

ASIA SERMKIJ LEASING

ASK TB

THAILAND / FINANCE & SECURITIES

HOLD

UNCHANGED

1Q24 results at first glance

TARGET PRICE	THB18.00
CLOSE	THB16.00
UP/DOWNSIDE	+12.5%
TP vs CONSENSUS	-2.4%

Weak 1Q24 results with deteriorating asset quality

ASK posted a 1Q24 net profit of THB174m, marking a 7.7% q-q recovery following lower ECL expenses, but remained relatively weak with a 56.8% y-y decline on accelerating ECLs. The figure accounted for 20% of our 2024E net profit and finished in line with our estimate and the BBG consensus. The 1Q24 PPOP was THB772m (down 6.4% q-q, 5.6% y-y) because of slowing loan growth and a narrowing interest spread. Overall operations continued to show pressure from an asset quality standpoint with a rising NPL ratio, declining coverage ratio, and growing stage 2 loans, which reaffirms our theme of a challenging year for hire purchase (HP) truck players in 2024.

With 1Q24 results aligning with our expectation, we are confident in our 2024-26 estimates with 2024E net profit to mark a trough, bearing a high level of credit costs before recovering at an average rate of 14.1% p.a. during 2025-26. We reiterate our HOLD call with our GGM-based 2024 TP of THB18.0, implying a P/BV ratio of 0.88x (LT ROE 8.6%, COE 9.3%). We anticipate ASK to continue delivering a 2024-26 dividend yield within an attractive range of 6.0-6.7% p.a.

Highlights

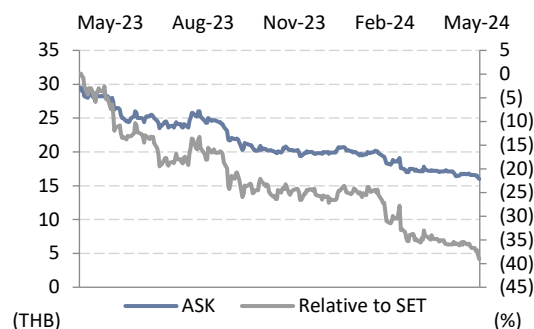
(-) **Net interest income** was THB923m, showing a decline of 2.5% q-q but flat y-y. The q-q dip was due to 1) muted loan growth of 0.7% q-q and 8.3% y-y, as management mentioned a decline in the new loan booking volume; 2) a lower loan yield of 7.82% in 1Q24 from 7.93% in 4Q23 due to seasonal effect; and 3) a rising cost of funds from 3.36% to 3.42% over the same period. The interest spread inevitably shrank by 18 bps q-q.

(-) **Non-NII finished as anticipated**, increasing by 2.0% q-q but declining by 11.3% y-y to THB189m. The new loan bookings largely supported the movement as ASK adopted a stricter lending policy to save its asset quality – a drop in loan fees and insurance brokerage income followed. The cost-to-income ratio finished at 30.6% from 27.1% in 4Q23, aligning with its soft PPOP performance.

(-) **Asset quality continued to deteriorate as expected:** The 1Q24 NPL ratio climbed to 5.17% from 4.71% in 4Q23, particularly from the HP receivable segment (91%), while title loans (9%) were relatively stable. The rising NPL ratio led to downward pressure on the coverage ratio, which finished lower at 61% in 1Q24 from 62% at the end of 2023. ASK continued to bear high credit costs of 2.94%, though they declined from 3.32% in 4Q23 (including cTHB100m of management overlay). In addition, stage 2 loans continued to rise from 8.7% in 4Q23 to 9.6% in 1Q24, leading to concerns about potentially rising NPLs from the vintage loans granted during 2021-22 despite its prudent new loan quality in 2023.

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 (%)	-	16.9	4.9	(6.1)
Recurring net profit	1,219	875	1,014	1,139
Core EPS (THB)	2.31	1.66	1.92	2.16
EPS growth (%)	(19.4)	(28.2)	15.9	12.3
Core P/E (x)	6.9	9.7	8.3	7.4
Dividend yield (%)	7.3	6.2	6.0	6.7
Price/book (x)	0.8	0.8	0.7	0.7
ROE (%)	11.7	8.1	9.1	9.7
ROA (%)	1.7	1.1	1.2	1.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.5)	(19.2)	(46.7)
Relative to country (%)	(5.1)	(18.2)	(39.0)
Mkt cap (USD m)	230		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	40		
Major shareholder	Chailease Holding Co Ltd (48%)		
12m high/low (THB)	30.75/16.00		
Issued shares (m)	528		

Sources: Bloomberg consensus; FSSIA estimates



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Exhibit 1: ASK – 1Q24 operations summary

	1Q23	2Q23	3Q23	4Q23	1Q24	----- 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	(0.7)	10.6	24	5,658	6,127	8.3
Interest expense	408	459	504	538	552	2.5	35.2	23	1,910	2,375	24.4
Net interest income	925	944	932	947	923	(2.5)	(0.3)	25	3,748	3,752	0.1
Non-interest income	213	233	210	185	189	2.0	(11.3)	21	841	884	5.1
Operating income	1,138	1,178	1,142	1,132	1,112	(1.8)	(2.3)	24	4,589	4,636	1.0
Operating expenses	320	337	318	307	340	10.8	6.1	25	1,281	1,343	4.8
Pre-provisioning operating profit	818	841	824	825	772	(6.4)	(5.6)	23	3,308	3,293	(0.4)
Expected credit loss	313	419	426	621	554	(10.8)	76.9	25	1,779	2,200	23.6
Income tax	102	84	81	43	44	2.7	(56.8)	20	310	219	(29.5)
Net profit	403	337	318	161	174	7.7	(56.8)	20	1,219	875	(28.2)
EPS (THB)	0.76	0.64	0.60	0.31	0.33	7.7	(56.8)	20	2.31	1.66	(28.2)
Key balance sheet items											
Gross loans	69,919	72,929	74,567	75,182	75,736	0.7	8.3		75,182	79,255	5.4
Interest bearing debt	58,023	62,209	64,104	64,190	64,973	1.2	12.0		64,190	68,523	6.8
Leverage ratios	(x)	(x)	(x)	(x)	(x)				(x)	(x)	
D/E	5.7	6.3	6.3	6.3	6.2				6.3	6.5	
IBD/E	5.5	6.1	6.1	6.0	6.0				6.0	6.3	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)		(%)	(%)	
Gross NPL (THB m)	2,610	2,916	3,089	3,539	3,918	10.7	50.1		3,539	4,132	16.8
NPL / TL	3.73	4.00	4.14	4.71	5.17				4.71	5.21	
LLR	1,753	1,879	1,956	2,205	2,380	7.9	35.8		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	2.94				2.49	2.85	
Profitability ratios	(%)	(%)	(%)	(%)	(%)				(%)	(%)	
Cost-to-income ratio	28.13	28.63	27.81	27.09	30.55				27.92	28.96	
Average loan yield	7.76	7.86	7.79	7.93	7.82				7.93	7.94	
Cost of funds	2.86	3.05	3.19	3.36	3.42				3.17	3.58	
Loan yield spreads	4.90	4.80	4.60	4.58	4.40				4.76	4.36	
Net interest margins (NIM)	5.46	5.37	5.14	5.15	5.00				5.34	4.96	
Non-NII / Revenue	18.70	19.82	18.37	16.36	16.99				18.33	19.06	
Loan growth	(%)	(%)	(%)	(%)	(%)						
q-q	3.4	4.3	2.2	0.8	0.7						
y-y	17.7	16.5	14.3	11.2	8.3				11.3	5.4	
YTD	3.4	7.9	10.3	11.2	0.7						

Sources: ASK; FSSIA estimates

Exhibit 2: GGM-based 2024 TP

	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
Target PBV (x)	0.88
Fair price (THB)	18.0

Source: FSSIA estimates

Exhibit 3: Share price performance of non-banks under coverage, as of 10 May 2024

	----- Price performance -----				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
TIDLOR TB	4.2	(3.1)	5.7	(12.6)	(0.9)
MTC TB	9.1	7.3	15.0	23.1	6.7
SAWAD TB	2.6	4.5	(6.5)	(30.5)	3.9
AEONTS TB	(1.5)	6.6	7.3	(19.4)	1.3
KTC TB	(5.4)	(0.6)	(5.9)	(22.0)	0.0
SAK TB	6.7	19.9	29.3	(16.7)	26.2
ASK TB	(6.4)	(17.5)	(19.6)	(47.1)	(19.6)
JMT TB	(18.3)	(24.5)	(22.0)	(56.0)	(26.3)
BAM TB	(7.6)	8.9	13.0	(24.4)	12.3
CHAYO TB	(18.9)	(25.7)	(24.2)	(49.1)	(27.7)
SETFIN	(1.9)	(2.6)	(1.9)	(24.4)	(3.2)
SET	(1.8)	(1.4)	(1.1)	(12.1)	(3.1)

Source: Bloomberg

Exhibit 4: ASK – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 5: ASK – one-year prospective PER band



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
Per share (THB)					
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
Growth					
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
Income Breakdown					
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
Operating performance					
Gross interest yield (%)	8.00	8.06	8.11	8.12	8.13
Cost of funds (%)	2.65	3.17	3.58	3.66	3.71
Net interest spread (%)	5.35	4.89	4.53	4.46	4.42
Net interest margin (%)	5.8	5.3	5.0	4.9	4.9
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
Net customer loans	65,844	73,052	76,924	83,071	89,708
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
Total assets	69,149	77,529	82,134	88,195	94,302
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	-	-	-	-	-
Total liabilities	58,894	66,870	71,213	76,784	82,260
Share capital	2,639	2,639	2,639	2,639	2,639
Reserves	7,615	8,019	8,282	8,771	9,403
Total equity	10,255	10,659	10,921	11,410	12,042
Non-controlling interest	0	0	0	0	0
Total liabilities & equity	69,149	77,529	82,134	88,195	94,302
Supplementary items					
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
Per share (THB)					
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
Growth					
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 (%)	-	-	-	-	-
Leverage & capital measures					
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 (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
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
Valuation					
Recurring P/E (x) *	5.6	6.9	9.7	8.3	7.4
Recurring P/E @ target price (x) *	6.3	7.8	10.9	9.4	8.3
Reported P/E (x)	5.6	6.9	9.7	8.3	7.4
Dividend yield (%)	7.1	7.3	6.2	6.0	6.7
Price/book (x)	0.8	0.8	0.8	0.7	0.7
Price/tangible book (x)	0.8	0.8	0.8	0.7	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

Asia Sermkij Leasing PCL (ASK TB)

FSSIA ESG rating

25.25 /100
Exhibit 6: FSSIA ESG score implication

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

Source: FSSIA estimates

Exhibit 7: 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
ASK	25.25	--	--	--	4.00	5.00	Certified	Medium	--	--	--	--	--	--	--
MTC	68.21	--	Y	Y	5.00	5.00	Certified	Low	42.19	AA	--	58.09	42.00	3.31	--
SAK	45.28	--	Y	Y	4.00	4.00	Certified	High	40.10	--	--	43.87	--	2.02	36.23
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	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation
Exhibit 8: ESG disclosure from the company's one report

FY ending Dec 31	FY 2022	FY ending Dec 31	FY 2022
Environmental		Governance	
Climate change policy	Yes	Board size / Independent directors (ID) / Female	12 / 5 / 2
Climate change opportunities discussed	--	No. of board meetings for the year / % attendance	7 / 90.48%
GHG scope 2 location-based policy	Yes	Company conducts board evaluations	Yes
Biodiversity policy	--	Number of non-executive directors on board	11
Energy efficiency policy	Yes	Director share ownership guidelines	No
Electricity used	Yes	Board age limit	No
Fuel used - crude oil/diesel	--	Age of the youngest / oldest director	50 / 75
Waste reduction policy	Yes	Number of executives / female	7 / 0
Water policy	Yes	Executive share ownership guidelines	No
Water consumption	3,557	Size of audit committee / ID	4 / 4
Social		Audit committee meetings	4
Human rights policy	Yes	Audit committee meeting attendance (%)	100
Policy against child labor	--	Size of compensation committee	-- / --
Quality assurance and recall policy	Yes	Number of compensation committee meetings	--
Consumer data protection policy	Yes	Compensation committee meeting attendance (%)	--
Equal opportunity policy	Yes	Size of nomination committee / ID	-- / --
Gender pay gap breakout	--	Number of nomination committee meetings	--
Pct women in workforce	53.64	Nomination committee meeting attendance (%)	--
Business ethics policy	Yes	Board compensation (THB m)	7.02
Anti-bribery ethics policy	Yes	Auditor fee (THB m)	4.40
Health and safety policy	Yes	(EY OFFICE LIMITED)	
Lost time incident rate - employees	--		
Training policy	Yes		
Fair remuneration policy	Yes		
Number of employees - CSR	--		
Total hours spent by firm - employee training	--		
Social supply chain management	--		

Source: FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																												
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (50-59), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" 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>AAA</td> <td>8.571-10.000</td> <td>Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

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Company	Ticker	Price	Rating	Valuation & Risks
Asia Sermkij Leasing PCL	ASK TB	THB 16.00	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.
Muangthai Capital	MTC TB	THB 48.00	BUY	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.
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.
Srisawad Corp	SAWAD TB	THB 38.25	HOLD	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks include 1) a faster-than-expected decline in losses on sales of repossessed cars for SCAP; and 2) an interest rate downtrend could push its interest spread.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 162.00	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Krungthai Card	KTC TB	THB 43.50	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.
JMT Network Services	JMT TB	THB 18.80	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 9.15	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 3.94	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 5.25	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 10-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.