

# ASIA SERMKIJ LEASING

## THAILAND / FINANCE & SECURITIES

# ASK TB

# HOLD

## Another year of challenges

- The economic uncertainties continue to pressure the overall truck industry in 2024 following weak demand and NPA supply gluts.
- We expect ASK's 2024 profit to drop 28.2% y-y, while we project 1Q24 net profit at THB170m (up 5.3% q-q, down 57.8% y-y).
- We initiate our coverage on ASK with a HOLD call at TP of THB18.0.

TARGET PRICE	THB18.00
CLOSE	THB16.60
UP/DOWNSIDE	+8.4%
TP vs CONSENSUS	-8.4%

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	1,529	1,094	1,268	1,424
Net profit	1,219	875	1,014	1,139
EPS (THB)	2.31	1.66	1.92	2.16
vs Consensus (%)	-	(19.4)	(22.3)	(18.8)
Recurring net profit	1,219	875	1,014	1,139
Core EPS (THB)	2.31	1.66	1.92	2.16
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(19.4)	(28.2)	15.9	12.3
Core P/E (x)	7.2	10.0	8.6	7.7
Dividend yield (%)	7.0	6.0	5.8	6.5
Price/book (x)	0.8	0.8	0.8	0.7
ROE (%)	11.7	8.1	9.1	9.7
ROA (%)	1.7	1.1	1.2	1.2

### The monsoon has not yet passed in 2024

The overall backdrop of the truck market in 2023 was relatively dim, with soft demand for trucks. Unit sales dropped by 11.4% y-y amid a high level of economic uncertainty, while diesel prices hit a plateau along with soft export performance and the tight liquidity positioning of the construction sector following the delayed FY2024 government budget, which had the most prominent effect during 2H23. The situation led industry players to witness rising delinquencies with a supply glut of repossessed trucks and credit cost pressure on companies' bottom-line results.

### Aggressive 2023 loan growth did not yield great results

During 2019-22, ASK had 3Y CAGR net profit growth at 20.3% under a robust loan growth backdrop at 17.9% p.a. However, in 2023, the firm's bottom-line growth saw a drop of 19.4% y-y, finishing at THB1.2b, mainly from 1) fierce market competition during a year of soft truck demand, with loan growth slowing to 11% y-y (from 21% in 2022), but was still higher than the industry; and 2) worsening asset quality and credit cost pressure, resulting in a higher NPL ratio and a larger inventory of foreclosed trucks. Both factors led to rising ECL on loans and losses on sales of repossessed NPAs, resulting in a credit cost of 2.49% from 2.05% in 2022.

### 2024 to mark a trough in profit over credit cost burden

We expect 2024 net profit to drop by 28.2% y-y over a higher credit cost of 2.85% and lower loan growth of 5.4%. For 2025-26, we estimate bottom-line growth at a 14.1% CAGR with loan growth of 8.0% p.a. and moderately lower credit costs of 2.49-2.61%. We expect a 1Q24 net profit of THB170m (up 5.3% q-q, down 57.8% y-y) with the key drag coming from ECL on a y-y basis. Compared to 4Q23, we expect ECL to decline, as there was a cTHB101m overlay set aside in the previous quarter, but its core operations should remain muted under the slowing loan growth, rising cost of funds, and soft non-NII. Meanwhile, we expect a worsening asset quality trend with the 1Q24 NPL ratio reaching 5.24% and a lower coverage ratio of 61%.

### Initiate coverage on ASK with a HOLD call

We initiate coverage on ASK with a HOLD call. Despite a limited upside, we expect an attractive 2024-26 dividend yield of 5.8-6.5%. Although ASK is trading near -2SD of its 5Y average P/BV multiple, we do not expect a near-term re-rating given our negative outlook. Our GGM-based 2024 TP is THB18.0, referencing a P/BV of 0.88x (LT-ROE of 8.6%, COE of 9.3%).



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.5)	(16.6)	(39.1)
Relative to country (%)	(2.3)	(16.3)	(31.7)
Mkt cap (USD m)	237		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	40		
Major shareholder	Chailease Holding Co Ltd (48%)		
12m high/low (THB)	30.75/16.40		
Issued shares (m)	528		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

We have a HOLD call for ASK over factors including:

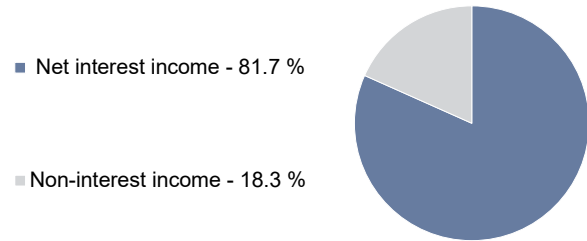
- 1) Our expectation on the deteriorating asset quality of its hire-purchase (HP) truck debtors as a result of the firm's aggressive acquisition in the low-quality customer segment in 2023 and the postponed government budgeting in 2024, especially in 1H24.
- 2) ASK should continue to adopt a strict lending policy as a strategy for asset quality control, leading to the expectation of a slower loan growth rate of 5.4% y-y (vs two-digit growth guidance).
- 3) We expect the firm to encounter a rising level of credit cost in 2024 from both worsening asset quality and higher losses on sales of repossessed trucks, which is largely responsible for our 2024 net profit estimate of a 28.2% y-y drop.
- 4) We initiate our coverage on ASK with a HOLD call on an attractive 2024-26E dividend yield of 5.8-6.5%, while our GGM-based TP of THB18 implies a target P/BV ratio of 0.88x (LT-ROE of 8.6%, COE of 9.3%), exhibiting a limited upside to the current share price.

## Company profile

Main businesses of the company are hire purchase loans, targeting new and used trucks, and financial leasing, as well as services related to its core businesses.

[www.ask.co.th](http://www.ask.co.th)

## Principal activities (revenue, 2023)



Source: Asia Sermkij Leasing PCL

## Major shareholders



Source: Asia Sermkij Leasing PCL

## Catalysts

1. Better-than-expected new loan bookings and loan growth.
2. Better-than-expected improvement in asset quality.
3. Lower-than-expected credit cost and losses on NPA sales.
4. Increase in the average price of trucks.

## Risks to our call

Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.

## Event calendar

Date	Event
10 May 2024	1Q24 results announcement
24 May 2024	1Q24 Opportunity Day

## Key assumptions

	2024E (THB m)	2025E (THB m)	2026E (THB m)
Net profit	875	1,014	1,139
Growth y-y %	(28.2)	15.9	12.3
Loan receivables	79,255	85,560	92,368
Growth y-y %	5.42	7.96	7.96
Cost-to-income (%)	28.96	29.97	30.50
Credit cost (%)	2.85	2.61	2.49
Cost of funds (%)	3.58	3.66	3.71

Source: FSSIA estimates

## Earnings sensitivity

		----- 2024E -----		
<b>Loan growth (%)</b>	<b>±1ppt</b>	<b>4.4</b>	<b>5.4</b>	<b>6.4</b>
% change in net profit		(1.5)	-	1.5
<b>Cost-to-income</b>	<b>±1ppt</b>	<b>28.0</b>	<b>29.0</b>	<b>30.0</b>
% change in net profit		4.0		(4.0)
<b>Credit cost</b>	<b>±10bp</b>	<b>275</b>	<b>285</b>	<b>295</b>
% change in net profit		7.1	-	(7.1)
<b>Cost of funds</b>	<b>±10bp</b>	<b>3.5</b>	<b>3.6</b>	<b>3.7</b>
% change in net profit		5.1	-	(5.1)

Source: FSSIA estimates

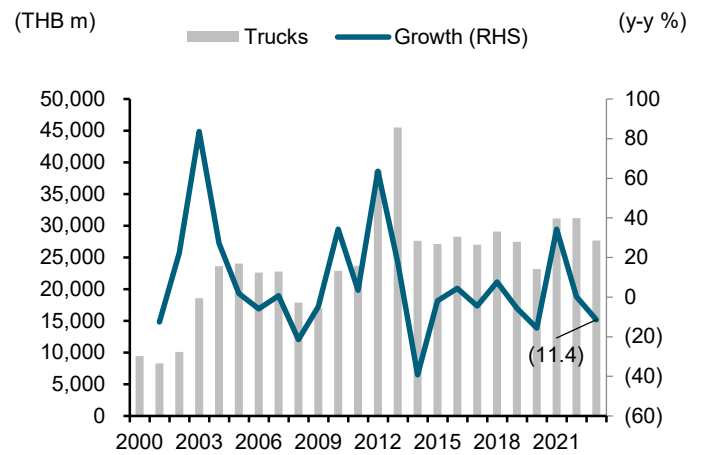
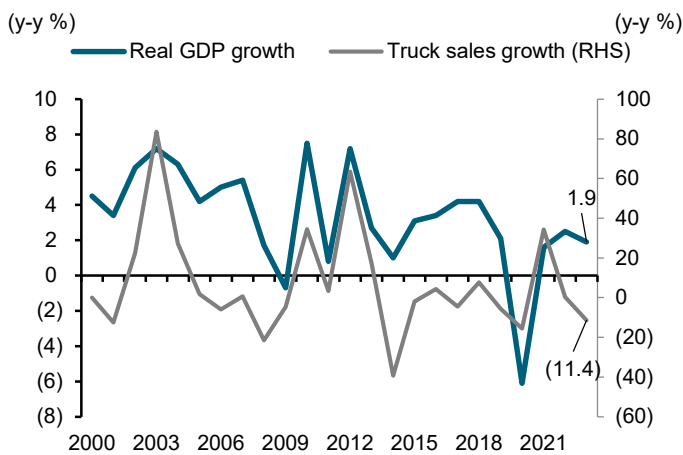
## The monsoon has not yet passed in 2024

As roadway transportation largely dominates and is a significant means of commercial transportation in Thailand, the demand for trucks tends to move in parallel with the expansion of economic activities. The growth of Thailand's real GDP during 2002-12 was 4.4% p.a., which then slowed down to 1.7% p.a. throughout 2013-23, causing the domestic demand for trucks to soften from 14.4% p.a. to 4.8% p.a. during the same period.

The overall backdrop of the truck market in 2023 was relatively dim, with soft demand for trucks. Unit sales dropped by 11.4% y-y amid a high level of economic uncertainty, while diesel prices hit a plateau along with soft export performance and the tight liquidity positioning of the construction sector following the delayed FY2024 government budget, which had the most prominent effect during 2H23. The situation led industry players to witness rising delinquencies with a supply glut of repossessed trucks and credit cost pressure on companies' bottom-line results.

**Exhibit 1: Thai real GDP growth vs truck sales growth, 2000-23**

**Exhibit 2: Truck sales unit record, 2000-23**

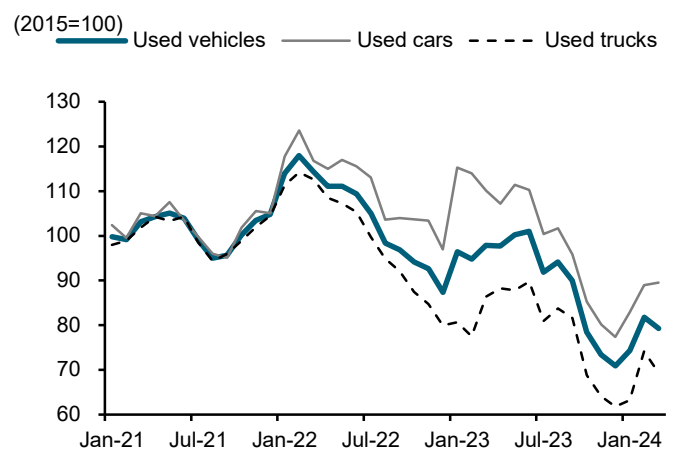
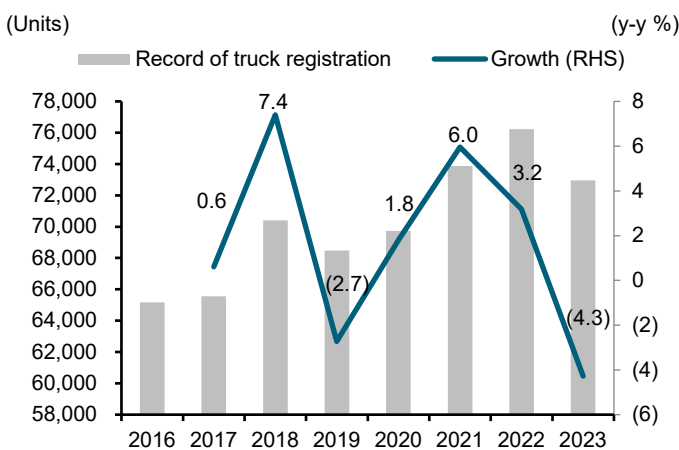


Sources: National Economic Development Council (NESDC); The Federation of Thai Industries (FTI); FSSIA's compilation

Sources: The Federation of Thai industries (FTI), FSSIA's compilation

**Exhibit 3: Truck registrations, 2016-23**

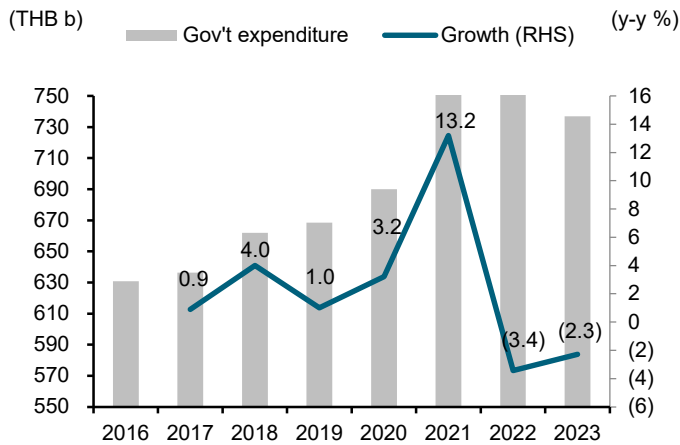
**Exhibit 4: Used vehicle price indices (monthly), 2021-23**



Sources: Department of Land Transport (DLT); FSSIA's compilation

Sources: Bank of Thailand (BoT), FSSIA's compilation

**Exhibit 5: Government spending, 2016-23**



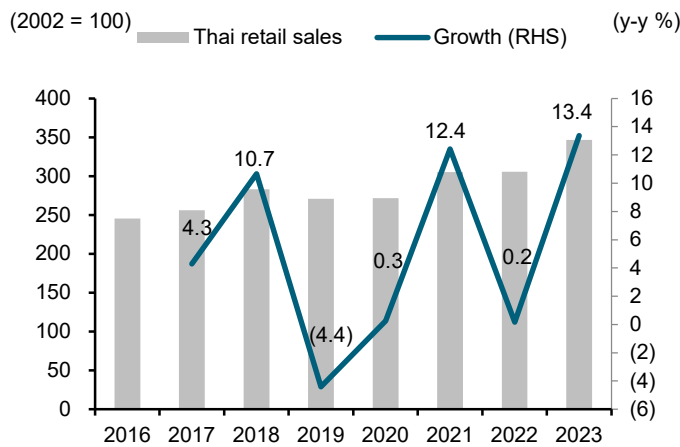
Sources: NESDC; FSSIA's compilation

**Exhibit 6: Construction investment index, 2016-23**



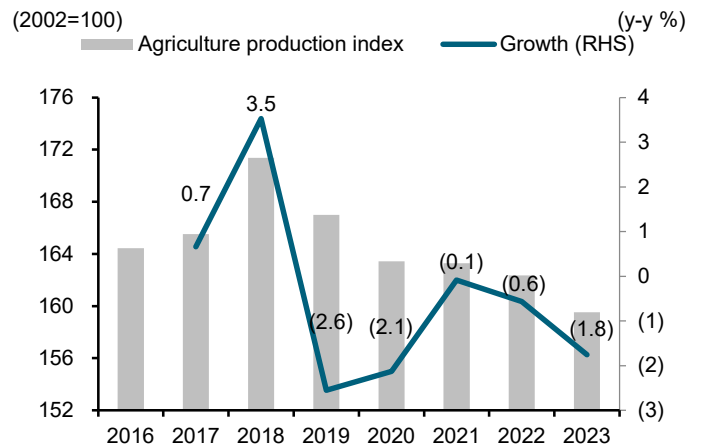
Sources: BoT; FSSIA's compilation

**Exhibit 7: Thai retail sales index, 2016-23**



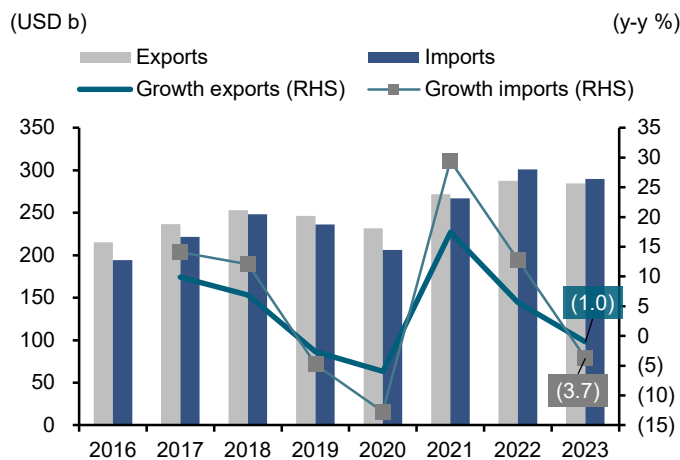
Sources: BoT; FSSIA's compilation

**Exhibit 8: Agricultural production, 2016-23**



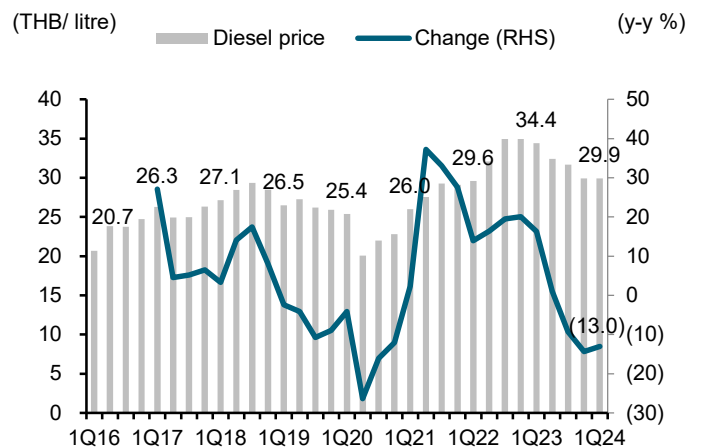
Sources: Office of Agricultural Economics (OAE); FSSIA's compilation

**Exhibit 9: Export and import value, 2016-23**



Sources: Customs Department; BoT; FSSIA's compilation

**Exhibit 10: Diesel price, 1Q16-YTD24**



Sources: BoT; FSSIA's compilation

Leaping into 2024, we have observed a skeptical outlook from industry players as the balance sheets of hire-purchase (HP) customers may improve slowly after a challenging year in 2023. However, potential catalysts this year should emerge from 1) the disbursement of government spending expected to come in May 2024, which should have a beneficial effect on business/investment confidence; and 2) the outlook for used truck prices, which corporates expect to have hit rock bottom where further downsides are limited.

Moreover, the imposition of the Euro 5 standard in May 2024 could potentially lead to an upside in prices as the expected average cost of Euro 5 models is 10-20% higher than Euro 3 models due to a costlier burden on the back of sophisticated maintenance, parts, and insurance expenses. Meanwhile, the manufacture of Euro 3 trucks has been terminated since March 2024 and replaced by production lines for the new models, while management expects the remaining inventories to be exploited by 3Q24. Therefore, the demand for and prices of used Euro 3 trucks could gain specific support by the end of the year.

However, we do not have an optimistic outlook for HP truck lenders in 2024. We expect the center of operations to continue circling around proactive bad debt management and truck repossessions, especially as the debtor support program has ended, resulting in rising used truck supplies. Therefore, we do not expect an upward movement in truck prices and see a trend of lower net results.

### A leading Thai hire-purchase truck lender

ASK is one of Thailand's leading HP truck lenders, currently dominating 30% of the HP truck industry's market share, and its operations date back to 1928. The company's structure consists of two subsidiaries:

1) Bangkok Grand Pacific Lease (BGPL), conducting HP, financial lease, and solar rooftop businesses with corporates as its targeted group and contributing c22-27% to the group's new loan bookings during 2020-23; and

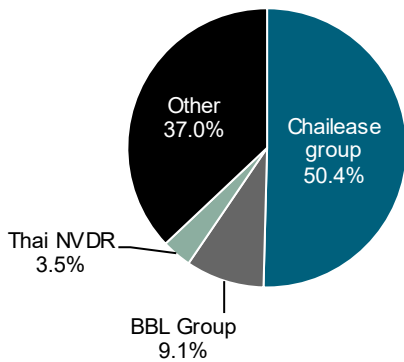
2) SK Insurance Broker (SKIB), conducting both life- and non-life insurance brokerage businesses. As of 4Q23, c80-90% of insurance fee income came from mandatory insurance, leading its operation to primarily have a parallel movement with the growth of new loan underwriting.

The financial statements of both companies are presented on a consolidated basis, as ASK has had 100% shareholding as of 2023.

As of 2023, ASK's portfolio consisted of hire-purchase receivables (90%), a growing portion of title loans (8%), and corporate leasing (2%). Its HP business operation was mainly dominated by trucks, of which 63% were new trucks, leaving the remaining 37% used trucks. The firm's loan portfolio is primarily dominated by truck title loans, where ASK underwrites its former HP customers, for whom the company tracks records and insights into their income streams, repayment behavior, and vehicle condition.

During 2019-22, ASK had 3Y CAGR net profit growth at 20.3% under a robust loan growth backdrop achieved at 17.9% p.a. under the same period. However, in 2023, the firm's bottom-line growth saw a drop of 19.4% y-y, finishing at THB1.2b, mainly from 1) higher market competition during a year with limited truck demand, while the firm's loan growth slowed to 11% y-y (from 21% y-y in 2022), but was still higher than the other major industry peer, namely THANI, at 0.7% y-y; and 2) deteriorating asset quality and credit cost pressure, resulting in a higher NPL ratio and a larger inventory of foreclosed trucks. Both factors led to rising ECL on loans and losses on sales of repossessed NPAs, resulting in a credit cost of 2.49% from 2.05% in 2022.

Exhibit 11: Major shareholders, as of 31 December 2023



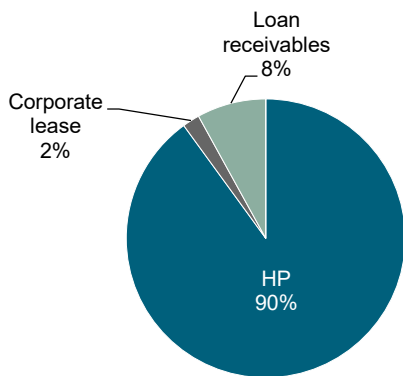
Source: ASK

Exhibit 12: Company structure, as of 2023



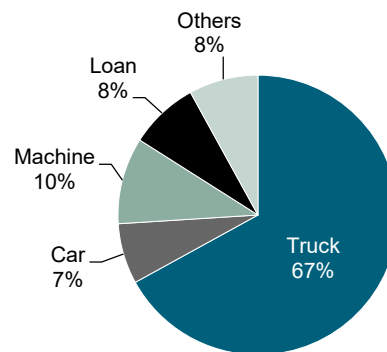
Source: ASK

Exhibit 13: Portfolio breakdown by products, as of 2023



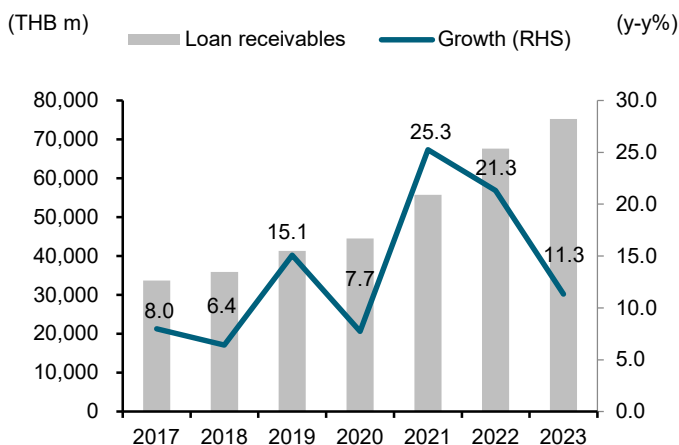
Sources: ASK; FSSIA's compilation

Exhibit 14: Portfolio breakdown by collaterals, as of 2023



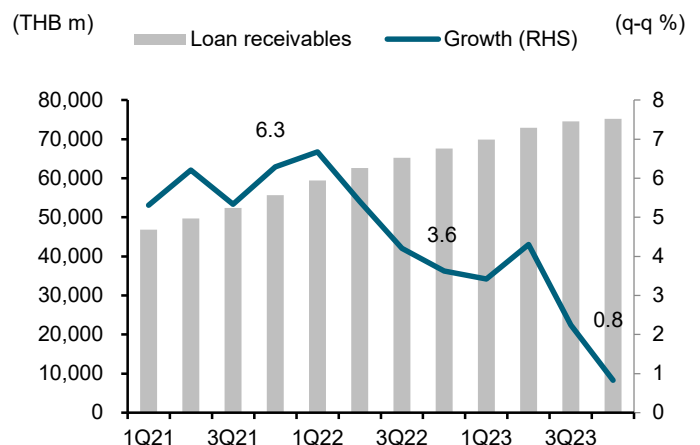
Sources: ASK; FSSIA's compilation

Exhibit 15: Loan growth, 2017-23



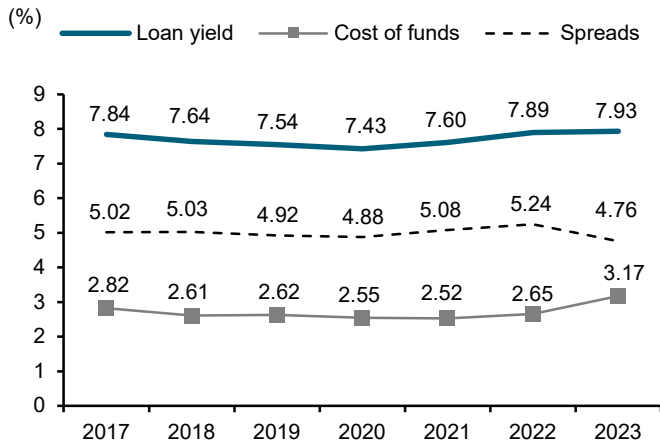
Sources: ASK; FSSIA's compilation

Exhibit 16: Loan growth, 1Q21-4Q23



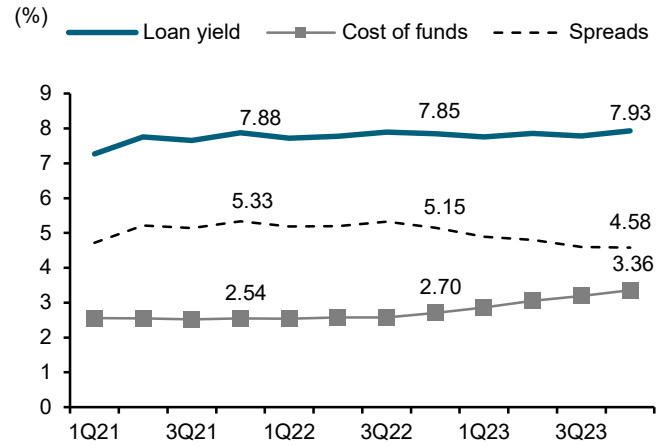
Sources: ASK; FSSIA's compilation

**Exhibit 17: Yield, cost of funds, and spreads, 2017-23**



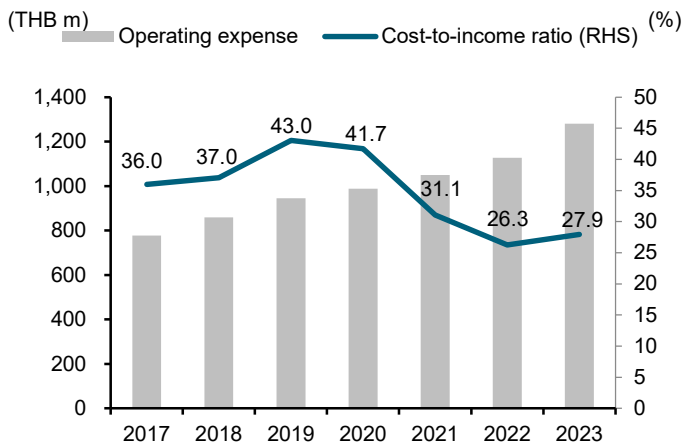
Sources: ASK; FSSIA's compilation

**Exhibit 18: Yield, cost of funds, and spreads, 1Q21-4Q23**



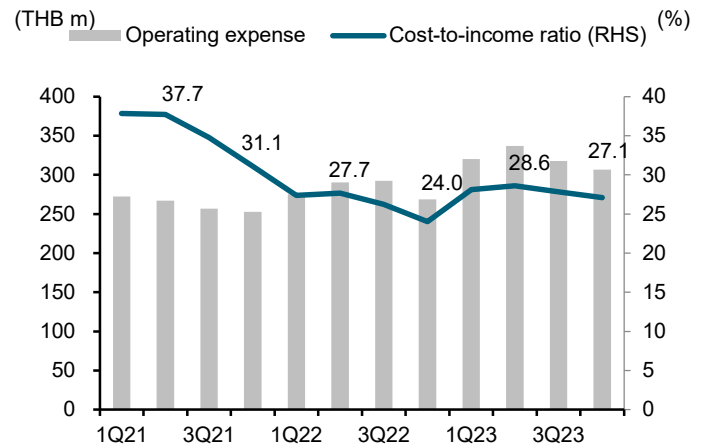
Sources: ASK; FSSIA's compilation

**Exhibit 19: OPEX and CIR, 2017-23**



Sources: ASK; FSSIA's compilation

**Exhibit 20: OPEX and CIR, 1Q21-4Q23**



Sources: ASK; FSSIA's compilation

**Exhibit 21: Summary of loan growth and yield by product segment, 2021-23**

	2021 (THB m)	2022 (THB m)	2023 (THB m)	1Q23 (THB m)	2Q23 (THB m)	3Q23 (THB m)	4Q23 (THB m)
<b>Hire purchase</b>							
Gross loan	49,888	60,638	67,716	62,876	65,694	67,221	67,716
Loan yield (%)	7.26	7.54	7.50	7.36	7.43	7.35	7.47
Growth (y-y%)	22.5	21.5	11.7	n/a	n/a	14.8	11.7
Growth (q-q%)				3.7	4.5	2.3	0.7
<b>Financial lease</b>							
Gross loan	1,114	1,255	1,325	1,273	1,286	1,328	1,325
Loan yield (%)	6.61	6.73	6.64	6.43	6.62	6.72	6.72
Growth (y-y%)	37.4	12.7	5.6	n/a	n/a	3.3	5.6
Growth (q-q%)				1.4	1.1	3.2	-0.2
<b>Title loan</b>							
Gross loan	4,559	5,629	6,141	5,771	5,949	6,019	6,141
Loan yield (%)	12.33	12.01	12.89	12.37	12.81	12.87	13.31
Growth (y-y%)	62.9	23.5	9.1	n/a	n/a	13.6	9.1
Growth (q-q%)				2.5	3.1	1.2	2.0

Sources: ASK; FSSIA's compilation

### Asset quality to continue exerting pressure

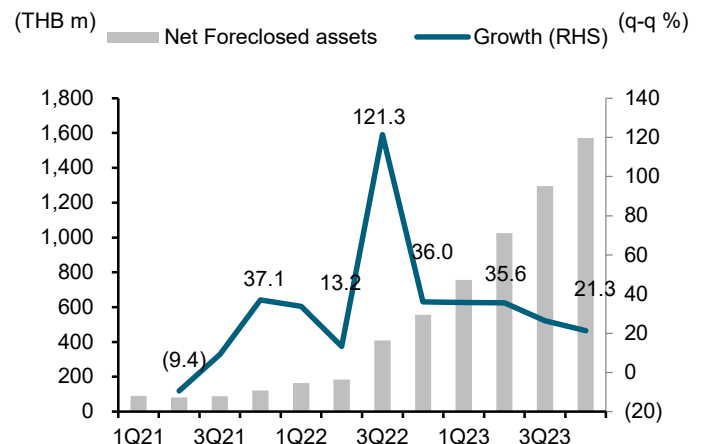
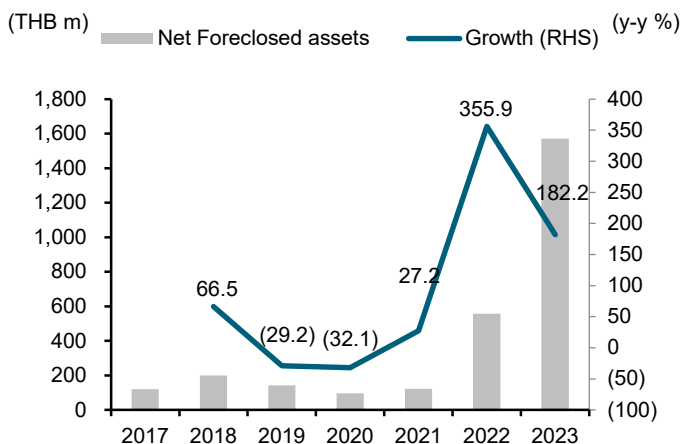
In 2023, ASK's asset quality was severely affected by various factors, including weak export performance following soft global demand, higher energy prices, soft export/border trade performance, and the tight liquidity condition of the construction sector, especially those related to mega projects with direct links to the delayed government budgeting. Meanwhile, the consumer product and the agricultural sectors barely held up positively. In addition, the NPL pressure stemmed from ASK's aggressive loan growth strategy amid a year of low truck demand in 2023, causing it to tap into lower quality retail and small business segments.

The NPL ratio exhibited an increasing trend throughout 2023, and most stress was felt in 2H23, finishing at 4.71% by the end of 4Q23, from 3.48% at the end of 2022, marking the highest level in seven years after 5.95% in 2016, and exceeding ASK's 2023 target of 4.0%. Conversely, the coverage ratio dropped from 75% in 2022 to only 62% in 2023, representing a six-year low. Meanwhile, the rising proportion of stage 2 loans, which increased from 6.8% in 2022 to 8.7% in 2023, also hints at a further formation of new NPLs in 2024. ASK has adopted a stricter lending stance since 3Q23 as a preventive measure.

ASK's repossessed truck situation increased, finishing 2023 with 1,522 units of foreclosed assets compared to 587 units in 2022 due to the acceleration of repossession activity since 3Q23 – a strategy to prevent further losses from aging trucks, leading the average days past due of ASK's stage 3 loans to be within the range of 90-120 days, as of 4Q23. Following a declining trend in used truck prices, losses from sales of NPAs significantly rose to THB570m in 2023 from THB228m in 2022. In contrast, the loss rate on sales was reduced to c28% per unit compared to the 2021-22 average of c30-31%, as its current inventory is primarily dominated by new trucks manufactured in 2022-23 (mint condition). For 2024, management expects a y-y higher number of repossessed trucks, hinting at prolonged pressure on the bottom-line results.

Exhibit 22: Net book value of foreclosed assets, 2017-23

Exhibit 23: Net book value of foreclosed assets, 1Q21-4Q23



Sources: ASK; FSSIA's compilation

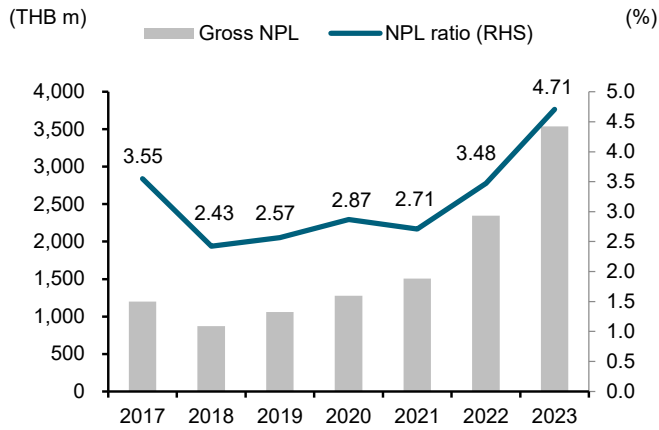
Sources: ASK; FSSIA's compilation

During the 4Q23 analyst meeting, management needed to show more enthusiasm to raise its coverage ratio, which declined due to rising NPLs despite having a long-term target set at 70%. ASK believes that maintaining a prudent lending policy and proactive bad debt management could unwind its NPL situation and aid in the clearance of repossessed trucks by 2Q24, improving the coverage ratio without a significant increase in ECL expenses and credit costs. However, we view the target as quite challenging.

We expect its ECL expenses to continue increasing y-y from 1) higher provisions on loan quality on our expectation of a soft macro backdrop and the termination of the Covid debt moratorium, which should lead debtors to return to normalized repayment terms; and 2) losses on sales of NPAs, following a higher amount of sales in 2024 compared to 2023, resulting in an expected credit cost of 2.85% for the year, finishing at a lower coverage ratio of 58%.

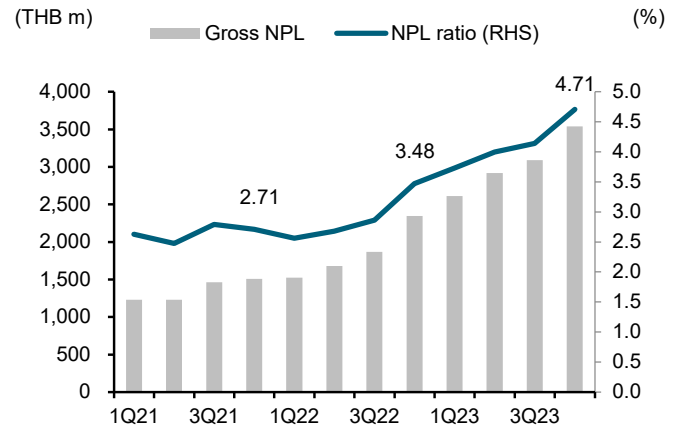


Exhibit 24: NPLs and NPL ratio, 2017-23



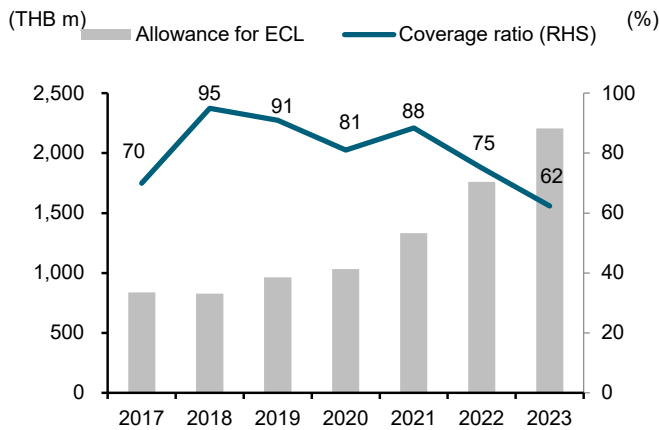
Sources: ASK; FSSIA's compilation

Exhibit 25: NPLs and NPL ratio, 1Q21-4Q23



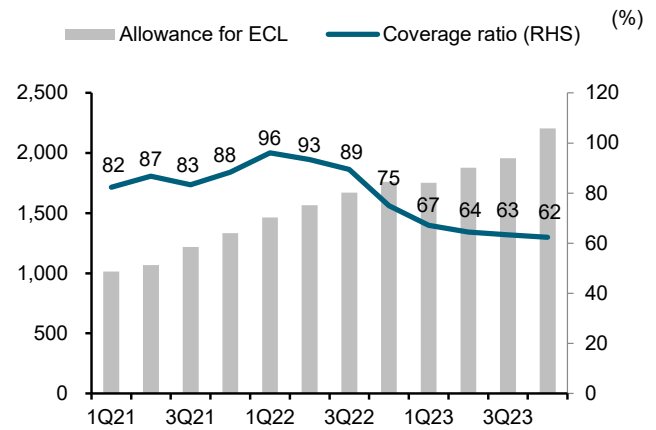
Sources: ASK; FSSIA's compilation

Exhibit 26: Allowance for expected credit loss and coverage ratio, 2017-23



Sources: ASK; FSSIA's compilation

Exhibit 27: Allowance for expected credit loss and coverage ratio, 1Q21-4Q23



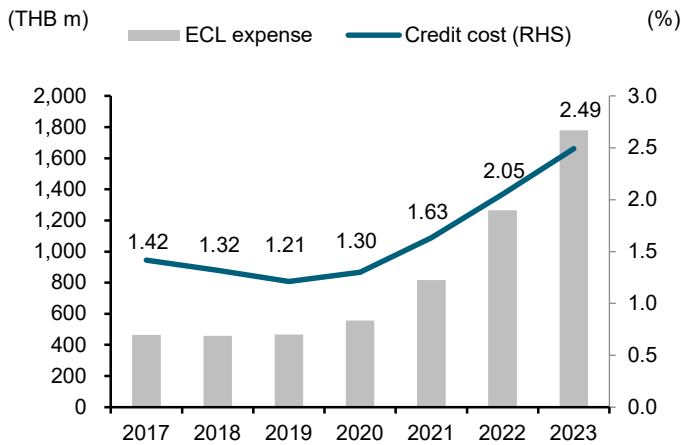
Sources: ASK; FSSIA's compilation

Exhibit 28: Staged loans and ECL, 2021-23

	2021	2022	2023				2021	2022	2023			
	(THB m)	(THB m)	1Q23 (THB m)	2Q23 (THB m)	3Q23 (THB m)	4Q23 (THB m)	(%)	(%)	1Q23 (%)	2Q23 (%)	3Q23 (%)	4Q23 (%)
<b>Staged loans</b>							<b>% Staged loans</b>					
Stage 1	51,849	60,667	62,651	64,672	65,918	65,205	93.0	89.7	89.5	88.6	88.3	86.6
Stage 2	2,372	4,591	4,726	5,413	5,633	6,514	4.3	6.8	6.8	7.4	7.5	8.7
Stage 3	1,508	2,347	2,610	2,916	3,089	3,539	2.7	3.5	3.7	4.0	4.1	4.7
Total	55,729	67,605	69,987	73,001	74,640	75,257	100.0	100.0	100.0	100.0	100.0	100.0
<b>Allowance for ECL</b>							<b>% ECL by stage to total ECL</b>					
Stage 1	527	566	503	462	509	528	39.6	32.1	28.7	24.6	26.0	23.9
Stage 2	301	500	515	586	594	766	22.6	28.4	29.4	31.2	30.3	34.7
Stage 3	505	696	735	831	854	912	37.9	39.5	41.9	44.2	43.7	41.3
Total	1,333	1,761	1,753	1,879	1,956	2,205	100.0	100.0	100.0	100.0	100.0	100.0
<b>LLR / Loans</b>	(%)	(%)	(%)	(%)	(%)	(%)						
Stage 1	1.0	0.9	0.8	0.7	0.8	0.8						
Stage 2	12.7	10.9	10.9	10.8	10.5	11.8						
Stage 3	33.5	29.7	28.1	28.5	27.7	25.8						
Total	2.4	2.6	2.5	2.6	2.6	2.9						
<b>NPL / TL</b>	(%)	(%)	(%)	(%)	(%)	(%)						
NPL / TL	2.7	3.5	3.7	4.0	4.1	4.7						
NPL vs. Stage 2 loans / TL	7.0	10.3	10.5	11.4	11.7	13.4						
LLR / NPL	88	75	67	64	63	62						
LLR / (NPL vs. Stage 2)	34	25	24	23	22	22						

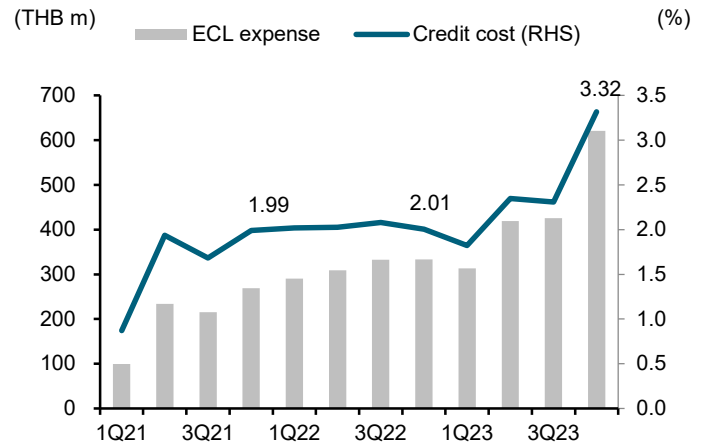
Sources: ASK; FSSIA's compilation

**Exhibit 29: Credit cost, 2017-23**



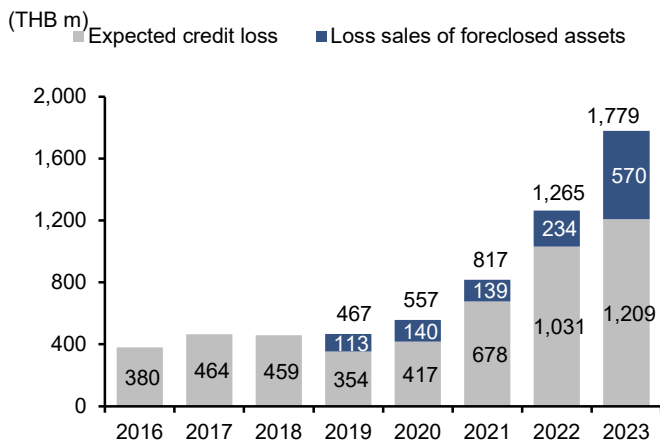
Sources: ASK; FSSIA's compilation

**Exhibit 30: Credit cost, 1Q21-4Q23**



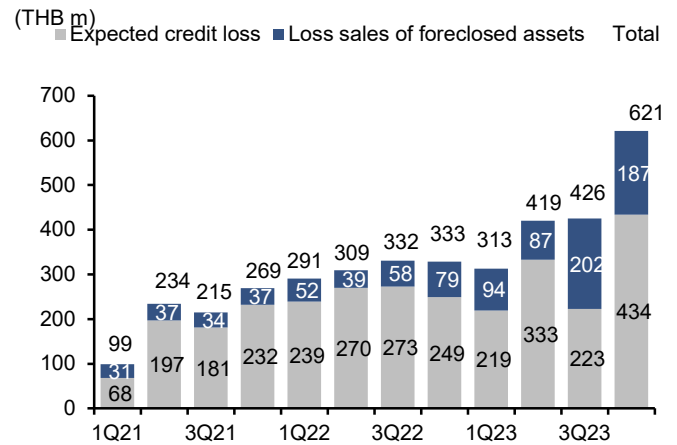
Sources: ASK; FSSIA's compilation

**Exhibit 31: ECL loss on sales of NPAs, 2016-23**



Note: The company has no separate disclosure of loss on NPAs for years prior to 2019  
Sources: ASK; FSSIA's compilation

**Exhibit 32: ECL and loss on sales of NPAs, 1Q21-4Q23**



Sources: ASK; FSSIA's compilation

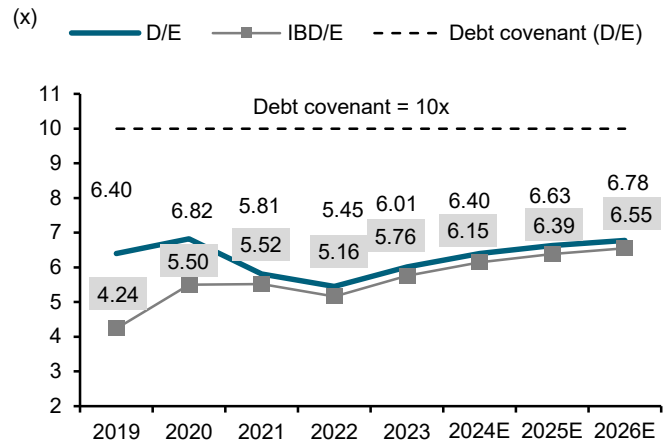
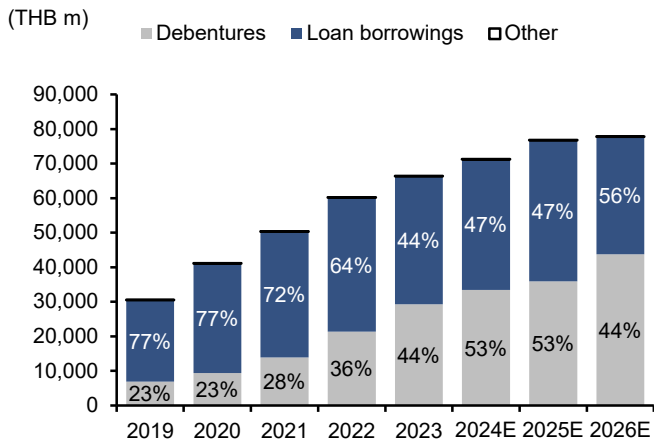
### Manageable leverage on low growth expectation in 2024

Throughout 2019-21, bank loan borrowings were ASK’s primary funding source, at a proportion of 72-77% of total interest-bearing debt (IBD). However, due to the influence of the rising policy rate since 2022, the firm began migrating to higher reliance on debentures to reduce funding cost pressure, noticeable in the increasing proportion of the source. We expect the trend to continue into 2024-26.

Following its aggressive loan growth, ASK’s outstanding IBD rose by 29% p.a. during 2019-23. However, due to its capital raise, it could sustain the D/E ratio within the range of 5.45-6.82x. Management has a policy of further raising capital when the ratio approaches 7-8x. In 2023, the figure finished at 6.01x (against the debenture covenant set at 10x). Because of our low expectation for 2024 loan growth, we see its prospective financial position as manageable, likely finishing at a D/E ratio of 6.52x.

**Exhibit 33: Breakdown of ASK’s interest-bearing debt, 2019-26E**

**Exhibit 34: Leverage ratios, 2019-26E**



Sources: ASK; FSSIA’s compilation

Sources: ASK; FSSIA’s compilation

## An inferior position relative to its closest peer

We have a weaker outlook for ASK than for its primary competitor, THANI. However, we do not expect both lenders to have strong growth in net profit in 2024, as our view on the industry remains meager and linked with the high economic uncertainty. However, we expect ASK to have lesser prospects as we see its asset quality remaining under a higher amount of pressure due to its aggressive loan growth strategy among retail customers in 2023, leading to a higher expectation of ECL for loans.

Meanwhile, despite having a superior degree of losses on sales of NPAs at c28% (vs THANI's c30%), we expect ASK to bear high losses due to 1) lower allowance on stage 3 loans (as of 2023, S3 ECL/S3 loans for ASK and THANI equaled 25.8% and 32.9%, respectively); and 2) a higher inventory of trucks at c1,300 units compared to THANI's c300 units. Therefore, we see THANI as having more potent asset quality, a lower NPL ratio and a firmer cushion in terms of its NPL coverage ratio.

As of 2023, ASK's yield on loans was 7.93%, higher than THANI's at 6.81% due to 1) a higher proportion of high-yield used trucks (ASK = 37%, THANI = 30%); and 2) its superior proportion of high-yield title loans (ASK= 8%, THANI = 1.4%). Meanwhile, ASK's 2023 funding cost finished at 3.17%, whereas we forecast the figure to overshoot to 3.58% in 2024 due to debt rollover during the period, leading to a narrower loan spread from 4.76% to 4.36% – a 30 bp decline. Meanwhile, we expect THANI to have the upper hand in its cost of funds, which should inflate at a lesser degree from 2.85% in 2023 to c3.10-3.20% in 2024, resulting in a c24-34 bp decline in spreads, mainly for its long-term oriented funding strategy.

### Exhibit 35: Key operations summary of industry peers

	THANI			ASK		
	2021 (THB m)	2022 (THB m)	2023 (THB m)	2021 (THB m)	2022 (THB m)	2023 (THB m)
Gross loan	49,396	53,660	54,061	55,682	67,538	75,182
Growth (y-y%)	3.0	8.6	0.7	25.2	21.3	11.3
Net profit	1,709	1,753	1,287	1,203	1,512	1,219
Growth (y-y%)	(8.1)	2.5	(26.6)	36.2	25.7	(19.4)
Yields (%)	7.05	6.81	6.81	7.60	7.89	7.93
Cost of funds (%)	2.49	2.40	2.85	2.52	2.65	3.17
Interest spreads (%)	4.55	4.41	3.96	5.08	5.24	4.76
Operating expense	585	774	737	1,049	1,127	1,281
Growth (y-y%)	(6.6)	3.2	(0.1)	(26.1)	12.1	9.2
Cost-to-income (%)	17.64	21.99	21.50	31.09	26.27	27.92
Expected credit loss	586	555	1,048	817	1,265	1,779
Credit cost (%)	1.20	1.08	1.95	1.63	2.05	2.49
NPL ratio (%)	3.77	2.51	3.19	2.71	3.48	4.71
Coverage ratio (%)	80	116	97	88	75	62
ECL (Stage 3) / Stage 3 loans	29	30	33	33	30	26
Foreclosed assets - net	98	238	443	122	557	1,570
ROAA (%)	3.5	3.4	2.4	2.4	2.4	1.7
ROAE (%)	15.3	14.7	10.3	16.1	15.5	11.7
D/E ratio (x)	3.3	3.4	3.4	5.1	5.7	6.3
IBD/E ratio (x)	3.2	3.3	3.3	4.8	5.5	6.0

Sources: Company data; FSSIA's compilation

## 2024 to mark a trough in profit over credit cost burden

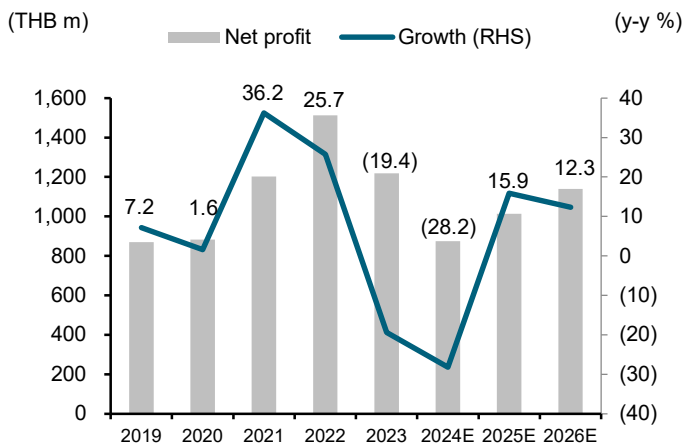
We have a soft 2024 outlook for ASK, where we forecast loan growth to slow to 5.4% y-y (lower than management's two-digit growth target) on the expectation of a stricter lending policy compared to 2023. We expect the cost of funds to rise sharply from 3.17% in 2023 to 3.58% in 2024 (in line with management's guidance of 3.50-3.60%), as a more significant portion of debt would reach maturity during the year compared to 2023, resulting in flat growth in net interest income. Accordingly, the cost-to-income ratio should also exhibit a rising trend to 28.96% from 27.92% in 2023.

In 2024, we estimate the NPL ratio to rise further to 5.21%, following a slower macro momentum and delayed government spending. Throughout the year, we expect the firm to continue its proactive NPL management (debt restructuring, write-offs, and asset foreclosure) and accelerate the sale of its repossessed truck inventories.

Therefore, we forecast a higher credit cost at 2.85% in 2024 from 2.49% in 2023, influenced by both increasing loan provisions and losses on sales of repossessed trucks, which should climb due to the higher quantity of units and a higher average loss rate from c28% in 2023 to c30% in 2024, as ASK and industry players tend to prioritize sales to minimize further losses on aging trucks.

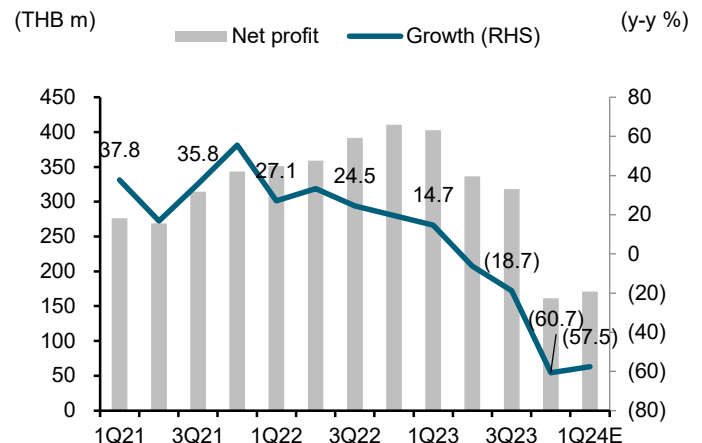
For the negative outlook mentioned above, we expect the 2024 net profit to finish at THB875m, dropping by 28.2% y-y. For 2025-26, we estimate the net profit to grow at a rate of 14.1% CAGR, remaining lower than ASK's historical performance of c20% p.a., as a result of 1) 8.0% CAGR loan growth; and 2) a moderately lower credit cost burden following its more stringent lending policy since 2H23, but it should remain within a high range of 2.49-2.61% as we do not expect a rapid recovery in asset quality.

**Exhibit 36: Net profit and growth, 2019-26E**



Sources: ASK; FSSIA estimates

**Exhibit 37: Net profit and growth, 1Q21-1Q24E**



Sources: ASK; FSSIA estimates

We expect a 1Q24 net profit of THB170m (up 5.3% q-q, but down 57.8% y-y), accounting for 19% of our whole-year forecast due to the expectation of a heavy ECL burden during 1H24. We estimate a PPOP of THB778m, declining by 5.7% q-q and 4.8% y-y. On both a q-q and y-y basis, we expect the key drags to emerge from 1) slower loan growth of 0.8% q-q and 8.4% y-y, as we estimate 1Q24 new loan bookings at cTHB7.7b (up 6.0% q-q, but down 17.7% y-y) on a less aggressive lending policy; 2) a rising cost of funds against a q-q lower yield on seasonality, causing the loan spread to narrow by 17 bps q-q; and 3) muted non-NII growth due to underperforming loan fees and insurance fees.

We forecast the 1Q24 ECL expense to stay at a high level of THB566m (down 8.8% q-q, but up 80.8% y-y), implying a credit cost of 3.00%. We expect the figure to decline q-q as in 4Q23 as management has set aside cTHB101m in management overlay. We forecast the provision on loan quality to remain stable q-q at THB306m, while the impairment loss on NPAs should continue to increase from THB185m in 4Q23 to THB260m in 1Q24, aligning with the firm's NPA clearance policy.

Regarding its asset quality, we forecast the 1Q24 NPL ratio to have a meaningful q-q spike from 4.71% to 5.24% as the overall quality of the portfolio deteriorates along with the economic conditions, while there should be a further downfall from the unraveling of Covid-TDR debtors. According to our forecasts, we expect the coverage ratio to finish lower at 61% in 1Q24 from 62% in 4Q23. For its repossessed assets, we expect management's policy to rush truck foreclosures from the troubled portfolio to result in increased bookings of foreclosed assets from THB1.57b in 4Q23 to 1.87b in 1Q24.

### Exhibit 38: ASK – 1Q24E earnings preview

	1Q23	2Q23	3Q23	4Q23	1Q24E	----- Change -----		% of	2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	2024E	(THB m)	(THB m)	(y-y %)
Interest income	1,333	1,403	1,436	1,485	1,474	(0.8)	10.5	24	5,658	6,127	8.3
Interest expense	408	459	504	538	550	2.2	34.9	23	1,910	2,375	24.4
Net interest income	925	944	932	947	923	(2.4)	(0.2)	25	3,748	3,752	0.1
Non-interest income	213	233	210	185	190	2.8	(10.6)	22	841	884	5.1
Operating income	1,138	1,178	1,142	1,132	1,114	(1.6)	(2.1)	24	4,589	4,636	1.0
Operating expenses	320	337	318	307	335	9.4	4.8	25	1,281	1,343	4.8
Pre-provision operating profit	818	841	824	825	778	(5.7)	(4.8)	24	3,308	3,293	(0.4)
Expected credit loss	313	419	426	621	566	(8.8)	80.8	26	1,779	2,200	23.6
Income tax	102	84	81	43	42	(1.1)	(58.4)	19	310	219	(29.5)
<b>Net profit</b>	<b>403</b>	<b>337</b>	<b>318</b>	<b>161</b>	<b>170</b>	<b>5.3</b>	<b>(57.8)</b>	<b>19</b>	<b>1,219</b>	<b>875</b>	<b>(28.2)</b>
EPS (THB)	0.76	0.64	0.60	0.31	0.32	5.3	(57.8)	19	2.31	1.66	(28.2)
<b>Key balance sheet items</b>											
Gross loans	69,919	72,929	74,567	75,182	75,792	0.8	8.4		75,182	79,255	5.4
Interest bearing debt	58,023	62,209	64,104	64,190	65,415	1.9	12.7		64,190	68,523	6.8
<b>Leverage ratios</b>	<b>(x)</b>	<b>(x)</b>	<b>(x)</b>	<b>(x)</b>	<b>(x)</b>				<b>(x)</b>	<b>(x)</b>	
D/E	5.7	6.3	6.3	6.3	6.3				6.3	6.5	
IBD/E	5.5	6.1	6.1	6.0	6.0				6.0	6.3	
<b>Asset quality ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>		<b>(%)</b>	<b>(%)</b>	
Gross NPL (THB m)	2,610	2,916	3,089	3,539	3,928	11.0	50.5		3,539	4,132	16.8
NPL / TL	3.73	4.00	4.14	4.71	5.24				4.71	5.21	
LLR	1,753	1,879	1,956	2,205	2,339	6.1	33.4		2,205	2,414	9.5
Coverage ratio	67	64	63	62	61				62	58	
Credit cost	1.82	2.35	2.31	3.32	3.00				2.49	2.85	
<b>Profitability ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>				<b>(%)</b>	<b>(%)</b>	
Cost-to-income ratio	28.13	28.63	27.81	27.09	30.11	306			27.92	28.96	
Average loan yield	7.76	7.86	7.79	7.93	7.81				7.93	7.94	
Cost of funds	2.86	3.05	3.19	3.36	3.40				3.17	3.58	
Loan yield spreads	4.90	4.80	4.60	4.58	4.41				4.76	4.36	
Net interest margins (NIM)	5.46	5.37	5.14	5.15	4.97				5.34	4.96	
Non-NII / Revenue	18.70	19.82	18.37	16.36	17.09				18.33	19.06	
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>						
q-q	3.4	4.3	2.2	0.8	0.8						
y-y	17.7	16.5	14.3	11.2	8.4				11.3	5.4	
YTD	3.4	7.9	10.3	11.2	0.8						

Sources: ASK; FSSIA estimates

### Initiate with HOLD call; limited potential return but attractive dividend yields

As per our view on the company, we have concerns over prolonged credit cost pressure and the deterioration of credit quality. We initiate our coverage on ASK with a HOLD rating as we expect its 2024-26 dividend yield to be able to maintain at an attractive range of 5.8-6.5% over the expected payout ratio of 50-60%. However, our GGM-based valuation yields a 2024 TP of THB18.0, referencing a P/BV ratio of 0.88x (LT-ROE of 8.6%, and COE of 9.3%), implying a limited upside to the current share price.

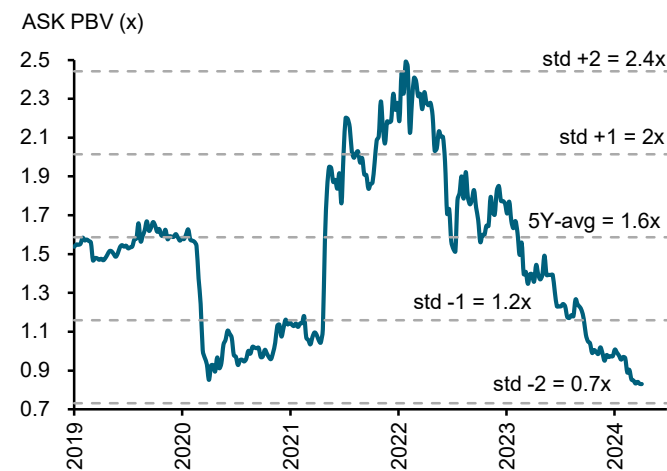
Relative to THANI, we expect ASK to underperform in terms of bottom-line growth in 2024, mainly for its asset quality situation, while both of them are currently trading at P/BV ratios of 0.82x and 1.13x, respectively, which both represent levels near -2SD of their 5Y averages. The source of ASK's inferior valuation stems from its lower coverage ratio, which plays a larger role in its bottom-line uncertainty. However, the unfavorable outlook for the HP truck industry forces ASK to deal with another challenging year in 2024, where asset quality pressure might not unwind rapidly. Therefore, we do not expect a near-term re-rating in the multiple.

Exhibit 39: GGM-based 2024 TP

Gordon Growth Model	2024E (%)
Sustainable ROE	8.6
Terminal growth	3.9
Risk-free	3.0
Expected market return	8.0
Market risk premium	5.0
Cost of equity	9.3
Beta	1.3
<b>Target PBV (x)</b>	<b>0.88</b>
<b>Fair price (THB)</b>	<b>18.0</b>

Source: FSSIA estimates

Exhibit 41: ASK – one-year prospective P/BV band



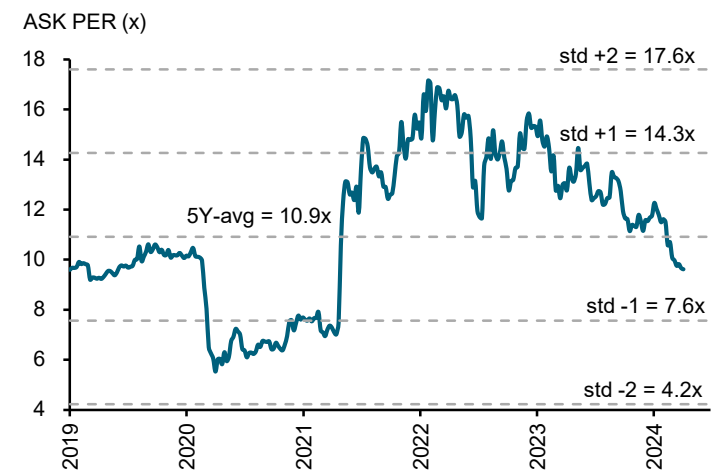
Sources: Bloomberg; FSSIA estimates

Exhibit 40: Share price performance of non-banks under coverage, as of 3 May 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	2.7	(1.8)	5.2	2.3	(0.9)
MTC TB	(1.1)	1.1	13.2	26.8	0.0
SAWAD TB	(6.4)	(0.6)	(11.6)	(28.6)	(1.2)
AEONTS TB	0.3	1.0	3.3	(16.7)	(1.6)
KTC TB	(4.4)	(2.8)	(7.0)	(18.4)	(0.6)
SAK TB	(1.6)	15.0	19.4	(6.3)	18.3
<b>ASK TB</b>	<b>(2.9)</b>	<b>(17.4)</b>	<b>(17.0)</b>	<b>(41.2)</b>	<b>(16.6)</b>
JMT TB	(3.2)	(10.7)	(37.1)	(47.1)	(18.0)
BAM TB	(8.1)	7.7	6.5	(25.2)	11.0
CHAYO TB	(2.7)	(16.6)	(24.5)	(39.6)	(19.6)
<b>SETFIN</b>	<b>(2.6)</b>	<b>(2.8)</b>	<b>(6.7)</b>	<b>(20.0)</b>	<b>(4.4)</b>
<b>SET</b>	<b>(0.4)</b>	<b>(1.9)</b>	<b>(3.3)</b>	<b>(10.7)</b>	<b>(3.2)</b>

Source: Bloomberg

Exhibit 42: ASK – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

## Exhibit 43: Peer comparisons, as of 3 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	157.50	170.00	8	12.1	11.4	1.5	1.4	12.8	12.6	3.5	3.7
Muangthai Capital	MTC TB	HOLD	45.00	43.00	(4)	16.5	12.9	2.6	2.2	16.8	18.3	0.6	0.7
Krungthai Card	KTC TB	HOLD	43.25	46.00	6	14.5	13.9	2.8	2.5	20.3	19.0	3.1	3.2
Srisawad Corp	SAWAD TB	HOLD	40.00	40.00	0	11.1	9.8	1.9	1.6	18.4	18.2	4.5	1.0
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
Ngern Tid Lor	TIDLOR TB	BUY	21.50	27.00	26	13.4	11.3	1.9	1.7	15.4	16.2	2.2	2.7
<b>Asia Sermkij Leasing</b>	<b>ASK TB</b>	<b>HOLD</b>	<b>16.60</b>	<b>18.00</b>	<b>8</b>	<b>10.0</b>	<b>8.6</b>	<b>0.8</b>	<b>0.8</b>	<b>8.1</b>	<b>9.1</b>	<b>6.0</b>	<b>5.8</b>
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	9.05	8.75	(3)	16.4	15.4	0.7	0.7	4.1	4.3	4.1	4.2
Saksiam Leasing	SAK TB	HOLD	4.92	5.28	7	12.4	10.9	1.6	1.5	13.7	14.4	3.1	1.6
Chayo Group	CHAYO TB	BUY	4.38	6.00	37	12.5	10.7	1.3	1.1	11.1	11.3	1.2	1.4
<b>Average</b>						<b>13.2</b>	<b>11.6</b>	<b>1.6</b>	<b>1.5</b>	<b>13.0</b>	<b>13.4</b>	<b>3.5</b>	<b>3.2</b>

Sources: Bloomberg; FSSIA estimates



## Financial Statements

### Asia Sermkij Leasing PCL

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	4,863	5,658	6,127	6,547	7,069
Interest expense	(1,336)	(1,910)	(2,375)	(2,613)	(2,848)
Net interest income	3,527	3,748	3,752	3,935	4,220
Net fees & commission	638	658	658	695	734
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	123	183	225	254	280
Non interest income	761	841	884	949	1,014
Total income	4,288	4,589	4,636	4,884	5,234
Staff costs	(772)	(908)	(953)	(1,049)	(1,153)
Other operating costs	(355)	(373)	(389)	(415)	(443)
Operating costs	(1,127)	(1,281)	(1,343)	(1,464)	(1,596)
Pre provision operating profit	3,161	3,308	3,293	3,420	3,638
Expected credit loss	(1,265)	(1,779)	(2,200)	(2,152)	(2,214)
Other provisions	-	-	-	-	-
Operating profit	1,896	1,529	1,094	1,268	1,424
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	1,896	1,529	1,094	1,268	1,424
Tax	(384)	(310)	(219)	(254)	(285)
Profit after tax	1,512	1,219	875	1,014	1,139
Non-controlling interest	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,512	1,219	875	1,014	1,139
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	1,512	1,219	875	1,014	1,139
<b>Per share (THB)</b>					
Recurring EPS *	2.86	2.31	1.66	1.92	2.16
Reported EPS	2.86	2.31	1.66	1.92	2.16
DPS	1.14	1.16	0.99	0.96	1.08
<b>Growth</b>					
Net interest income (%)	27.4	6.3	0.1	4.9	7.3
Non interest income (%)	25.5	10.5	5.1	7.4	6.8
Pre provision operating profit (%)	35.9	4.6	(0.4)	3.9	6.4
Operating profit (%)	25.6	(19.4)	(28.5)	15.9	12.3
Reported net profit (%)	25.7	(19.4)	(28.2)	15.9	12.3
Recurring EPS (%)	25.7	(19.4)	(28.2)	15.9	12.3
Reported EPS (%)	25.7	(19.4)	(28.2)	15.9	12.3
<b>Income Breakdown</b>					
Net interest income (%)	82.3	81.7	80.9	80.6	80.6
Net fees & commission (%)	14.9	14.3	14.2	14.2	14.0
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	2.9	4.0	4.9	5.2	5.3
<b>Operating performance</b>					
Gross interest yield (%)	7.89	7.92	7.93	7.94	7.95
Cost of funds (%)	2.65	3.17	3.58	3.66	3.71
Net interest spread (%)	5.23	4.75	4.32	4.28	4.25
Net interest margin (%)	5.80	5.34	4.95	4.92	4.93
Cost/income(%)	26.3	27.9	29.0	30.0	30.5
Cost/assets(%)	1.8	1.7	1.7	1.7	1.7
Effective tax rate (%)	20.3	20.3	20.0	20.0	20.0
Dividend payout on recurring profit (%)	39.8	50.2	60.0	50.0	50.0
ROE (%)	15.5	11.7	8.1	9.1	9.7
ROE - COE (%)	6.3	2.4	(1.1)	(0.2)	0.5
ROA (%)	2.4	1.7	1.1	1.2	1.2
RORWA (%)	-	-	-	-	-

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

Sources: Asia Sermkij Leasing PCL ; FSSIA estimates

## Financial Statements

### Asia Sermkij Leasing PCL

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	67,538	75,182	79,255	85,560	92,368
Allowance for expected credit loss	(1,761)	(2,205)	(2,414)	(2,579)	(2,757)
interest in suspense	68	75	83	90	97
<b>Net customer loans</b>	<b>65,844</b>	<b>73,052</b>	<b>76,924</b>	<b>83,071</b>	<b>89,708</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	-	-	-	-	-
Cash & equivalents	747	666	535	656	356
Other interesting assets	0	0	0	0	0
Tangible fixed assets	743	2,048	2,886	2,651	2,394
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	61	45	46	47	47
Other assets	1,753	1,718	1,744	1,770	1,796
<b>Total assets</b>	<b>69,149</b>	<b>77,529</b>	<b>82,134</b>	<b>88,195</b>	<b>94,302</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	56,169	64,190	68,523	74,084	79,548
Non interest bearing liabilities	2,725	2,681	2,691	2,701	2,712
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>58,894</b>	<b>66,870</b>	<b>71,213</b>	<b>76,784</b>	<b>82,260</b>
Share capital	2,639	2,639	2,639	2,639	2,639
Reserves	7,615	8,019	8,282	8,771	9,403
<b>Total equity</b>	<b>10,255</b>	<b>10,659</b>	<b>10,921</b>	<b>11,410</b>	<b>12,042</b>
Non-controlling interest	0	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>69,149</b>	<b>77,529</b>	<b>82,134</b>	<b>88,195</b>	<b>94,302</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	60,803	70,155	75,588	80,593	86,896
Average interest bearing liabilities	50,364	60,179	66,356	71,303	76,816
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)	2,347	3,539	4,132	4,249	4,376
<b>Per share (THB)</b>					
Book value per share	19.43	20.19	20.69	21.62	22.81
Tangible book value per share	19.31	20.11	20.60	21.53	22.72
<b>Growth</b>					
Gross customer loans	21.3	11.3	5.4	8.0	8.0
Average interest earning assets	22.9	15.4	7.7	6.6	7.8
Total asset (%)	22.0	12.1	5.9	7.4	6.9
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	14.8	13.7	13.3	12.9	12.8
Tangible equity/assets (%)	14.7	13.7	13.2	12.9	12.7
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	55.6	50.8	16.8	2.8	3.0
NPL/gross loans (%)	3.5	4.7	5.2	5.0	4.7
Allowance for ECL/gross loans (%)	2.6	2.9	3.0	3.0	3.0
Allowance for ECL/NPL (%)	75.0	62.3	58.4	60.7	63.0
<b>Valuation</b>					
Recurring P/E (x) *	5.8	7.2	10.0	8.6	7.7
Recurring P/E @ target price (x) *	6.3	7.8	10.9	9.4	8.3
Reported P/E (x)	5.8	7.2	10.0	8.6	7.7
Dividend yield (%)	6.9	7.0	6.0	5.8	6.5
Price/book (x)	0.9	0.8	0.8	0.8	0.7
Price/tangible book (x)	0.9	0.8	0.8	0.8	0.7
Price/tangible book @ target price (x)	0.9	0.9	0.9	0.8	0.8

Sources: Asia Sermkij Leasing PCL ; 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 <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																												
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&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
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 &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" data-bbox="877 1131 1500 1187"> <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="1" data-bbox="255 1388 1500 1590"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></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><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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
Asia Sermkij Leasing PCL	ASK TB	THB 16.60	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
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.
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.
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.
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.
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.
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.

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.