q24E earnings preview

	1Q23	2Q23	3Q23	4Q23	1Q24E	----- Change -----		% of	2023	2024E	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	2024E	(THB m)	(THB m)	(y-y%)	24E
Interest income	625	651	691	705	700	(0.8)	11.9	23	2,673	3,020	13.0	23%
Interest expense	(65)	(74)	(86)	(90)	(100)	10.8	53.8	27	(316)	(369)	16.8	27%
Net interest income	560	577	605	615	600	(2.5)	7.1	23	2,357	2,651	12.5	23%
Fee and service income	5	8	6	6	6	1.0	14.7	23	26	27	5.0	23%
Other income	6	17	13	5	8	66.4	27.1	18	41	44	7.0	18%
Total income	572	601	625	626	614	(1.9)	7.4	23	2,424	2,722	12.3	23%
Operating expenses	(318)	(325)	(341)	(333)	(332)	(0.4)	4.3	22	(1,318)	(1,493)	12.8	22%
Other expenses	(3)	(5)	(5)	(6)	(3)	(55.9)	2.5	14	(19)	(19)	4.9	14%
PPOP before taxes	251	271	279	287	280	(2.4)	11.3	23	1,087	1,209	11.8	23%
Expected credit losses	(32)	(45)	(45)	(28)	(30)	8.3	(7.0)	18	(151)	(167)	10.9	18%
Operating profit	219	226	233	259	250	(3.6)	14.1	24	936	1,042	11.9	24%
Income tax	(44)	(45)	(47)	(51)	(51)	(1.6)	14.1	24	(187)	(209)	11.9	24%
NCI	(0)	1	(0)	(1)	(1)	0.0	89.7	(54)	(1)	2	N/A	N/A
Net profit	175	180	187	208	200	(4.1)	14.2	24	750	831	11.6	24%
EPS (THB)	0.08	0.09	0.09	0.10	0.10	(4.1)	14.2	24	0.36	0.40	11.6	24%
Loans	10,861	11,415	11,867	12,066	12,178	0.9	12.1		12,066	13,642	13.1	
Interest bearing debt	6,128	6,798	7,239	7,051	8,758	24.2	42.9		7,051	8,162	15.8	
Key ratios	1Q23	2Q23	3Q23	4Q23	1Q24E				2023	2024E		
	(%)	(%)	(%)	(%)	(%)				(%)	(%)		
Yield on loan	23.31	23.38	23.76	23.58	23.10				23.59	23.49		
Cost of funds	4.30	4.59	4.92	5.05	5.06				4.85	4.85		
Spread	19.01	18.79	18.84	18.52	18.04				18.74	18.64		
Cost to Income ratio	49.96	48.18	48.01	46.53	46.48				48.12	48.32		
Credit cost (bps)	120	163	156	93	99				133	130		
NPL / Loan	2.61	2.51	2.55	2.57	2.58				2.57	2.58		
LLR / Loan	2.74	2.58	2.61	2.57	2.59				2.57	2.60		
Coverage ratio	105.0	102.6	102.6	100.0	100.4				100.0	100.7		
D/E (x)	1.2	1.3	1.3	1.3	1.5				1.3	1.3		
IDBE (x)	1.1	1.3	1.3	1.2	1.5				1.2	1.3		
S/T debt/total debt (x)	0.5	0.4	0.4	0.3	0.3				0.3	0.2		
Loan growth q-q	2.5	5.1	4.0	1.7	0.9							
Loan growth y-y	23.6	16.5	15.3	13.8	12.1				13.8	13.1		
Loan growth YTD	2.5	7.6	11.5	13.2	0.9							

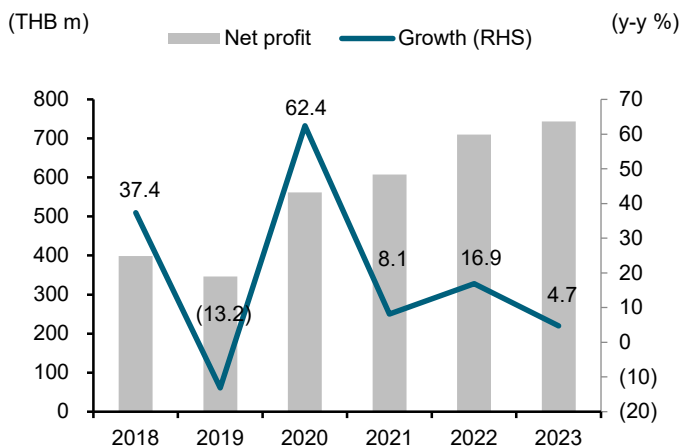
Sources: SAK; FSSIA estimates

Secured loan segment remains a key contributor to SAK's 2024-26E net profit

Regarding our 2024-26 net profit forecast, we expect a 13.1%-CAGR growth. In addition, ROE should climb to 15.0% in 2026 from 13.3% in 2023. Excluding ECL expenses, we anticipate PPOP to increase by 13.2% CAGR during the same period based on the following key assumptions:

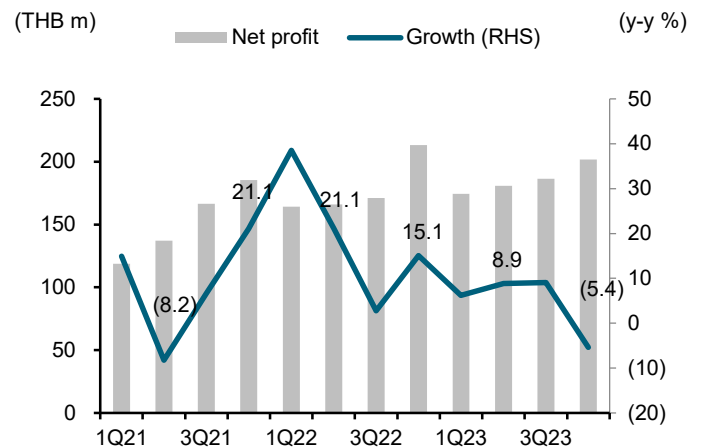
1. Loan growth of 13.1-14.8% y-y during 2024-26, compared to 13.8% y-y in 2023;
2. A slight decrease in 2024 interest spread to 18.64%, followed by a recovery in 2025-26 to 18.87%, compared to 18.74% in 2023;
3. A relatively stable cost-to-income ratio of 48.3%, compared to the 2023 level;
4. A slight decline in credit cost from 133bp in 2023 to 130bp during 2024-26;
5. A relatively stable NPL ratio of 2.57-2.58% during 2024-26, compared to the 2023 level;
6. A relatively stable coverage ratio of 100.7-101.9% during 2024-26, compared to 100.0% in 2023.

Exhibit 24: Net profit, 2018-23



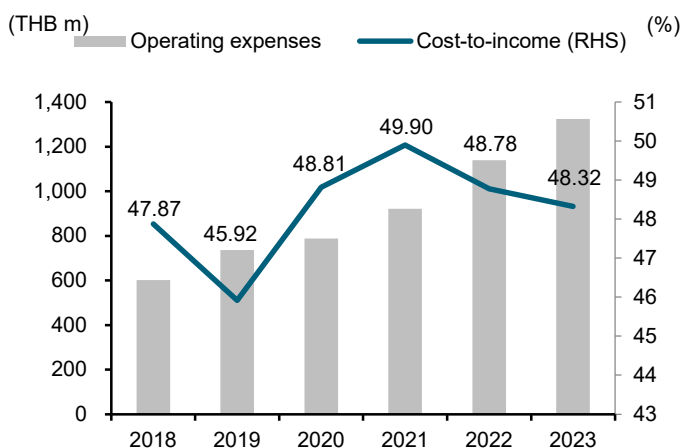
Sources: SAK; FSSIA's compilation

Exhibit 25: Net profit, 1Q21-4Q23



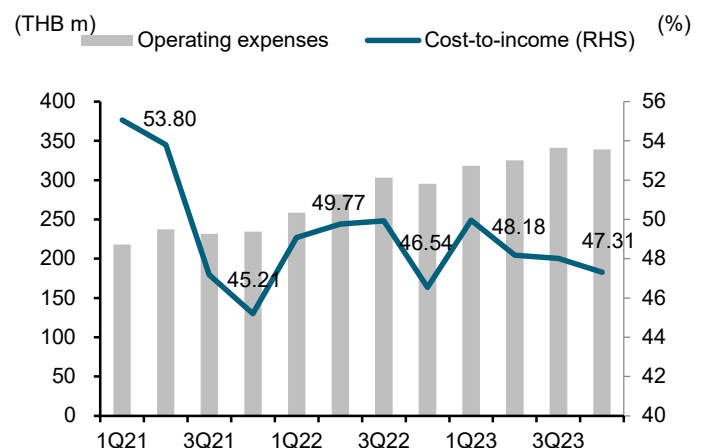
Sources: SAK; FSSIA's compilation

Exhibit 26: OPEX and CIR, 2018-23



Sources: SAK; FSSIA's compilation

Exhibit 27: OPEX and CIR, 1Q21-4Q23



Sources: SAK; FSSIA's compilation

Lack of outstanding competitive ability

We view SAK as having inferior competitive advantages against its peers. Despite having the highest interest spread (from an immense Nano finance contribution) and its effort to increase its non-NII contribution (14% in 2023 from 6% in 2021) through revenue diversifications, they did not have the desired favorable impacts on the ROE.

In addition, SAK's cost of funds was the highest compared to peers since its funding sources focused mainly on loans from financial institutions, most of which are floating interest rates. This situation puts it at a significant disadvantage against its peers during rising interest rates in 2023.

As measured by loan per branch, branch efficiency was relatively stable at THB11.41m -12.07m during 2021-23, the lowest compared to peers owing to the aggressive branch expansion during 2020-22, which led to a lingering branch-opening plan in 2024.

In terms of asset quality, it is controllable. The NPL ratio was stable during 2022-23 amid rising NPL in the loan receivable segment. By making aggressive debt write-offs with an increased ECL and credit cost, we view SAK as being in the same situation as its peers. In addition, as most loans are collateral-based, SAK claims a sufficient coverage ratio of at least 100%, below the industry's average, except for SAWAD.

Concerning leverage ratio, SAK has the lowest D/E and IBD/E ratio compared to peers. However, we view the situation as having no competitive advantage since its debt covenant commands a D/E ratio below 3.0x, lower than its peers, MTC and SAWAD, of below 4.5x, whereas TIDLOR IBD/paid-up capital of below 7x.

Exhibit 28: Key operation summaries of industry peers

	MTC			SAWAD			TIDLOR			SAK		
	2021 (THB m)	2022 (THB m)	2023 (THB m)	2021 (THB m)	2022 (THB m)	2023 (THB m)	2021 (THB m)	2022 (THB m)	2023 (THB m)	2021 (THB m)	2022 (THB m)	2023 (THB m)
Gross Loans	90,701	119,084	141,559	33,668	55,147	96,981	60,339	79,898	96,020	8,687	10,600	12,066
Branch (no.)	5,799	6,668	7,537	4,840	5,385	5,447	1,286	1,628	1,678	720	929	1,029
Loans per branch	15.6	17.9	18.8	7.0	10.2	17.8	46.9	49.1	57.2	12.1	11.4	11.7
Yields (%)	18.90	18.30	18.03	18.75	19.77	20.70	17.68	17.87	17.67	24.24	23.95	23.59
Cost of funds (%)	3.38	3.36	3.66	4.26	3.26	4.18	2.75	2.51	2.93	2.46	3.35	4.85
Interest spreads (%)	15.52	14.94	14.38	14.49	16.51	16.52	14.93	15.37	14.74	21.78	21.78	21.78
% NII/ Total Rev.	94	95	95	64	69	81	80	80	80	94	94	94
% Non-NII/ Total Rev.	6	5	5	36	31	19	20	20	20	6	6	6
Operating expense	6,961	8,069	10,042	3,476	5,442	8,282	6,559	7,923	9,401	922	1,144	1,337
Cost to income (%)	50.04	46.76	46.94	36.82	48.47	49.75	60.03	56.44	54.88	49.90	48.78	48.32
Net profit	4,945	5,093	4,906	4,722	4,476	5,001	3,169	3,640	3,790	608	712	750
ROE (%)	21.71	18.88	16.08	20.19	17.78	18.58	18.56	15.22	14.08	12.93	13.81	13.31
ROA (%)	5.63	4.50	3.53	9.26	7.49	5.53	5.29	4.81	4.10	6.64	6.70	6.00
NPL	1,276	3,507	4,461	1,249	1,385	2,998	732	1,285	1,412	191	276	310
LLR	1,832	3,686	5,169	736	748	1,650	2,611	3,199	3,981	208	290	310
NPL ratio	1.42	3.00	3.22	3.71	2.51	3.09	1.21	1.61	1.47	2.15	2.54	2.50
NPL Coverage ratio	144	105	116	49	47	54	357	249	282	109	105	100
ECL	748	2,433	3,934	(455)	78	1,763	414	1,583	2,986	64	131	151
Credit cost (%)	0.93	2.70	3.71	-1.24	0.18	2.32	0.75	2.26	3.39	0.84	1.36	1.33
D/E ratio (x)	2.96	3.40	3.70	0.85	1.40	2.57	1.97	2.33	2.52	0.95	1.16	1.26
IBD/E ratio (x)	2.87	3.30	3.60	0.71	1.26	2.44	1.87	2.23	2.43	0.89	1.11	1.21

Sources: Company data; FSSIA's compilation

Initiate with a HOLD call with a THB5.28 2024 TP

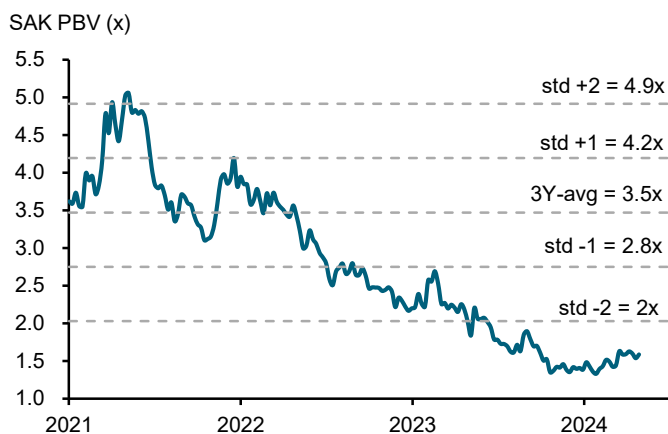
We initiate coverage of SAK with a HOLD call at the current price. Our 2024 GGM-based TP of THB5.28 implies a P/BV of 1.76x. Given the 2024E return of 11.1% p.a., with a 7.7% potential upside plus an expected dividend yield of 3.4% p.a., we view SAK's current share price as fair and do not expect a re-rating in the near term.

Exhibit 29: GGM-based 2024 TP

	2024E
Sustainable ROE (%)	14.4%
g (%)	8.0%
ROE -g (%)	6.4%
Beta	1.44
Risk-free rate (%)	3.0%
Market risk premium (%)	6.0%
COE (%)	11.6%
COE -g (%)	3.6%
Target PBV (x)	1.76
Fair value (THB)	5.28

Source: FSSIA estimates

Exhibit 31: SAK – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 30: Share price performance of non-banks under coverage, as of 2 May 2024

	Price performance				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
TIDLOR TB	1.3	(0.0)	4.7	2.3	(0.9)
MTC TB	(3.2)	0.6	13.2	26.8	0.0
SAWAD TB	(5.9)	1.3	(13.5)	(28.6)	(1.2)
AEONTS TB	0.6	2.9	1.3	(16.7)	(1.6)
KTC TB	(3.9)	(2.3)	(7.5)	(18.4)	(0.6)
SAK TB	(4.5)	16.6	16.6	(6.3)	18.3
JMT TB	(5.4)	(1.4)	(39.0)	(47.1)	(18.0)
BAM TB	(9.5)	11.0	0.6	(25.2)	11.0
CHAYO TB	(8.4)	(16.6)	(28.2)	(39.6)	(19.6)
SETFIN	(3.6)	(2.3)	(7.4)	(20.0)	(4.4)
SET	(0.4)	(1.0)	(3.5)	(10.7)	(3.2)

Source: Bloomberg

Exhibit 32: SAK – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 33: Peer comparisons, as of 2 May 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	159.50	170.00	7	12.3	11.6	1.5	1.4	12.8	12.6	3.4	3.6
Muangthai Capital	MTC TB	HOLD	44.50	43.00	(3)	16.3	12.7	2.5	2.1	16.8	18.3	0.6	0.7
Krungthai Card	KTC TB	HOLD	42.75	46.00	8	14.4	13.8	2.8	2.5	20.3	19.0	3.1	3.3
Srisawad Corp	SAWAD TB	HOLD	40.50	40.00	(1)	11.2	9.9	2.0	1.7	18.4	18.2	4.4	1.0
Ngern Tid Lor	TIDLOR TB	BUY	20.80	27.00	30	13.0	10.9	1.9	1.7	15.4	16.2	2.3	2.8
Saksiam Leasing	SAK TB	HOLD	4.78	5.28	10	12.1	10.6	1.6	1.5	13.7	14.4	3.1	1.6
JMT Network services	JMT TB	HOLD	20.90	25.70	23	12.7	10.8	1.1	1.1	9.0	10.5	6.3	7.4
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	9.40	8.75	(7)	17.1	16.0	0.7	0.7	4.1	4.3	4.0	4.1
Chayo Group	CHAYO TB	BUY	4.42	6.00	36	12.6	10.8	1.3	1.1	11.1	11.3	1.2	1.4
Average						13.5	11.9	1.7	1.5	13.5	13.9	3.2	2.9

Sources: Bloomberg; FSSIA estimates

Financial Statements

Saksiam Leasing

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	2,310	2,673	3,020	3,456	3,960
Interest expense	(173)	(316)	(369)	(423)	(498)
Net interest income	2,137	2,357	2,651	3,033	3,462
Net fees & commission	11	26	27	28	30
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	16	41	44	46	48
Non interest income	26	67	71	74	77
Total income	2,163	2,424	2,722	3,107	3,539
Staff costs	-	-	-	-	-
Other operating costs	(1,144)	(1,337)	(1,513)	(1,726)	(1,972)
Operating costs	(1,144)	(1,337)	(1,513)	(1,726)	(1,972)
Pre provision operating profit	1,019	1,087	1,209	1,381	1,567
Expected credit loss	(131)	(151)	(167)	(190)	(219)
Other provisions	-	-	-	-	-
Operating profit	888	936	1,042	1,190	1,348
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	888	936	1,042	1,190	1,348
Tax	(178)	(187)	(209)	(239)	(271)
Profit after tax	710	749	832	951	1,077
Non-controlling interest	2	1	(2)	(2)	(2)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	712	750	831	949	1,076
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	712	750	831	949	1,076
Per share (THB)					
Recurring EPS *	0.34	0.36	0.40	0.45	0.51
Reported EPS	0.34	0.36	0.40	0.45	0.51
DPS	0.14	0.15	0.17	0.19	0.22
Growth					
Net interest income (%)	23.5	10.3	12.5	14.4	14.1
Non interest income (%)	98.9	154.6	6.2	4.5	4.5
Pre provision operating profit (%)	24.0	6.7	11.2	14.2	13.5
Operating profit (%)	17.1	5.5	11.2	14.2	13.3
Reported net profit (%)	16.6	5.9	10.8	14.3	13.3
Recurring EPS (%)	16.6	5.9	10.8	14.3	13.3
Reported EPS (%)	16.6	5.9	10.8	14.3	13.3
Income Breakdown					
Net interest income (%)	98.8	97.3	97.4	97.6	97.8
Net fees & commission (%)	0.5	1.1	1.0	0.9	0.8
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.7	1.7	1.6	1.5	1.3
Operating performance					
Gross interest yield (%)	23.29	23.06	23.04	23.18	23.16
Cost of funds (%)	3.35	4.85	4.85	4.73	4.68
Net interest spread (%)	19.94	18.21	18.19	18.45	18.48
Net interest margin (%)	21.5	20.3	20.2	20.3	20.3
Cost/income(%)	48.8	48.1	48.3	48.3	48.3
Cost/assets(%)	10.8	10.8	10.8	10.9	10.9
Effective tax rate (%)	20.0	20.0	20.1	20.1	20.1
Dividend payout on recurring profit (%)	40.3	41.9	41.9	41.9	41.9
ROE (%)	13.8	13.4	13.7	14.4	15.0
ROE - COE (%)	3.0	2.6	2.9	3.6	4.2
ROA (%)	6.7	6.0	6.0	6.0	5.9
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

Financial Statements

Saksiam Leasing

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	10,600	12,066	13,642	15,656	17,975
Allowance for expected credit loss	(290)	(310)	(354)	(406)	(471)
interest in suspense	267	314	354	404	461
Net customer loans	10,576	12,070	13,642	15,654	17,965
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	268	270	232	292	280
Other interesting assets	-	-	-	-	-
Tangible fixed assets	177	193	220	247	278
Associates	0	32	35	38	42
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	601	619	663	719	780
Total assets	11,624	13,184	14,792	16,950	19,345
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	5,963	7,051	8,162	9,756	11,512
Non interest bearing liabilities	285	301	316	332	348
Hybrid Capital	-	-	-	-	-
Total liabilities	6,247	7,352	8,478	10,088	11,860
Share capital	2,096	2,096	2,096	2,096	2,096
Reserves	3,267	3,724	4,204	4,752	5,373
Total equity	5,363	5,820	6,300	6,848	7,469
Non-controlling interest	13	12	13	14	15
Total liabilities & equity	11,624	13,184	14,792	16,950	19,345
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	9,919	11,593	13,107	14,910	17,095
Average interest bearing liabilities	5,159	6,507	7,607	8,959	10,634
CET 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	276	310	352	403	463
Per share (THB)					
Book value per share	2.56	2.78	3.01	3.27	3.56
Tangible book value per share	2.56	2.78	3.01	3.27	3.56
Growth					
Gross customer loans	22.0	13.8	13.1	14.8	14.8
Average interest earning assets	14.6	16.9	13.1	13.8	14.7
Total asset (%)	22.0	13.4	12.2	14.6	14.1
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	46.1	44.1	42.6	40.4	38.6
Tangible equity/assets (%)	46.1	44.1	42.6	40.4	38.6
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	44.9	12.1	13.7	14.3	15.0
NPL/gross loans (%)	2.6	2.6	2.6	2.6	2.6
Allowance for ECL/gross loans (%)	2.7	2.6	2.6	2.6	2.6
Allowance for ECL/NPL (%)	105.0	100.0	100.7	100.9	101.9
Valuation					
Recurring P/E (x) *	14.6	13.8	12.4	10.9	9.6
Recurring P/E @ target price (x) *	15.6	14.8	13.3	11.7	10.3
Reported P/E (x)	14.6	13.8	12.4	10.9	9.6
Dividend yield (%)	2.0	3.1	3.4	3.9	4.4
Price/book (x)	1.9	1.8	1.6	1.5	1.4
Price/tangible book (x)	1.9	1.8	1.6	1.5	1.4
Price/tangible book @ target price (x)	2.1	1.9	1.8	1.6	1.5

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																											
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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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="width: 100%;"> <tr> <td style="width: 15%;">AAA</td> <td style="width: 35%;">8.571-10.000</td> <td style="width: 15%;">Leader:</td> <td style="width: 35%;">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
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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
Saksiam Leasing	SAK TB	THB 4.92	HOLD	Upside risks to our GGM-derived TP include 1) loan expansion following the broad-based economic recovery 2) a reduction in cost of funds due mainly to the downward interest rate trend and 3) an accelerated decrease in credit costs owing to the rise in consumers purchasing power. Downside risks include 1) competition from existing and new players 2) regulatory changes by the Bank of Thailand (BoT) and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
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 45.00	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) positive developments in asset quality which could bring down its credit costs; and 2) a decreasing market interest rate, which could alleviate its cost of funds burden.
Krungthai Card	KTC TB	THB 43.25	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 40.00	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 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 21.50	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 20.90	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 9.05	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 4.38	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 03-May-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.