

SRISAWAD CORP

SAWAD TB

THAILAND / FINANCE & SECURITIES

HOLD

UNCHANGED

TARGET PRICE	THB40.00
CLOSE	THB40.00
UP/DOWNSIDE	+0.0%
PRIOR TP	THB40.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-10.0%

Prioritizing balance sheet clean-up

- 1Q24 results might not be impressive following SAWAD's desire to focus on proactive asset quality management rather than growth.
- Since the clean-up process is expected to finish in 2Q24, we anticipate SAWAD's net profit growth to tilt in 2H24.
- We reiterate our HOLD recommendation with a 2024 TP of THB40.

Limited impact on 1Q24E profit despite proactive debt management

Typically, 1H is SAWAD's low season with unfavorable loan demand. Thus, we expect the 1Q24 net profit to contract by 0.3% q-q but expand by 5.2% y-y, amounting to THB1.26b and accounting for 23% of our full-year net profit forecast. The expected PPOP also aligns with the same trend, worth THB2.11b in the quarter, decreasing by 7.6% q-q but increasing by 13.8% y-y. For the q-q comparison, the expectation of rising losses on sales of repossessed cars, mainly from its subsidiary SCAP (72%), drives the group's projected operating expenses and the cost-to-income ratio in 1Q24 to 54.3%. The expected 1Q24 NII should post slight growth of 1.3% q-q, aligning with a continued loan expansion of 1.5% q-q and 52.6% y-y despite SCAP's aggressive debt write-offs. The expected 1Q24 spread should drop by 44bp to 14.70% owing to the continued drop in loan yields amid the rising cost of funds.

Accelerated NPLs with a high credit cost level

SAWAD has taken proactive measures to address the aggressive debt write-offs in 1Q24. It disclosed that most of these write-offs concentrated on SCAP's vulnerable segment, where LTV exceeds 70%. However, the expected NPL ratio accelerated to 3.18%, which aligns with its 2024 guidance of below 3.50%. By contrast, the expected credit costs declined to 205bp, exceeding its 2024 guidance of 180bp, leading the predicted coverage ratio to drop to 51.8%. However, SAWAD reaffirms that the expected credit costs should dive in 2Q24 and normalize in 2H24.

Maintain forecast; tilting toward profit growth in 2H24

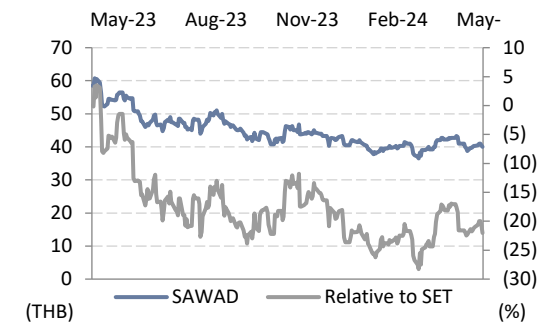
Since most of our 1Q24 earnings preview aligns with our conservative full-year forecast, we maintain our 2024-26E earnings growth at a 12.1% CAGR. The crucial drivers comprise the expected loan growth, particularly title loans at 17.5% p.a., and a continued spread recovery in 2025-26, which could help offset the expected high cost-to-income ratio and credit cost level following our conservative approach.

Retain HOLD recommendation

Our 2024 GGM-based valuation for SAWAD suggests a TP of THB40, which implies a P/BV of 1.72x under the expected LT ROE of 18.1% and COE of 12.6%, which still leaves a limited potential upside at the current share price. We prefer TIDLOR (BUY; TP THB27) to SAWAD because of its superior earnings growth potential and more solid asset quality.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	6,629	7,001	7,933	9,054
Net profit	5,001	5,445	6,169	7,042
EPS (THB)	3.64	3.60	4.08	4.66
vs Consensus (%)	-	(6.6)	(5.9)	(9.6)
Recurring net profit	5,001	5,445	6,169	7,042
Core EPS (THB)	3.64	3.60	4.08	4.66
Chg. In EPS est. (%)	-	0.0	0.0	0.1
EPS growth (%)	11.7	(1.0)	13.3	14.2
Core P/E (x)	11.0	11.1	9.8	8.6
Dividend yield (%)	0.3	1.1	1.1	1.2
Price/book (x)	1.9	1.9	1.6	1.4
ROE (%)	18.6	18.4	18.2	17.7
ROA (%)	5.8	4.6	4.5	4.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.9)	1.3	(28.6)
Relative to country (%)	(5.5)	2.3	(20.1)
Mkt cap (USD m)	1,492		
3m avg. daily turnover (USD m)	6.4		
Free float (%)	45		
Major shareholder	Kaewbootta Family (28%)		
12m high/low (THB)	61.00/36.00		
Issued shares (m)	1,373		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

- We maintain our neutral view of SAWAD's outlook following its balance sheet clean-up process in 1H24. Despite the expected impacts aligning with its 2024 guidance, the 1H24 performance and share price should be pressured until the visibility trend of its loss on sales of repossessed cars and credit costs emerges.
- We expect 2024-26 net profit to grow at a mere 12.1% CAGR with a main supporting factor from title loans.
- We maintain our HOLD recommendation at the current price due to its limited potential returns. We prefer TIDLOR (BUY; TP THB27) to SAWAD because of its superior earnings growth potential and more solid asset quality.

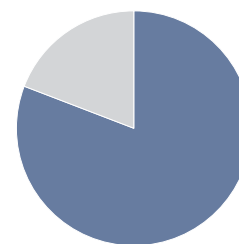
Company profile

SAWAD provides loan services to retail customers. Its business operations can be classified into four main categories: 1) auto title loans against all types of used vehicles, homes, and land; 2) unsecured personal loans; 3) motorcycle hire-purchase; and 4) asset management.

www.meebaanmeerod.com

Principal activities (revenue, 2023)

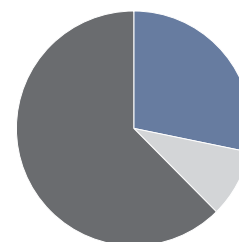
- Net interest income - 80.8 %
- Non-interest income - 19.2 %



Source: Srisawad Corp

Major shareholders

- Kaewbootta Family - 28.2 %
- Thai NVDR - 9.3 %
- Others - 62.4 %



Source: Srisawad Corp

Catalysts

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

Risks to our call

Downside risks 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.

Event calendar

Date	Event
15 May 2024	1Q24 results announcement
17 May 2024	Analyst meeting

Key assumptions

	2024E	2025E	2026E
	(%)	(%)	(%)
Loan growth	17.7	17.4	17.5
HP income growth	12.0	9.3	9.0
Loan income growth	20.0	20.0	20.0
Spread	17.00	17.05	17.22
Credit cost	2.60	2.80	3.00
NPL ratio	3.10	3.30	3.45

Source: FSSIA estimates

Earnings sensitivity

		----- 2024E -----		
Loan growth	±2ppt	15.68	17.68	19.68
% change in net profit		(1.0)		1.0
Spread (%)	±5bp	16.95	17.00	17.05
% change in net profit		(0.3)		0.3
Credit cost (bp)	±10bp	2.50	2.60	2.70
% change in net profit		1.5		(1.5)

Source: FSSIA estimates

Limited impact on 1Q24E profit amid aggressive debt management

Typically, 1H is SAWAD's low season with unfavorable loan demand. Thus, we expect the 1Q24 net profit to contract by 0.3% q-q but expand by 5.2% y-y, amounting to THB1.26b and accounting for 23% of our full-year net profit forecast. The expected PPOP also aligns with the same trend, worth THB2.11b in the quarter, decreasing by 7.6% q-q but increasing by 13.8% y-y. For the q-q comparison, the expectation of rising losses on sales of repossessed cars, mainly from its subsidiary SCAP (72%), drives the group's projected operating expenses and the cost-to-income ratio in 1Q24 to 54.3%. The expected 1Q24 NII should post slight growth of 1.3% q-q, aligning with a continued loan expansion of 1.5% q-q and 52.6% y-y despite SCAP's aggressive debt write-offs. The expected 1Q24 spread should drop by 44bp to 14.70% owing to the continued drop in loan yields amid the rising cost of funds. We also anticipate continued solid fee income, particularly insurance brokerage fee income, which should increase slightly by 0.3% q-q (but decrease by 11.3% y-y) following SAWAD's renewed focus on this business in 2024.

Accelerated NPLs and high credit costs

SAWAD has taken proactive measures to address the aggressive debt write-offs in 1Q24. The company disclosed that most of these write-offs concentrated on SCAP's vulnerable segment, where its LTV exceeds 70%. However, the expected NPL ratio accelerated to 3.18%, which aligns with management's 2024 guidance of below 3.50%. By contrast, the expected credit costs declined to 205bp, exceeding its 2024 guidance of 180bp, resulting in the predicted coverage ratio dropping to 51.8%. However, SAWAD reaffirms that the expected credit costs should sharply decline in 2Q24 and normalize in 2H24.

Maintain forecast; tilting toward profit growth in 2H24

Since most of our 1Q24 earnings preview aligns with our conservative full-year forecast, we maintain our 2024-26E earnings growth at a 12.1% CAGR. The crucial drivers comprise the expected loan growth, particularly title loans at 17.5% p.a., and a continued spread recovery in 2025-26, which could help offset the expected high cost-to-income ratio and credit cost level following our conservative approach.

Retain HOLD recommendation

We maintain our HOLD recommendation. Our 2024 GGM-based valuation for SAWAD suggests a TP of THB40, which implies a P/BV of 1.72x under the expected LT ROE of 18.1% and COE of 12.6%, which still leaves a limited potential upside at the current share price. We prefer TIDLOR (BUY; TP THB27) to SAWAD because of its superior earnings growth potential and more solid asset quality.

Exhibit 1: 2024E – FSSIA estimates vs management guidance

	2023	SAWAD 2024E	FSSIA 2024E
Loan growth	75.9%	20-30%	17.7%
NPL ratio	3.09%	<3.50%	3.10%
Credit costs	2.32%	1.80-2.00%	2.60%
Cost of funds	4.18%	4.48-4.58%	4.25%
Cost-to-income ratio	49.7%	maintain	55.0%

Sources: SAWAD; FSSIA estimates

Exhibit 2: SAWAD – 1Q24 earnings preview

FY ending Dec 31	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	3,108	3,444	4,647	4,546	4,610	1.4	48.3	21	15,744	22,430	42.5
Interest expense	(344)	(482)	(690)	(749)	(765)	2.1	122.1	23	(2,266)	(3,374)	48.9
Net interest income	2,763	2,961	3,956	3,797	3,845	1.3	39.1	20	13,478	19,056	41.4
Other income	868	956	605	767	770	0.3	(11.3)	30	3,197	2,600	(18.7)
Total income	3,632	3,917	4,562	4,564	4,615	1.1	27.1	21	16,674	21,656	29.9
Operating expenses	(1,778)	(1,776)	(2,447)	(2,281)	(2,505)	9.8	40.9	21	(8,282)	(11,911)	43.8
Pre-provision operating profit	1,853	2,140	2,115	2,283	2,110	(7.6)	13.8	22	8,392	9,745	16.1
Expected credit loss	(208)	(575)	(316)	(664)	(500)	(24.8)	140.8	18	(1,763)	(2,744)	55.7
Profit after ECL	1,646	1,565	1,800	1,619	1,610	(0.5)	(2.2)	23	6,629	7,001	5.6
Operating profit	1,646	1,565	1,800	1,619	1,610	(0.5)	(2.2)	23	6,629	7,001	5.6
Income tax	(325)	(342)	(375)	(333)	(332)	(0.3)	2.1	22	(1,375)	(1,505)	9.5
NCI	(120)	(76)	(37)	(19)	(16)	(17.2)	(86.7)	32	(253)	(51)	(80.0)
Net profit	1,200	1,146	1,387	1,267	1,262	(0.3)	5.2	23	5,001	5,445	8.9
EPS (THB)	0.87	0.83	1.01	0.92	0.84	(9.4)	(4.4)	23	3.64	3.60	(1.0)
NPL	1,606	2,303	2,527	2,998	3,130	4.4	94.9		2,998	3,538	18.0
Loans	64,475	86,983	92,429	96,981	98,390	1.5	52.6		96,981	114,130	17.7
Interest bearing debt	44,441	69,155	76,686	75,983	75,671	(0.4)	70.3		75,983	86,884	14.3
Key ratios	1Q23	2Q23	3Q23	4Q23	1Q24E				2023	2024E	
	(%)	(%)	(%)	(%)	(%)				(%)	(%)	
Yield on loans	20.78	18.19	20.72	19.20	18.88				20.70	21.25	
Cost of funds	3.53	3.49	3.90	4.06	4.17				4.18	4.25	
Spread	17.25	14.70	16.82	15.14	14.70				16.52	17.00	
Cost to income	49.19	45.46	53.63	49.97	54.28				49.75	55.00	
Credit cost	1.39	3.04	1.41	2.81	2.05				2.32	2.60	
NPL / Loan	2.49	2.65	2.73	3.09	3.18				3.09	3.10	
LLR / Loan	1.18	1.36	1.37	1.66	1.65				1.66	0.00	
Coverage ratio	47.38	51.28	50.22	53.55	51.76				53.55	53.70	
D/E (x)	1.62	2.55	2.69	2.57	2.41				2.57	2.66	
IBD/E (x)	1.48	2.42	2.55	2.44	2.28				2.44	2.49	
S/T debt/IBD (x)	51.24	42.05	41.49	47.27	48.31				47.27	46.11	
ROA	6.47	5.08	5.23	4.56	4.49				5.53	4.56	
ROE	18.28	17.49	21.14	18.38	17.52				18.58	18.37	
Loan growth q-q	16.9	34.9	6.3	4.9	1.5						
Loan growth y-y	79.8	113.5	93.5	75.9	52.6				75.9	17.7	
Loan growth YTD	16.9	57.7	67.6	75.9	1.5						

Sources: SAWAD; FSSIA estimates

Exhibit 3: SAWAD – staged loans and ECL

	2020	2021	2022	2023	2020	2021	2022	2023
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)
Loans and accrued interest					% Staged loans to total			
Stage 1	26,914	29,562	50,271	50,271	68.2%	87.7%	91.0%	91.0%
Stage 2	11,064	2,879	3,614	3,614	28.0%	8.5%	6.5%	6.5%
Stage 3	1,480	1,249	1,385	1,385	3.8%	3.7%	2.5%	2.5%
Total	39,459	33,689	55,270	55,270	100.0%	100.0%	100.0%	100.0%
Expected credit loss (ECL)					% ECL to staged loans			
Stage 1	249	73	171	171	0.9%	0.2%	0.3%	0.3%
Stage 2	785	369	238	238	7.1%	12.8%	6.6%	6.6%
Stage 3	154	166	247	247	10.4%	13.3%	17.9%	17.9%
Total	1,188	609	656	656	3.0%	1.8%	1.2%	1.2%
LLR / Loans	(%)	(%)	(%)	(%)				
Stage 1	0.9	0.2	0.3	0.3				
Stage 2	7.1	12.8	6.6	6.6				
Stage 3	10.4	13.3	17.9	17.9				
Total	3.0	1.8	1.2	1.2				
NPL / TL	3.75%	3.71%	2.51%	2.64%				
NPL vs Stage 2 loans / TL	31.79%	12.25%	9.05%	9.21%				
LLR / NPL	80.25%	48.76%	47.37%	47.37%				
LLR / (NPL vs Stage 2 loans)	9.47%	14.75%	13.12%	13.12%				

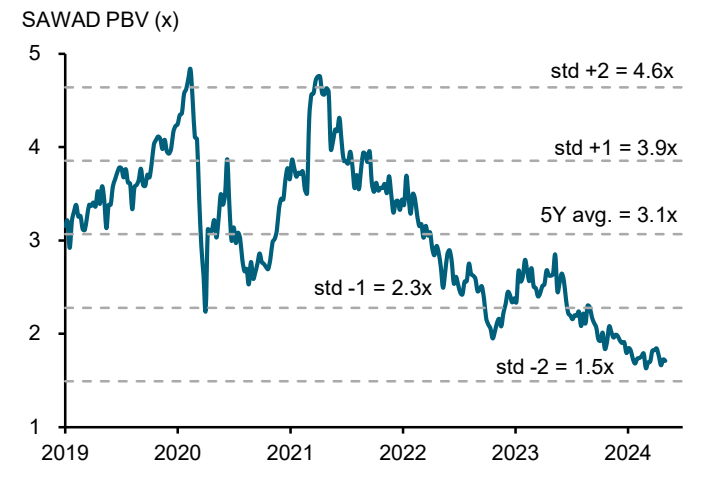
Sources: SAWAD; FSSIA's compilation

Exhibit 4: GGM-based 2024 TP

Gordon Growth Model	2024E
Sustainable ROE	18.1%
g	5.0%
ROE-g	13.1%
Beta	1.60
Risk free rate	3.0%
Risk premium	6.0%
COE	12.6%
COE-g	7.6%
ROE-g/COE-g (x)	1.72
BVS (THB)	23.06
Fair value (THB)	40.0

Source: FSSIA estimates

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



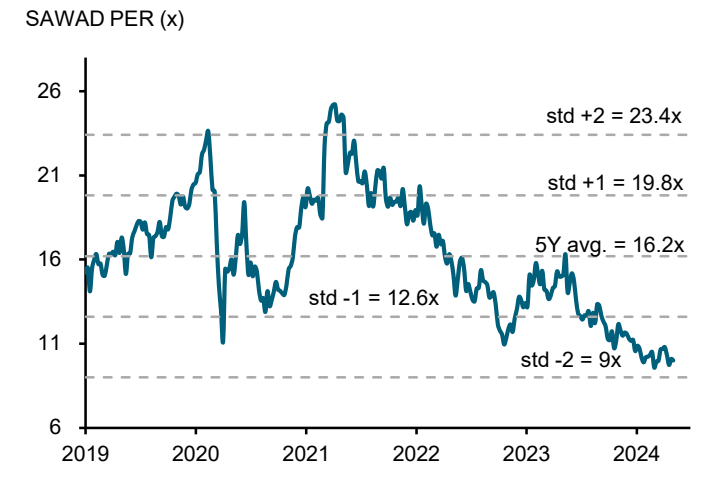
Sources: Bloomberg; FSSIA estimates

Exhibit 5: 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
ASK TB	(2.9)	(17.4)	(17.0)	(41.2)	(16.6)
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)
SETFIN	(2.6)	(2.8)	(6.7)	(20.0)	(4.4)
SET	(0.4)	(1.9)	(3.3)	(10.7)	(3.2)

Source: Bloomberg

Exhibit 7: SAWAD – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: 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	1.1	1.1
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
Asia Sermkij Leasing	ASK TB	HOLD	16.60	18.00	8	10.0	8.6	0.8	0.8	8.1	9.1	6.0	5.8
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
Average						13.2	11.6	1.6	1.5	13.0	13.4	3.1	3.2

Sources: Bloomberg; FSSIA estimates

Financial Statements

Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	8,780	15,744	22,430	26,444	31,311
Interest expense	(862)	(2,266)	(3,374)	(3,904)	(4,507)
Net interest income	7,918	13,478	19,056	22,540	26,803
Net fees & commission	1,215	3,171	2,600	2,808	3,033
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	2,312	26	0	0	0
Non interest income	3,527	3,197	2,600	2,808	3,033
Total income	11,445	16,674	21,656	25,348	29,836
Staff costs	(5,442)	(8,282)	(11,911)	(13,942)	(16,410)
Other operating costs	-	-	-	-	-
Operating costs	(5,442)	(8,282)	(11,911)	(13,942)	(16,410)
Pre provision operating profit	6,002	8,392	9,745	11,407	13,426
Expected credit loss	(78)	(1,763)	(2,744)	(3,474)	(4,372)
Other provisions	-	-	-	-	-
Operating profit	5,924	6,629	7,001	7,933	9,054
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	5,924	6,629	7,001	7,933	9,054
Tax	(1,097)	(1,375)	(1,505)	(1,706)	(1,947)
Profit after tax	4,827	5,254	5,495	6,227	7,107
Non-controlling interest	(351)	(253)	(51)	(59)	(65)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,476	5,001	5,445	6,169	7,042
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,476	5,001	5,445	6,169	7,042
Per share (THB)					
Recurring EPS *	3.26	3.64	3.600	4.08	4.66
Reported EPS	3.26	3.64	3.600	4.08	4.66
DPS	1.80	1.80	0.11	0.41	0.47
Growth					
Net interest income (%)	30.6	70.2	41.4	18.3	18.9
Non interest income (%)	5.4	(9.4)	(18.7)	8.0	8.0
Pre provision operating profit (%)	1.1	39.8	16.1	17.1	17.7
Operating profit (%)	(7.3)	11.9	5.6	13.3	14.1
Reported net profit (%)	(5.2)	11.7	8.9	13.3	14.2
Recurring EPS (%)	(5.2)	11.7	(1.0)	13.3	14.2
Reported EPS (%)	(5.2)	11.7	(1.0)	13.3	14.2
Income Breakdown					
Net interest income (%)	69.2	80.8	88.0	88.9	89.8
Net fees & commission (%)	10.6	19.0	12.0	11.1	10.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	20.2	0.2	-	-	-
Operating performance					
Gross interest yield (%)	19.77	20.70	21.25	21.31	21.48
Cost of funds (%)	3.26	4.18	4.25	4.26	4.26
Net interest spread (%)	16.51	16.52	17.00	17.05	17.22
Net interest margin (%)	17.8	17.7	18.1	18.2	18.4
Cost/income(%)	47.6	49.7	55.0	55.0	55.0
Cost/assets(%)	9.1	9.2	10.0	10.1	10.3
Effective tax rate (%)	18.5	20.7	21.5	21.5	21.5
Dividend payout on recurring profit (%)	55.2	3.1	10.0	10.0	10.0
ROE (%)	17.8	18.6	18.4	18.2	17.7
ROE - COE (%)	5.2	6.0	5.8	5.6	5.1
ROA (%)	8.1	5.8	4.6	4.5	4.5
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Financial Statements

Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	55,147	96,981	114,130	134,001	157,492
Allowance for expected credit loss	(748)	(1,830)	(2,899)	(4,126)	(4,855)
interest in suspense	664	845	1,010	1,176	1,371
Net customer loans	55,063	95,996	112,241	131,050	154,007
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	3,019	2,573	2,830	3,113	3,425
Cash & equivalents	2,823	3,962	3,518	3,791	3,729
Other interesting assets	-	-	-	-	-
Tangible fixed assets	598	764	841	925	1,017
Associates	-	-	-	-	-
Goodwill	1,372	1,416	1,444	1,473	1,502
Other intangible assets	961	1,209	1,209	1,209	1,209
Other assets	5,646	5,545	5,309	5,841	6,435
Total assets	69,482	111,465	127,392	147,401	171,324
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	36,467	75,983	86,884	99,704	115,467
Non interest bearing liabilities	4,011	4,285	5,676	6,647	7,706
Hybrid Capital	-	-	-	-	-
Total liabilities	40,477	80,268	92,560	106,351	123,173
Share capital	1,373	1,373	1,510	1,510	1,510
Reserves	24,289	26,804	29,590	35,142	41,481
Total equity	25,662	28,177	31,100	36,652	42,991
Non-controlling interest	3,342	3,020	3,732	4,398	5,159
Total liabilities & equity	69,482	111,465	127,392	147,401	171,324
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	44,408	76,064	105,555	124,065	145,746
Average interest bearing liabilities	26,421	54,261	79,398	91,639	105,808
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)	1,385	2,998	3,538	4,422	5,433
Per share (THB)					
Book value per share	18.69	20.52	20.59	24.27	28.46
Tangible book value per share	16.99	18.61	18.83	22.49	26.67
Growth					
Gross customer loans	63.8	75.9	17.7	17.4	17.5
Average interest earning assets	21.5	71.3	38.8	17.5	17.5
Total asset (%)	39.1	60.4	14.3	15.7	16.2
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	36.9	25.3	24.4	24.9	25.1
Tangible equity/assets (%)	33.6	22.9	22.3	23.0	23.5
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	10.9	116.4	18.0	25.0	22.9
NPL/gross loans (%)	2.5	3.1	3.1	3.3	3.4
Allowance for ECL/gross loans (%)	1.4	1.9	2.5	3.1	3.1
Allowance for ECL/NPL (%)	54.0	61.0	81.9	93.3	89.4
Valuation					
Recurring P/E (x) *	12.3	11.0	11.1	9.8	8.6
Recurring P/E @ target price (x) *	12.3	11.0	11.1	9.8	8.6
Reported P/E (x)	12.3	11.0	11.1	9.8	8.6
Dividend yield (%)	4.5	0.3	1.1	1.1	1.2
Price/book (x)	2.1	1.9	1.9	1.6	1.4
Price/tangible book (x)	2.4	2.1	2.1	1.8	1.5
Price/tangible book @ target price (x)	2.4	2.1	2.1	1.8	1.5

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Srisawad Corp PCL (SAWAD TB)

FSSIA ESG rating

46.52 /100
Exhibit 9: FSSIA ESG score implication

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

Sources: FSSIA estimates

Exhibit 10: ESG – peer comparison

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

Sources: SETTRADE.com; FSSIA's compilation
Exhibit 11: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	1.69	1.77	1.67	1.70	1.93	1.77	1.90	1.93
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BESG social pillar score	0.84	0.87	0.74	0.87	1.07	1.07	1.27	1.33
BESG governance pillar score	4.42	4.66	4.62	4.39	4.77	4.09	4.12	4.09
ESG disclosure score	23.59	28.37	28.51	29.45	29.45	29.45	38.34	40.04
Environmental disclosure score	0.00	0.00	0.42	0.42	0.42	0.42	16.79	17.12
Social disclosure score	11.22	11.22	11.22	11.67	11.67	11.67	21.98	21.74
Governance disclosure score	59.42	73.72	73.72	76.10	76.10	76.10	76.10	81.10
Environmental								
Emissions reduction initiatives	No	No	No	No	No	No	Yes	Yes
Climate change policy	No	No	No	No	No	No	No	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	Yes	Yes
GHG scope 1	--	--	--	--	--	--	--	--
GHG scope 2 location-based	--	--	--	--	--	--	--	--
GHG Scope 3	--	--	--	--	--	--	--	--
Carbon per unit of production	--	--	--	--	--	--	--	--
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	--	--	--	--	--	--	--	--
Renewable energy use	--	--	--	--	--	--	--	--
Electricity used	--	--	--	--	--	--	--	--
Fuel used - natural gas	--	--	--	--	--	--	--	--

Sources: Bloomberg; FSSIA's compilation

Exhibit 12: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	No	No	No	No	No	No	Yes	Yes
Hazardous waste	—	—	—	—	—	—	—	—
Total waste	—	—	—	—	—	—	—	—
Waste recycled	—	—	—	—	—	—	—	—
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	No	No	No	Yes	Yes
Water policy	No	No	No	No	No	No	Yes	Yes
Water consumption	—	—	—	—	—	—	—	—
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No	No	No	No	No
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	—	—	—	—	—	—	—	54
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	—	—	—
Total recordable incident rate - employees	—	—	—	—	—	—	10	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	4,085	5,590	6,137	7,016	8,907	7,580	6,808	9,745
Employee turnover pct	—	—	—	—	—	—	3	3
Total hours spent by firm - employee training	—	—	—	—	—	—	23,574	5,165
Social supply chain management	No	No	No	No	No	No	Yes	Yes
Governance								
Board size	12	12	12	12	12	13	13	13
No. of independent directors (ID)	4	4	5	5	5	5	5	5
No. of women on board	2	2	1	1	1	1	1	1
No. of non-executive directors on board	9	9	9	9	9	9	9	9
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	13	14	13	13	12	13	10	13
Board meeting attendance pct	—	—	—	88	88	88	98	92
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	—	—	—	—	—	—	—	43
Age of the oldest director	—	—	—	—	—	—	—	76
No. of executives / company managers	9	8	8	4	5	5	5	5
No. of female executives	2	2	1	1	2	2	2	2
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	5	5	5	5	4	4	5	6
Audit meeting attendance %	—	100	100	93	100	100	100	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	2	3	2	2	2	2	2	2
No. of compensation committee meetings	—	2	4	2	3	3	3	3
Compensation meeting attendance %	—	100	100	100	100	100	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	—	2	4	2	3	3	3	3
Nomination meeting attendance %	—	100	100	100	100	100	100	100
Sustainability governance								
Verification type	No	No	No	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																			
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																			
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																			
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																			
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																			
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																			
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																			
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</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> </tbody> </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

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

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Company	Ticker	Price	Rating	Valuation & Risks
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 include 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. Upside risks 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.
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.

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.